

Appendix - Financial Statement 2021-2022 Overview







FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

Council has achieved an improved net result of \$2,840,923 in 2021-2022, as compared to a deficit of (\$8,355,333) in 2020-2021. These results include grant and contributions provided for capital purposes. A surplus is used to fund capital expenditure and build up reserves for Council's assets to be renewed in accordance with Council's asset management plans.

After considering grants and contributions provided for capital purposes, Council posted a reduced operating deficit of (\$5,438,059) in 2021-2022 as compared to an operating deficit of (\$11,375,449) in 2020-2021.







Council's operational income in 2021-2022 was \$45.978million. Grant income represented 37% of total income, with the remaining 63% of the operating income classed as own sourced revenue. Total rates and charges levied (less discount) totalled \$18.463million. This equates to 40% of Council's operating income. Interest and investment revenue decreased in 2022 due to the lower interest rate environment. Council spent \$36.115million during the year on employee costs, materials and services. These items represent costs related to providing services, operating facilities and maintaining assets. Depreciation expenditure reduced slightly to \$14.952million, and this records the consumption of assets controlled by Council over their useful lives and provides an indication of what the level of expenditure on renewal of existing assets is required annually.

The following table summarises the reasons for the movement for respective items of the statement of comprehensive income:

Classes of transactions, account balances or disclosures	Change	Key drivers
Sales revenue \$7,104,388	\$4,058,193 133% 	Increase in the value of recoverable works for the Department of Transport and Main Roads during the current year in comparison to 2020-21
Recurrent - Grants, subsidies, contributions and donations \$16,857,896	\$5,924,480 54% 	Movement in the value is due to the Federal Assistance Grant increasing by \$5.9m, predominantly due to a change in the timing of the prepayment of this grant for 2022-2023.
Capital - Grants, subsidies, contributions and donations \$10,229,038	\$880,840 9% 	Increase in the value is due to the below significant net movements: <ul style="list-style-type: none"> - Increase in Disaster Recovery Funding \$2.7m - Decrease in State Govt Subsidies and Grants of \$2.4m - Increase in Commonwealth Govt Subsidies and Grants of \$100k
Employee benefits \$14,477,923	\$1,492,374 9% 	The decrease is a reflection of a decrease in headcount in comparison to 2020-21. Council's employee numbers have reduced to 169 compared to 185 in the prior year.
Materials and services \$21,636,679	\$6,081,588 39% 	Increase in the value of recoverable works for the Department of Transport and Main Roads during the current year in comparison to 2020-21.
Capital expenses \$1,950,056	\$4,378,026 69% 	Capital expenditure has decreased in the current financial year due to council's prior year initial recognition of quarry rehabilitation provision and change in estimates its landfill rehabilitation provision. No additional provisions have been recognised in the current financial year.

Council's total equity decreased to \$923,091,759 (2022) from \$ 1,088,627,305 (2021). This decrease was predominantly due to a full comprehensive valuation completed for Council's roads, drainage, and bridge network which resulted as a revaluation decrease of \$178.58million. Council had an increase in cash reserves of \$6,648,243 being an increase of 29%. This was due to Council's capital and operating works spend in the current year being matched by grant funding resulting in a cash surplus being generated.

The following table summarises the reasons for the movement for the respective items of the statement of financial position:

Classes of transactions, account balances or disclosures	Change	Key drivers
Cash and cash equivalents \$29,454,535	\$6,648,243 29% 	Council's capital and operating works spend in the current year was matched by grant funding, resulting in a cash surplus generated.
Contract assets \$2,655,257	\$953,472 56% 	The increase in 2022 relates to grant funds claimable for the following capital work projects: <ul style="list-style-type: none"> - Disaster recovery funding arrangements - Department of Transport and Main Roads capital projects
Payables \$4,800,846	\$1,821,170 61% 	The increase in payables for 2022 financial year predominately relates to the significant payable with Downer EDI Work Pty Ltd of \$1,013,204 for works performed late in the 2022 financial year.
Contract liabilities \$2,135,986	\$1,002,572 88% 	Contract liabilities arise from cash received in advance for capital works. The major contract liability at June 2022 includes \$1.14 million for the Local Roads and community Infrastructure Program Phase 3.
Other liabilities \$1,999,338	\$1,897,201 1858% 	Increase within other liabilities is due to the annual advance payments from the Department of Environment and Science relating to waste package and waste levy changes.
Asset revaluation surplus \$176,757,389	\$168,376,469 49% 	A full comprehensive valuation over Council's Roads, Drainage and Bridge network which resulted in a revaluation decrease of \$178.58 million. In addition Council applied indexation increases to Buildings, Land, Water, Sewerage and other infrastructure. This indexation review resulted in a revaluation increment of \$10.15 million.

