

K. Current financial sustainability measures

Figure K1 details the current ratios (measures) used in the local government sector to indicate short-term and long-term financial sustainability. The guidelines quoted in the target range were issued by the Department of Housing, Local Government, Planning and Public Works (the department).

Figure K1
Financial sustainability measures for councils

Measure	Formula	Description	Target range
Operating surplus ratio	<i>Net operating result divided by total operating revenue (excludes capital items)</i> Expressed as a percentage	Indicates the extent to which operational revenues raised cover operational expenses	Between zero and 10 per cent – per department-issued guidelines
	<p>A negative result indicates an operating deficit, and the larger the negative percentage, the worse the result. Operating deficits cannot be sustained in the long term. A positive percentage indicates that surplus revenue is available to support the funding of capital expenses, or to hold in reserve to offset past or future operating deficits.</p> <p>We consider councils as financially sustainable when they consistently achieve an operating surplus and expect that they can do so in the future, having regard to asset management and community service level needs.</p>		
Net financial liabilities ratio	<i>Total liabilities less current assets divided by total operating revenue</i> Expressed as a percentage	Indicates the extent to which a council's operating revenues (including grants and subsidies) can cover its net financial liabilities (usually loans and leases)	Not greater than 60 per cent – per department-issued guidelines
	<p>If net financial liabilities are greater than 60 per cent of operating revenue, the council has limited capacity to increase loan borrowings and may experience stress in servicing current debt.</p>		
Asset sustainability ratio	<i>Capital expenses on replacement of assets (renewals) divided by depreciation expenses</i> Expressed as a percentage	Indicates the extent to which assets are being replaced as they reach the end of their useful lives	Greater than 90 per cent – per department-issued guidelines
	<p>If the asset sustainability ratio is greater than 90 per cent, the council is likely to be sufficiently maintaining, replacing, and/or renewing its assets as they reach the end of their useful lives. While a low percentage may indicate that the asset base is relatively new (which may result from rectifying extensive natural disaster damage) and does not require replacement, the lower the percentage, the more likely it is that a council has inadequate asset management plans and practices.</p>		

Source: Queensland Audit Office.

Figure K2 details our risk assessment criteria for the financial sustainability measures.

Figure K2
Risk assessment criteria for financial sustainability measures

Relative risk rating measure	Operating surplus ratio	Net financial liabilities ratio	Asset sustainability ratio
Higher	Less than negative 10% (i.e. losses) ●	More than 80% ●	Less than 50% ●
	Insufficient revenue being generated to fund operations and asset renewal	Potential long-term concern over ability to repay debt levels from operating revenue	Insufficient spending on asset replacement or renewal, resulting in reduced service levels and increased burden on future ratepayers
Moderate	Negative 10% to zero (i.e. losses) ●	60% to 80% ●	50% to 90% ●
	A risk of long-term reduction in cash reserves, and inability to fund asset renewals	Some concern over the ability to repay debt from operating revenue	Irregular spending, or insufficient asset management practices, creating a backlog of maintenance/renewal work
Lower	More than zero (i.e. surpluses) ●	Less than 60% ●	More than 90% ●
	Generating surpluses consistently	No concern over the ability to repay debt from operating revenue	Likely to be sufficiently replacing or renewing assets as they reach the end of their useful lives

Source: Queensland Audit Office.

We calculate our overall risk assessment of financial sustainability using the ratings determined for each measure, as shown in Figure K1, and the assignment of the risk assessment criteria, as shown in Figure K2.



Figure K3
Explanations of our relative risk assessments

Risk level	Risk criteria
Higher risk 	There is a higher risk of sustainability issues arising in the short to medium term if current operating income and expenses policies continue, as indicated by average operating deficits (losses) of more than 10 per cent of operating revenue.
Moderate risk 	There is a moderate risk of sustainability issues over the longer term if current debt financing and capital investment policies continue, as indicated by: <ul style="list-style-type: none"> • a current net financial liabilities ratio of more than 80 per cent of operating revenue, or • an average asset sustainability ratio of less than 50 per cent, or • average operating deficits (losses) of between 2 per cent and 10 per cent of operating revenue, or • having 2 or more of the ratios assessed as moderate risk (see Figure I2).
Lower risk 	There is a lower risk of concerns about financial sustainability based on current income, expenses, asset investment, and debt financing policies.

