Financial Strategy and Long Term Financial Forecast

2023-2032

Mackay REGIONAL COUNCIL

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Document Version Control

Version	Date	Change Description
4.1	June 2021	Update file to reflect 21/22 forecast in preparation for Council adoption.
4.2	June 2022	Update file to reflect 22/23 forecast in preparation for Council adoption.

1. Executive Summary and Overview

1.1 Executive Summary

1.1.1 The Financial Strategy and Long-Term Financial Forecast

The Financial Strategy (Strategy) is Council's long-term financial plan that is derived from a series of policies, plans, risk responses and associated financial stability and sustainability targets to measure performance. The Strategy establishes the financial framework under which sound and sustainable financial decisions are made and is reviewed annually with the inclusion of a Long-Term Financial Forecast (LTFF) in accordance with section 171 of the *Local Government Regulation 2012* (Regulation).

The Strategy's main component is the Long-Term Financial Forecast (LTFF). The LTFF is Council's ten year financial forecast which comprises of the long term financial model and includes income, expenditure, cash flow projections, assets, liabilities and community equity. Council refers to this model when considering long-term financial decisions, examples being new borrowings, long-term operational projections and future capital expenditure forecasts. The LTFF is continually revised and amended following formal budget reviews, government announcements that impact on Council, changes in operating procedures and in conjunction with the annual budget development process.

Council's Financial Strategy and Long-Term Financial Forecast are elements within our broader planning and reporting framework that includes the:

- Corporate Plan
- Long-Term Asset Management Plans (AMPs)
- Annual Budgets
- Operational Plans
- Local Government Infrastructure Plan (LGIP)
- Annual report

Diagram 1: Reporting linkage

1.1.2 The Financial Strategy Objectives

The primary objective of the Strategy is to ensure Council remains financially sustainable as defined by section 104(2) of the *Local Government Act 2009* (Act):

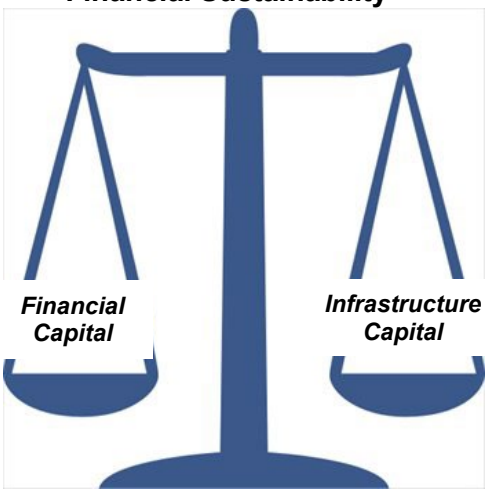
> "*A local government is financially sustainable if the local government is able to maintain its financial capital and infrastructure capital over the long-term*".

The key elements of the definition are:

- maintaining financial capital, and
- maintaining infrastructure capital
- over the long-term

'Financial capital' in the definition above is the productive capacity provided by the difference between current assets and current liabilities (working capital). *'Infrastructure Capital'* is the productive capacity provided by significant asset classes (eg roads, water, sewerage, buildings etc) that provide or support public services. This is represented by the non-current assets and financing liabilities (eg debt). *'Long-term'* refers to a period of ten years or more. *(Department of Local Government, Racing and Multicultural Affairs "Financial Management (Sustainability) Guideline 2013 Version 1.1)*

Financial Sustainability



It is important that each of the capital components are effectively managed with an integrated approach, in order to maintain the desired service level over the long term. Focusing only on one of the components could have a detrimental effect on others. This means we need to continue to generate sufficient finances to fund operations without eroding our physical asset base.

In order to achieve the above, some key principles have been identified below:

- Revenue generation is sufficient to achieve efficient and effective service delivery to meet the needs of the community
- Operating results which are balanced or, on average achieve surpluses, are expected over the forecast period
- The right mix of debt and council generated funding is used to address intergenerational issues for current and future ratepayers
- Use of long-term asset management plans linked to long-term financial forecasts, to ensure assets are renewed at the appropriate time and there is adequate funding available
- Major strategic risks have been identified and are reflected in future financial and asset management planning

Council's purpose is to *"Create opportunities to thrive"*. This purpose is underpinned by our vision: *To become the best region for liveability and livelihood*. Both Council's purpose and vision demonstrate a strong

commitment to financial strength through improved forecasting and being fiscally responsible with community's assets and funds.

The current Corporate Plan 2022 - 2027 has identified five pillars that shape the Council's vision. The Corporate Plan provides the platform for council to deliver services; the incentive to pursue projects which will secure our future; and the authority to make the decisions that will deliver our community effective local government. While stable, efficient, cost-effective government and the welfare of our community are the foundation of the priorities found in this plan. The five key pillars identified will position Council to have a healthy, connected and sustainable community that creates jobs and growth opportunities. This will only be achieved with engaged and transparent organisational performance, supported by robust decision-making, quality leadership and responsiveness. The five pillars of the Corporate Plan are:

- Invest and Work
- Live and Visit
- Community and Environment
- Financial Strength
- Operational Excellence

1.1.3 Key Initiatives

MRC is committed to working as one team to achieve results for our clients and the community. We have five core values that we stand by in delivering efficient and effective outcomes for our community. These five core values are Safety & Wellbeing, Respect, Working Together, Service Excellence, Integrity.

Council will strive to deliver financial sustainability through the implementation of several initiatives including:

- continue to conduct first principle reviews of our services in order to, optimise and review service delivery levels, eliminate rework and wastage to reduce costs and continually look for improvements to processes
- ongoing review of our rating strategies to ensure equitable distribution of costs between different groups of ratepayers
- continued development of centralised capital delivery model to improve outcomes
- prioritisation of the capital program to ensure the timing of projects is optimised to deliver the best return in line with objectives and strategies
- focus on improving asset management practices
- maximising returns from cash investments to reduce ongoing financial impacts on ratepayers
- monitor the mix of cash versus borrowings to balance affordability with equitable distribution of costs between current and future generations of ratepayers
- look for innovative ways to generate additional sources of revenue
- continue to explore benefits of scale and shared services arrangements including through the Greater Whitsunday Council of Mayors (GWCoM).

1.1.4 Reviewing and Refining the Financial Strategy

The Strategy will be continually revised by:

- ensuring that any changes to corporate plans are reflected in the Strategy
- being responsive to any emerging operating issues
- capturing the budget revisions in our LTFF and analysing the impacts of any changes on our financial sustainability ratios and measures
- undertaking annual reviews of our capital and operational projects.

1.2 Financial Risk

The *Local Government Regulation 2012* requires Council to keep a written record of '*the risks the local government's operations are exposed to, to the extent they are relevant to financial management'* and *'the control measures adopted to manage the risks*'.

Council's Risk Management approach applies consequences/likelihood matrixes to evaluate risks under the categories of:

- Public Health
- Emergency and Disaster
- Finance
- Assets
- Environment
- Workforce
- Safety
- Reputation and Service Delivery
- Governance and Compliance
- ICT

The new consequences/likelihood table for Finance is as follows:

		Consequences				
	Finance	**Insignificant** Council's annual net financial loss is less than 0.5% of annual operating budget with no impact on program or business operation	**Minor** Council's annual net financial result reduced by 0.5-1% of annual operating budget, with minimal impact on program or business operation	**Moderate** Council's annual net financial result reduced by 1-2% of annual operating budget with considerable impact on program or business operation	**Major** Council's annual net financial result reduced by 2-5% of annual operating budget with severe impact on program or business operation	**Catastrophic** Council's annual net financial result reduced by more than 5% of annual operating budget with loss of program or business operation
Likelihood	**Almost Certain** Event expected to occur at most times	Medium 8	High 16	High 18	Extreme 23	Extreme 25
	Likely Will probably occur at some stage based on evidence of previous incidents	Medium 7	Medium 10	High 17	High 20	Extreme 24
	Possible Not generally expected to occur but may under specific circumstances	Low 3	Medium 9	Medium 12	High 19	High 22
	Unlikely Conceivable but not likely to occur under normal operations; no evidence of previous incidents	Low 2	Low 5	Medium 11	Medium 14	High 21
	Rare Only ever occurs under exceptional circumstances	Low 1	Low 4	Low 6	Medium 13	Medium 15

1.3 Current Economic Impact

While there are signs that the worst of the COVID-19 pandemic is behind us, there is still a level of uncertainty in business confidence in the local economy. The emerging risks of skilled and unskilled labour shortages and inflationary pressures for key industrial inputs such as fuel and building materials, will need to be monitored closely throughout this budget period. The Reserve Bank of Australia (RBA) has started to react with tightening of monetary policy and has lifted it target cash rate from its “emergency levels”. This tightening of monetary policy will have flow on effects within the Australian and local economy with the intent of reducing inflationary pressures and bringing inflation back to within its targeted band of 2-3%. There is a risk that interest rates will rise quickly to counter these growing inflationary pressures.

It is suggested that the local economy will expect high economic outputs and strong employment opportunities given the correlation of the local economy to the coal industry. It is expected that Australian Premium Coking Coal will remain at record prices over the next 12 months and the follow-on effects for Mackay will support this theory. With border restrictions continuing to ease and the pandemic control measures such as home isolation for close contacts etc. being wound back we will see other parts of the local economy recover. These include tourism and hospitality services who have struggled through recent times due to limited travel by workers and holiday makers.

Given Council is in a relatively strong financial position, any downside impacts in the short term are able to be covered by existing resources and at this stage is not expected to have any significant long-term implications on the financial forecast.

2. Parameters and Measures

2.1 Parameters

Council has a range of assumptions grouped into the following categories:

- Growth increase (%)
- Price increase (%)
- Additional parameters

These assumptions are the main drivers in Council's model in conjunction with capital expenditure and associated funding, which is compiled from the ten-year capital works program. The summary below outlines the parameters for each of the ten years that the LTFF covers.

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Growth increase %										
General rates	1.00%	1.00%	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	0.50%
Rates levies and charges	1.00%	1.00%	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	0.50%
Material & Services	0.00%	0.10%	0.15%	0.20%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Price increase %										
Underlying CPI	2.50%	3.00%	2.80%	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
General rates	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other rates levies and charges	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Fees & charges	2.50%	3.00%	2.80%	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee costs	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Electricity	2.50%	3.00%	2.80%	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Additional parameters										
Vacancy factor	-6.00%	-6.00%	-6.00%	-6.00%	-6.00%	-6.00%	-6.00%	-6.00%	-6.00%	-6.00%
Developer contributions ($'000)	6,500	5,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000

It should be noted that the above percentages are indicative, and the annual forecasts are adjusted for known changes in service levels or other impacts including one off expenditure/revenue within the long-term financial plan.

2.2 Financial Sustainability Targets

The *Local Government Regulation 2012* requires Councils to include the following "relevant measure of financial sustainability". This is measured by ratios and targets set by the Department of State Development, Infrastructure, Local Government and Planning (DSDILGP) and with all being deemed to be long-term target ranges. Council reports on its performance against their measures monthly as part of the Strategic Financial report. The forecasted performance is also updated in line with revisions to the budget during the year. The actual results for the year are audited annually by the Queensland Audit Office and are published as part of the annual financial statements in our annual report.

Ratio	Definition	Calculation	Target
Asset sustainability ratio	This is an approximation of the extent to which the infrastructure assets managed by a local government are being replaced as these reach the end of their useful lives	*Capital expenditure on replacement assets as a percentage of depreciation expense*	>90%
Operating surplus ratio	This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes	*Operating result as a percentage of operating revenue*	Between 0% and 10%
Net financial liabilities ratio	This is an indicator of the extent to which the net financial liabilities of local government can be serviced by its operating revenues	*Total liabilities less current assets divided by total operating revenue (expressed as a percentage)*	<60%

In addition to the above ratios, Council reports and monitors against a number of other prudent financial sustainability metrics. These ratios are reported monthly in our Strategic Financial report. These ratios and their definitions are identified below.

Ratio	Definition	Calculation	Target
Current ratio	This measures the extent to which Council has liquid assets available to meet short term financial obligations	*Current assets divided by current liabilities*	Between 1 and 4
Interest cover ratio	This ratio indicates the extent to which operating revenues are committed to interest expenses	*Net interest expense on debt service divided by total operating revenue (expressed as a percentage)*	Between 0% and 5%
Capital expenditure ratio	This ratio indicates the extent to which capital expenditure is covered by depreciation	*Capital expenditure divided by depreciation*	>1.1 times

3. Revenue

3.1 Background

Council is required to raise an appropriate amount of revenue to maintain assets and provide services to the region as a whole.

