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CITY BUDGET 2023–24

A balanced budget with a sustainable
long-term financial outlook.

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2.1 City Budget 2023-24 overview

Total budget for 2023-24

The 2023-24 Budget has been developed in alignment with the Council Plan 2022-2027, Annual City Operational Plan and Long-Term Financial Plan.

It continues to deliver high standard, value-for-money services to the community and provides funding for projects and programs that will improve the city transport network, deliver new community and cultural assets, diversify and strengthen the Gold Coast economy and protect and enhance the Gold Coast lifestyle and environment.

The total budget for 2023-24 is \$2,193 million, made up as follows:

- o capital expenditure \$777 million
- o services and operating costs \$1,341 million
- o debt repayments (principal) \$75 million.

Key initiatives for 2023-24

The following key initiatives are included in the budget:

1. Transport

- o Light Rail Stage 3 (made up of \$25.0 million cash contribution and \$2.0 million of in-kind works) - \$27.0 million.
- o Light Rail Stage 4 (detailed business case, preliminary works and approvals as part of a 50/50 partnership with Transport and Main Roads) - \$8.8 million.
- o Roads Rehabilitation and Reseals Program - \$54.0 million.
- o Upgrade to the intersection of Wardoo Street and Cotlew Street, Ashmore - \$8.0 million.
- o Road upgrade at Yawalpah Road, Pimpama - \$7.2 million.
- o Bridge construction at Yawalpah Road, Pimpama - \$7.0 million.
- o Upgrade of the roundabout to traffic signals at the intersection of Laver Drive and Town Centre Drive, Robina - \$7.0 million.
- o Upgrade of Eastern Service Road, Ormeau - \$6.3 million.
- o A one-off funding contribution to the Gold Coast Waterways Authority to complete “The Spit Masterplan Improvements” to the Muriel Henchman Park Precinct, off Seaworld Drive, Main Beach - \$5.9 million.
- o Shared path Paradise Avenue, Miami - \$3.5 million.
- o Upgrade of the existing narrow path along Old Coach Road between Kingsmore Boulevard and Bridgman Drive, Reedy Creek - \$2.6 million.
- o Subsidising bus services in the northern Gold Coast to improve accessibility - \$2.9 million.
- o Subsidising public transport to provide free travel for seniors and veterans - \$1.0 million.

2. Strategic Land Acquisition

- o Koala Habitat Land Acquisition - \$5.0 million.
- o Natural Areas Land Acquisition Program - \$4.5 million.

3. Community Health and Safety

- o Disability Access Program to upgrade existing transport infrastructure and construct new infrastructure that complies with accessibility standards - \$2.9 million.

4. Conservation and Environment

- Renewal of the southern training wall located at the entrance of Currumbin Creek \$0.3 million.
- Stabilisation of natural bank structures along the Coomera River Foreshore - \$1.5 million.
- Renewal of Tomewin Street Seawall, Currumbin - \$1.5 million.

5. Flood Mitigation and Drainage

- Renewal and upgrade to the underground drainage network at Deodar Drive, Burleigh aligned with the delivery of Light Rail Stage 3 - \$13.6 million.

6. Parks and Natural Areas

- Greenheart Stage 1 - \$14.0 million.
- Greenheart Stage 2 - \$3.5 million.
- Slope remediation works (including Lions Head \$3.3 million and R.T. Peak Memorial Park \$3.2 million) - \$7.5 million.
- Pizzey Park Masterplan implementation - \$5.2 million.
- Mudgeeraba Cemetery extension - \$3.5 million.

7. Sport and Community Facilities

- Redevelopment of the Palm Beach Aquatic Centre as a regional facility - \$50.1 million.
- Viney Park upgrade - \$5.1 million.
- Firth Park Netball upgrade - \$2.1 million.
- Helensvale Library Air Conditioning Stage 2 - \$1.3 million.
- Runaway Bay Library renewal - \$1.0 million.

8. Waste Management

- Construction of an engineered liner system at Stapylton Landfill - \$6.3 million.