Source: Queensland Audit Office.

We use a 5-year average when assessing the operating surplus and asset sustainability ratios. This is because these are long-term indicators. Viewing the annual ratios in isolation does not provide insights into councils' long-term financial sustainability.

The net financial liabilities ratio, however, is more effective as a point-in-time ratio. The more recent the point in time, the more useful this ratio is in assessing councils' flexibility to increase debt.

Our assessment of financial sustainability risk factors does not consider councils' long-term forecasts or credit assessments undertaken by the Queensland Treasury Corporation.



Figure K4
Financial sustainability risk assessment by council category: Results at the end of 2022–23

Coastal councils	Avg. grant funding percentage ¹	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg operating surplus ratio trend ²	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend ²	Relative risk assessment			
Coastal councils													
Bundaberg Regional Council	19%	0.40%	2.96%	●	↓	-15.30%	●	-	54.80%	45.96%	●	↓	Moderate
Burdekin Shire Council	25%	9.74%	5.05%	●	-	-82.04%	●	↑	77.13%	91.55%	●	↓	Lower
Cairns Regional Council	17%	0.00%	-0.23%	●	-	47.00%	●	↑	67.00%	88.40%	●	↓	Moderate
Cassowary Coast Regional Council	24%	2.00%	-1.49%	●	-	-38.00%	●	↑	73.00%	91.20%	●	-	Lower
Douglas Shire Council	26%	4.00%	-1.23%	●	↑	-36.00%	●	↑	94.00%	103.60%	●	↓	Lower
Fraser Coast Regional Council	23%	-1.44%	0.16%	●	↓	-20.78%	●	↓	44.49%	88.03%	●	↓	Lower
Gladstone Regional Council	14%	5.44%	-1.10%	●	↑	20.78%	●	↑	88.78%	69.09%	●	↑	Moderate
Gympie Regional Council*	27%	-0.68%	-4.43%	●	-	-13.55%	●	↓	33.28%	98.98%	●	-	Moderate
Hinchinbrook Shire Council	36%	1.40%	-10.28%	●	↑	-23.40%	●	↑	63.00%	77.32%	●	↑	Higher
Livingstone Shire Council	27%	1.16%	2.41%	●	-	-21.30%	●	↑	70.57%	55.18%	●	↑	Lower
Mackay Regional Council	19%	-1.50%	-0.04%	●	-	9.60%	●	↓	63.60%	66.68%	●	-	Moderate
Noosa Shire Council	16%	3.18%	6.62%	●	↓	-11.54%	●	↓	158.59%	123.43%	●	↑	Lower
Rockhampton Regional Council	25%	-0.10%	0.80%	●	↓	51.20%	●	↓	73.20%	87.90%	●	↓	Lower
Townsville City Council	27%	-3.00%	-0.40%	●	↓	84.00%	●	↓	116.00%	78.80%	●	↑	Moderate
Whitsunday Regional Council	36%	6.04%	3.96%	●	-	-13.24%	●	↑	79.97%	133.53%	●	↓	Lower
Coastal councils average	24%	1.78%	0.18%			-4.17%			77.16%	86.64%			
Coastal councils – combined risk assessment	Lower			Lower			Moderate			Lower			

Notes:

¹ Average grant funding percentage shows the 5-year average level of grant funding as a percentage of total revenue per council. This does not form a part of the financial sustainability ratios but has been included for contextual purposes. Refer also to further commentary in Chapter 5, which analyses the financial sustainability by grant funding levels.

² Average ratio trend compares the average ratio from 2022–23 with the average ratio from 2021–22. Trends should be considered in conjunction with the Department of Housing, Local Government, Planning and Public Works's set benchmarks, and the analysis performed and explained in Chapter 5.

