



Community Financial Report

OVERVIEW

This report simplifies the detailed financial information that Council is required to prepare under legislation and provides a summary of Council financial performance for the 2019/20 financial year.

The period ended 30 June 2020 represents another positive financial result for Council and provides a firm foundation for future operations. Ongoing innovation and a commitment to strong financial management through compliance with our Financial Sustainability policy will ensure that this position is maintained into the future.

Highlights and achievements

Council has achieved another positive financial result this year. The following outcomes were achieved during the year:

1. An operating surplus of \$0.64 million was still achieved even after accommodating the financial impacts of the COVID-19 pandemic.
2. The key COVID-19 financial impacts for Council included lost revenues from the closure of community facilities between March and June, reductions in waste collection charges, the provision of business and community financial support packages as well as increased personal protection measures for the community and staff.
3. A net financial result of \$10.98 million when adding Council's share of Unitywater's annual profit, capital revenue and capital income to Council's operating profit.
4. A decrease in debt levels supported by stable cash balances.



Background

Council's annual financial statements are prepared to comply with Australian Accounting Standards and contain specific information regarding financial performance.

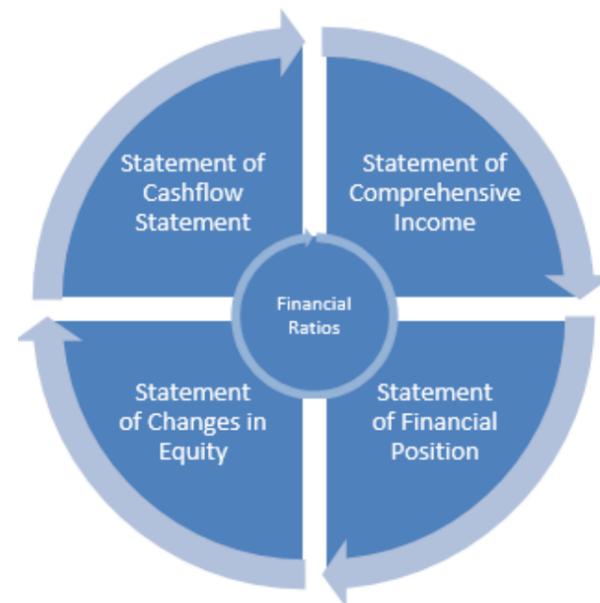
Financial statements include:

- a Statement of Comprehensive Income (i.e. Profit and Loss),
- a Statement of Financial Position (i.e. Balance Sheet),
- a Statement of Changes in Equity, and
- a Statement of Cash Flows.

Collectively, these financial statements provide a formal picture of the financial strength of an organisation.

The Community Financial Report (CFR) consists of five key reporting elements, each of which has a specific purpose for the measurement and presentation of Council's finances. The linkages between the five key elements are shown in Figure 1.

