



Financial Plan

2011-2021

towards
2031

vibrant
progressive
connected
sustainable

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1. Introduction

Bundaberg Regional Council’s inaugural Financial Plan has been prepared in accordance with the requirements of the *Local Government Act 2009*. Section 104 of the Act provides that Bundaberg Regional Council must adopt a Financial Plan that:

- (a) Outlines the local government’s goals, strategies and policies for managing the local government’s finances, during the period covered by the plan including the following policies:
 - i. An investment policy;
 - ii. A debt policy;
 - iii. A revenue policy and
- (b) Covers a period of at least 10 years after the commencement of the plan.
- (c) Is to be consistent with the Long-Term Financial Forecast, Long-Term Community Plan and Long-Term Asset Management Plan.
- (d) Requires Council to consider whole of life costing for capital investment decisions.

Council’s goal and strategies are listed in the Financial Plan along with Council’s Investment, Debt and Revenue Policies.

Bundaberg Regional Council was formed on 15 March 2008 with the amalgamation of Bundaberg City Council and Burnett, Isis and Kolan Shire Councils.

During the ensuing three (3) years, Council has embarked on a program of amalgamating four (4) very different Councils with vastly different systems and operations.

Council is now consolidating and reviewing the many systems, operations, policies and procedures established, with a view to ensuring the organisation remains financially sustainable into the future.

Council is currently reviewing its business and organisational structure in order to ensure essential services, facilities and infrastructure are delivered, managed and maintained efficiently and effectively.

The Financial Plan in conjunction with the Long-Term Community Plan, Long-Term Financial Forecast and Long-Term Asset Management Plan, which announce Council’s goals, strategies and policies, will ensure that Council remains financially sustainable and able to deliver a diverse range of services and infrastructure services at an affordable price.



2. Purpose

Legislation requires Council to comply with principles of sound financial management including the provision of a Financial Plan. The purpose of a Financial Plan is to express, in financial terms, the activities which Council intends to undertake over the next 10 years to achieve its objectives. Its purpose is to guide the future planning of Council's financial operations in regard to key components such as rate increases, service levels to our community, and infrastructure asset replacement / renewal. It will also serve to guide Council's treasury management decisions such as loan indebtedness and internal cash reserve utilisation. In this regard, Council has prepared forward budgets for the ten years commencing 2011/12 to 2020/21.

3. Benefits of Financial Forecasting

A robust financial forecast:

- Enables realisation of Council's vision;
- Facilitates informed decision making/priority setting;
- Promotes financial discipline;
- Assists with management of cash flows and funding requirements;
- Indicates ability to secure and allocate resources;
- Assists in managing community growth/contraction and Council's response to it;
- Provides for the management of community assets and
- Facilitates assets management risk.

Section 104 of the *Local Government (Finance, Plans & Reporting) Regulation 2010* sets out the legal responsibilities for financial forecasting as follows:

Section 104

- (1) *A local government must, at least annually, prepare a long-term financial forecast.*
- (2) *A long-term financial forecast must –*
 - a. *Contain a forecast of the following for each year during the period of the forecast:*
 - i. *Income;*
 - ii. *Expenditure;*
 - iii. *The value of assets, liabilities and equity; and*
 - b. *Including the following documents covering each year of the period of the forecast:*
 - i. *A statement of financial position;*
 - ii. *A statement of cash flow;*
 - iii. *A statement of income and expenditure;*
 - iv. *A statement of changes in equity.*
- (3) *The long-term financial forecast must also state the relevant measures of financial sustainability for the period of the forecast.*

4. Financial Sustainability

4.1 Financial Sustainability Defined

The definition of Financial Sustainability, as adopted nationally by the Australian Local Government Association by resolution at its December 2006 National General Assembly arose as a result of the independent inquiry into the financial sustainability of Local Government occurring in 2005. It is defined as follows:

"A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services".

4.2 Why is Financial Sustainability important?

The independent inquiry revealed that a high proportion of Councils were deemed to be financially unsustainable. It was also considered that this high proportion either could not sustain or maintain necessary service and infrastructure levels without significant rate increases or cuts to existing service levels to their communities, or without incurring significant infrastructure backlogs.

Of central significance is the need for intergenerational equity to be ensured or, put simply, to make certain that each generation 'pays their way', rather than any generation consuming disproportionate amounts of Council resources and services, leaving it to future generations to make up the difference.

With community infrastructure such as roads, footpaths, and stormwater drainage comprising a major proportion of Council's balance sheet, it is important that Council implement appropriate strategies towards the effective upkeep of such assets. This will ensure that the maintenance and renewal of such assets are fairly and equitably funded by current ratepayers from general rate income and by future ratepayers from long term loan borrowings.

Given the importance of ensuring financial sustainability of Council operations in the longer term, it is a legislative requirement that individual Councils adopt a Financial Management Plan and Long Term Asset Management Plan (minimum 10 years) as part of future planning. Pursuant to this, the Long Term Asset Management Plan was adopted by Council on 20 September 2011.

4.3 How is it measured?

To ensure intergenerational equity is achieved it is crucial that current ratepayers effectively fund the current net cost of services provided and community assets consumed. Without this, service levels will be lower in the future or future generations may need to pay more for the level of service they receive.

To gauge whether intergenerational equity is achieved and whether Council is financially sustainable, a standard set of indicators are to be utilised. The major financial indicator of financial sustainability, as recommended within the standard set of financial indicators, is whether Council is achieving an operating surplus/deficit (before capital revenues). This is disclosed in the Council's Income Statement, with a consistent breakeven or operating surplus result indicative that Council is financially sustainable in the long term. Other financial sustainability indicators recommended by the Financial Sustainability Inquiry are separately included within this report.