* The 2022–23 audit for this council was unfinished at 31 October 2023. The sustainability measures reported were based on the most recent audited financial statements of this council.

Refer also to Figures K1, K2 and K3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Refer also to [Appendix L](#) which explains the new financial sustainability measures and associated benchmarks that will apply to councils from 1 July 2023.

Source: Queensland Audit Office.

Indigenous councils	Avg. grant funding percentage ¹	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg operating surplus ratio trend ²	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend ²	Relative risk assessment
Indigenous councils										
Aurukun Shire Council	58%	-12.00%	-11.80%	↑	-83.00%	↑	13.00%	10.40%	↓	Higher
Cherbourg Aboriginal Shire Council	58%	-46.26%	-14.97%	↓	-22.89%	↑	13.94%	101.80%	↓	Higher
Doomadgee Aboriginal Shire Council	62%	12.00%	-12.40%	↑	-41.00%	↑	140.00%	75.00%	↑	Higher
Hope Vale Aboriginal Shire Council	51%	15.00%	9.31%	↑	-180.00%	↓	104.00%	89.40%	–	Lower
Kowanyama Aboriginal Shire Council	70%	-5.00%	-30.27%	↑	-45.00%	↑	117.00%	110.42%	↑	Higher
Lockhart River Aboriginal Shire Council*	74%	-8.00%	-3.36%	–	-54.00%	↓	136.00%	90.60%	–	Moderate
Mapoon Aboriginal Shire Council	72%	-3.00%	-24.14%	↑	-55.00%	–	0.00%	47.40%	↓	Higher
Mornington Shire Council*	43%	-10.70%	-26.59%	–	-16.00%	–	92.60%	194.54%	–	Higher
Napranum Aboriginal Shire Council	66%	-5.00%	-17.89%	–	-30.00%	↓	20.00%	17.20%	↓	Higher
Northern Peninsula Area Regional Council*	52%	-28.00%	-15.00%	–	-10.00%	–	57.00%	64.44%	–	Higher
Palm Island Aboriginal Shire Council*	63%	21.38%	-8.06%	–	-13.29%	–	118.55%	83.91%	–	Moderate
Pormpuraaw Aboriginal Shire Council	60%	9.00%	6.73%	↓	-245.00%	↓	55.00%	47.00%	↓	Moderate
Torres Shire Council	52%	-3.10%	-16.54%	↑	-66.84%	–	30.65%	82.97%	↓	Higher
Torres Strait Island Regional Council	64%	-84.00%	-83.19%	↓	-22.00%	↓	33.00%	27.40%	↓	Higher
Woorabinda Aboriginal Shire Council*	33%	-0.90%	-15.41%	–	-41.90%	–	104.40%	34.25%	–	Higher
Wujal Wujal Aboriginal Shire Council*	65%	-30.00%	-29.29%	–	54.00%	↑	41.00%	80.00%	–	Higher
Yarrabah Aboriginal Shire Council	51%	-23.00%	-32.80%	–	-30.00%	↑	32.00%	36.20%	↓	Higher
Indigenous councils average	58%	-11.86%	-19.16%		-53.05%		65.18%	70.17%		
Indigenous councils – combined risk assessment	Higher			Lower			Moderate			Higher

Notes:

¹ Average grant funding percentage shows the 5-year average level of grant funding as a percentage of total revenue per council. This does not form a part of the financial sustainability ratios but has been included for contextual purposes. Refer also to further commentary in Chapter 5, which analyses the financial sustainability by grant funding levels.

² Average ratio trend compares the average ratio from 2022–23 with the average ratio from 2021–22. Trends should be considered in conjunction with the Department of Housing, Local Government, Planning and Public Works’s set benchmarks, and the analysis performed and explained in Chapter 5.

* The 2022–23 audit for this council was unfinished at 31 October 2023. The sustainability measures reported were based on the most recent audited financial statements of this council.