9. Water and Sewerage

- Merrimac Sewage Treatment Plant upgrade- \$28.5 million.
- Coombabah Sewage Treatment Plant Preliminary Treatment Area - \$15.0 million.
- Stapylton Sewerage Network upgrade - \$6.5 million.
- Elanora Sewage Treatment Plant upgrade - \$5.4 million.
- Pimpama Sewage Treatment Plant Stage 2 upgrade - \$5.0 million.
- Merrimac Sewage Treatment Plant Stage 1 & 2 upgrade - \$4.4 million.
- Construction of gravity sewers and diversion of rising mains in the Sewerage Pump Station Network - \$3.5 million.

Debt management

The City of Gold Coast (the City) compares favourably against industry debt benchmarks. Debt is being prudently managed with new borrowings of \$116 million for 2023-24 representing only 15% of the total capital works program of \$777 million.

Total debt is expected to increase by \$41 million in 2023-24 (from \$595 million in June 2023 to \$636 million in June 2024), taking into account principal repayments of \$75 million.

The City is well within industry benchmarks used to measure debt and its impact on financial sustainability. The net financial liabilities ratio (total liabilities less current assets all divided by total operating revenue) forecast for 2023-24 is 11% which is well below the maximum benchmark of 60% used by the Department of Infrastructure, Local Government and Planning to assess the City's long-term financial sustainability.

2.2 Revenue and expenditure (including rates and charges)

Total rates and charges for a residential non-Community Title Property dwelling being a principal place of residence with an average rateable valuation has increased by 5.5%. This compares favourably to 7.42% annual inflation for Brisbane to March 2023 (Australian Bureau of Statistics). The table below reflects the rate bill for such a property.

The City is continuing to focus on reducing the amount of waste that is sent to landfill. During the first six months of 2023-24 financial year, the City will progressively roll out the Green Organics collection service to all single unit dwelling properties with a land area between 250m² and 5,000m². The Green Organics service is now compulsory for these properties. To assist ratepayers with the transition, a rebate will be provided to cover the cost of the Green Organics service in the 2023-24 financial year.

Table 1: Summary of total rates and charges 2023-24 for a residential non-Community Title Property dwelling being a principal place of residence with an average rateable valuation

	2022-23 Total Rates & Charges \$	2023-24 Total Rates & Charges \$	Total Increase %
<i>Average Rateable Valuation</i>	\$509,092	\$567,370	
General Rate	\$1,627.79	\$1,733.95	6.5%
Early Payment Discount @ 10.0%	(\$162.78)	(\$173.39)	6.5%
Sewerage Charge	\$724.12	\$724.12	0.0%
Water Access Charge	\$240.40	\$269.50	12.1%
Council Water Consumption (Based on 180kL charged at \$1.181 per kL in 2022-23 increasing to \$1.346 per kL in 2023-24)	\$212.58	\$242.28	14.0%
Waste Utility Charges	\$304.00	\$322.84	6.2%
Recycling Charge	\$10.00	\$10.60	6.0%
Green Organics Charge	\$0.00	\$58.80	100.0%
Green Organics Rebate	\$0.00	(\$58.80)	(100.0%)
City Transport Improvement Separate Charge	\$170.00	\$190.00	11.8%
Recreational Space Separate Charge	\$29.00	\$29.00	0.0%
Open Space including Koala Habitat, Maintenance and Enhancement Separate Charge	\$55.50	\$58.50	5.4%
Volunteer Fire Brigade Contribution Separate Charge	\$2.00	\$2.00	0.0%
Net Total Rates and Charges (Council Controlled)	\$3,212.61	\$3,409.39	6.1%
State Charges Outside of the City's Control			
Water Consumption - State Gov't Bulk Water Component (Based on 180kL charged at \$3.301 per kL 2022-23 increasing to \$3.371 per kL in 2023-24)	\$594.18	\$606.78	2.1%
Net Total Rates and Charges	\$3,806.79	\$4,016.17	5.5%
Annual Increase in Total Rates & Charges:			\$209.38
Weekly Increase in Total Rates and Charges:			\$4.03

Expenditure programs 2023-24

The following table provides a breakdown of the major expenditure programs to be undertaken by the City as part of the 2023-24 budget (excluding internal transfers to reserves). The City's expenditure programs are guided by the priorities identified in the Council Plan 2022-27 and feedback received through community consultation. The city's population growth triggers an increased demand for roads, transport and drainage, park and recreational facilities and social infrastructure such as libraries, community centres and aquatic facilities.