Council will be guided by the following principles:

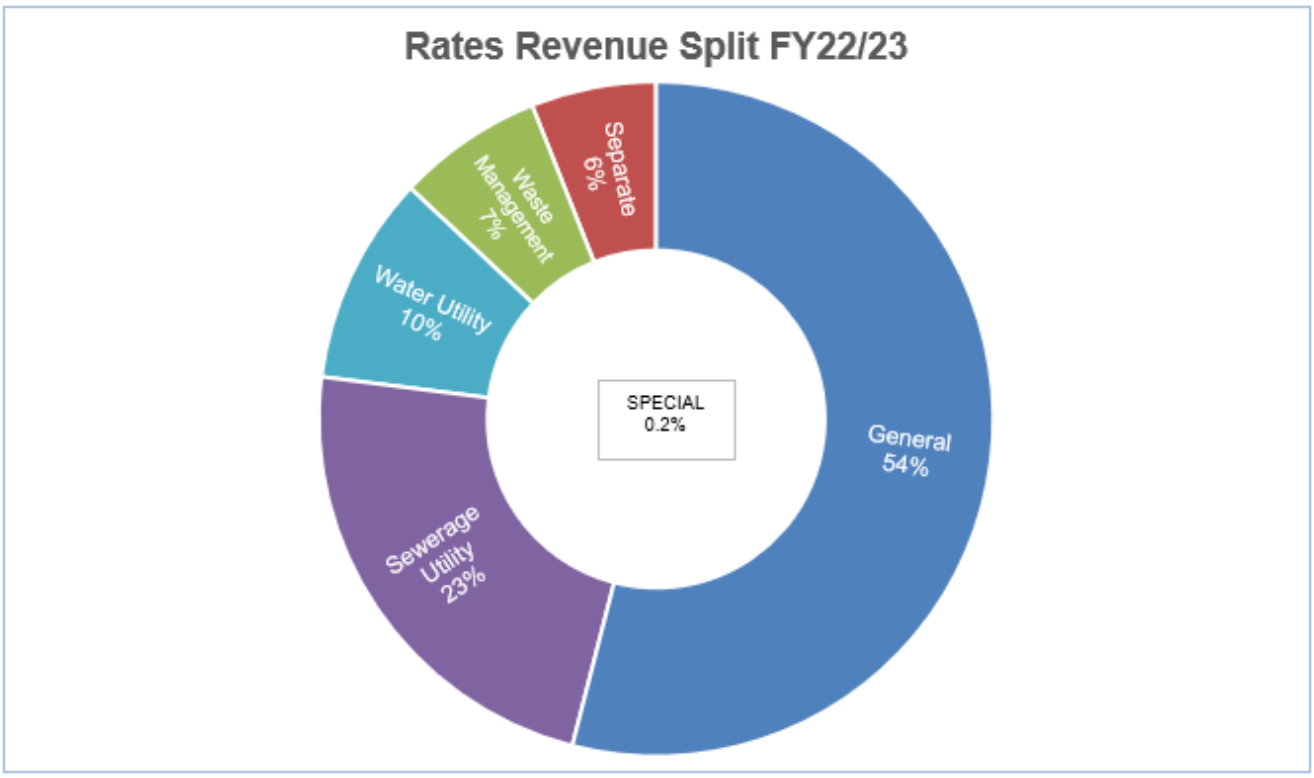
- Accountability — Council will be accountable to the providers of funds to ensure those funds are applied efficiently and effectively to satisfy the objective for which the funds were raised.
- Transparency — Council will be transparent in its revenue raising activities and will endeavour to use systems and practices able to be understood by the community.
- Representation — Council will act in the interests of the whole community in making decisions about rates and charges.
- Sustainable financial management — Council will ensure it manages revenue diligently and that the application of funds is founded on sustainable strategic objectives that result in timely and optimal investment in identified priorities.
- Fairness — while the rating legislation requires Council to use property valuations as the basis for raising rate revenue, Council will monitor the impact of valuation changes and moderate increases where possible.
- Differentiation of categories — Council will apply different rates to various categories of property that will reflect the particular circumstances of the categories and Council's policy objectives related to those categories.
- Special needs and user pays — Council will draw from various revenue sources to fund special needs including (but not necessarily limited to):
    - separate rates or charges for whole of community programs
    - special rates or charges for recovery of costs from beneficiaries
    - utility charges for specific services based generally on usage
    - regulatory fees and charges in accordance with legislation, regulation or local laws
    - commercial fees and charges where users can clearly be identified
- Social conscience — Council will apply a range of concessions (eg for pensioners and institutions) and will accommodate
    - special circumstances where hardship can be demonstrated.

Council's main source of revenue is rates and charges. There are several different types of rates and charges which fall within this category. The different types of rates and charges are listed below:

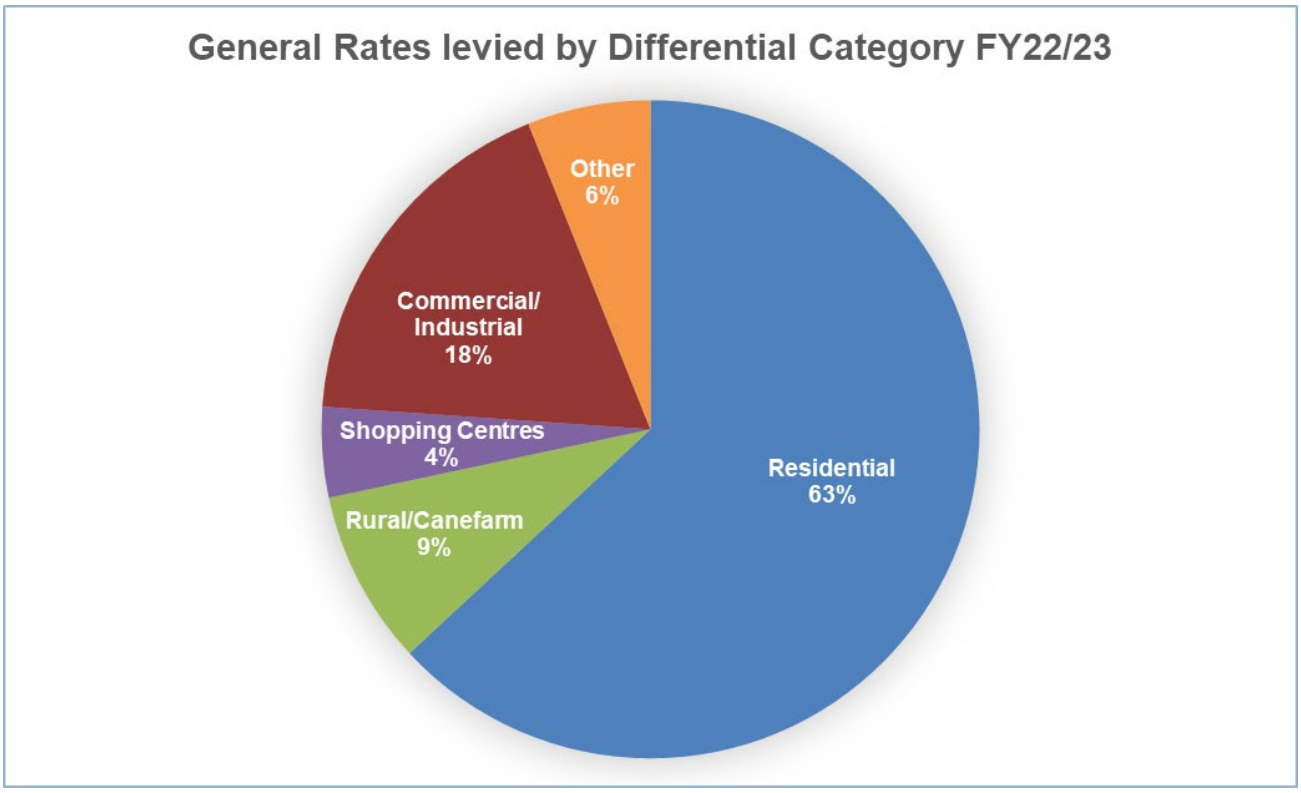
- General Rates
- Utility Charges (eg sewerage, waste management and water utility)

- Separate Charges (eg Natural Environment, Roads Improvement, Disaster Response and Waste Facilities Operations)
- Special Charges (eg Rural Fire Services)

The revenue contribution from the different charge types is shown below.



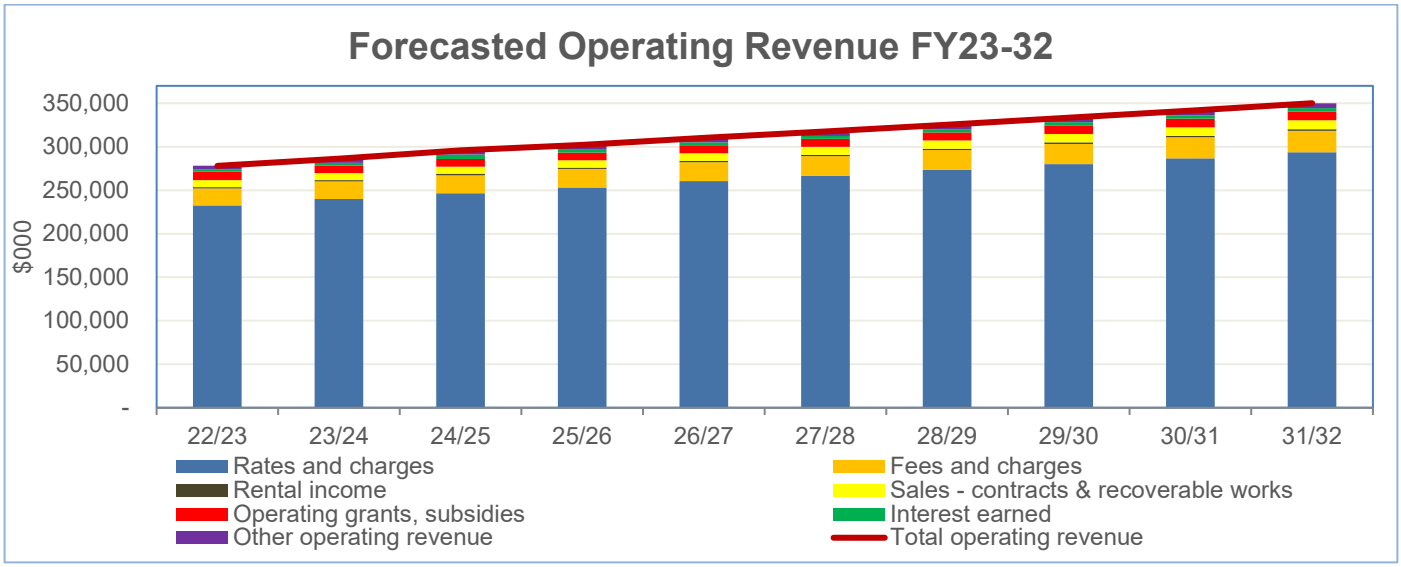
General rates are levied on ratepayers to provide revenue for a broad range of services. Council adopts a differential general rating scheme which categorises all rateable land into different general rates categories. The segmentation of general rates levied on each category is shown below.



Beside rates and charges, Council generates revenue from various other sources. Other revenue categories include:

- Fees and charges
- Rental income
- Interest earned
- Sales – contract and recoverable works
- Other revenue
- Grants, subsidies and contributions

The following chart provides an analysis of total revenue by source over the next 10 years.



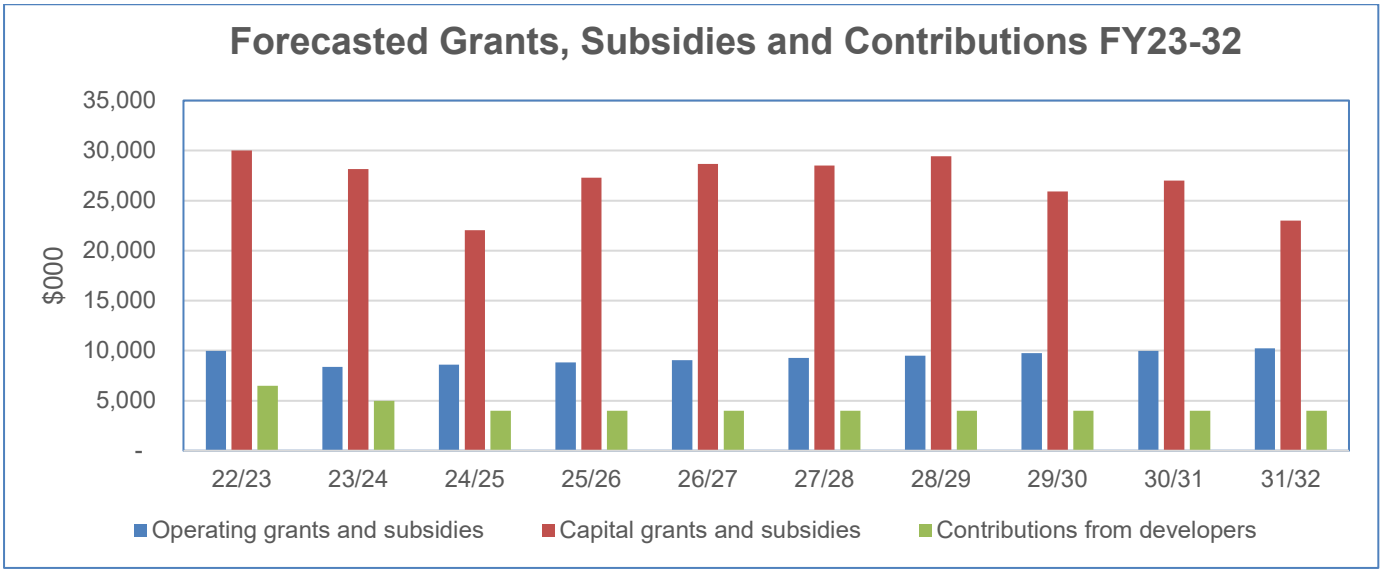
Where possible Council endeavours to maximise revenue from sources other than rates and charges. Fees and charges account for approximately 7% of total operating revenue. Fees and charges can be classified as either:

- Cost recovery fees are Council levies under a statutory power. These fees must not be charged at greater than the full cost to Council to administer the fee, or
- Commercial charges are fees Council can charge for any service other than cost recovery fees. These charges may contain a commercial margin.