[^] Palm Island Aboriginal Shire Council’s ratios are based on the 2020–21 financial statements (more recently audited), for which the sustainability statement was qualified. The qualification impacts on the calculation of both the Operating Surplus Ratio and Net Financial Liabilities Ratio.

Refer also to Figures K1, K2 and K3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Refer also to [Appendix L](#) which explains the new financial sustainability measures and associated benchmarks that will apply to councils from 1 July 2023.

Source: Queensland Audit Office.



Resources councils	Avg. grant funding percentage ¹	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg operating surplus ratio trend ²	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend ²	Relative risk assessment
Resources councils										
Banana Shire Council	32%	21.28%	1.11%	↑	-25.91%	↑	104.19%	85.19%	↓	Lower
Bulloo Shire Council	62%	8.50%	-2.40%	-	-87.70%	↑	17.10%	51.56%	↓	Moderate
Burke Shire Council*	76%	-21.20%	-40.23%	-	-38.60%	↓	82.30%	85.38%	-	Higher
Central Highlands Regional Council	19%	2.07%	-1.13%	-	-9.95%	↑	73.23%	101.94%	↓	Lower
Charters Towers Regional Council	51%	4.00%	2.48%	↑	-55.00%	↓	60.00%	117.00%	↓	Lower
Cloncurry Shire Council*	52%	-15.62%	-8.90%	-	-23.24%	↓	87.55%	172.71%	-	Moderate
Cook Shire Council	84%	2.00%	-22.58%	-	-7.00%	↓	8.00%	67.75%	-	Higher
Etheridge Shire Council*	54%	1.85%	-2.71%	-	-32.68%	↓	0.00%	8.97%	-	Moderate
Isaac Regional Council	22%	4.46%	3.07%	-	-18.20%	↓	70.47%	143.56%	↓	Lower
Maranoa Regional Council	42%	-0.26%	3.23%	↑	-54.35%	-	83.52%	146.51%	↑	Lower
McKinlay Shire Council	71%	11.62%	-2.16%	↑	-149.87%	↑	210.37%	316.15%	↓	Moderate
Mount Isa City Council	25%	5.30%	0.05%	-	-44.46%	-	51.00%	51.12%	↓	Lower
Quilpie Shire Council	66%	9.00%	-1.81%	↑	-94.00%	↓	6.00%	35.00%	↓	Moderate
Western Downs Regional Council	25%	11.74%	7.56%	-	-126.34%	↑	127.47%	88.47%	↑	Lower
Resources councils average	49%	3.20%	-4.60%		-54.81%		70.09%	105.09%		
Resources councils – combined risk assessment	Moderate			Lower			Lower			Moderate

Notes:

¹ Average grant funding percentage shows the 5-year average level of grant funding as a percentage of total revenue per council. This does not form a part of the financial sustainability ratios but has been included for contextual purposes. Refer also to further commentary in Chapter 5, which analyses the financial sustainability by grant funding levels.

² Average ratio trend compares the average ratio from 2022–23 with the average ratio from 2021–22. Trends should be considered in conjunction with the Department of Housing, Local Government, Planning and Public Works’s set benchmarks, and the analysis performed and explained in Chapter 5.

* The 2022–23 audit for this council was unfinished at 31 October 2023. The sustainability measures reported were based on the most recent audited financial statements of this council.

Refer also to Figures K1, K2 and K3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Refer also to [Appendix L](#) which explains the new financial sustainability measures and associated benchmarks that will apply to councils from 1 July 2023.

Source: Queensland Audit Office.