The following is an assessment of Council's financial sustainability, based on the three (3) ratios that Councils are required to report under the local government regulations. Whilst there was an improved net result for the year ended 30 June 2022, the assessment of North Burnett Regional Council financial sustainability risk is still **high**.

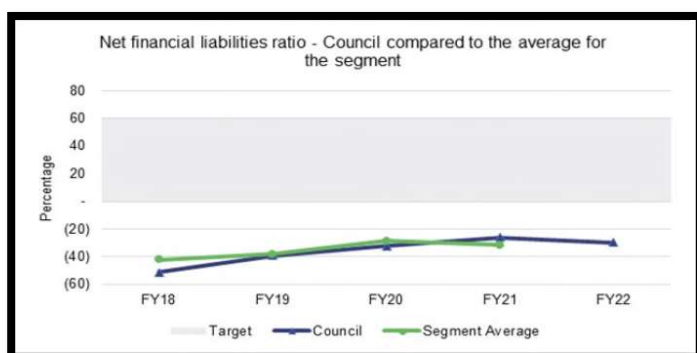


Operating Surplus Ratio

The operating surplus ratio measures the extent to which revenues raised (to cover operating expenses) are available for capital funding and other purposes.

North Burnett Regional Council's 5-year average operating ratio is (19.19%) which is outside the target range of 0 - 10%. The average operating surplus ratio indicates that Council needs to consider increasing its own revenue source and reduce its expenditure to achieve the target. This could include considering the services Council provides or the levels at which they are provided. There was an improvement from (31.80%) in 2021 to (11.83%) in 2022.

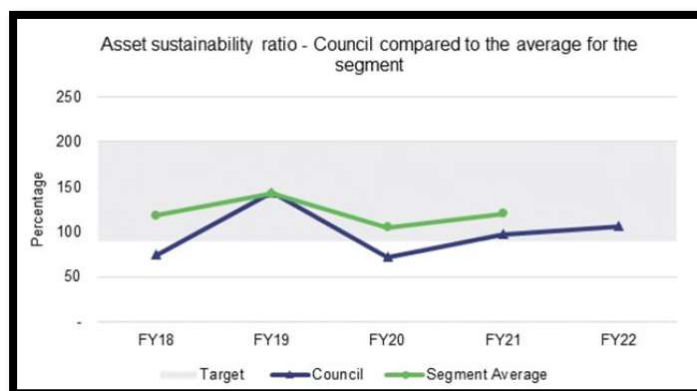
Net Financial Liabilities Ratio



The net financial liabilities ratio measures the extent to which net financial liabilities can be serviced by operating revenues and is a short-term liquidity measure. The ratio determines how well placed we are to pay our liabilities from current operating revenue.

North Burnett Regional Council's net financial liabilities ratio as at 30 June 2022 is (29.45%). This is within the target range of not greater than 60%. Council has consistently trended above the segment average of (35.50%). If Council intends to obtain debt funding for future capital projects, its negative operating surplus ratio suggests Council may experience difficulty in repaying this debt.

Asset Sustainability Ratio



The asset sustainability ratio is an approximation of the extent to which the property, plant and equipment (PPE) assets that we manage are being replaced as they reach the end of their useful lives.

North Burnett Regional Council's 5-year average asset sustainability ratio is 98.16%. This is within the target range of greater than 90%. The 2022 financial year sustainability ratio of 102.65% indicates that Council has monitored its assets in line with its asset management plans and has adequately replaced its assets as they near the end of their useful lives.

During the current year, a prior period error had been identified which resulted in the reinstatement of the 2021 financial year comparatives. The reinstatement improves North Burnett Regional Council's net asset position and net results reported in the 2021 financial year, The prior period error related to the recognition of capital grants, subsidies, contributions, and donations with an improvement to the net result by \$352,664 in 2021 and an improvement to net assets by \$534,049.

The above error had an impact on the Statement of Financial Position as at 1 July 2020 to the value of \$181,385.