Interest earned is primarily generated on cash holdings with minimal interest being earned on unpaid rates. Cash flow requirements are monitored closely to identify any funds not required for operational purposes with surplus cash invested to optimise rates and terms that maximise interest income. The controls and policy direction for the investment of surplus cash is comprehensively covered in Council's Investment Policy. This policy is reviewed and adopted annually with Council's budget. Some key controls identified in the policy include:

- investing only in investments as authorised under current legislation
- investing only with approved institutions
- investing to facilitate diversification and minimise portfolio risk
- investing to protect the capital value of investments (balancing risk with return opportunities)
- investing to facilitate working capital requirements
- reporting on the performance of investments on a monthly basis as part of monthly financial reports to Council
- ensuring no more than 40% of Council's investments are held with one financial institution, or one Australian Deposit Taking Institution (ADI) for investments outside of Queensland Treasury Corporations (QTC).

Council actively identifies, manages and advocates for capital and operating grants and subsidies to assist funding capital works and provide services to the community. Capital contributions are also received through development applications and are to be spent in accordance with the infrastructure agreements or local government infrastructure plans under which they are received.



Council will continually strive to maximise Federal and State Government contributions, grant funding and subsidy opportunities and continue to explore partnership funding opportunities with the private and not-for-profit sectors to deliver projects before allocating general revenue.

3.2 Risks and opportunities

In order to achieve our financial sustainability targets and projections identified in the LTFF, the following risks and opportunities have been identified in relation to the identified revenue streams:

Rates and charges	
Risks	• Future increases in rates may be too expensive and place financial pressure on the ratepayers • Water usage patterns have an adverse impact on revenue • Predicted growth does not materialise • State legislation changes resulting in reduced revenue • Ageing population increases burden on pensioner remissions
Opportunities	• Council diversifies its revenue streams to reduce the dependence on general rates • Adoption of different methodologies to calculate general rates in line with approved legislation • Increased construction activity of new residential houses will increase the rateable base with new residential dwellings
Grants, subsidies and contributions	
Risks	• Cessation or reduction of government funding • Potential reduction in service delivery due to insufficient funding from external parties • Future and historic infrastructure charges do not fully meet LGIP requirements • Development slower than expected resulting in reduced developer contributions
Opportunities	• Council maximises funding from State and Federal Governments

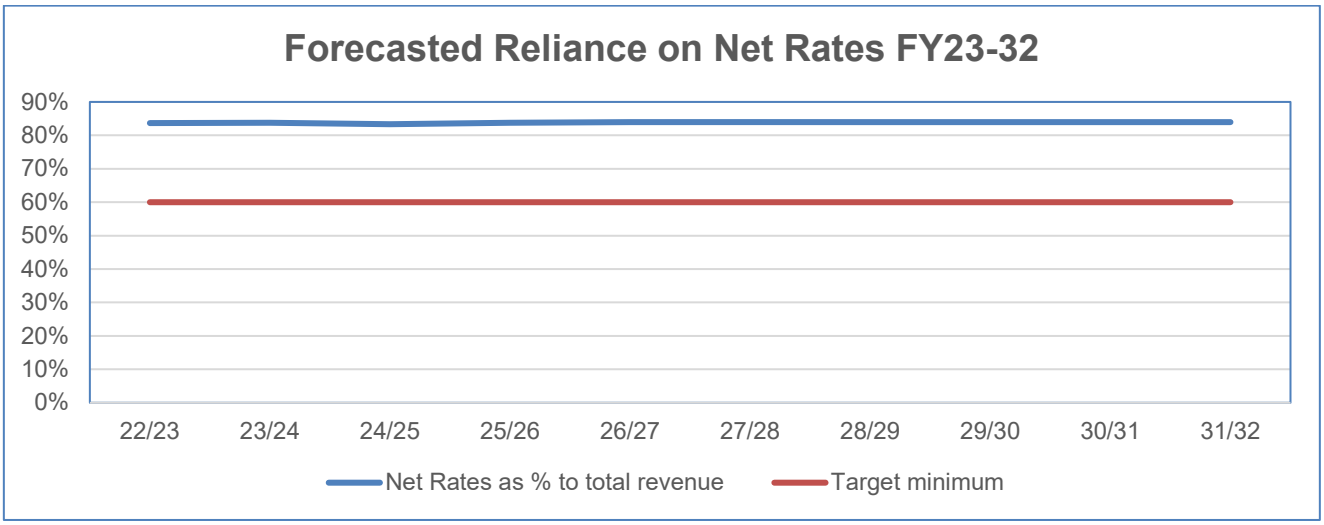
	• New and additional State and Federal stimulus packages to support and fund COVID-19 recovery initiatives
Fees and charges	
Risks	• Fees and charges take up is reduced under 'user pays' pricing model • Development slower than expected resulting in reduced development fees due to market capacity constraints
Opportunities	• Fees and charges recover full cost of providing service
Interest earned	
Risks	• Interest rates significantly below benchmark resulting in lower returns • Cash balances reduce quicker than anticipated • Increased volatility in cash markets due to pandemic induced uncertainty
Opportunities	• Investment income increases beyond forecast due to higher cash balances and/or higher interest rates • Improved cash flow forecasting results in appropriately term-diversified investment portfolio resulting in additional revenue

In order to mitigate the above risks or explore the opportunities, the following projects and actions progress across Council:

- continue to review and improve monthly cash management forecasting using the corporate finance system in order to increase returns on investments and continue to reduce borrowings
- further develop Council's grants management processes – continue strong relationships with state and federal stakeholders to explore opportunities in sourcing available monies and support to business areas to ensure external funding sources are considered every time to reduce the burden on the current and future ratepayers
- continue to consider other opportunities to generate other income streams for Council.

3.3 Key Performance Information

The only financial key performance indicator directly related to revenue is the Council Controlled Revenue Ratio. This ratio measure net rates as a percentage of total operating revenue and indicates the degree of reliance on external funding sources such as operating subsidies, donations and contributions. Council's financial flexibility improves the higher the level of its Council controlled revenue with the optimum target being greater than 60%.The following graph demonstrates Council exceeds well above its target of 60% across the 10 year span.



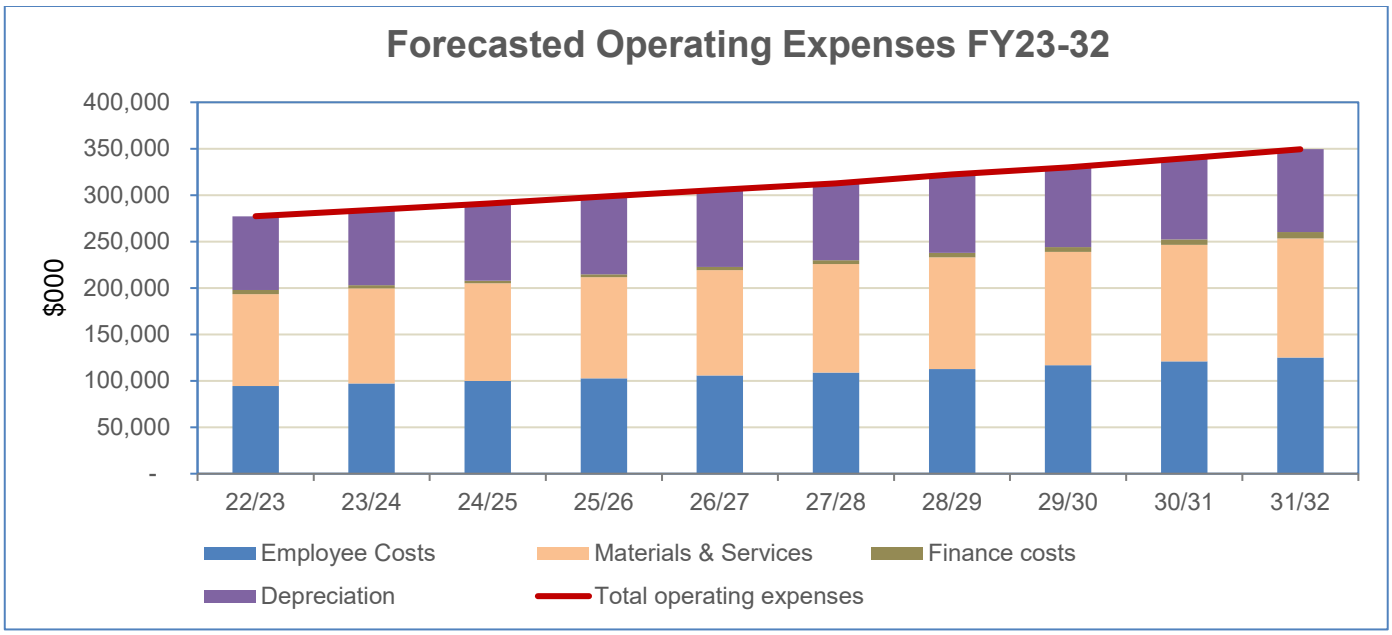
4. Expenditure

4.1 Background

Council's significant sources of operational expenses include:

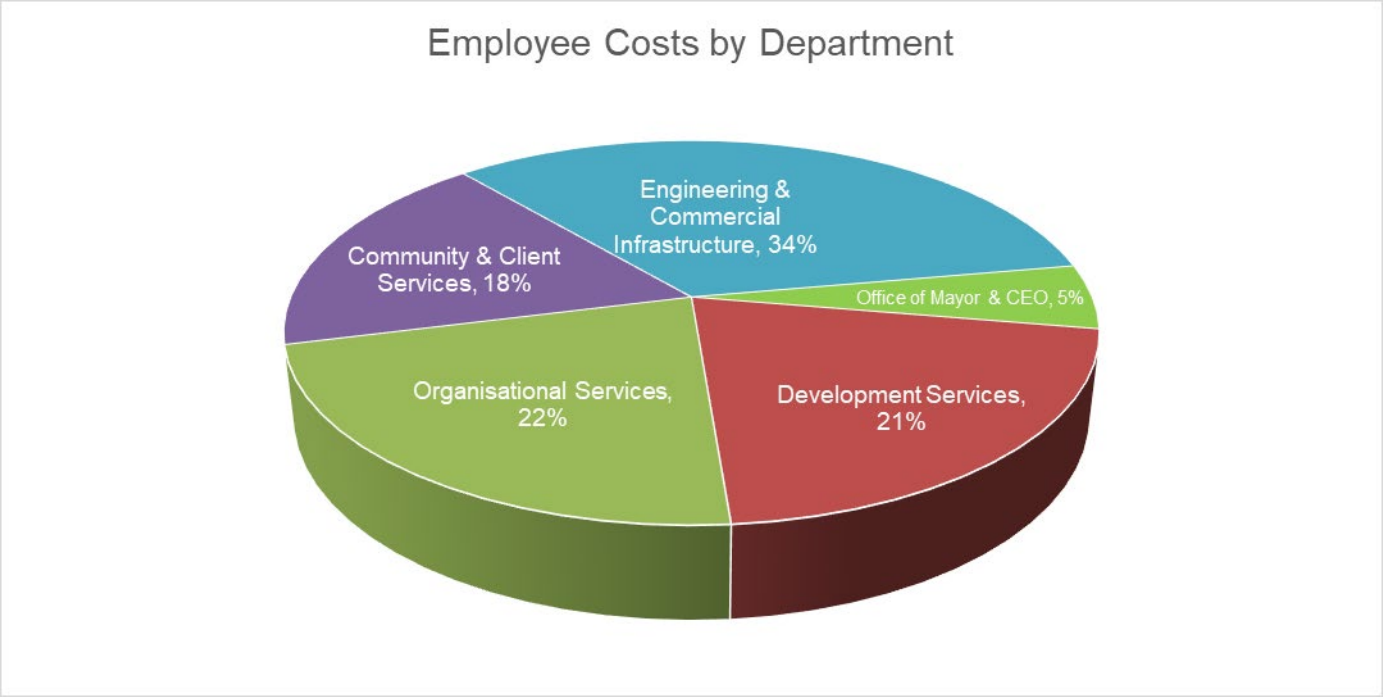
- employee costs
- goods and services
- interest and finance costs
- depreciation

The following chart provides an analysis of the total operating expenses by source.