Compared to 2022-23, the City's total budget increases by \$493 million predominantly due to an increase in capital expenditure.

Key capital projects included in the 2023-24 budget are identified in section 2.1 of this report.

Table 2: Expenditure by program

	2022-23 (\$ million)	2023-24 (\$ million)
Program 1: City Planning	66.1	65.8
Program 2: City Transport	285.7	377.9
Program 3: Community Health and Safety	96.5	108.6
Program 4: Conservation and Environment	36.3	59.5
Program 5: Economic Development	55.2	64.6
Program 6: Parks, Recreation and Culture	301.0	389.1
Program 7: Waste Management	121.9	160.6
Program 8: Water and Sewerage	436.2	507.2
Program 9: Organisational Capability	193.0	251.3
Program 10: Internal Services	107.7	208.6
Total	1,699.6	2,193.2

2.3 Long-term financial forecast

Financial goals and strategies

Detailed 10 Year Service Financial Forecasts (10 year financial plans) are maintained for the following eleven key functional areas and incorporated into the consolidated long-term financial forecast.

- City Transport
- Waste Management Services
- Beaches and Waterways
- Flooding and Drainage
- Parks, Natural Areas and Recreation
- Major Sporting Venues and Aquatic Centres
- Library Services
- Community Centres
- Tourist Parks
- Water and Sewerage Services
- Information Management.

In preparing the long-term financial forecast the City has sought to:

- Deliver the key outcomes of the Council Plan 2022-2027 and implement the themes and aspirations of Gold Coast 2032
- Maintain rate increases near to CPI for a residential property that is a non-community titled principal place of residence with an average rateable valuation.
- Prudently manage debt
- Continue to deliver value for money services to the community
- Fully fund asset renewal requirements to maintain infrastructure assets
- Reduce congestion on roads
- Provide funding for community and sporting facilities
- Fund key initiatives included in the City's key strategies

Financial decisions are guided by corporate policies, strategies and principles of effective financial management. The City regularly models financial performance, financial position and cash flow forecasts to monitor the long-term sustainability of decisions. The long-term financial outlook is updated quarterly and a comprehensive analysis is undertaken between July and December each year, and this sets the context for the development of the annual budget. Projected financial statements are included in the City Budget supporting documents section of this Annual Plan.

2.4 Financial performance

The City's financial performance can be evaluated against four key pillars:

1. Competitive rating levels and user pays charges
2. Debt levels and capacity to service debt
3. The condition of City infrastructure assets
4. The scope and standard of services.

In terms of financial performance and sustainability, the City is performing well against these four pillars.

Competitive rating levels and user pay charges

The City's rates and utility charges remain competitive with other South East Queensland Councils, particularly considering comparative levels of service.

The City applies the principles of equity, effectiveness and efficiency, simplicity and sustainability in setting rates and utility charges as set out in the Revenue Policy.

The City's Revenue Policy is included in the City Budget supporting documents section of this Annual Plan.

Debt levels and capacity to service debt

The City is focused on responsibly managing debt in the short and long-term. Debt is only used for capital purposes and is generally borrowed over the maximum allowable term by Queensland Treasury Corporation (QTC) of 20 years.

The City will remain well within debt ratio benchmarks set by the State Government and QTC as shown in the ratio tables in section 2.5. The debt service ratio (debt principal and interest payments divided by operating revenue) for 2023-24 is estimated to be 6% and will increase to 7% by 2032-33 (well below the benchmark of 20%), demonstrating the City's ability to adequately service debt commitments.

The level of borrowings drawn each financial year is carefully monitored through long-term financial modelling to ensure affordability. In addition to internal assessments, the City is required to submit an annual application to the State Government, which includes the long-term financial forecast, to gain approval for all planned borrowings. QTC undertakes a detailed annual credit assessment of the City and makes recommendations to the State Government regarding sustainable borrowing levels. In December 2021, the City's credit rating was upgraded from Sound with a Positive outlook to Strong with a Neutral outlook.

The City's Debt Policy is included in the City Budget supporting documents section of this Annual Plan.