Rural/Regional councils	Avg. grant funding percentage ¹	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg operating surplus ratio trend ²	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend ²	Relative risk assessment
Rural/Regional councils										
Goondiwindi Regional Council	38%	6.71%	2.74%	● ↑	-78.54%	● ↑	218.07%	133.76%	● ↑	Lower
Lockyer Valley Regional Council	29%	17.35%	8.19%	● ↑	19.98%	● ↑	164.55%	104.83%	● ↑	Lower
Mareeba Shire Council	39%	18.20%	14.70%	● ↑	-107.43%	● ↑	114.19%	141.85%	● ↓	Lower
North Burnett Regional Council	48%	-12.60%	-18.45%	● -	-30.93%	● ↑	93.04%	101.81%	● ↑	Higher
Scenic Rim Regional Council	32%	7.00%	0.49%	● -	7.00%	● ↑	168.00%	158.00%	● ↓	Lower
Somerset Regional Council	27%	1.00%	-0.29%	● -	-41.00%	● ↓	131.00%	107.80%	● ↑	Lower
South Burnett Regional Council	28%	-4.50%	-0.28%	● -	-13.90%	● ↑	65.20%	86.14%	● -	Moderate
Southern Downs Regional Council	31%	4.07%	1.28%	● -	-27.32%	● -	152.30%	132.19%	● ↑	Lower
Tablelands Regional Council	27%	1.12%	0.20%	● -	-56.34%	● ↑	49.99%	87.05%	● ↓	Lower
Rural/Regional councils average	33%	4.26%	0.95%		-36.50%		128.48%	117.05%		
Rural/Regional councils – combined risk assessment	Lower			Lower			Lower			Lower

Notes:

¹ Average grant funding percentage shows the 5-year average level of grant funding as a percentage of total revenue per council. This does not form a part of the financial sustainability ratios but has been included for contextual purposes. Refer also to further commentary in Chapter 5, which analyses the financial sustainability by grant funding levels.

² Average ratio trend compares the average ratio from 2022–23 with the average ratio from 2021–22. Trends should be considered in conjunction with the Department of Housing, Local Government, Planning and Public Works’s set benchmarks, and the analysis performed and explained in Chapter 5.

* The 2022–23 audit for this council was unfinished at 31 October 2023. The sustainability measures reported were based on the most recent audited financial statements of this council.

Refer also to Figures K1, K2 and K3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Refer also to [Appendix L](#) which explains the new financial sustainability measures and associated benchmarks that will apply to councils from 1 July 2023.

Source: Queensland Audit Office.



Rural/Remote councils	Avg. grant funding percentage ¹	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg operating surplus ratio trend ²	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend ²	Relative risk assessment
Rural/Remote councils										
Balonne Shire Council	63%	7.10%	-4.39%	↑	-45.20%	↑	74.50%	59.04%	↑	Moderate
Barcardine Regional Council*	48%	6.83%	-16.04%	-	-27.73%	↓	224.72%	144.05%	-	Higher
Barcoo Shire Council	46%	11.21%	-17.57%	↑	-49.76%	↑	62.16%	64.39%	↓	Higher
Blackall-Tambo Regional Council*	47%	11.00%	-7.98%	-	-53.00%	↓	68.00%	81.20%	-	Moderate
Bouli Shire Council	65%	7.00%	-21.97%	↑	-69.00%	↓	158.00%	89.46%	↑	Higher
Carpentaria Shire Council	68%	-4.71%	-13.13%	↑	-35.54%	↑	25.18%	30.29%	↓	Higher
Croydon Shire Council	80%	4.70%	4.69%	-	-102.60%	↑	78.50%	99.30%	↓	Lower
Diamantina Shire Council*	44%	-19.90%	-9.58%	-	-63.40%	↓	8.20%	45.98%	-	Moderate
Flinders Shire Council	42%	0.96%	9.36%	↓	-82.18%	↑	12.28%	58.75%	↓	Lower
Longreach Regional Council	56%	2.50%	-5.52%	↑	-30.20%	↑	94.10%	81.27%	↓	Moderate
Murweh Shire Council	60%	-5.30%	-10.80%	↑	-10.80%	↑	74.00%	87.86%	↓	Higher
Paroo Shire Council	74%	3.54%	-13.89%	↑	-60.76%	↑	42.21%	52.80%	↓	Higher
Richmond Shire Council	58%	-7.58%	-17.34%	↑	-47.06%	↑	111.66%	164.19%	↑	Higher
Winton Shire Council	62%	1.96%	-4.07%	↑	-98.07%	↓	202.99%	280.84%	↑	Moderate
Rural/Remote councils average	58%	1.38%	-9.16%		-55.38%		88.32%	95.67%		
Rural/Remote councils – combined risk assessment			Moderate			Lower		Lower		Moderate