4.4 Key Assumptions made in the preparation of the plan

The Financial Plan has been prepared based on estimates of what is probable, taking into account the best available information currently available. The contents of the plan are not locked into place, but are determined in line with a number of key assumptions detailed as follows:

- Existing service levels to be maintained, however Council has a philosophy of maintaining an ongoing review of services ensuring such are effectively and efficiently undertaken;
- This plan makes allowance for total renewal of all existing assets as is consistent and detailed in the various asset management plans.

4.5 Operating Income

4.5.1 Rates and Utility Charges

- To achieve financial sustainability, total Rates and Utility Charges revenue is projected to increase by 7.1% per annum. Such projected increases are inclusive of natural growth (valuation and population increases).

4.5.2 Fees and Charges

- Fees and Charges revenue to increase by 8.6% per annum.

4.5.3 Grants, Subsidies and Contributions

- Operating Grants, Subsidies and Contributions to increase by 5.6% per annum;
- Roads to Recovery grants projected to continue for the term of the plan. Current Federal Government policy extends this program until the financial year ended 2014.

4.5.4 Investment Income

- Investment income projected to be minimal as available funds are utilised.

4.6 Operating Expenditure

4.6.1 Employee Costs

- Employee benefits to increase on average by 6% per annum over the life of the plan including on-costs.
- Wage increases in line with Council's Enterprise Bargaining Agreements including 3.6% increase in 2011, a minimum increase of 3.4% and a maximum of 3.6% in 2012 and 2013.
- Council's superannuation contribution is currently 12%.

4.6.2 Materials and Services

- Insurances are event driven and premium increases in the vicinity of 20% can be expected in the short term. Longer term increases of 7% per annum have been factored into the forecast.
- Plant and machinery based costs to increase by construction indexation of 5% per annum;
- Power costs to increase by 6% per annum;
- All other operational costs to increase by an average of 5.5% per annum.
- Will include Waste Levy on the disposal of Commercial Waste at Landfill sites.

4.6.3 Finance Costs

- Finance costs for new borrowings vary depending on Capital Expenditure approved and funding sources available.

4.6.4 Depreciation, Amortisation and Impairment

- Depreciation to increase by 3% per annum.
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5. Whole of Life Cost (WOLC) approach to Capital Investment Decisions

Section 131(3) of the *Local Government (Finance, Plans & Reporting) Regulation 2010* requires Council to consider whole of life costing for capital investment decisions.

5.1 What are whole of life costs?

Assets operated by Local Government tend to be large and have long lives:

- The initial cost of an asset is only one part of the total cost of an asset.
- There are also recurrent costs associated with operating and maintaining the asset over its life.
- Disposal or remediation costs may also be relevant.

These whole of life costs are usually significant and can place pressure on:

- The financial sustainability of a local government.
- Its ability to pursue other opportunities.

Where a number of options are being considered, the whole of life costs are prepared by comparing Net Present Value (NPV) of all costs (over a given time period) in current financial terms.

5.2 Benefit to the community of whole of life costing?

Whole of life costing allows Council and the community to:

- Compare a number of different options 'like with like';
 - Integrate project's capital and recurrent costs in a long term financial forecasting model;
 - Consider pay back of higher upfront costs and to gain lower operating costs, and
 - Determine affordability.
-

6. Summary of Council Operations

6.1 Operating Income

6.1.1 Rates and Utility Charges

Rates and utility charges income includes General Rates, Water and Sewerage Charges, Waste Management Charges and any Special Charges. Early payment discount and pensioner rebates allowed are netted off against the aforementioned rate revenue items.

6.1.2 Cost-Recovery Fees & Charges

Pursuant to the provisions of Section 97 of the *Local Government Act 2009*, Council may fix a Cost-Recovery fee for:

- a) An application for the issue or renewal of a licence, permit, registration or other approval; or
- b) Recording a change of ownership of land; or
- c) Giving information; or
- d) Seizing property or animals; or
- e) The performance of another responsibility imposed on the local government under the *Building Act* or the *Plumbing and Drainage Act*.

Council will make publicly available a register of Cost-Recovery Fees.

6.1.3 Commercial Fees & Charges

Commercial fees and charges are revenues from the sales of goods and services or rent of property/facilities (other than rental of investment property as defined in the accounting standards).

They are voluntary charges for which the payer receives a direct benefit. They include Admission charges; Caravan park fees; Cemetery fees; Parking fees; Building rents; Library fees/fines; Rubbish tip fees; Sundry sales; Hall Hire; Equipment Hire, Visitor Information entry fees (e.g. Hinkler Hall of Aviation, The Old Pharmacy).

Council will make publicly available a register of Commercial Fees and Charges except where these are commercially-sensitive.

6.1.4 Grants, Subsidies and contributions

Grants, subsidies and contributions includes such grant and other related income from all sources but excludes grants and subsidies received specifically for new or upgraded assets.

6.1.5 Investment Income

Investment income is revenue from financial investments interest received from the Queensland Treasury Corporation and Banks.

6.1.6 Other Revenues

Other revenue is revenue received, not elsewhere classified. Examples of revenues within this classification include insurance recoups, rebates, commissions and the like.

6.2 Operating Expenditure

6.2.1 Employee Costs

This classification includes all expenditure in the employment of Council's staff inclusive of on-costs. It includes staff salaries and wages, accrued leave entitlements, superannuation, and workers compensation. It does not include capitalised employee expenditure.

6.2.2 Materials and Services

Materials and services include costs associated with both the acquisition of goods and services such as payments for insurance cover premiums, light and power, consulting fees, legal charges, fuel and oil, repairs and maintenance, communications and all other costs not elsewhere attributable.

6.2.3 Finance Costs

Finance costs are represented by the cost of borrowings including the interest component of loan repayments.