Employee costs are a significant expense of Council, making up approximately 34% of total operating expenses. The LTFF includes estimated pay increases associated with the current Queensland Industrial Relations determination and predicted future increases. Limited growth components for establishment numbers have been applied in future years, which will be assessed each year based on need. Each year a vacancy factor is deducted from the full establishment costs to more closely reflect reality. This is due to staff turnover creating a period between when the vacancy becomes available and when the new employee starts. Applying this vacancy factor ensures revenue is not raised from the community unnecessarily. For 2022/23 the vacancy factor applied is 6%. This factor may change in the future to reflect the economic climate at the time and the ability to fill vacancies in a timely manner.

The following graph demonstrates current operational employee costs by department for Council's workforce.



Materials and services make up the largest component of operating expenses at 35%. Continuous review of services delivered, service levels and standards will ensure costs are keep under control and do not place additional burden on ratepayers. Ongoing reviews of goods and services expenditure will be carried out continually to identify opportunities for appropriate control for specific operating expenses. Council continues to refine its asset management plans and ensure all operating costs are included at the appropriate level.

Depreciation is the recognition of consumption of future economic benefits or service potential embodied in non-current assets with limited useful lives. This consumption is recognised as an expense in the Statement of Income and Expenses. Council's non-current assets are valued in excess of $3.5 billion with annual depreciation around $79M in 2022/23. Ongoing review of depreciation charges is undertaken to ensure this best reflects the estimated annual use and service potential of assets.

Finance costs are the smallest component of the operating expense budget making up around 2%. These costs mainly relate to interest and costs associated with Council's long-term debt. Reductions in debt levels will see a corresponding reduction in interest costs. Rising debt will have the opposite effect. The structure of our loans as long-term fixed rate debt means that early repayment of debt at this time, will result in a significant market rate adjustment being incurred on our operating statement. Constant monitoring of interest rate movements and the cost of debt will be carried out to determine the optimum time to adjust our debt levels outside our normal repayment terms.

4.2 Risks and opportunities

In order to achieve the financial sustainability targets and projections identified in the LTFF, the following risks and opportunities have been identified in relation to the identified expenditure streams:

Employee costs	
Risks	• Future certified agreements may increase employee costs beyond predicted levels • Future certified agreements may limit the capacity of service reviews • The unemployment rate is higher or lower than anticipated • Employment growth is greater than anticipated • Staff turnover and skills shortage putting pressure on wage increases
Opportunities	• Cross skilling staff to create agile workforce • Succession planning to ensure vital roles can be filled quickly • Improved leave management resulting in reduced costs • Workforce planning to ensure the correct mix of staff required to deliver desired standard of service
Materials and services	
Risks	• Inflation is significantly higher than estimated • Reduction in service delivery due to cost shifting from other tiers of governments • Failure to reflect whole of life costs of services in forecasting • Society become more litigious and legal expenses increase • Ineffective planning of increases to service levels leads to increased costs
Opportunities	• Improved project management processes result in reduced costs and risks, enhanced processes, better prioritisation and benefits realisation management. • Improved procurement practices in line with relevant legislation • Continual review of service levels and standards • Improved control of consultants and temporary staff to minimise increasing costs
Finance costs	
Risks	• Early repayment of debt leading to significant market rate adjustment in operating statement
Opportunities	• Continual review of early payout options to optimise the time to reduce debt
Depreciation	
Risks	• The mix of renewals, upgrade and new assets changes resulting in changes in depreciation forecasts • Significant movement in asset valuations affecting the level of depreciation required
Opportunities	• Continued improvements in the asset management area to ensure assets are recorded and depreciated accurately

In order to mitigate the above risks and explore the opportunities, the following projects and actions progress across Council:

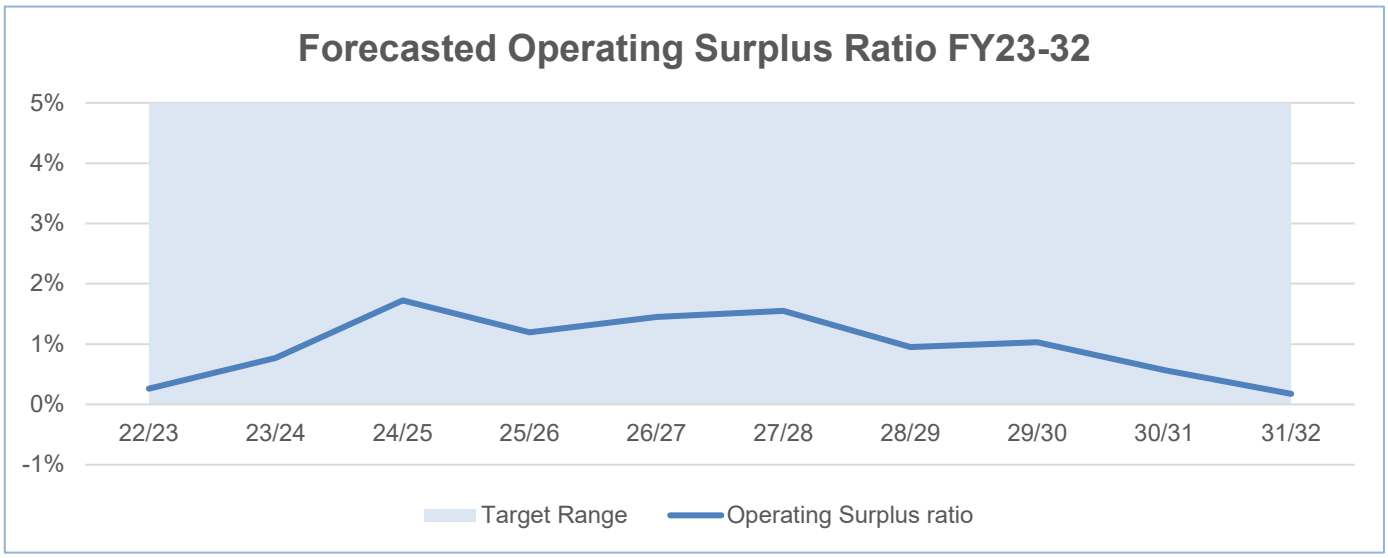
- continued business process reviews and service level review projects – to undertake robust reviews of our services to determine the optimum level of efficiency and cost effectiveness

- Council-wide response to asset management driven by the Executive Leadership Team (ELT) via the Asset Management Working Group

4.3 Key Performance Information

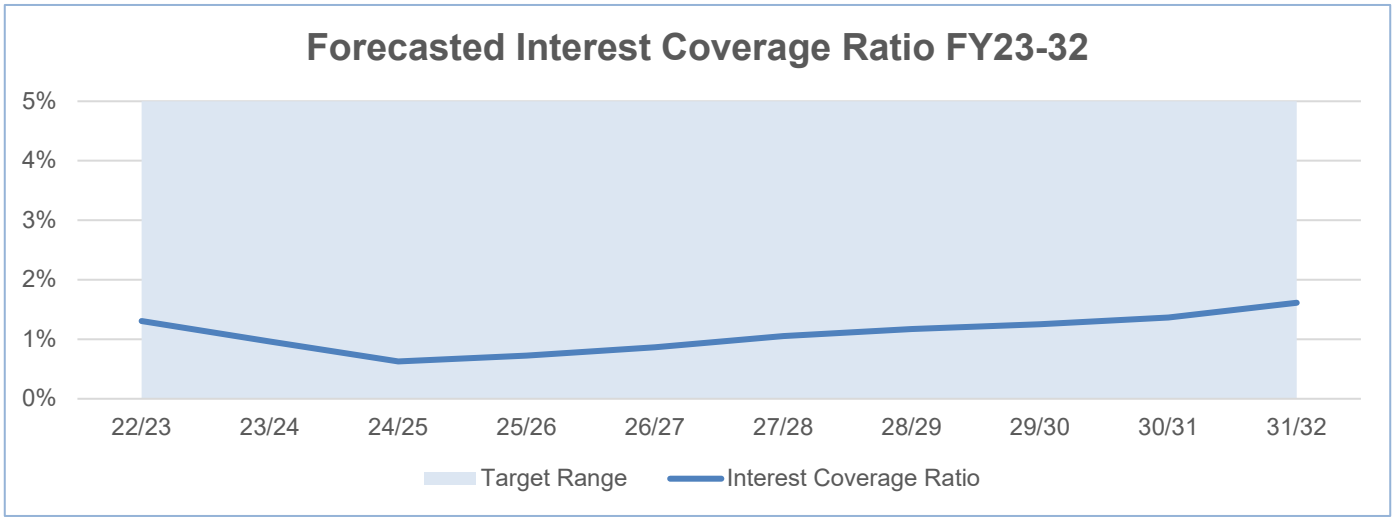
The key performance indicator that applies to operating costs and operating surpluses is the Operating Surplus Ratio. This measures the extent to which operating revenue raised covers operating expenses. A percentage between 0% and 10% over the long term means Council is expecting to generate healthy levels of revenue with an ability to fund proposed capital expenditure and/or debt repayments. It also means Council is less likely to compromise the levels of service expected by ratepayers.

Mackay Regional Council is modelling an increase in operating surpluses in the next 3 years to support some major infrastructure expenditure that is planned. These surpluses will be complimented by some debt funding to ensure the economic burden of these projects is borne by not only current ratepayers but also future ratepayers as well. Mackay Regional Council are forecasting its budget to remain in surplus every year into its 10 year forecasted period.



The Interest Coverage Ratio measures the extent to which operating revenues are committed to funding interest expense. A smaller ratio indicates borrowing capacity, a greater ratio indicates Council's limited ability to borrow to fund infrastructure.

Council is within the target range of between 0% and 5% for the life of the LTFF.

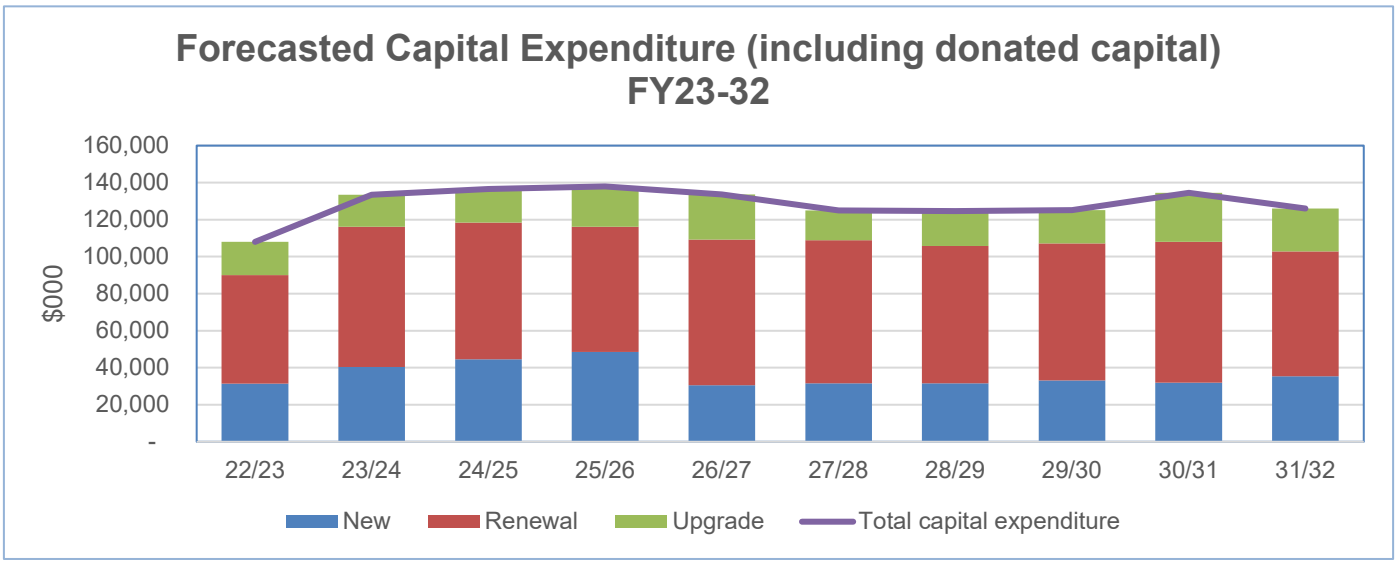


5. Asset Management and Capital Expenditure

5.1 Background

Council is responsible for the provision of a diverse range of services to meet community needs and expectations. A significant number of these services are provided through infrastructure and other non-current assets (referred to as property, plant and equipment). Council owns, manages, maintains and creates assets that are valued in the order of $3.5B. Each year Council invests considerable expenditure on planned renewal and non-renewal projects to maintain or enhance our existing asset base.