The condition of City infrastructure assets

The outputs of each of the Asset Management Plans are summarised into the overarching Total Asset Management Plan that informs the budget process and is integrated into the Long-Term Financial Forecast. More accurate renewal modelling has been undertaken for Transport, Stormwater, Parks and Community Facilities asset types using a predictive analytics solution, providing a higher level of confidence in renewal forecasts.

The 2023-24 to 2032-33 Total Asset Management Plan states that the renewal investment required to maintain current levels of service for existing infrastructure assets for 2023-24 is \$295.5 million. Renewal requirements rise to an annual average of \$326.2 million in the following nine year period. Additional renewal modelling is underway and enhancements to predictive analytics are planned to better support forecasting of the infrastructure renewal requirement over the medium and longer-term planning horizon.

Condition assessments are a key component of asset management that underpin planning for the renewal (i.e. replacement and refurbishment) of infrastructure. As illustrated by the below graph, there has been a consistent increase in assets in 'fair', 'poor' and 'very poor' condition that highlight an ageing infrastructure asset base. This trend along with the renewal forecast, is strongly influenced by the ageing of longer life infrastructure built during the city's peak growth periods since the 1970s. Asset Management Plans include a program of condition assessment activities that are scheduled every one to five years for all asset types. The proportion of assets in fair condition and approaching the need for renewal intervention has increased from 13% to 20% over the last four years, which supports the need for a larger citywide renewal program.