6.2.4 Depreciation and Amortisation

Depreciation and amortisation is represented by the fact that all non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

7. A Shared Vision

The Bundaberg regional community has a shared vision: that, in 2031, the spirit of the Bundaberg region is measured by its:

- **Community**, which is vibrant, inclusive and caring; its
- **Environment**, which is sustainable, managed and healthy; its
- **Economy**, which is strong and sustainable; and its
- **Governance**, which is responsive, cohesive, sustainable, ethical and accountable.

Council has made a commitment that each decision will consider this vision, and each planning document identifies how the vision will be achieved by the development, implementation and review of that plan.

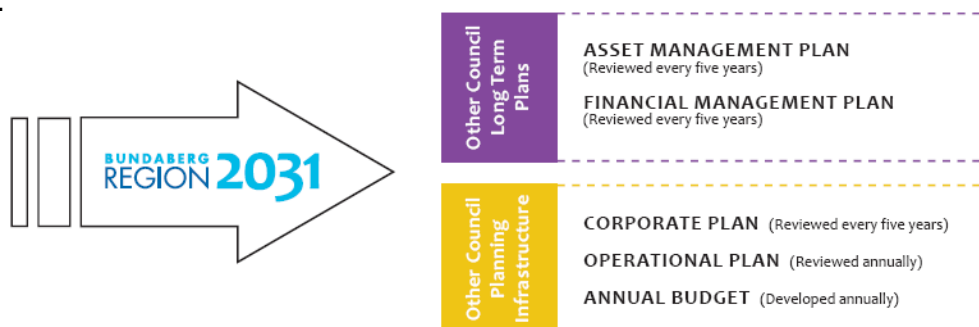
7.1 Strategic planning to achieve our goals

Council’s long-term Community Plan (*Bundaberg Region 2031*) is the overarching strategic planning document for the organisation. Council uses *Bundaberg Region 2031* to guide and inform its planning and decision making processes for the next twenty years covered by the plan.

Council has identified a number of planning documents and processes which will help achieve our community’s desired outcomes. This Plan is supported by other legislated financial management and planning documents including:-

- Financial Plan
- Long Term Asset Management Plan
- Long Term Financial Forecast
- 5 year Corporate Plan
- Annual Operational Plan
- Annual Budget

Bundaberg Region 2031 considers a number of challenges facing Council in the delivery of its plans. Further, Council must deal with costs increasing at a greater rate than CPI, the replacement of ageing infrastructure, provision of new and additional services, increasing community expectations, and compliance with ever increasing legislation and government requirements.



8. Towards 2031



8.1 A long-term vision, communicated by our community

The Bundaberg regional community has clearly communicated to its civic, business and social leaders their preferred vision for this region, one where Council, as the leader in delivery of services on behalf of its constituents, uses 'best practice' methodology and strategic planning resources to provide cost effective and efficient management of its assets. This vision is clearly announced within the single overarching long-term planning document written, designed, developed and endorsed by our community, *Bundaberg Region 2031*.

8.2 How the community told us of this need

Bundaberg Region 2031 defines and strategically plans the Bundaberg region's community vision for the future, covering the Bundaberg Regional Council local government area, and reflecting the uniqueness and diversity of our many distinct local communities.

The plan defines a long term vision for our region with ambitious aspirations, in keeping with the Queensland Local Government Act 2009, requiring local government to develop long-term community plans covering at least ten years. Expanding on the long term overarching vision, *Bundaberg Region 2031* details seven community outcome areas that are considered vital for the future of the region. For each of these outcome areas, various priorities, goals and catalysts are identified, designed to achieve the community's preferred vision for our future – *Bundaberg region: vibrant, progressive, connected and sustainable*.

This plan is a blueprint for residents, businesses, governments, organisations and Council to work together for a better region. It provides for ongoing planning by other governments, community and local industry in order to maintain the reasons we enjoy living here, and enhance the unique qualities of the region for future generations. *Bundaberg Region 2031* was developed by more than 3,000 local community, business, industry and government leaders who participated in various information and feedback processes.

A diverse Stakeholder Engagement Program was developed to guide the plan from its methodology through its various stages, resulting in at least 40 different engagement activities including the 'Your 2031' community survey, regional visioning workshops, key community group briefings, Community Connect and School Connect newsletters and constant dialogue ensured the community was part of the plan.

We considered numerous emerging issues relevant to our region's future, including our ageing population, changing lifestyles, the pressure on natural resources and our environment, the need to support a safe and healthy community, create positive employment outcomes for local people and improving our connections within and outside our region.

Drawing on this vast array of over 776 visions, ideas, suggestions and opinions, Council developed a draft plan. This draft plan was released for further public consultation and then refined in response to various items of community feedback, culminating in *Bundaberg Region 2031*, a document developed by our community outlining our community's desired twenty-year vision. *Bundaberg Region 2031* provides an opportunity for Council, our community and government to develop and deliver a Vision together.

8.3 The result: A call for integrated financial management within Council

Through extensive engagement undertaken throughout long-range community visioning as part of the community planning project, the Bundaberg regional community has provided Council with a clear and distinct desired outcome – effective and ethical governance.

In this regard, our community responded positively to the concept of this being a responsive and responsible Council, informing us that they believe a priority is responsible financial management and efficient operations, where informed decisions are made responsibly, based on consistent and correct information.

When engaged to help determine catalyst projects and initiatives that would deliver this goal, the community declared that they believe the development and implementation of a financial management plan that achieves strategic outcomes would be necessary.

In this regard, the development of this plan is a timely and meaningful exercise.

9. Financial Management Goal

Bundaberg Regional Council's goal is to be financially sustainable over the life of its 10 Year Financial Plan. In this regard, Section 102 of the *Local Government Act 2009* states that:

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

Council will achieve its goal by establishing strategies and policies designed to maintain and improve financial and infrastructure capital.

