



# Budget 2022-2023

## **INTRODUCTION**

Council is pleased to present its Budget for the 2022/2023 financial year. The budget will fund the strategies, projects and initiatives aligned with our Corporate Plan 2022-2027. Detailed outcomes, actions and key performance indicators can be found in the Operational Plan 2022/2023. Council has formulated its budget based on increasing prices in materials, delays in the supply chain and ongoing flooding across the Shire over an extended period. Council recognises the need to focus on financials sustainability in the long term balanced with delivering services to our communities.

The February 2020 Flood Recovery Projects will conclude 30 June 2022 and subsequent events of March 2021, November 2021, February 2022 and May 2022 will feature within the operational budget (as submissions are approved). These will be programmed and completed over two financial years.

Council successfully achieved ISO accreditation for its quality, environmental and safety systems for transport and infrastructure. Council is near achieving the Department of Transport and Main Roads National Prequalification System for Civil (Road and Bridge) Construction Contracts. These two initiatives will improve our ability to perform road contract works both in and outside the Shire to earn additional revenue. Three road performance contracts are currently scheduled to be completed in 2022/2023 to the value of \$5.7m. This initiative aims to provide long term financial sustainability as Council continues to rely on external grant funding to provide services and infrastructure to our Shire while our rate revenue remains at less than 30% of our overall revenue.

## **BUDGET PREPARATION**

Every year Council produces a Budget consistent with the following legislative requirements:

- ✓ Prepared on an accrual basis
- ✓ Budget statements for 2022/2023, 2023/2024 and 2024/2025
  - Financial Position (Balance Sheet)
  - Cash Flow
  - Income and Expenditure
  - Changes in Equity
- ✓ A Long-Term Financial Forecast
- ✓ Revenue Statement
- ✓ Financial sustainability ratios:
  - Asset sustainability ratio
  - Net financial liabilities ratio
  - Operating surplus ratio
- ✓ The total value of the change, expressed as a percentage, in the rates and utility charges levied for 2022/2023 compared with the rates and utility charges levied in the previous budget
- ✓ Consistent with the corporate plan and annual operational plan

Other statements, policies and strategies attached to this report which allow Council to make an informed decision about the adoption of the Budget include:



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- ✓ Budget for capital and operational projects
- ✓ Schedule of remissions and rebates on rates
- ✓ Revenue policy
- ✓ Debt policy
- ✓ Investment policy
- ✓ Rating strategy
- ✓ Procurement policy

## **BUDGET PROCESSES**

The key steps comprising the budget process are summarised below:

- ✓ Council commenced its budget preparations late in 2021.
- ✓ Each Director was asked to consider the projected budget worksheets for their relevant areas, amending them for extra ordinary operational requirements, special operational projects or maintenance and proposed capital works with an increase no greater than CPI (5%).
- ✓ A series of councillor workshops were held with the Mayor, Councillors and Senior Leadership Group to consult and adjust as necessary to deliver a sustainable budget.
- ✓ A draft budget and a number of rate model options were presented to Council over a series of workshops, providing opportunity for input, discussion and debate by Councillors.
- ✓ Community consultation with sporting, user and community groups was undertaken to identify priorities for funding from council's budget and/or for future funding programs.
- ✓ On 28 June 2022, the final Budget and Operational Plan was adopted by Council at a Special Meeting.

## **REVENUE STATEMENT 2022/2023**

The Revenue Statement is an explanatory statement that outlines and explains the revenue measures adopted in the Budget. The document includes the following matters:

- ✓ How rates and charges are determined
- ✓ Details on all rebates and concessions
- ✓ Details on any limitations in increases on rates and charges
- ✓ Criteria used to decide the amount of the cost-recovery fees
- ✓ Criteria for approval of early payment discount for late payments
- ✓ Details on collection of outstanding rates including the process for arrangements to pay
- ✓ Details of payment methods



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The Revenue Statement will be of interest to ratepayers, community groups, government departments and other interested parties who want to understand the revenue policies and practices of the Council. It is proposed to continue the relief from the accrued interest on outstanding rates for those who enter and honour their payment plans. The discount period for prompt payment of rates will be increased to 60 days for the August 2022 levy and revert to 30 days for the February 2023 levy.