Figure 1: Condition trend of the City infrastructure assets

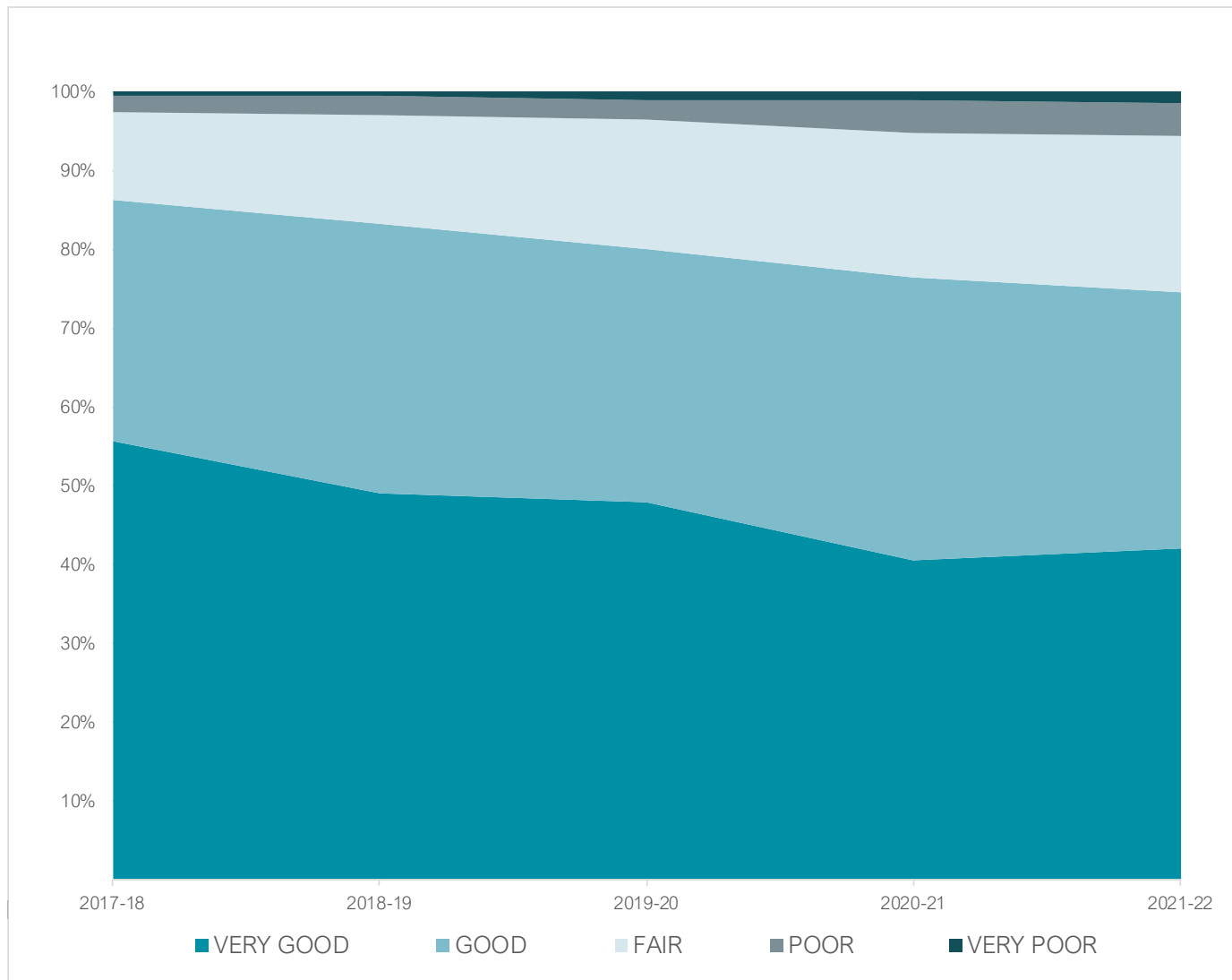
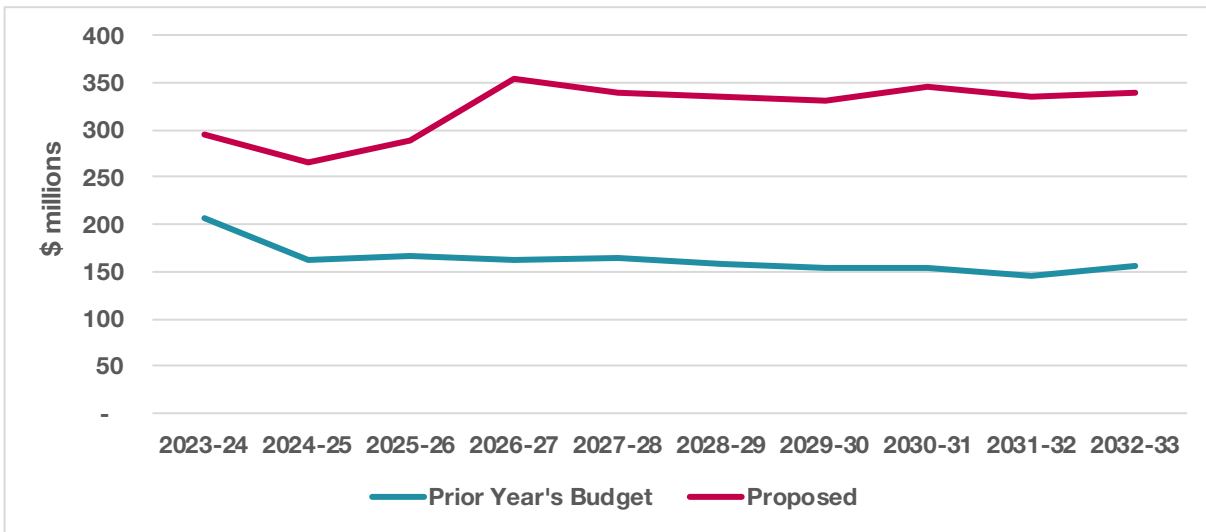
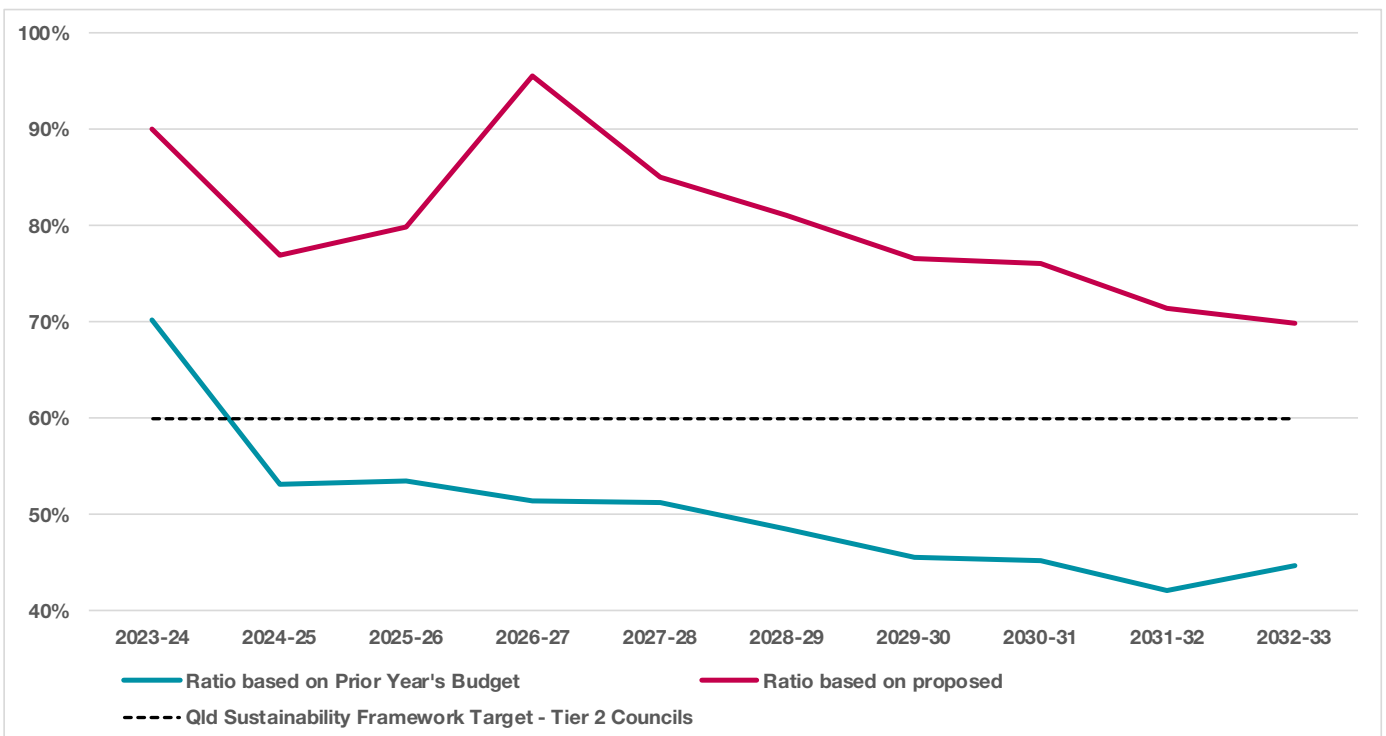