10. Financial Management Strategies

Financial Management Strategies provide Council and the community with strategic direction to achieve the goal of financial sustainability over the life of its 10 Year Financial Plan. Strategies include:

1. Investment Management: prudent investment of Councils surplus funds with the aim of maximising investment returns within an approved risk profile.
2. Debt Management: provide for the responsible financial management of loan funding by ensuring the level of Council indebtedness is within acceptable limits.
3. Revenue Management: provide for the making, levying, recovery and concessions for rates and charges, making of Cost-Recovery and Commercial Fees and Charges, funding of new physical and social infrastructure and maintaining Reserves.
4. Whole of Life Cost (WOLC) approach to Capital Investment decisions.

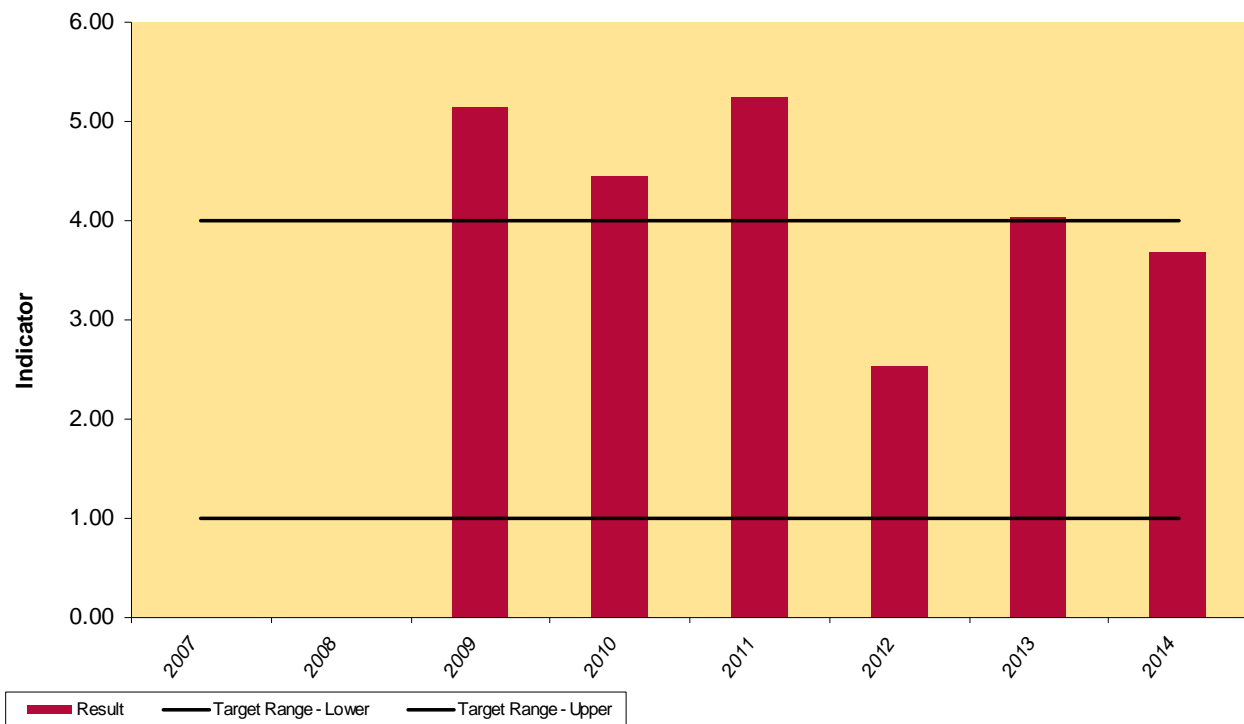
5. **Balanced Budget:** ensure Council's Budget is balanced over the life of the Financial Plan i.e. achieve financial sustainability by ensuring that our revenue is sufficient to cover an efficient operating expense base including depreciation.
6. **Asset Management:** adopt a Long-Term Asset Management Plan (LTAMP) outlining policies and strategies for ensuring the sustainable management of Council's assets and infrastructure.
7. **Staff Resources:** ensure Council employs staff with appropriate experience and qualifications to drive and manage Council's financial systems to achieve financial sustainability outcomes.
8. **Address key inter-generational issues,** for example waste management, which allows any financial burden to be spread over a number of years and not impact adversely on current or future ratepayers.
9. **Provide good financial and asset risk management** which gives assurance that major risks have been considered and are reflected in future financial and asset management planning.
10. **Accelerate priority infrastructure programmes** where a clear need for development has been identified.
11. **Maximising organisational efficiencies** through the implementation of initiatives such as:
 - Constraint in employee numbers and expenses.
 - Core and non-core service reviews.
 - Reform of non-core business service delivery modes.
 - Implementing efficiency targets in the short-term to reduce employee goods and services costs.
 - Constraint on goods and services expenditure levels.
 - Challenging the priority of discretionary operational projects.
12. **Applying user pays principles** where it is appropriate to do so and there are clearly identifiable beneficiaries of those facilities and services.
13. **Optimising our capital and borrowing programmes** to ensure delivery of projects which meet the objectives of the financial strategy. This includes increasing borrowing levels over the medium term and making an assessment of the deliverability of projects.
14. **Increasing the commercialisation of appropriate services** to generate additional returns for Council and minimise financial impacts on ratepayers.

11. Financial Ratios

The Local Government (Finance, Plans and Reporting) Regulation 2010 requires Council to publish Financial Sustainability measures. The Department of Local Government and Planning has set targets for each measure in the Financial Management Sustainability Guideline 2011 (March 2011). These targets identify a preferred range and any actual values outside of these ranges require consideration to ensure that the overall sustainability strategy of Council is not compromised.

11.1 Financial Capital

Working Capital Ratio



Measure: Current Assets divided by Current Liabilities.