Notes:

- ¹ Average grant funding percentage shows the 5-year average level of grant funding as a percentage of total revenue per council. This does not form a part of the financial sustainability ratios but has been included for contextual purposes. Refer also to further commentary in Chapter 5, which analyses the financial sustainability by grant funding levels.
- ² Average ratio trend compares the average ratio from 2022–23 with the average ratio from 2021–22. Trends should be considered in conjunction with the Department of Housing, Local Government, Planning and Public Works's set benchmarks, and the analysis performed and explained in Chapter 5.
- * The 2022–23 audit for this council was unfinished at 31 October 2023. The sustainability measures reported were based on the most recent audited financial statements of this council.

Refer also to Figures K1, K2 and K3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Refer also to [Appendix L](#) which explains the new financial sustainability measures and associated benchmarks that will apply to councils from 1 July 2023.

Source: Queensland Audit Office.

South East Queensland councils	Avg. grant funding percentage ¹	Current operating surplus ratio %	Avg. operating surplus ratio %	Avg operating surplus ratio trend ²	Net financial liabilities ratio %	Net financial liabilities ratio trend	Current asset sustainability ratio %	Avg. asset sustainability ratio %	Avg. asset sustainability ratio trend ²	Relative risk assessment
South East Queensland councils										
Brisbane City Council	14%	0.00%	1.25%	● ↓	143.00%	● ↓	67.00%	65.80%	● ↓	Moderate
Council of the City of Gold Coast	16%	-2.60%	-1.12%	● -	-10.20%	● ↓	64.00%	61.24%	● ↑	Moderate
Ipswich City Council	32%	1.52%	2.59%	● ↓	71.58%	● ↓	86.92%	69.26%	● ↑	Moderate
Logan City Council	21%	1.67%	1.70%	● -	2.28%	● ↓	106.13%	77.55%	● ↑	Lower
Moreton Bay City Council	24%	6.90%	14.19%	● ↓	27.00%	● ↓	61.50%	62.78%	● -	Lower
Redland City Council	10%	2.06%	-1.38%	● ↑	-48.80%	● ↑	53.72%	50.94%	● -	Moderate
Sunshine Coast Regional Council	25%	3.70%	5.31%	● ↓	59.60%	● -	70.40%	72.06%	● -	Lower
Toowoomba Regional Council	22%	1.24%	0.88%	● -	43.25%	● ↑	55.77%	69.54%	● ↑	Lower
SEQ councils average	21%	1.81%	2.93%		35.96%		70.68%	66.15%		
SEQ councils – combined risk assessment			Lower			Lower		Moderate		Lower

Notes:

¹ Average grant funding percentage shows the 5-year average level of grant funding as a percentage of total revenue per council. This does not form a part of the financial sustainability ratios but has been included for contextual purposes. Refer also to further commentary in Chapter 5, which analyses the financial sustainability by grant funding levels.

² Average ratio trend compares the average ratio from 2022–23 with the average ratio from 2021–22. Trends should be considered in conjunction with the Department of Housing, Local Government, Planning and Public Works’s set benchmarks, and the analysis performed and explained in Chapter 5.

* The 2022–23 audit for this council was unfinished at 31 October 2023. The sustainability measures reported were based on the most recent audited financial statements of this council.

Refer also to Figures K1, K2 and K3, which explain the financial sustainability measures and associated benchmarks.

Legend: ↑ An improving trend; – No substantial change; ↓ A deteriorating trend.

Refer also to [Appendix L](#) which explains the new financial sustainability measures and associated benchmarks that will apply to councils from 1 July 2023.

Source: Queensland Audit Office.