Council has continued to revise its rating strategies across all rating categories and will not raise the general rate in the dollar across all categories, except those moving through the single rural rate strategy. Water and wastewater utility charges will increase by 6% (except Mungindi) and cleansing (waste) utility charges will increase by 14.5%. These changes reflect increasing costs to deliver the services and increasing environmental compliance. Council may apply limitations to the increase in general rates where land valuations significantly increase. In the 2022/2023 financial year Council will apply a 20% limitation across all rating categories. In summary, this means that any property that did experience a significant increase in their land valuation in the 2020/2021 revaluation may experience an increase in their general rate of up to 20% for 2022/2023. If you disagree with your land valuation you can contact the Valuer General to dispute the valuation. <https://www.qld.gov.au/environment/land/title/valuation/about/dispute>.

More on the rating strategy for 2022/2023 can be found in the Rating section of Council's Budget papers and on Council's website at [www.balonne.qld.gov.au](http://www.balonne.qld.gov.au).

## **LONG-TERM FINANCIAL FORECAST**

A Long-Term Financial Plan for the years 2022/2023 to 2032/2033 has been developed to assist Council in adopting its budget within a longer-term financial framework. The key objective of the Financial Plan is to deliver operational surpluses in the long-term by using strategies to generate or increase revenue, minimise the impact on ratepayers where possible and deliver the strategic outcomes as specified in the Corporate Plan. Assumptions were made in preparing forecasts for the Financial Plan and are based on current knowledge available and are generally conservative in nature. Borrowings for the Wild Dog Exclusion Fencing does not impact on the financial sustainability of Council as the loan will be repaid through the special rate, commensurate with the loan repayments.

The nine-year forecast indicates net surplus results from recurrent operations as we work towards financial sustainability. It is hoped with the ongoing increase in Federal Assistance Grants and the ability to bid for contract work will continuously improve Council's financial sustainability. It remains a challenge as our rate revenue remains only 36% of operating revenue with limited capacity for our rate base to fully fund operations. The need to raise revenue from alternate sources and/or reduce expenditure continues to be a high priority for Council.

## **EXTERNAL INFLUENCES**

In preparing the 2022/2023 Budget a number of external influences were taken into consideration because of their significant impact on Council's ability to fund the services delivered during the budget period.

- ✓ The Shire has been impacted by COVID border closures (July to October 2021) and flood/rainfall events in November 2021; February 2022 and May 2022 with over 301 days in disaster activation out of 365 days of the 2021/22 financial year.
- ✓ Recovery from the flood and rainfall events continues with Council working to restore Shire roads submit claims for approval with the Queensland Reconstruction Authority. Council also focus on recovery strategies to support those businesses, landholders and residents impacted by isolation with road closures and inability to attract tourists, complete harvests and damaged/lost crops or inability to get to market.
- ✓ The supply chain remains a challenge with delays worldwide for materials and inability to source trades and contractors in the region.
- ✓ Council is currently finalising a number of grant funding projects and continues to seek State and Federal Government to meet the current and future needs of our Shire. The future of grant funding is unknown with the recent change in Federal Government.



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- ✓ Achieving ISO accreditation for its quality, environment and safety systems and working towards achieving the Department of Transport and Main Roads National Prequalification system for Civil (Road and Bridge) Construction Contracts to increase the opportunity to source our own revenue, provide employment for our staff and local contractors and reduce the burden on our ratepayers to fund council operations.
- ✓ Council's Roads Management Performance Contract is decreasing from \$4.95m in 2022/2023 to \$4.385m in 2023/24, however will continue to service our State road network.
- ✓ Council will finalise many of the wild dog exclusion fencing projects across the Shire and commence on the Cultural Burning pest management project.
- ✓ Future budgets include provision for landfill remediation, as required by the Queensland Audit Office and Accounting Standards. Increasing environmental compliance and the cost of providing waste services has meant a 14.5% increase in cleansing (waste) utility charges (excluding Mungindi).