Target: Between 1 and 4

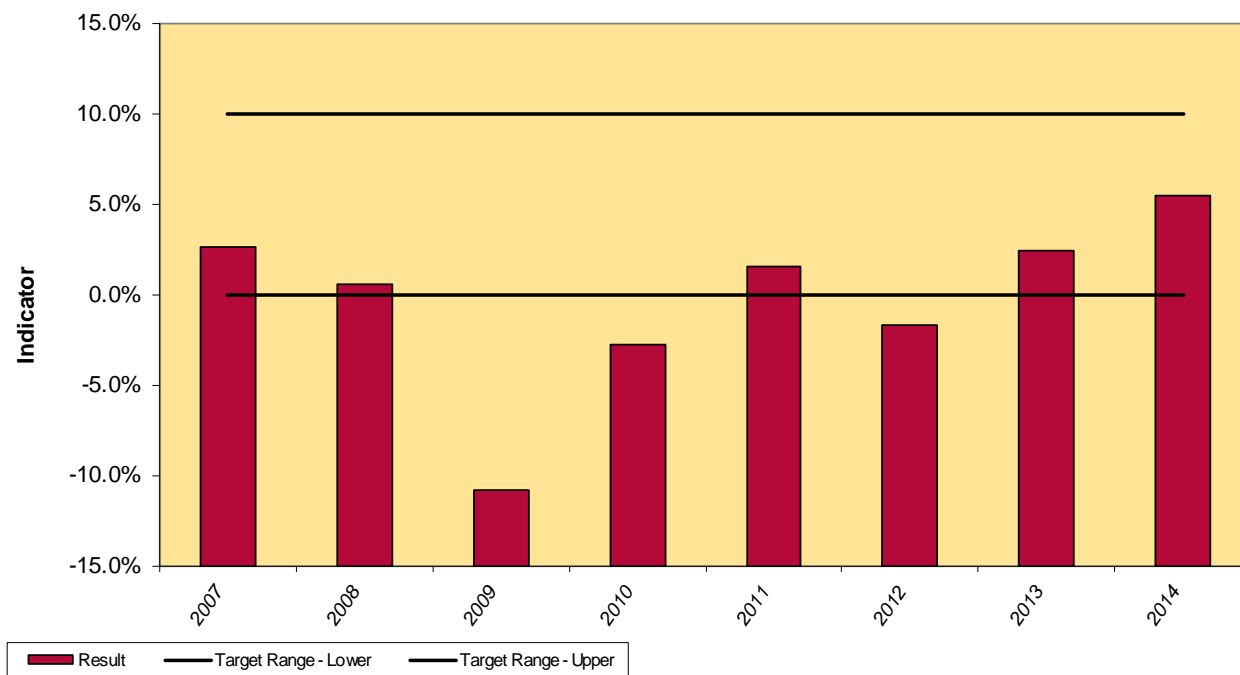
The funds available for the day to day operations.

An important indication in determining the financial health of Council is to measure its ability to meet commitments when they fall due. This indicator identifies if Council has enough short-term assets to cover its immediate liabilities.

A ratio of more than 1 is desirable and generally a higher ratio indicates a stronger financial position, and that Council has sufficient liquid assets to maintain normal business operations. Council's working capital ratio is 5.2 times, which indicates that it is in a strong financial position to meet its current commitments.

Former Council comparatives have not been included for this indicator as it is subjective with the changes in accounting policies and assumptions across the four former Councils following amalgamation and the creation of new policies.

Operating Surplus Ratio



Measure: Net Operating Surplus divided by Total Operating Revenue.

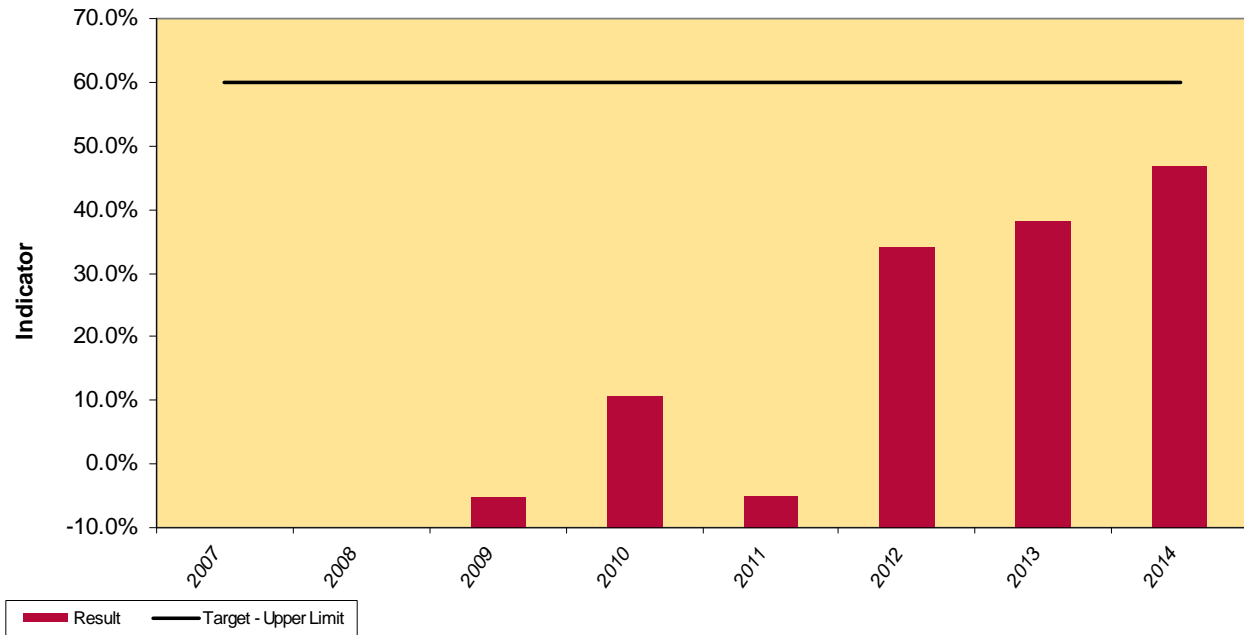
Target: Between 0% and 10%

This indicator measures the extent to which operating revenue covers operating expenditure. Surplus funds are available for capital expenditure.