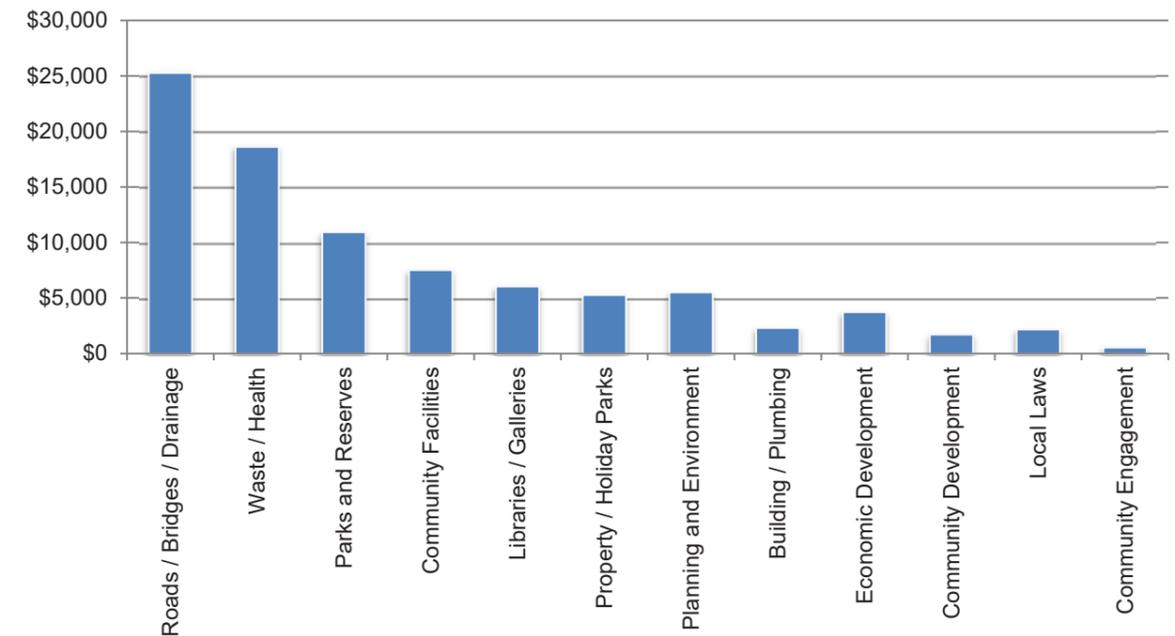
Figure 1 – Financial Reporting Elements



Where was the budget spent?

Council spends significant amounts of ratepayer funds providing a range of services to the Noosa community. A summary of the cost of the services for our major service areas is provided in Figure 2. Spending on these services (including roads, bridges, parks, community facilities and waste management) makes up a significant component of Council's annual budget.

Figure 2 – Operating Cost of Core Council Services 2019/20 (\$'000)



Statement of Comprehensive income

This statement (also known as the profit and loss) measures how Council performed financially in relation to funding its operations during the financial year. In simple terms, it summarises how much money was received by Council and how much was spent in a particular year. Figure 3 summarises Council's 2019/20 financial performance.

The 2019/20 net result of \$10.98 million includes non-operational items such as revenue received specifically to fund capital expenditure (including grants and subsidies and developer contributions), Council's share of Unitywater's annual profit and movements in investment property valuations.

Figure 3 – Council Net Result Financial Performance 2019/20 (\$'000)

	2018/19 (\$'000)	2019/20 (\$'000)
Revenue	112,575	111,738
Expenses	95,090	100,750
Net Result	17,485	10,988

The removal of \$10.34 million of non-operational items shows Council's actual operating surplus to be \$0.64 million

Operating revenue – where the money came from

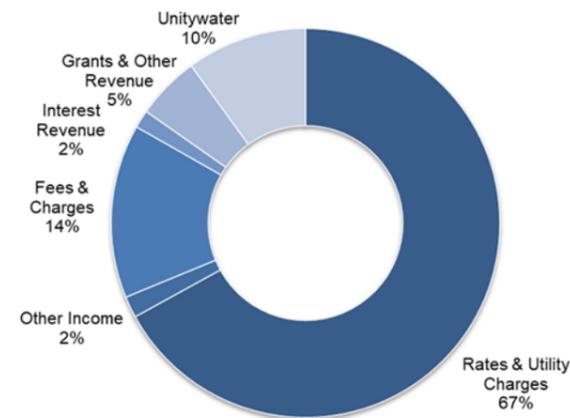
Throughout the financial year, Council received a total of \$97.2 million in operating revenues (rates, fees, operating grants), \$8.4 million in capital revenues (developer contributions, capital grants) and \$6.1 million recorded as revenue from Council's share of investment in Unitywater.

Figure 4 outlines the sources of Council's \$97.2 million in operating revenue received in 2019/20.

