

Budget Overview

2021 – 22



For the People
Salonne
Shire Council



Budget 2021-22

Council is pleased to present its Budget for the 2021-22 financial year. The budget will fund the strategies, projects and initiatives aligned with our Corporate Plan 2018-2023. Detailed outcomes, actions and key performance indicators can be found in the Operational Plan 2021-22. Council's elected members and senior executive team have worked together to ensure the operating budget is 'business as usual' to service the community and ensure that all grant funded projects and the February 2020 Flood Recovery Projects are delivered on time and within budget. Council recognises the need to focus on financial sustainability in the long term and the economic conditions in the Shire following years of drought, a flood events and the global pandemic.

Council's Budget has been prepared in line with our vision and mission statements.

Our Vision

Connected, innovative communities, where economies are strong and opportunities are abundant.

Our Mission

To invest in people, ignite ideas, meet our challenges and grow prosperity.

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

- ✓ Prepared on an accrual basis
- ✓ Include the following statements for 2021/22, 2022/23 and 2023/24
 - Financial Position (Balance Sheet)
 - Cash Flow
 - Income and Expenditure
 - Changes in Equity
- ✓ Include a Long-Term Financial Forecast
- ✓ Accompanied by its Revenue Statement
- ✓ Include the following financial sustainability ratios:
 - Asset sustainability ratio
 - Net financial liabilities ratio
 - Operating surplus ratio
- ✓ Include total value of the change, expressed as a percentage, in the rates and utility charges levied for 2021/22 compared with the rates and utility charges levied in the previous budget
- ✓ Consistent with the corporate plan and annual operational plan

Council's budget in 2020/21 was revised early in the new financial year with achievement of grant funding and an injection of over \$53m in flood recovery works from the Queensland Construction Authority. The impact of these significant projects over a number of financial years has affected our bottom line for 2021/22 due to timing and the requirements to recognise revenue as it is received in accordance with the Australian Accounting Standards. To this end the 2021/22 financial year will see an emphasis on cash flow management as many of our funded programs come to fruition utilising restricted cash, meeting milestones to claim funds and in some cases to await the final grant payment in the 2022/23



Budget 2021-22

financial year. Council continues to develop its asset management plans and improve the accounting treatment of its assets, project governance and assessment of accounting standards relevant to revenue recognition and leases.

Council will achieve prequalification in 2021/22 to meet Transport and Main Road requirements that will provide Council with an opportunity to raise its own revenue through contracting for infrastructure works. This will provide long term financial sustainability to Council as we continue to rely on external grant funding to provide services and infrastructure to our Shire as our rate revenue remains at less than 30% of our overall revenue.

The strategies that have been introduced over a number of years to improve the economic and social viability of the Shire will continue where funding permits.

The Wild Dog Exclusion Fencing Special Rate Rounds 1 and 2 are now closed with over \$4.68m borrowed from the Queensland Treasury Corporation to support this scheme. The special rate terms and conditions are similar to the terms of the loan with the Queensland Treasury Corporation being 2 years interest and repayment free; years 3 to 5 interest only and years 6 to 15 interest and principal repayments.

The Digital Connectivity Project that Council has partnered with the Federal Government funding and Field Solutions Group is nearing completion and will result in 50% improvement in digital connectivity across the Shire. Further funding has been secured by Field Solutions Group from the Federal Government under the Regional Connectivity program that will see Bollon included in the roll out that will reach as far as Cunnamulla.

Other projects that will be completed in early 2021/22 include the \$1m redevelopment of our general aviation area at the St George aerodrome, the \$6m St George Library Innovation Hub, the Bollon Skate Park, the Dirranbandi Dip (Thermal Baths) and the St George Splash Park.....(just to name a few).

Forecast budgets for the next three years indicate continuing deficits before capital revenue. The budget for 2021/22 results in a significant operating deficit of \$12.17m in part due to the timing and receipt of the flood recovery monies. Council's cash position is healthy however will require constant attention with over \$53m in outgoings from grant programs to be met. Council may consider further borrowings in 2021/22 for plant to achieve capital work programs and the increase in the Roads Maintenance Performance Contract with Transport & Main Roads. Council may also borrow monies to introduce a special rate beautification scheme for St George, Thallon and Bollon similar to the scheme now completed in Dirranbandi.

REVENUE STATEMENT 2021/22

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



Budget 2021-22

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 remain at 30 days for the August and February levies.

Council has continued to revise its rating strategies across all rating categories and will raise its rate revenue take by 2.05% with adjustments across all categories as a result of recent land valuations. As experienced in 2017/18 the 2021/22 land valuations have resulted in some significant increases for some rating categories. For those affected Council will apply a 10% limitation to reduce the impact.

More on the rating strategy for 2021/22 can be found in the Rating section of Council's Budget papers.

LONG-TERM FINANCIAL FORECAST

A Long-Term Financial Plan for the years 2021/22 to 2030/31 has been developed to assist Council in adopting its 2021/22 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. These assumptions were:

- ✓ 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.
- ✓ A recommended growth in rates and charges revenue if council is to remain financially sustainable into the future.
- ✓ Rate increases for individual properties will be limited to 10% that have seen significant increases in land valuations following the 2021/22 valuations that will take effect 1 July 2021.
- ✓ Rating categories 100, 200, 300 and 500 will continue to work through the seven-year rating strategy.
- ✓ Council will increase its utilities by 2% for the 2021/22 financial year (excluding Mungindi which will remain at the 2020/21 rate). Service and utility charges are set to fully fund operations and provide sufficient revenue to deliver projected capital works.
- ✓ A review of the river and bore water base water charge for St George properties will note a change in structure, however no difference in rate take.
- ✓ Minimum general rates have been adjusted for a majority of categories to reduce the number of properties on minimum general rate to 65% (noting that best practice is 50%).
- ✓ Amalgamation of residential rating categories 1, 2 and 3 into two new categories Residential 4A and 4B.
- ✓ Continuation of the Thallon Rural Fire Levy.
- ✓ There will be payments associated with Council's borrowings for the Wild Dog Exclusion Fencing rating scheme in December 2021 and special charge charges appearing on Round 1 special rate payers in the February 2022 levy.
- ✓ Special levies and charges have been retained at 2021/22 levels and have not moved for several years.
- ✓ The Feral Animal Levy will reduce with the revenue take of \$170,000 reducing to \$125,000 with the removal of the retainer service.