A significant fall to -11% in 2009 was largely due to the cost associated with amalgamation. Council has implemented new rating methodologies and work practices in a continuing effort to bring Council back to a Surplus over the current term. In 2011 Council achieved a surplus, however this was particularly due to the focus on recoverable and subsidies work relating to the emergent restoration of essential public assets following this year's significant flood event, rather than the normal Council works program.

Council expect a slip back into deficit in 2012 as it catches up on its normal work program before returning to surplus in 2013. A positive ratio is essential for a growing community to assist in the funding of the proposed capital expenditure. This results in less reliance on borrowed funds for capital expenditure and thus manages Council debt. The positive operating surplus ratio of Council for the future budget years 2013 and 2014 indicates a push for long term sustainability.

Net Financial Liabilities Ratio



Measure: Total Liabilities less Current Assets divide by Operating Revenue.
 Target: Not greater than 60%

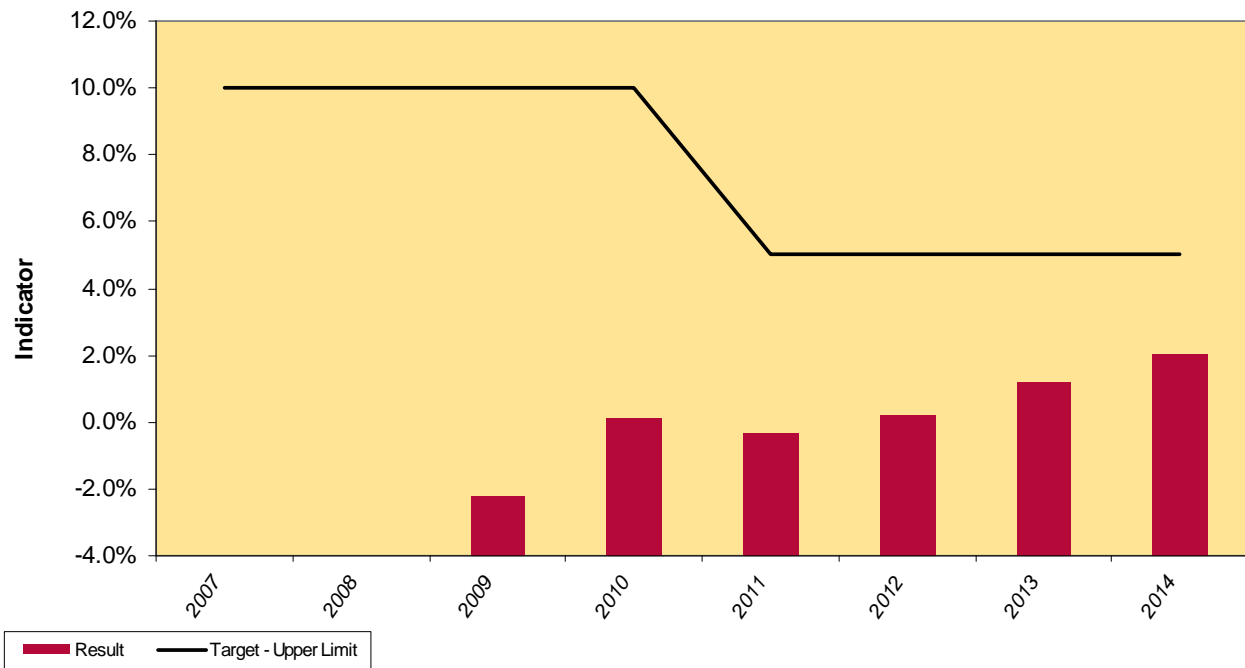
Indicates the extent to which the net financial liabilities can be serviced by its operating revenue. A value less than 60% indicates the capacity to fund existing liabilities and appears to have capacity to increase borrowings. A value greater than 60% indicates limited capacity to increase borrowings.

Council reported a negative ratio of -5.1% in the 2011 year. A negative ratio indicates that the current assets exceed the total liabilities and therefore Council appears to have significant capacity and the ability to increase its loan borrowings if necessary. The ratio is expected to increase as Council undertakes the planned capital expenditure and loan program over the budget period. This will limit Council ability to increase its loan borrowings in future years.

Former Council comparatives have not been included for this indicator as it is subjective with the changes in accounting policies and assumptions across the four former Councils following amalgamation and the creation of new policies.

11.2 Infrastructure Capital

Interest Coverage Ratio



Measure: Net Interest Expense on debt service divided by total Operating Revenue.