Key Council revenue sources include:

- Rates and utility charges comprising general rates, charges for waste collection and disposal, special rates such as the tourism and economic levy as well as other separate rates and special charges.
- Fees and charges include a range of regulatory fees and charges as well as revenue from commercial operations such as holiday parks and waste management.
- Interest revenue includes the return from the investment of available cash.
- Revenue from other income includes tax payments from Council's shareholding in Unitywater

Figure 4 – Operating Revenue Sources 2019/20



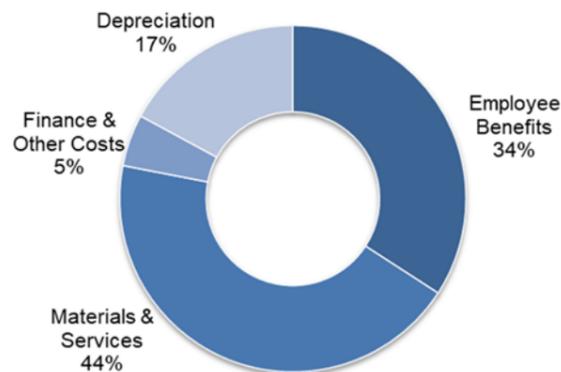
The above breakdown in operating revenue confirms that Council continues to have significant control over the majority of its income sources, and as a result is not reliant on other levels of government or external agencies to maintain its financial independence.

Operating expenditure – where the money goes

Council expended a total of \$96.6 million in undertaking operating activities during the financial year.

Figure 5 presents a breakdown by expenditure type for operating expenditure incurred during 2019/20.

Figure 5 – Operating Expenses by Function 2019/20



Key Council expenditure sources include:

- Employee benefits - includes staff wages, superannuation, fees paid to Councillors and other employment costs.
- Depreciation expenditure – records the consumption of community infrastructure assets over their respective useful lives and provides an indication of the level of required expenditure on the rehabilitation and renewal of existing assets annually. The revaluation of infrastructure assets during the year has also impacted the annual depreciation charge.
- Materials and services – include information communication technology, consultancy services, contractor services, electricity, external hire, rentals, repairs and maintenance, and advertising and donations.
- Finance and other costs – include interest paid on loan borrowings, fees associated with the early repayment of borrowings and movement in the provision for future landfill rehabilitation costs.

Statement of Financial Position

The Statement of Financial Position (or balance sheet) measures what Council owns (i.e. its assets), and what we owe (i.e. liabilities) to determine the total community equity (net worth) at the end of each financial year. Overall, Council's investment in community capital continues to grow steadily.

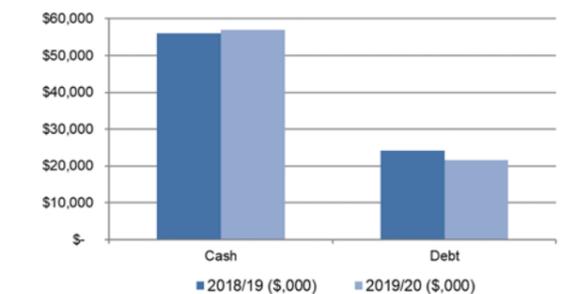
Figure 6 summarises the movement in Council's assets and liabilities that comprise community equity.

Figure 6 – Comparative Statement of Financial Position 2019/20 (\$'000)

	2018/19 (\$'000)	2019/20 (\$'000)
Assets	1,095,611	1,146,785
Liabilities	53,035	56,987
Community Equity	1,042,576	1,089,798

Figure 7 shows Council's cash and debt holdings as at 30 June 2020 compared to the previous year. Cash levels have increased despite the impacts of the COVID-19 pandemic and Council's delivery of a large capital program. Debt levels decreased as Council continues to minimise its debt position. Overall, our net cash position (i.e. cash less debt) still actually increased by \$3.7 million during the year.