Budget 2021-22

- ✓ Federal Financial Assistance Grant will increase for 2021/22 by CPI, however how it will continue into future years is unknown with a review by the Grants Commission currently underway. Council is uncertain when the Financial Assistance Grants will be received, and this may impact on projected revenue from grants.
- ✓ 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 and is currently at the approved establishment of 100 FTE. Council has recognised it is currently under resourced with a significant range of grant programs in progress, the increase in compliance and range of services delivered. Council is proposing the addition of 4 new positions in the budget 2021/22 and self-funding of two key appointments that were previously funded by grants – the Grants Officer and Economic Development Officer. Both these positions have assisted Council to achieve many of the strategies, projects and opportunities in the past three years.
- ✓ Capital works have been reviewed against proposed forward plans and budgets and in line with recent grant funding approvals.

The long-term forecast indicates Council's General Operations Budget continuing to operate with deficits after 2024/25 to 2030/31. The need to raise revenue from alternate sources and/or reduce expenditure continues to be a priority for Council.

BUDGET PREPARATION

The Budget, which is included in this report, is for the year 1 July 2021 to 30 June 2022. The Budget includes an Income and Expenditure Statement, Statement of Financial Position (Balance Sheet), Statement of Cash Flows and Statement of Changes in Equity.

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

- ✓ Budget for capital and operational projects
- ✓ Schedule of remissions and rebates on rates
- ✓ Long-term financial forecast
- ✓ Revenue policy
- ✓ Revenue statement
- ✓ Debt policy
- ✓ Investment policy

BUDGET PROCESSES

The key steps comprising the budget process are summarised below:

- ✓ Council commenced its budget preparations early 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 the Council's cost index [CCI]
- ✓ 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



Budget 2021-22

- ✓ 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 community groups was undertaken to identify priorities for funding from council's budget and/or for future funding programs
- ✓ Council has contacted those ratepayers impacted by the changes in the rating strategy as a result of the 2021/22 land valuations and/or changes in categories
- ✓ On 24 June 2021, the final Budget and Operational Plan will go to Council for adoption.

EXTERNAL INFLUENCES

In preparing the 2021/22 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 continues to be drought declared despite an increase in rainfall and the March 2021 flood event
- ✓ Recovery from the February 2020 flood event continues with works continuing to restore our Shire roads and over \$53m in claims currently approved and in progress with the Queensland Reconstruction Authority
- ✓ The COVID-19 global pandemic significantly impacted council and the community in 2020 with border closures and other restrictions requiring the Local Disaster Management Group to work closely with the State and Federal Governments. In 2021/22 Council will continue to monitor the situation and respond as required to deliver council services, and council resources. The supply chain for some council assets (particularly technology and plant) has been difficult to obtain with worldwide shortages.
- ✓ Council is currently finalising over \$30m in grant funding projects and continues to seek State and Federal Government to meet the current and future needs of our Shire
- ✓ Achieving accreditation with the Department of Transport and Main Roads aims 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 has increased to \$5.2m and will see the servicing of our State road network improve
- ✓ Council is currently finalising plans with Transport and Main Roads to upgrade the St George Truck Stop off Whyenbah Road and works will commence in July 2021 – this will include a budget amendment in early 2021/22 of approximately \$1.6m in revenue and \$1.4m in expenditure
- ✓ Council will soon commence bargaining with unions and staff for a new Enterprise Bargaining Agreement under the new *Local Government Industry Award – State 2017 and Industrial Relations Act 2017*. The new EBA is to be implemented in 2021/22 with the actual cost to council currently unknown
- ✓ Council will finalise many of the wild dog exclusion fencing projects across the Shire however continues to look for further funding opportunities
- ✓ Future budgets include provision for landfill remediation, as required by the Queensland Audit Office and Accounting Standards
- ✓ Council has adopted a Waste Strategy that will inform future capital and operational works at our landfills
- ✓ Council will complete funded projects including the \$5m for the new library and innovation hub in St George (\$6m project in total), and Phase 1 and 2 of the Federal Local Community Infrastructure & Road funds of \$1.14m and \$857,577 to be completed by 31



Budget 2021-22

December 2021. Council will receive the next round of State Government Works for Queensland 2021-24 program of \$1.18m over the next three financial years including a 3 year housing strategy.

BUDGET PRINCIPLES

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

- ✓ There will be a 2% increase in fees and charges for 2021/22 across the board and simplification of our facility bookings including automatic fee waivers for our not for profit Shire community and sporting groups (subject to conditions).
- ✓ 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 undertook a desktop review of the valuation of all assets in 2020/21 concluding that no indexation would be applied.
- ✓ Grants are based on confirmed funding agreements with milestone and acquittal dates known at the time of budget preparations.
- ✓ Overtime is to be undertaken for essential and emergency work only.
- ✓ 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.

A handwritten signature in black ink, appearing to read 'Matthew Magin', written over a horizontal line.

Matthew Magin

Chief Executive Officer