The following chart provides a breakup of this spending type in the projected ten-year capital program. The expenditure split is underpinned by Council's strategy - maintain existing infrastructure – 'renewal' before 'upgrade' or 'new' work.



The purpose of this policy is to ensure assets are managed in such a way that service outcomes are delivered and are sustainable. The lifecycle cost of assets is recognised as having the biggest impact on the cost-of-service delivery, and it is therefore imperative to ensure assets are managed effectively and efficiently.

Council established an Asset Management Working Group to advance asset management through further development and update of asset management plans, asset management systems and processes. This together with the Long-Term Financial Forecast Working Group and Capital Delivery Directorate will ensure expenditure on assets and renewal works is only undertaken at the optimum time with further consideration of options to minimise whole of life costs.

5.2 Risks and Opportunities

In order to achieve the financial sustainability targets and projections identified in the LTFF, the following risks and opportunities have been identified in relation to asset management and capital expenditure:

Asset management and capital expenditure	
Risks	• Assets are not maintained, renewed or rehabilitated resulting in public liability claims • Major asset failure due to inadequate maintenance, renewals or rehabilitation • Development slower than expected resulting in reduced developer contributions

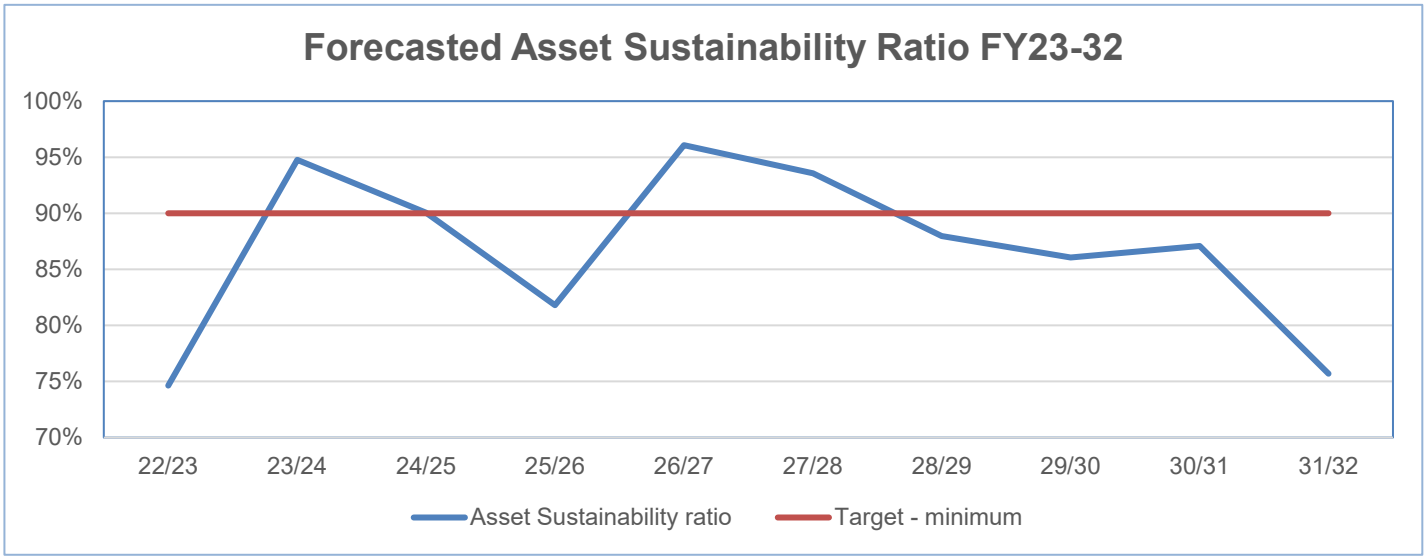
	• Asset management planning identifies growth infrastructure in excess of forecast • Population growth and development not in line with modelling • Changing demographics directly influencing the quantity and type of assets and services required • Service level of assets are not at the level required
Opportunities	• Improved processes around asset management planning lead to more accurate forecasts for future capital and maintenance works • Refinement of Asset Management Plans will improve Council's ability to make informed decisions regarding asset management into the future • Valuation and depreciation methodologies reviewed to ensure the optimisation of depreciation cost allocation • Capital expenditure will be prioritised towards asset renewals before asset upgrades or the creation of new assets • Condition of asset database strengthened to better understanding remaining useful lives to ensure a true prediction of assets life cycle • Asset management system developments generate improved information for recording, reporting, long-term financial forecasting and better asset management practices • Council's infrastructure planning and delivery team improves the correlation between trunk infrastructure and financial strategy outcomes

In order to mitigate the above risks or explore the opportunities, the following projects and actions are progressing across Council:

- Asset Management Working Group – a Council-wide response to asset management driven by the Executive Leadership Team (ELT)
- ongoing additional development of asset management plans in accordance with statutory requirements, business needs and agreed service levels
- continuation of the Shaping Mackay Strategy Group to ensure Council is maximising opportunities for recovery of appropriate costs with respect to trunk infrastructure
- the Capital Delivery directorate to ensure governance, accountability and deliverability over project delivery
- the Long-Term Financial Forecast working group to provide a more robust capital approval process and inputs into the LTFF
- improved financial asset management and integration of asset planning with budgeting and forecasting – supported with improvements in the asset management system
- developing a complete understanding of the remaining useful lives of our asset base.

5.3 Key Performance Information

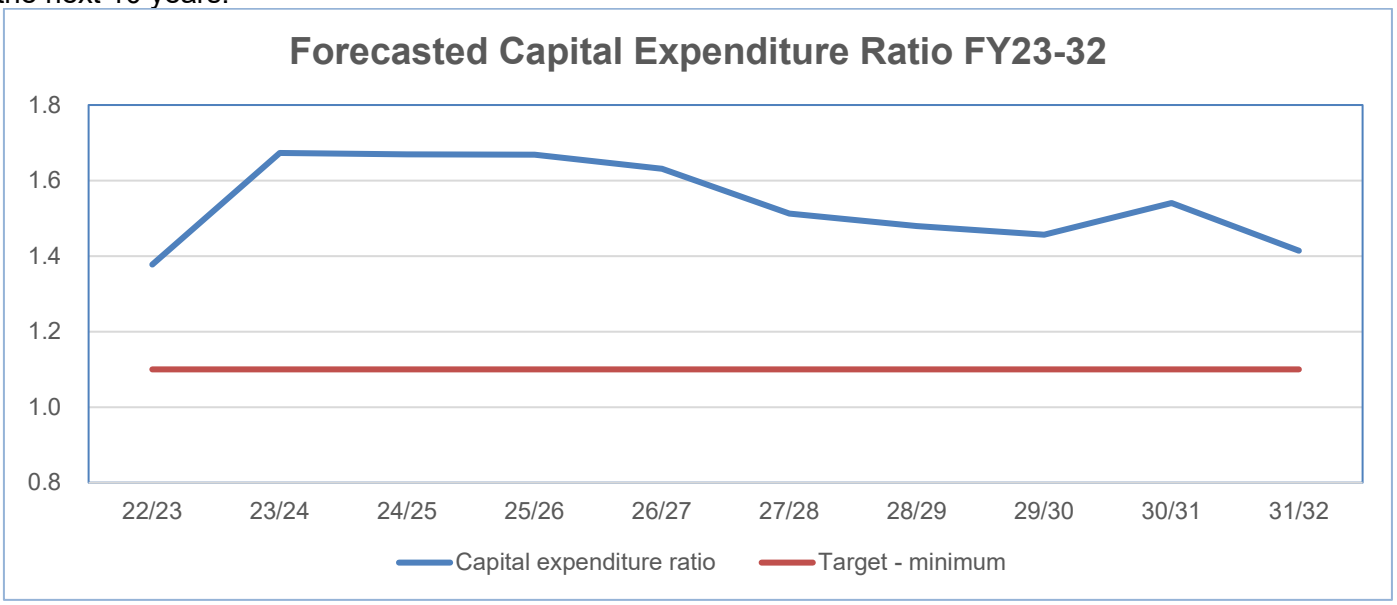
The asset sustainability ratio target is 'an average over the long-term'. As mentioned previously, Council is committed to investing in renewals ensuring continued services to the community over the long term. The current ten-year capital program and depreciation forecasts are demonstrated in the following graph:



The Asset Sustainability Ratio is calculated based on the planned capital expenditure on the renewal of assets. Council maintains a high standard of sustainable asset replacement over the long term. Continuing refinement of Council's asset management plans will only improve Council's ability to make informed decisions regarding asset management in the future. Noting the ratio is 'an average of the long-term', while FY22/23 is forecast below target, the long-term average is expected to achieve target over the longer term.

The Capital Expenditure Ratio measures the extent to which annual capital expenditure (including donated capital) is covered by annual depreciation (excluding amortisation charges). A ratio above 1.1 indicates investment in long term asset growth beyond current existing levels.

Council is forecasting to invest in capital projects at a higher level than its asset base is depreciated during the next 10 years.

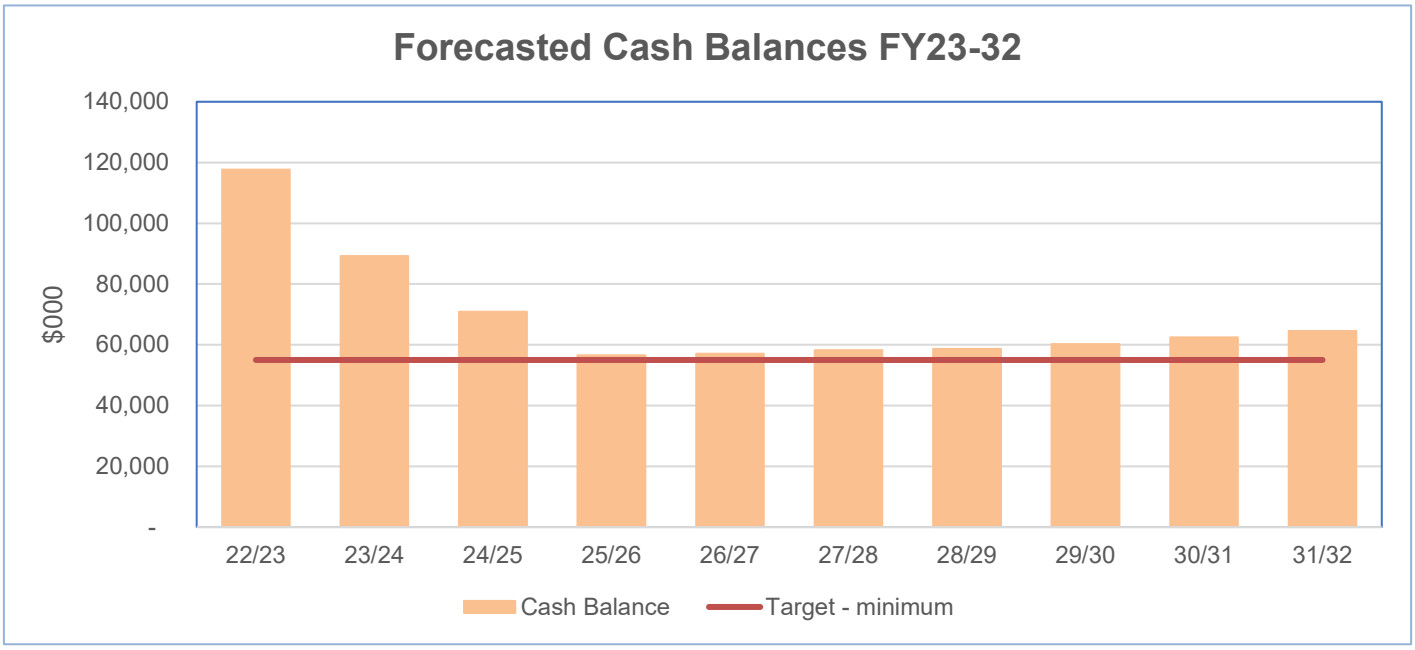


6. Cash Management

6.1 Background

Council holds considerable cash balances during the first part of the term of this strategy. During this time, Council considers its risk appetite and policy position with respect to investment of surplus funds. To maximise returns on investments, officers invest or withdraw funds as required to keep minimal balances in the transaction account. The performance of Council's investment account is reported to the community on a monthly basis via the Strategic Financial Report and is regularly reviewed to ensure opportunities are maximised and risks are minimised.

Traditionally, the main source of interest revenue resulting from the investment of cash balances has been through the Queensland Treasury Corporation (QTC) however MRC now actively searches the market to attract the highest possible returns. The following chart illustrates the available cash balances over the life of the strategy.