Figure 2: Infrastructure renewal requirement



Continuing to fund infrastructure renewal is essential to ensure the sustainability of the infrastructure base. The asset sustainability ratio (ASR) approximates the extent of assets within the infrastructure base being replaced as they reach the end of their useful lives. A new Financial Management (Sustainability) Guideline released by the Queensland State Government nominates a minimum 60% ASR target (five-year average result) for the City as a Tier 2 Council. The proposed investment in infrastructure renewal would achieve the minimum target and reduce risk exposure, service interruptions and impacts to service levels being delivered.

Figure 3: Asset Sustainability Ratio Forecast



The scope and standard of services

The City continues to commit the required funding on an annual basis to maintain our exceptionally high standard of operational services across our growing city, including maintaining our roads, parks, beaches, libraries, events, sporting and community venues. Work has also commenced on enhancing service planning for the city with the objective to formalise service plans by 2027 to better inform service delivery decision-making. The City is currently undertaking or planning construction of new and refurbished major assets across the city that will provide new and improved services, including:

- Palm Beach Aquatic & Community Centre redevelopment
- Pizzey Park Masterplan implementation
- Greenheart Stage 1 & 2
- Light Rail Stage 3 (contribution)
- Surfers Paradise revitalisation
- Increased expenditure on road upgrades, including:
 - major road projects to increase the capacity of City-controlled roads
 - intersection and 'pinch point' upgrades
 - more efficient traffic operations with the use of data, technology and intelligent transport systems
 - extending and connecting the active travel network.