Figure 7 – Cash and Debt Comparison 2018/19 (\$'000)



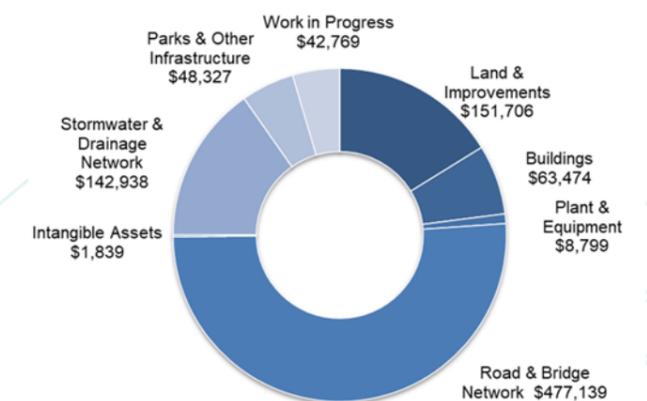
Assets – what we own

Current assets are represented by cash, investments, inventories and receivables (money owed to Council). Council's current assets as at 30 June 2020 equated to \$69.0 million.

Non-current assets of over \$1 billion includes property, plant and equipment totalling \$929 million, as well as the value of Council's investment in Unitywater. Property, Plant and Equipment represents community infrastructure which includes roads, bridges, stormwater, buildings, land and other operational assets owned and controlled by Council.

The main non-current asset categories and their respective values are shown in the Figure 8.

Figure 8 – Non-Current Assets and Community Infrastructure 2019/20 (\$'000)



Liabilities – what we owe

Money owed by Council is presented as both current and non-current liabilities in the statement of financial position. Current liabilities are those amounts that are payable by Council within the next twelve months, and non-current liabilities are payable beyond the twelve month horizon.

The most significant element is loans raised by Council to fund the investment in community infrastructure. Council's total loan borrowings continued to reduce in 2019/20 as no new loans were drawn down and the standard annual loan repayment schedule was met

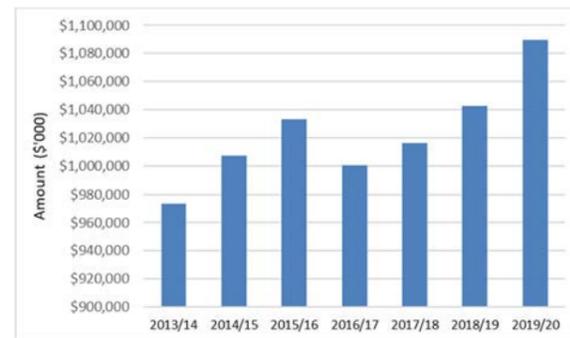
Statement of Changes in Equity.

The Statement of Changes in Equity illustrates how the net worth of Council has changed as a result of activities undertaken during the period. Council's total community equity as at 30 June 2020 is \$1.0 billion.

Community equity is equal to total assets (what we own) less total liabilities (what we owe) and represents Council's net investment in assets.

Figure 9 shows the movement in Community Equity since the De-Amalgamation of Council in 2014.

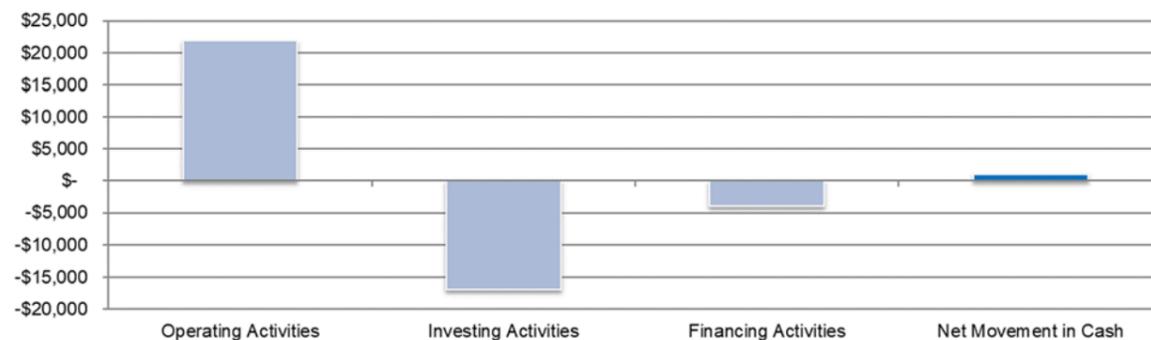
Figure 9 - Community Equity movement



Statement of Cash Flows

The Statement of Cash Flows shows where Council has generated cash and where these funds have been expended. The detailed schedule in the financial statements is summarised in Figure 10 (columns above the line represent cash flowing into the organisation, and columns below the line represent cash payments made).