Maintaining a cash balance adequate to cover cash operating requirements is fundamental to any organisation and particularly important given Council's main revenue cycle. Council currently operates on a bi-annual rating cycle. This means that our main cash inflows will also be on a bi-annual cycle. Maintaining a cash balance adequate to cover cash operating requirements for a period of three to six months is essential.

Council continues to assess the financial benefits of using existing cash balances verses new borrowings when allocating funding sources for new projects. In accordance with Council's debt policy, new borrowings are only used to fund capital expenditure, for a period less than or equal to the estimated useful life of the asset(s) and not exceeding 20 years.

6.2 Risks and Opportunities

In order to achieve the financial sustainability targets and projections identified in the LTFF, the following risks and opportunities have been identified in relation to cash management:

Cash management	
Risks	• Investment rates lower than expected • Unforeseen events delay levying of rates • Economic circumstances result in an increase in overdue rates, fees and charges
Opportunities	• Revenue growth higher than predicted • Availability of competitive interest rates to maximise investment returns

In order to mitigate the above risks or explore the opportunities, the following projects and actions are progressing across Council:

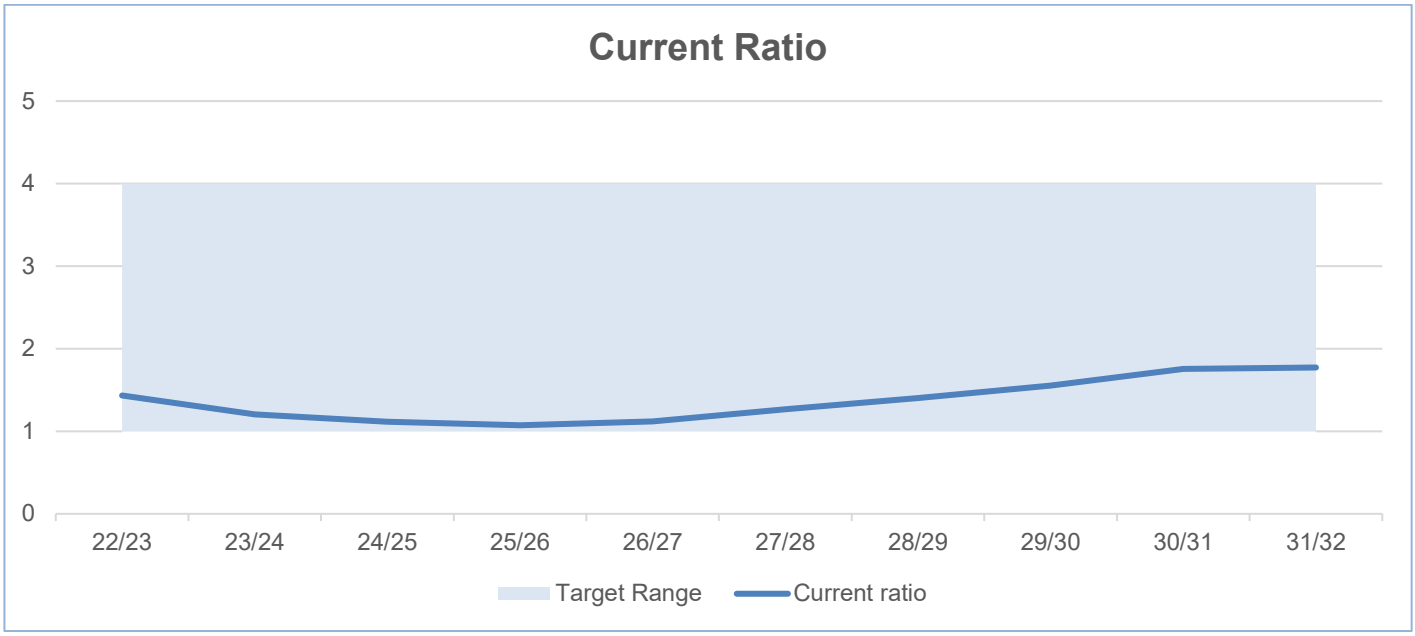
- Improvements in cash flow forecasting through more accurate budgeting will be a key requirement in the coming financial years, together with the continued development of rolling forecasts
- Cash management – regular reviews of debtors, creditors and payroll processes to ensure the community's cash is being utilised in the most efficient manner
- Institutional investment – diversifying the institutions that we invest in and the terms of those investments where possible to achieve the highest possible return.

The financial impact in relation to the current worldwide pandemic is being closely watched in terms of the effect on Council's fiscal forecasts. Customers' ability to pay rates and other charges could influence Council's cash management practices. This coupled with interest rates and other economic forces on the Australian and global economy will be continued to be monitored.

6.3 Key Performance Information

The Current Ratio is a good indicator of Council's liquidity and ability to meet short term obligations.

If the Current Ratio is too high over a sustained period, this may indicate the Council may not be efficiently using its current assets or its short-term financing facilities and may also indicate problems in working capital management. The Current Ratio is within target bounds for the life of the forecast.



7. Debt Management

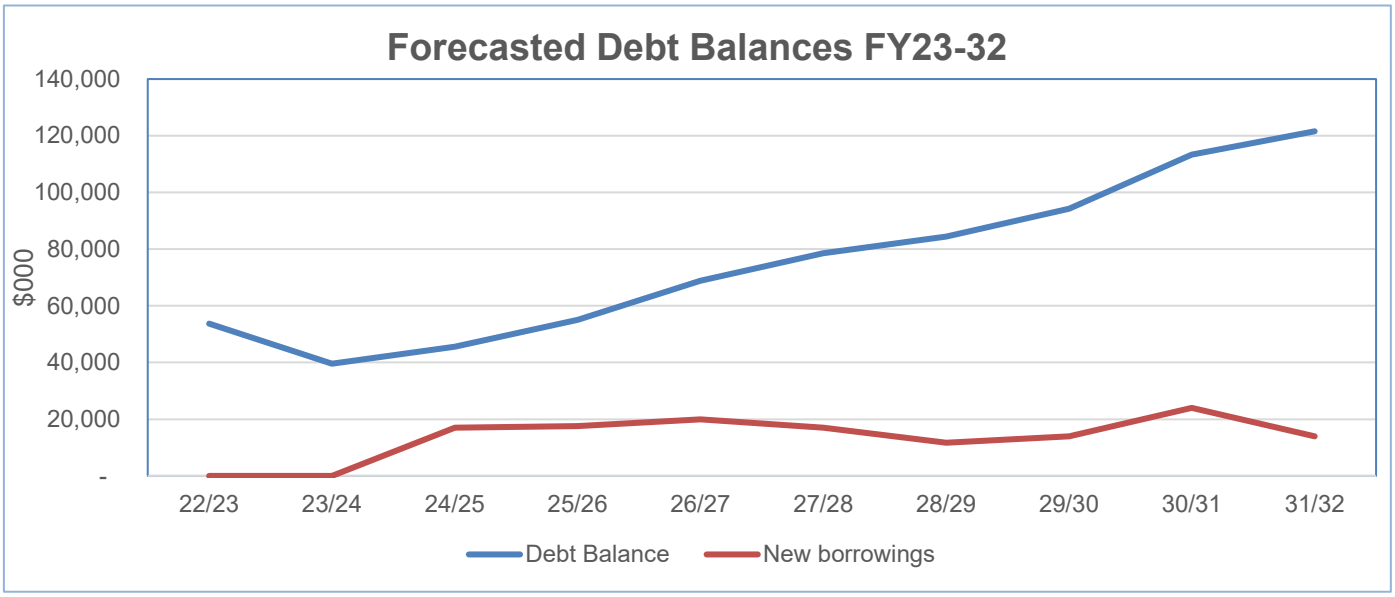
7.1 Background

Council traditionally borrows from Queensland Treasury Corporation (QTC) but can apply to the Department of State Development, Infrastructure, Local Government and Planning (DSDILGP) to borrow through other financiers such as Northern Australia Infrastructure Fund (NAIF) or local Australian Banks if more favourable rates or conditions exist. The loans are to fund infrastructure and other capital projects that will have a financial impact over several years. This method ensures that the region's ratepayers are not burdened by unrealistic expenditure levels.

New borrowings will only be made to fund capital expenditure, for a period less than or equal to the estimated useful life of the asset(s) and for not exceeding 20 years with QTC and not exceeding with 30 years NAIF. Council's debt is recorded in the financial accounting system at book value and officers undertake regular reviews to ensure the book rates and the repayment amounts remain appropriate to repay the debt over the original term. In addition, these reviews ensure that the relevant financial sustainability indicators will not exceed the maximum limits recommend by QTC and DSDILGP.

Currently, debt is repaid quarterly. Council continually strives to manage its cash balances to achieve the best possible return for Council. As some of Council's existing debt was borrowed when interest rates were higher, currently the cost of debt is higher than the returns on investments.

The following chart illustrates Council's current risk appetite to reduce debt balances in the short term, with no intention to borrow any additional funds until FY24/25. A review of the Strategy and Debt Policy is undertaken annually.



7.2 Risks and Opportunities

In order to achieve the financial sustainability targets and projections identified in the LTFF, the following risks and opportunities have been identified in relation to debt management:

Debt management	
Risks	• Interest rates increase significantly over the forecast period and future loans costs significantly more • Global financial issues severely limit credit availability

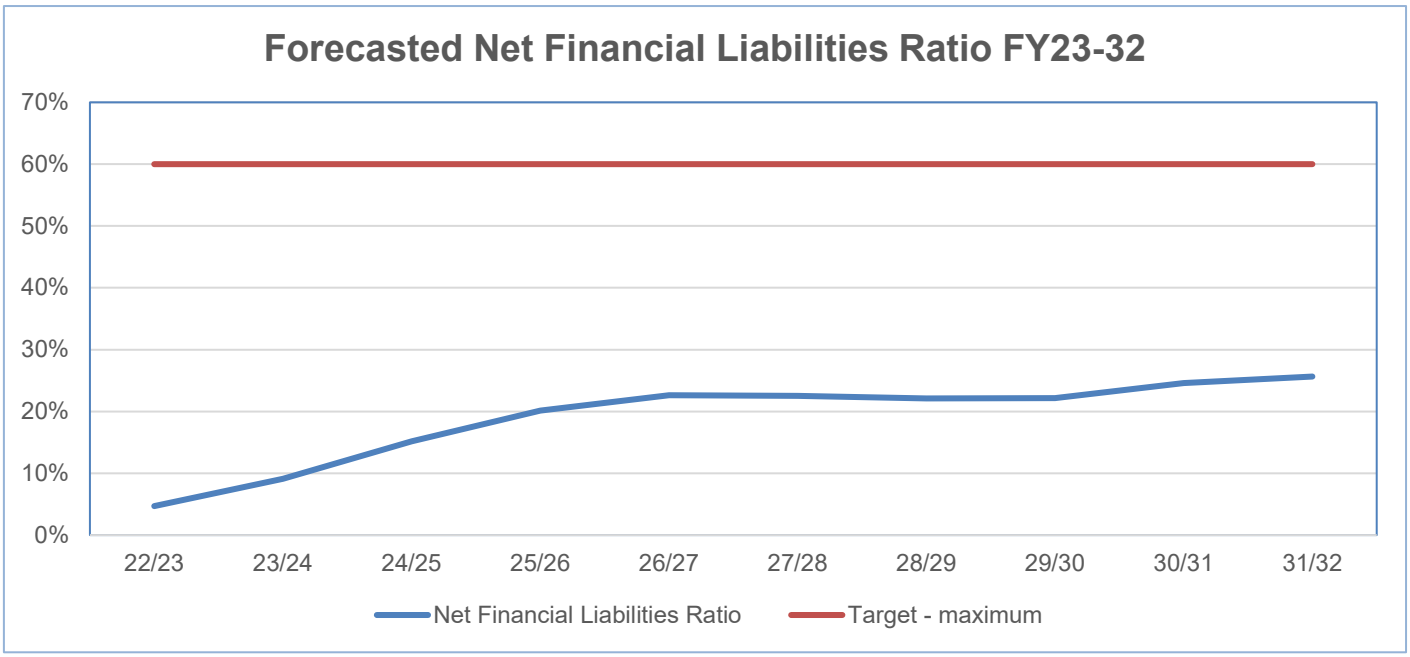
	• Reduced ability to repay borrowing costs and early repayment of debt • Asset management planning identifies increase growth infrastructure requirements requiring debt funding • Reduction in State and Federal grants for new assets requiring debt funding to finance • Unforeseen events effect liquidity requiring Council to borrow funds to operate
Opportunities	• Improved processes around financing of capital projects results in optimisation of borrowings • Investigation into alternative funding sources

In order to mitigate the above risks or explore the opportunities, the following projects and actions are progressing across Council:

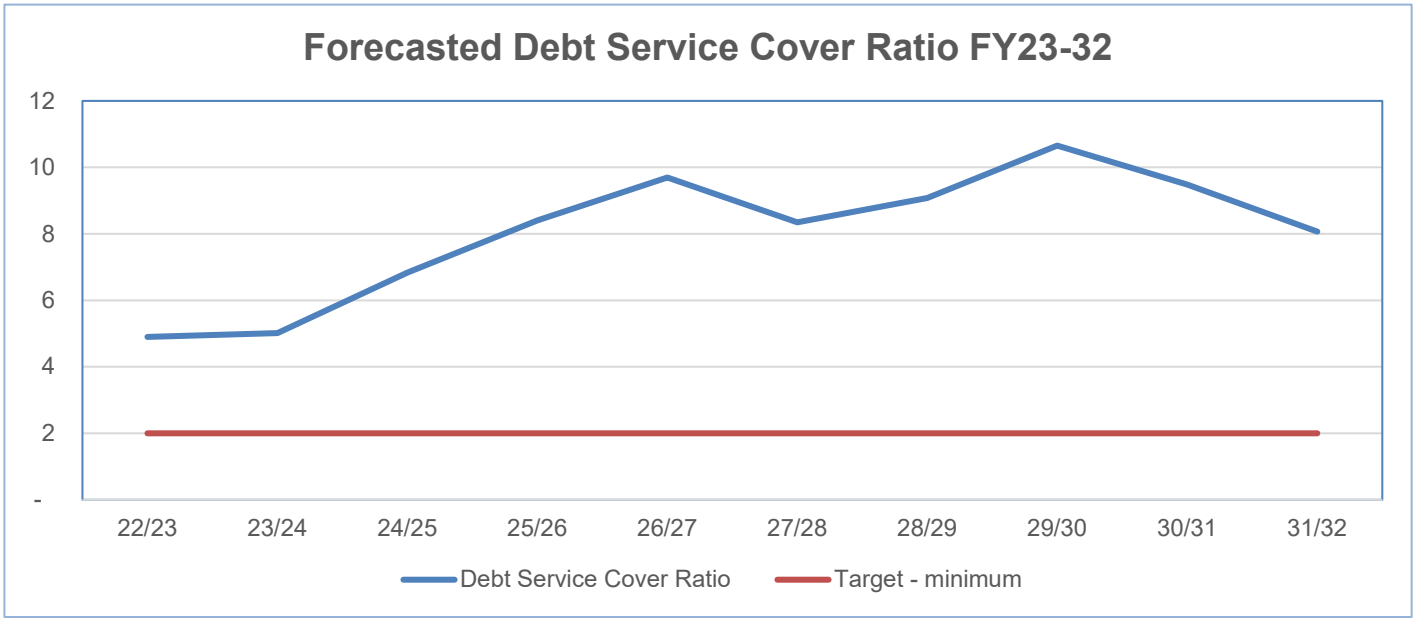
- Council will review its ten-year capital program simultaneously to its annual review of the financial strategy. The ten-year capital program will be the basis for the long-term financial forecast will assist in the determination if future borrowings are required
- Council will continue to work with QTC and request credit/sustainability reviews or similar where practicable to ensure current budgeting, forecasting and financing assumptions and parameters are reasonable.
- an annual review of repayment options to determine the optimum time to make additional loan repayments without impacting operating results.

7.3 Key Performance Information

The following chart demonstrates Council's ability to fund its net financial liabilities from recurrent revenue. The Net Financial Liabilities Ratio also considers the non-current liabilities in addition to current liabilities and subtracts the current assets before recognising this amount as a percentage of total operating revenue. This ratio is well below target across all years of the financial model.

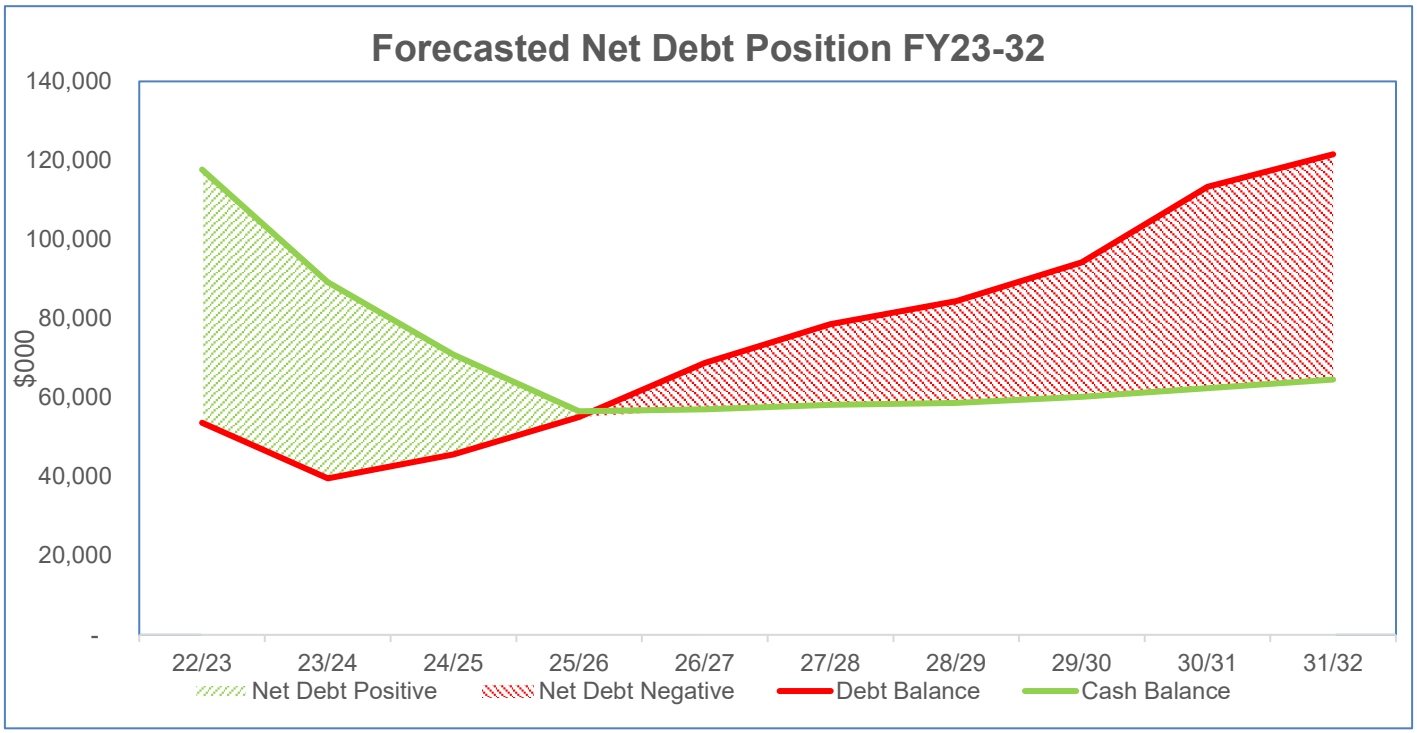


The following Debt Service Cover Ratio indicates Council's ability to repay loan funds. A low cover indicates constrained financial flexibility and limited capacity to manage unforeseen shocks.



The above graph illustrates Council is in a good financial position to cover the principal and interest payments associated with borrowings.

In addition to the aforementioned ratios, Council is cognisant of its Net Debt position. Net debt is calculated as total debt (current plus non-current) minus cash and cash equivalents. The net debt measure is a factor in QTC sustainability reviews and demonstrates Council's commitment to utilise surplus cash balances and constrained cash reserves in the short term. When debt exceeds cash at any time, this is a signal, although not necessarily a major concern provided Council can still service the debt. Council closely monitors this through regular reviews of its LTFF. This is confirmed in Council's debt service cover ratio exceeding the target as shown above.



8. Appendices

8.1 Long-Term Financial Forecast Statements

MACKAY REGIONAL COUNCIL
STATEMENT OF INCOME AND EXPENSES
For the year ending 30 June 2023
(including long term forecast until 2031/32)

	Budget	Forward Estimate								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Operating revenue										
Rates and charges	254,280	262,144	269,497	276,671	284,483	291,452	298,595	305,912	313,410	321,092
Discounts	(19,169)	(19,787)	(20,332)	(20,891)	(21,413)	(21,948)	(22,497)	(23,059)	(23,636)	(24,227)
Remissions	(2,428)	(2,500)	(2,569)	(2,640)	(2,706)	(2,773)	(2,843)	(2,914)	(2,987)	(3,061)
Net Rates and charges	232,683	239,857	246,596	253,140	260,364	266,731	273,255	279,939	286,787	293,804
Fees and charges	19,555	20,142	20,706	21,244	21,775	22,320	22,878	23,450	24,036	24,637
Rental income	1,436	1,479	1,520	1,560	1,599	1,639	1,680	1,722	1,765	1,809
Sales - contracts and recoverable works	7,948	8,186	8,415	8,634	8,850	9,071	9,298	9,531	9,769	10,013
Grants and subsidies	9,980	8,371	8,604	8,826	9,046	9,271	9,501	9,743	9,980	10,228
Interest earned	1,992	3,615	5,338	3,828	3,552	3,535	3,613	3,692	3,738	3,912
Other operating revenue	4,462	4,595	4,724	4,847	4,968	5,092	5,220	5,350	5,484	5,621
Total operating revenue	**$ 278,056**	**$ 286,245**	**$ 295,903**	**$ 302,079**	**$ 310,154**	**$ 317,659**	**$ 325,445**	**$ 333,427**	**$ 341,559**	**$ 350,024**
Operating expenses										
Employee costs	94,563	97,157	99,823	102,805	105,876	109,039	112,828	116,922	120,806	125,005
Materials and services	98,742	102,268	105,223	108,739	113,249	116,656	120,368	121,952	125,778	128,514
Finance costs	4,520	3,626	2,747	3,109	3,615	4,304	4,796	5,183	5,703	6,708
Depreciation	79,502	80,982	83,008	83,820	82,918	82,729	84,356	85,938	87,335	89,184
Total operating expenses	**277,327**	**$ 284,033**	**$ 290,801**	**$ 298,473**	**$ 305,658**	**$ 312,728**	**$ 322,348**	**$ 329,995**	**$ 339,622**	**$ 349,411**
Operating result	**$ 729**	**$ 2,212**	**$ 5,102**	**$ 3,606**	**$ 4,496**	**$ 4,931**	**$ 3,097**	**$ 3,432**	**$ 1,937**	**$ 613**
Capital revenue										
Grants and subsidies	30,012	28,146	22,045	27,300	28,654	28,500	29,434	25,900	27,000	23,000
Contributions from developers	6,500	5,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Donated assets	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Other capital income	-	-	-	-	-	-	-	-	-	-
Total capital revenue	**$ 40,512**	**$ 37,146**	**$ 30,045**	**$ 35,300**	**$ 36,654**	**$ 36,500**	**$ 37,434**	**$ 33,900**	**$ 35,000**	**$ 31,000**
Capital expenses										
Loss on disposal or sale of assets	740	863	803	867	937	856	1,126	1,373	631	1,125
Revaluation decrement and loss on impairment	-	-	-	-	-	-	-	-	-	-
Other capital expenses	2,000	2,000	2,000	2,000	2,000	2,000	2,188	2,240	2,466	2,346
Total capital expenses	**2,740**	**$ 2,863**	**$ 2,803**	**$ 2,867**	**$ 2,937**	**$ 2,856**	**$ 3,314**	**$ 3,613**	**$ 3,097**	**$ 3,471**
Net result	**$ 38,501**	**$ 36,495**	**$ 32,344**	**$ 36,039**	**$ 38,213**	**$ 38,575**	**$ 37,217**	**$ 33,719**	**$ 33,840**	**$ 28,142**

MACKAY REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
For the year ending 30 June 2023
(including long term forecast until 2031/32)