Key asset management improvements and focus areas:

Recent improvements that are underway or implemented include:

- Early approval of the Total Asset Management Plan has helped to inform capital and renewal investment decision-making.
- Allocation of Capital Framework implemented to provide a structured and standardised methodology to prioritise investment in capital works.
- Introduction of asset lifecycle modelling through more advanced predictive analytics solutions increase confidence in renewal forecasts.
- Scoping and initial development of an ISO55000 aligned Asset Management System (AMS) to further standardise asset management practices and improve alignment with organisational objectives.
- Development of an Enterprise Asset Management Technology Roadmap to provide direction on future asset management technology improvements.
- Development of an Asset Management Capability Plan, outlining key asset management capabilities to be enhanced over the next four years.
- ISO 55001 aligned asset management maturity assessment to benchmark current maturity and guide future asset management improvements.

2.5 Financial sustainability indicators

The following financial sustainability ratios are prescribed under the *Local Government Regulation 2012*:

- Operating Surplus Ratio (net operating result divided by total operating revenue)
- Net Financial Liabilities Ratio (total liabilities less current assets all divided by total operating revenue)
- Asset Sustainability Ratio (capital expenditure on renewal of assets divided by depreciation expense)

The City is also required to maintain three other financial ratios within limits agreed with Queensland Treasury Corporation (QTC) as part of the lending terms and conditions. These ratios are:

- Adjusted Operating Surplus (net operating result plus depreciation expense all divided by total operating revenue)
- Leverage (total debt less cash investments all divided by total operating revenue)
- Debt Service Coverage (net operating result plus interest expense plus depreciation all divided by interest expense plus prior year current debt)

Management of operating position

Table 3: Operating ratios

Ratio	Target		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
	min	max										
Operating Surplus	0%	10%	1%	5%	5%	7%	7%	7%	8%	8%	9%	10%
Adjusted Operating Surplus	16%		21%	25%	25%	26%	26%	26%	27%	26%	27%	27%

The forecast Operating Surplus Ratio remains positive, indicating the City is raising sufficient operating revenue to cover operating expenses.

The Adjusted Operating Surplus Ratio, required by QTC, removes accounting depreciation from the calculation and the target result. The City is forecasting to meet the benchmark set by QTC for the entire forecasting period.

Management of debt

Table 4: Debt ratios

Ratio	Target		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
	min	max										
Net Financial Liabilities		60%	11%	18%	29%	41%	47%	52%	56%	58%	59%	57%
Debt Service Coverage	2.2		3.7	4.9	5.6	6.0	5.3	4.6	4.4	4.5	4.3	4.2
Debt Service Ratio	0%	20%	6%	5%	5%	5%	5%	6%	7%	7%	7%	7%

The three ratios above provide an indication as to whether debt is being responsibly managed. The City sits comfortably within the required benchmarks for the forecast period.

Through prudent debt management, the City maintains the flexibility to utilise debt funding should it need to do so in the future.

Management of infrastructure assets

Table 5: Asset sustainability ratios

In November 2022, the Department of State Development, Infrastructure, Local Government and Planning released a new Local Government Sustainability Framework to monitor council sustainability and long-term financial planning. The framework now applies a tiered system to setting sustainability targets for local governments. The City is included within Tier 2 of the framework (local governments with a population between 100,000 and 1 million), with a new Asset Sustainability Ratio target of 60%. This has been reduced from the previous target of 90%.

Ratio	Target	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Asset Sustainability (Tier 2)	Greater than 60%	90%	77%	80%	97%	87%	83%	80%	79%	74%	73%
Asset Renewal Funding	Greater than 90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Ratio	Target		2021-22
	min	max	
Asset Consumption (WDV/Gross Value)	40%	80%	66%

The Asset Renewal Funding Ratio uses infrastructure renewal funding requirements (as stated in the City adopted Total Asset Management Plan). As the City's long-term financial forecast includes funding for the infrastructure renewal requirements in the Total Asset Management Plan for the coming 10 year period, the results of this ratio for the 10 year period is 100%. This demonstrates that the City's infrastructure is sustainable in the long-term and that the City is committed to funding required infrastructure renewal as determined through robust asset management planning.

The Asset Consumption Ratio gives an indication of the 'as new condition' left in the assets. The results of this ratio (as at 30 June 2022 - the last audited results available) reinforces the sustainability of the City's infrastructure assets with the result of 66% being towards the higher end of the target range. This aligns with information provided previously on the condition of the City's infrastructure with the majority of the assets being in a very healthy state.