## **BUDGET CONSIDERATIONS**

To produce a modest operating budget in response to these significant influences the following considerations were used when preparing the Budget.

- ✓ Council aims to mitigate ongoing operating deficits by increasing revenue from as many sources as possible without significantly impacting on ratepayers. Council has applied the new Accounting Standard for Revenue Recognition to have revenue match expenditure where funding agreements are significantly specific as required by the accounting standard that commenced on 1 July 2019.
- ✓ Council adopted a rolling asset valuation program and will report on land, buildings and other facilities in its 2020/21 financial report. All other asset classes were reviewed with no indexation applied.
- ✓ Grants are based on confirmed funding agreements with milestone and acquittal dates known at the time of budget preparations.
- ✓ Council has supported its projects and Budget with a range of planning tools including business cases, strategic plans, project plans and whole-of-life costing analysis.
- ✓ Service and utility charges are set to fully fund operations and provide sufficient revenue to deliver projected capital works.

The key changes for the 2022/2023 financial year include the following:

- ✓ A recommended growth in water and wastewater utility charges to achieve full cost recovery with an increase of 6% (excluding Mungindi).
- ✓ A 14.5% increase in cleansing (waste) utility charges to achieve full cost recovery for the 2022/2023 financial year (excluding Mungindi).
- ✓ Mungindi water utility charges will remain consistent with previous years.
- ✓ Mungindi waste charges will remain consistent with Moree Plains Shire Council revised charges plus a 5% administration fee.
- ✓ Rating categories 100, 200, 300 and 500 will continue to work through the seven-year single rural rating strategy.
- ✓ Introduction of river excess water charges for St George residential and rural residential properties.



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- ✓ There will be payments associated with Council's borrowings for the Wild Dog Exclusion Fencing rating scheme with Round 1 rate payers seeing the first payment on the February 2022 levy, while Round 2 rate payers will see the first payment on the February 2023 rates notice.
- ✓ Urban animal levy has been retained at \$21 per property across rating categories 4A and 4B
- ✓ Special levies and charges have been adjusted as follows:
  - Feral Animal Management Special Rate will increase revenue from \$125,000 to \$130,000 in line with CPI (5%) to continue the management of feral animals across the Shire.
  - Environmental special charge for waste services will increase by 14.5%.
  - Thallon Rural Fire levy will remain the same rate however the defined area has been adjusted consistent the service area identified by Queensland Fire & Emergency Services.
- ✓ The Federal Financial Assistance Grant will increase for 2022/2023 by 22% based on a review by the Queensland Grants Commission.
- ✓ Federal Roads to Recovery has increased in the short to medium term and is dependent on the Federal Government's commitment to continue this program in the long term.
- ✓ Staffing levels are under regular review in response to external funding assistance with a current establishment of 100 FTE. The Enterprise Bargaining Agreement was endorsed by the Industrial Relations Commission in December (back dated to 1 September 2021) and provides a 1.75% pay increment each year until 2024 with 0.5% increase in superannuation co-contributions (total benefit of 2.25%). Overtime is to be undertaken for essential and emergency work only.
- ✓ Capital works have been reviewed against proposed forward plans and budgets and in line with recent grant funding approvals.
- ✓ There will be an average 10% increase in fees and charges for 2022/2023 with facilities remaining the same and compliance fees increasing by 5%.

The Budget commencing 1 July 2022 was adopted by Council at its special meeting on 28 June 2022 and may be subject to amendment as grant funding and/or flood recovery works are approved.

Matthew Magin

**Chief Executive Officer**