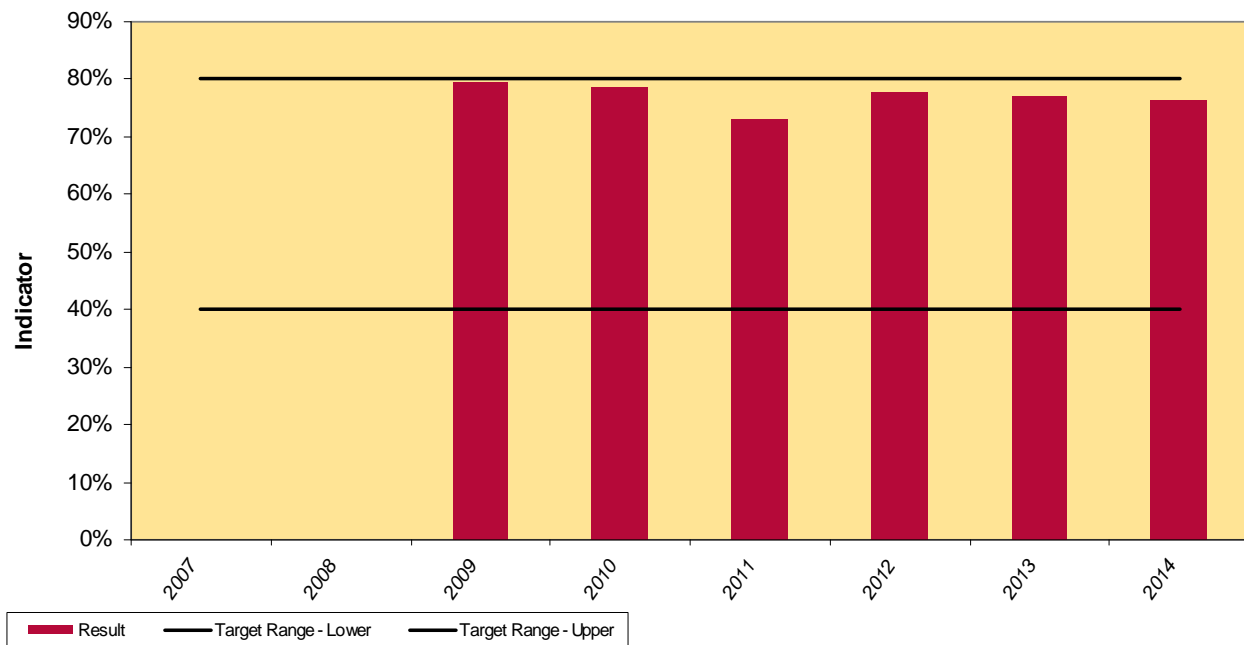
Target: Between 0% and 5%

This indicator measures the level of operating revenue committed to funding the interest expenses on current loans and leases.

In the 2011 financial year Council reported an Interest Coverage Ratio of -0.4%. A negative percentage for this ratio indicates that Council derives more interest income from investments than it incurs on paying interest on debt. In future budget years the ratio is predicted to increase slightly to become a positive figure however it will still remain well within the target range.

Former Council comparatives have not been included for this indicator as it is subjective with the changes in accounting policies and assumptions across the four former Councils following amalgamation and the creation of new policies.

Asset Consumption Ratio



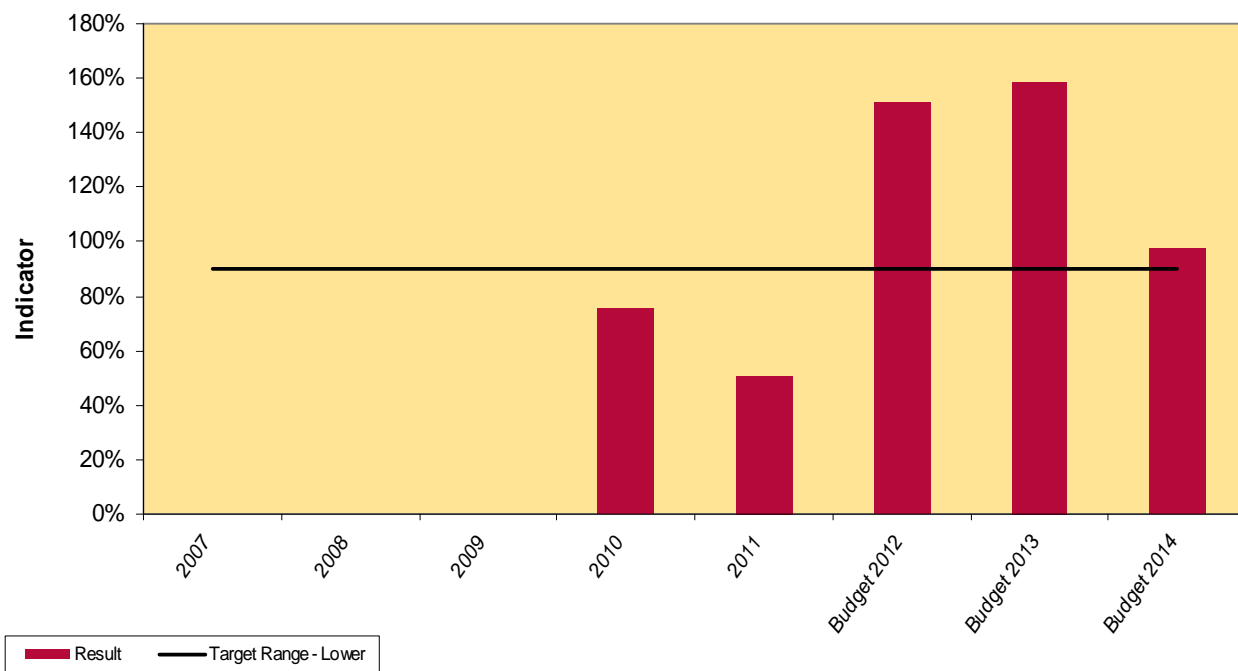
Measure: Infrastructure Assets Written Down Value divided by Gross Current Replacement Cost
 Target: Between 40% and 80%

This ratio highlights the aged condition of non-current assets by comparing the written down value of the assets to their replacement cost.

Council reported an asset consumption ration of 72% in the 2011 financial year. The decrease this year is reflective of the damage sustained to infrastructure assets from the 2010/2011 flood event. Council is preparing a significant submission to the Queensland Reconstruction Authority for assistance to restore these assets.

Former Council comparatives have not been included for this indicator as it is subjective with the changes in accounting policies and assumptions across the four former Councils following amalgamation and the creation of new policies.

Asset Sustainability Ratio



Measure: Capital Expenditure on Renewals divided by Depreciation Expense.
 Target: Less than 90%

Indicates whether a Council is renewing or replacing existing non-current assets at the same rate that its assets are being consumed.

The approximate Asset Sustainability ratio for the 2011 financial year is 51%. This reflects the impact of the flood event on Council’s capital expenditure program with a number of projects deferred until 2012 and 2013.