	Budget	Forward Estimate								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Current assets										
Cash, cash equivalents and investments	117,698	89,159	70,873	56,550	57,033	58,194	58,634	60,215	62,406	64,554
Trade and other receivables	20,421	20,850	21,494	22,062	22,680	23,173	23,807	24,391	24,990	25,533
Contract assets	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Other assets	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710
Inventories	2,745	2,745	2,745	2,745	2,745	2,745	2,745	2,745	2,745	2,745
Non-current assets held for sale	79	79	79	79	79	79	79	79	79	79
Total current assets	**$ 147,153**	**$ 119,043**	**$ 101,401**	**$ 87,646**	**$ 88,747**	**$ 90,401**	**$ 91,475**	**$ 93,640**	**$ 96,430**	**$ 99,121**
Non-Current Assets										
Investments	5,102	5,102	5,102	5,102	5,102	5,102	5,102	5,102	5,102	5,102
Trade and other receivables	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3,471,822	3,522,475	3,574,648	3,627,792	3,676,346	3,716,437	3,754,029	3,789,833	3,833,781	3,867,761
Intangible assets	4,202	3,200	2,098	1,003	88	39	39	39	39	39
Right of use assets	741	689	637	585	533	481	428	376	324	272
Total non-current assets	**$ 3,481,867**	**$ 3,531,466**	**$ 3,582,485**	**$ 3,634,482**	**$ 3,682,069**	**$ 3,722,059**	**$ 3,759,598**	**$ 3,795,350**	**$ 3,839,246**	**$ 3,873,174**
Total assets	**$ 3,629,020**	**$ 3,650,509**	**$ 3,683,886**	**$ 3,722,128**	**$ 3,770,816**	**$ 3,812,460**	**$ 3,851,073**	**$ 3,888,990**	**$ 3,935,676**	**$ 3,972,295**
Current liabilities										
Contract liabilities	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Lease liabilities	25	25	25	25	25	25	25	25	25	25
Trade and other payables	10,002	10,313	10,636	10,984	11,416	11,725	12,137	12,348	12,738	13,010
Borrowings	14,049	10,944	8,093	6,227	7,164	5,834	4,182	4,811	5,757	6,481
Provisions	62,458	61,231	55,922	48,309	44,617	37,579	32,736	26,944	20,248	20,248
Other liabilities	12,654	12,654	12,654	12,654	12,654	12,654	12,654	12,654	12,654	12,654
Total current liabilities	**$ 102,688**	**$ 98,667**	**$ 90,830**	**$ 81,699**	**$ 79,376**	**$ 71,317**	**$ 65,234**	**$ 60,282**	**$ 54,922**	**$ 55,918**
Non-current liabilities										
Lease liabilities	750	709	669	628	588	547	506	466	425	385
Borrowings	38,848	27,904	36,813	48,189	61,027	72,196	79,716	88,906	107,153	114,674
Provisions	16,746	16,746	16,746	16,746	16,746	16,746	16,746	16,746	16,746	16,746
Other liabilities	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163
Total non-current liabilities	**$ 57,507**	**$ 46,522**	**$ 55,391**	**$ 66,726**	**$ 79,524**	**$ 90,652**	**$ 98,131**	**$ 107,281**	**$ 125,487**	**$ 132,968**
Total liabilities	**$ 160,195**	**$ 145,189**	**$ 146,221**	**$ 148,425**	**$ 158,900**	**$ 161,969**	**$ 163,365**	**$ 167,563**	**$ 180,409**	**$ 188,886**
Net community assets	**$ 3,468,825**	**$ 3,505,320**	**$ 3,537,665**	**$ 3,573,703**	**$ 3,611,916**	**$ 3,650,491**	**$ 3,687,708**	**$ 3,721,427**	**$ 3,755,267**	**$ 3,783,409**
Community equity										
Retained surplus	2,299,637	2,336,132	2,368,477	2,404,515	2,442,728	2,481,303	2,518,520	2,552,239	2,586,079	2,614,221
Asset revaluation reserve	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188
Total community assets	**$ 3,468,825**	**$ 3,505,320**	**$ 3,537,665**	**$ 3,573,703**	**$ 3,611,916**	**$ 3,650,491**	**$ 3,687,708**	**$ 3,721,427**	**$ 3,755,267**	**$ 3,783,409**

MACKAY REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ending 30 June 2023
(including long term forecast until 2031/32)

	Budget	Forward Estimate								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Retained Surplus										
Opening balance	2,261,136	2,299,637	2,336,132	2,368,477	2,404,515	2,442,728	2,481,303	2,518,520	2,552,239	2,586,079
Net result for the period	38,501	36,495	32,344	36,039	38,213	38,575	37,217	33,719	33,840	28,142
Closing balance	**$ 2,299,637**	**$ 2,336,132**	**$ 2,368,477**	**$ 2,404,515**	**$ 2,442,728**	**$ 2,481,303**	**$ 2,518,520**	**$ 2,552,239**	**$ 2,586,079**	**$ 2,614,221**
Asset Revaluation Reserve										
Opening balance	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188	1,169,188
Asset revaluation adjustments	-	-	-	-	-	-	-	-	-	-
Closing balance	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**	**$ 1,169,188**
Total										
Opening balance	3,430,324	3,468,825	3,505,320	3,537,665	3,573,703	3,611,916	3,650,491	3,687,708	3,721,427	3,755,267
Net result for the period	38,501	36,495	32,344	36,039	38,213	38,575	37,217	33,719	33,840	28,142
Asset revaluation adjustments	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY EQUITY	**$ 3,468,825**	**$ 3,505,320**	**$ 3,537,665**	**$ 3,573,703**	**$ 3,611,916**	**$ 3,650,491**	**$ 3,687,708**	**$ 3,721,427**	**$ 3,755,267**	**$ 3,783,409**

MACKAY REGIONAL COUNCIL
STATEMENT OF CASH FLOW
For the year ending 30 June 2023
(including long term forecast until 2031/32)

	Budget	Forward Estimate								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Cash flows from operating activities:										
Receipts from customers	265,823	273,711	281,337	288,873	296,955	304,375	311,716	319,425	327,261	335,357
Payments to suppliers and employees	(195,026)	(201,210)	(210,922)	(219,724)	(223,322)	(233,383)	(238,798)	(245,703)	(254,390)	(254,652)
	$ 70,797	$ 72,501	$ 70,415	$ 69,149	$ 73,633	$ 70,992	$ 72,918	$ 73,722	$ 72,871	$ 80,705
Interest received	1,992	3,615	5,338	3,828	3,552	3,535	3,613	3,692	3,738	3,912
Non capital grants and contributions	9,981	8,492	8,585	8,810	9,030	9,256	9,482	9,725	9,962	10,212
Borrowing Costs	(3,640)	(2,759)	(1,857)	(2,195)	(2,678)	(3,344)	(3,812)	(4,174)	(4,669)	(5,648)
Net cash inflow (outflow) from operating activities	**$ 79,130**	**$ 81,849**	**$ 82,481**	**$ 79,592**	**$ 83,537**	**$ 80,439**	**$ 82,201**	**$ 82,965**	**$ 81,902**	**$ 89,181**
Cash flow from investing activities:										
Payments for property, plant and equipment	(103,996)	(129,535)	(132,646)	(133,944)	(129,648)	(121,012)	(120,698)	(121,082)	(130,428)	(122,038)
Payments for intangible assets	-	-	-	-	-	-	-	-	-	-
Net movement in loans and advances	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of property plant and equipment	1,257	2,091	1,817	1,260	2,205	1,437	1,676	2,019	2,566	1,801
Grants, subsidies, contributions and donations	36,512	33,146	26,045	31,300	32,654	32,500	33,434	29,900	31,000	27,000
Other investing activities	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Net cash inflow (outflow) from investing activities	**$ (68,227)**	**$ (96,298)**	**$ (106,784)**	**$ (103,384)**	**$ (96,789)**	**$ (89,075)**	**$ (87,588)**	**$ (91,163)**	**$ (98,862)**	**$ (95,237)**
Cash flow from financing activities:										
Proceeds from borrowings	-	-	17,000	17,600	20,000	17,000	11,700	14,000	24,000	14,000
Repayment of borrowings	(13,168)	(14,049)	(10,942)	(8,090)	(6,224)	(7,162)	(5,832)	(4,180)	(4,808)	(5,755)
Principal lease repayments	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)
Net cash inflow (outflow) from financing activities	**$ (13,209)**	**$ (14,090)**	**$ 6,017**	**$ 9,469**	**$ 13,735**	**$ 9,797**	**$ 5,827**	**$ 9,779**	**$ 19,151**	**$ 8,204**
Net increase (decrease) in cash held	**$ (2,306)**	**$ (28,539)**	**$ (18,286)**	**$ (14,323)**	**$ 483**	**$ 1,161**	**$ 440**	**$ 1,581**	**$ 2,191**	**$ 2,148**
Cash at beginning of reporting period	120,004	117,698	89,159	70,873	56,550	57,033	58,194	58,634	60,215	62,406
Cash at end of reporting period	**$ 117,698**	**$ 89,159**	**$ 70,873**	**$ 56,550**	**$ 57,033**	**$ 58,194**	**$ 58,634**	**$ 60,215**	**$ 62,406**	**$ 64,554**

MACKAY REGIONAL COUNCIL
KEY FINANCIAL SUSTAINABILITY METRICS
For the year ending 30 June 2023
(including long term forecast until 2031/32)

	Target	Budget 2022/23	Forward Estimate								
			2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating surplus ratio *Operating result (excluding capital items) as a percentage of operating revenue*	0% - 10%	0.3%	0.8%	1.7%	1.2%	1.4%	1.6%	1.0%	1.0%	0.6%	0.2%
Current ratio *Current assets / current liabilities*	Between 1 and 4	1.4	1.2	1.1	1.1	1.1	1.3	1.4	1.6	1.8	1.8
Interest coverage ratio *Net interest expense / operating revenue*	0% - 5%	0.9%	0.0%	-0.9%	-0.2%	0.0%	0.2%	0.4%	0.4%	0.6%	0.8%
Net financial liabilities ratio *(Total liabilities - current assets) / total operating revenue (excluding capital items)*	< 60%	4.7%	9.1%	15.1%	20.1%	22.6%	22.5%	22.1%	22.2%	24.6%	25.6%
Asset sustainability ratio *Capital expenditure on renewals / depreciation expense*	> 90%	74.6%	94.8%	90.1%	81.8%	96.1%	93.6%	88.0%	86.1%	87.1%	75.7%
Capital expenditure ratio *Capital expenditure / depreciation*	> 1.1 times	1.4	1.7	1.7	1.7	1.6	1.5	1.5	1.5	1.5	1.4

MACKAY REGIONAL COUNCIL
CAPITAL WORKS PROGRAM
For the year ending 30 June 2023
(including long term forecast until 2031/32)

	Budget	Forward Estimate								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Buildings and Facilities	**5,508**	**21,589**	**28,428**	**24,772**	**8,560**	**7,062**	**6,902**	**5,898**	**5,930**	**5,470**
Renewal	1,520	12,131	7,594	4,756	5,408	3,687	3,827	3,823	3,855	3,470
Upgrade	291	5,212	535	216	152	75	75	75	75	-
New	3,697	4,247	20,299	19,800	3,000	3,300	3,000	2,000	2,000	2,000
Parks, Gardens, Coastal & Foreshores, Waste	**15,628**	**23,566**	**19,032**	**11,262**	**6,841**	**14,324**	**11,052**	**4,365**	**2,886**	**3,257**
Renewal	3,219	3,646	3,934	4,596	3,229	11,525	9,171	2,990	2,662	2,062
Upgrade	4,631	1,803	3,379	771	1,019	1,813	157	4	171	134
New	7,778	18,118	11,718	5,895	2,593	985	1,724	1,371	53	1,061
Land	**80**	**1,168**	**-**	**25**	**100**	**3,441**	**3,441**	**-**	**-**	**-**
Renewal	-	-	-	-	-	-	-	-	-	-
Upgrade	-	-	-	-	-	-	-	-	-	-
New	80	1,168	-	25	100	3,441	3,441	-	-	-
Plant & Equipment	**9,621**	**8,490**	**7,470**	**6,769**	**9,050**	**11,071**	**7,316**	**9,188**	**10,271**	**10,381**
Renewal	8,175	8,145	7,222	6,631	8,877	11,033	7,278	9,150	10,234	10,381
Upgrade	385	31	19	19	154	19	19	19	19	-
New	1,060	314	229	119	19	19	19	19	19	-
Roads, Drainage & Network	**53,427**	**52,113**	**48,482**	**59,794**	**53,633**	**57,594**	**54,765**	**61,184**	**68,929**	**57,967**
Renewal	29,310	31,191	34,377	31,474	31,551	27,176	30,389	32,832	33,093	29,733
Upgrade	11,029	9,097	9,135	15,662	12,415	11,078	12,141	13,776	19,710	16,024
New	13,088	11,825	4,970	12,658	9,666	19,341	12,235	14,576	16,126	12,209
Sewerage	**7,847**	**8,197**	**10,745**	**11,005**	**19,445**	**11,526**	**9,518**	**10,777**	**17,882**	**33,388**
Renewal	5,730	7,169	7,389	8,100	9,033	8,395	7,558	8,554	11,569	10,549
Upgrade	1,243	604	2,376	1,818	6,495	2,890	1,035	1,660	4,958	6,891
New	874	425	980	1,088	3,918	241	925	563	1,355	15,948
Water	**11,886**	**14,412**	**18,490**	**20,317**	**32,020**	**15,995**	**27,705**	**29,670**	**24,530**	**11,575**
Renewal	10,559	13,362	13,208	12,070	20,635	15,495	15,948	16,570	14,610	11,275
Upgrade	448	696	2,863	3,265	4,100	175	5,561	2,450	1,525	75
New	879	355	2,420	4,983	7,285	325	6,196	10,650	8,395	225
	$ 103,996	**$ 129,535**	**$ 132,646**	**$ 133,944**	**$ 129,648**	**$ 121,012**	**$ 120,698**	**$ 121,082**	**$ 130,428**	**$ 122,038**

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