Figure 10 –Net Cash Flow Sources 2019/20 (\$'000)



Key elements to Council's annual cash flow include:

- **Operating activities** depicts the net of income received from rates, interest, grants, etc. and payments made to suppliers and employees.
- **Investing activities** relate to the acquisition and sale/disposal of long-term assets, generally in the form of roads, bridges, plant and equipment, etc. A negative outcome here represents a net investment in community infrastructure during the reporting period.
- **Financing activities** shows the receipt and repayment of Council borrowings. A negative outcome here represents that Council has repaid more loans compared to new borrowings raised.
- **Net movement in cash** represents the total physical movement of cash, with any accounting adjustments and accruals removed. The net positive movement in cash for the year of \$1.0 million represents a net increase in cash on hand, with all significant outlays fully funded within the period.

Financial ratios

Ratios are useful tools for getting a snapshot of the financial status and trends of an organisation. Ratios can also be useful in comparing Noosa Council to other Councils to gain an understanding of relative financial strength. This analysis is undertaken periodically by the Queensland Treasury Corporation (QTC) in assessing the financial sustainability of Council.

A number of sustainability ratios are mandated under the *Local Government Regulation 2012*, including target ranges for each measure. Details of these ratios are shown in Figure 11, including actual results for the current reporting period plus projections over the next 9 years.

Figure 11 – Financial Ratios 2019/20 (Actual) to 2028/29 (Forecast)

Period Ended 30 June	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sustainability Ratios										
Operating Surplus Ratio										
Operating Position	6.5%	(2.3)%	(0.6)%	0.0%	0.2%	0.3%	0.2%	0.2%	0.1%	0.2%
Local Govt Act upper indicator	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Net Financial Liabilities Ratio										
Net Financial Liabilities Ratio	(11.6)%	(6.3)%	(7.5)%	(6.5)%	(5.6)%	(9.4)%	(13.1)%	(14.8)%	(17.3)%	(19.9)%
Local Govt Act upper indicator	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Asset Sustainability Ratio										
Asset Sustainability Ratio	121.7%	100.2%	106.9%	122.9%	121.4%	93.2%	92.1%	99.8%	96.0%	93.9%
Local Govt Act minimum indicator	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Colour Scale:										
	Within range	Moderate	Outside range							

Operating surplus ratio

Council's should be aiming to achieve as a minimum a balanced operating position to ensure that revenues received are sufficient to fund operations and capital replacement works. A surplus will be represented by a positive result.

The 2019/20 operating surplus ratio of 6.5% is a reflection of consistent revenue growth along with good management of our expenditure, partial prepayment of the 2019/20 financial assistance grant early in June 2020, revaluation of non-current asset impacts on depreciation expense as well as some unspent levy funds that are required to be held for future use. The forecast shows Council's ongoing commitment to strong financial management.

Operating Surplus / (Deficit)

Total Operating Revenue

Net financial liabilities ratio

The target range is less than 60%. A negative percentage indicates that current assets exceed total liabilities and is considered a very strong position.

The strong position of (11.6%) at 30 June 2020 indicates that Council has the capacity to service higher levels of debt if needed.

Net Financial Liabilities
(Total liabilities less current assets)

Total Operating Revenue

Asset sustainability ratio

This is a measure of whether Council is reinvesting in existing assets to ensure that they meet required levels of service for the community.

Annual Asset Renewal and Rehabilitation Expenditure

Annual Depreciation Charge

During 2019/20 Council achieved a ratio of 121.7%. This ratio is reflective of the efficient delivery of the capital program during the year, including an investment of \$18 million in the replacement of infrastructure such as roads, bridges and buildings. This result reflects Council's continued investment in infrastructure replacement and adherence to sound asset management principles to maintain levels of service to the community.