This ratio is an approximate as most projects are a mixture of new, renewal and upgrade works. The ratio provides Council and the community with a feeling for the renewal program rather than a clear indication. Council will review this definition and capital work classification to refine this ratio during 2012.

Former Council and the 2009 comparatives have not been included for this indicator as accounting and asset management systems were not set up to record this information.

12. Implementation of the Financial Plan

We will implement the financial plan:

- Over 10 years to ensure that the financial plan strategies can be achieved in a financially sustainable manner and that these can be delivered in an effective and efficient manner.
 - Through the delivery of operational and capital programmes which are aligned with Community Plan and Corporate Plan objectives. All capital and operational projects will be subject to rigorous business cases and prioritisation to ensure that the alignment is applied consistently before they are included in future spending plans.
 - Integrating asset management planning with financial planning which will ensure that spending on community assets will be clearly defined and in accordance with sound asset management planning.
 - Through a sustainable borrowing policy which will see increases in borrowings over the medium term aimed at supporting capital spending in accordance with the financial plan strategies.
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13. Accountability and Transparency

We will demonstrate accountability and transparency by:

- Having clear key performance indicators and targets which demonstrate if financial strategies are being achieved.
- Continuing community engagement on revenue and spending issues building on the work already completed and in place for community consultation and rating reform.
- Applying full cost pricing to more services where it is appropriate which will ensure that the full cost of services including providing community service obligations (CSO's), are clearly identified and accounted for in their own right in the General Fund.
- Clearly linking our revenue and spending decisions to the Community Plan and Corporate Plan.
- Obtaining independent assessment of the sustainability of our financial strategy through the Queensland Treasury Corporation (QTC) which will provide confirmation or otherwise of progress against financial plan strategies and provide guidance on any necessary changes.
- Regular reporting to the community on progress against our financial targets.

14. Reviewing and Refining the Financial Plan

We will continually review our financial plan by:

- Ensuring that any changes to Community or Corporate Plans are reflected in the financial plan.
- Being responsive to any emerging issues and including these in our forward planning.
- Undertaking an annual review process for both capital and operational projects.
- Considering policy changes before changing our spending plans.
- Considering the outcomes of any future community and/or rating consultation processes.

15. Definitions

The following definitions have been provided to clarify the terms used in this Financial Plan.

Term	Definition
Accumulated depreciation	The sum of all depreciation charged against an asset since acquisition up to the current date.
Capital expenditure on the replacement of assets (renewals)	Institute of Public Works Engineering Australia (IPWEA) - expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure. As it reinstates existing service potential it may reduce operating and maintenance costs.
Capital expenditure on the upgrade of existing assets (upgrades)	IPWEA - expenditure which enhances an existing asset to provide a higher level of service or will increase the life of the asset beyond that which it had originally. It will increase future operating and maintenance expenditures.
Capital expenditure to expand the asset base (expansion)	IPWEA - expenditure that extends an existing asset, at the same standard that is currently enjoyed by residents, to a new group of users. It is discretionary expenditure which increases future operating and maintenance costs because it increases council's asset base.
Capital expenditure to expand the asset base (new)	IPWEA - expenditure that creates a new asset providing a new service to a community that did not exist beforehand. As it increases service potential, it will increase future operating and maintenance costs.
Capital grants	Grant funding received or receivable from a third party that relates to a capital project.
Cash and deposits	Cash assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value.
Current assets	All current assets as identified in the balance sheet, including cash and cash equivalents, receivables, other financial assets and current inventories.
Current liabilities	All current liabilities as identified in the balance sheet, including payables, leave entitlements, other current liabilities and the current amounts due for loan repayments.

Term	Definition
Depreciation expense	An accounting estimate of the annual value of the reduction in value of the asset from its continued use by council over the life of the asset.
Gross current replacement cost of infrastructure assets	The current value of the infrastructure assets, expressed in terms of current market value, that is, the cost to replace the existing asset in the current market.
Loans received	Representative of loans drawn down and received throughout the year. Loans result in funds being received which are then repaid over a period of time with interest (an additional cost).
Net current assets	Current assets less current liabilities.
Net interest expense	Interest and finance expenses as disclosed in the income statement less interest and investment revenues as disclosed in the income statement.
Net operating surplus	The unadjusted operating surplus as presented in the income statement. This may be a deficit.
Net present value of planned capital expenditures on renewals.	The total of all capital expenditures on renewals in the forecast period included in the ten year financial model, expressed in current year values.
Operating income	Revenue generated by the provision of service including General Rates and Utility charges raised. It is also inclusive of Fees and Charges, Interest Revenue, Operating Grants, Subsidies & Donations and Sale of Developed Land Inventory.
Operating expenses	Recurrent expenditure necessary in the operations of Council. Includes employees, materials and services costs, fine costs and depreciation.
Operating result	Operating income less operating expenditure.
Reserves	Council may elect to nominate funds that will be required for specified future capital expenditure. Until these funds are required they may be used to fund other capital expenditure that would otherwise require a loan.
Total debt service	Current year interest expense and current year principal payment of debts.
Total operating revenue	The sum of all operating revenue as presented in the income statement less capital grants that have been recognised as operating revenue.
Written down value of infrastructure assets	The gross replacement cost of infrastructure assets less the accumulated depreciation on the infrastructure assets.

16. Appendices

Associated Policies can be downloaded opening the links below:

[Investment Policy \(GP-3-009\)](#)

[Debt Policy \(GP-3-004\)](#)

[Revenue Policy \(GP-3-001\)](#)

The 2011/2012 Budget and Long Term Financial Forecasts can be found on Council's website. Please visit: <http://bundaberg.qld.gov.au/council/budget/budget2011-2012>.

Please note: Data contained in the Financial Plan may differ from data included in Budget 2011-2012 documents as information is updated.