

2024-25 BUDGET



BUDGET INTRODUCTION





Budget 2024-2025

INTRODUCTION

This is the first budget for the new term of Council that commenced for the four-year term 2024-2028 following the election on 16 March 2024. The Budget for the 2024-2025 financial year is proposed for adoption on 25 July 2024. The delay in adopting the budget has not impacted Council services and is within the legislative requirement for Councils to set their budget by 1 August each year. The advantages include finalising end of year processes and confirming any carry forward projects.

The Budget aims to deliver the strategies, projects and initiatives aligned with our Corporate Plan 2022-2027. Progress is monitored in monthly financial reports and project performance reporting. On a quarterly basis the status of Council's Operational Plan actions and key performance are reported to Council. Council has formulated its budget based on increasing prices in materials, delays in the supply chain and continuing to work on the extensive flood recovery works across the Shire.

Council continues to maintain ISO accreditation for its quality, environmental and safety systems for transport and infrastructure. Council has also maintained the Department of Transport and Main Roads National Prequalification System for Civil (Road and Bridge) Construction Contracts. These two initiatives improve our ability to perform road contract works to earn additional revenue. The forecast for the 2024/2025 financial year has limited options for Road Maintenance Performance Contracts (RMPC) at only \$4.98M and \$2.5M in other road infrastructure contracts.

The proposed budget has a modest net operating surplus of \$110K (excluding capital revenue) and a net result of \$5.13M (including capital revenue). The total revenue is \$60.18M and expenditure of \$55.06M. The Capital works program for 2024/2025 is forecast at \$17.50M. The flood recovery works are estimated at \$16.24m with this figure likely to increase as submissions are approved by the Queensland Reconstruction Authority.

BUDGET PREPARATION

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

- ✓ Prepared on an accrual basis
- ✓ Budget statements for 2024/2025, 2025/2026, 2026/2027
 - Financial Position (Balance Sheet)
 - Cash Flow
 - Income and Expenditure
 - Changes in Equity
- ✓ A Long-Term Financial Forecast
- ✓ Revenue Statement
- ✓ Financial sustainability ratios:
 - ✓ council controlled revenue ratio;
 - ✓ population growth ratio;
 - ✓ operating surplus ratio;



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- ✓ operating cash ratio;
- ✓ unrestricted cash expense cover ratio;
- ✓ asset sustainability ratio;
- ✓ asset consumption ratio;
- ✓ asset renewal funding ratio;
- ✓ leverage ratio.
- ✓ The total value of the change, expressed as a percentage, in the rates and utility charges levied for 2024/2025 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:

- ✓ Budget for capital and operational projects
- ✓ Schedule of remissions and rebates on rates
- ✓ Revenue policy
- ✓ Debt policy
- ✓ Investment policy
- ✓ Rating strategy
- ✓ Procurement policy
- ✓ Rate Recovery Policy
- ✓ Community Rates Support Guidelines

BUDGET PROCESSES

The key steps comprising the budget process are summarised below:

- ✓ Council commenced its budget preparations in November 2023, and this was put on hold during the election caretaker period.
- ✓ 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 (4%).
- ✓ 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.



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- ✓ 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 25 July 2024, the final Budget and Operational Plan was adopted by Council at a Special Meeting.

REVENUE STATEMENT 2024/2025

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

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 to freeze accrued interest on outstanding rates for those who enter and honour their payment plans. The discount period for prompt payment of rates will be 30 days for both the August 2024 levy and the February 2025 levy.

Council has continued to revise its rating strategies across all rating categories. This year Council has paused its seven-year strategy for a single rural rate. This will allow council to review the access to and level of services for rural categories 100, 200, 300 and 500. All landholders in these categories were notified in writing of the proposed change. There was only 1 positive feedback received by the due date. All general rates across all categories will increase by 4%.

All water, wastewater and cleansing utility charges will increase by 6% (except Mungindi). The increases reflect the costs to deliver the services and increasing environmental compliance. Mungindi rates and charges have been adjusted to align with Moree Plains Shire Council utility charges plus a 5% administration fee. The average St George residential property will see less than \$100 per half year increase in their rate notice. (excluding any excess water charges)

Council may apply limitations to the increase in general rates where land valuations significantly increase. For the 2024/2025 financial year Council will continue to apply a 30% limitation across all rating categories (except categories 79,80 and 81). Any property that did experience a significant increase in their land valuation in the 2022/2023 revaluation may experience an increase in their general rate of up to 30% for 2024/2025. 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>.



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More on the rating strategy for 2024/2025 can be found in the Rating section of Council's Budget papers and on Council's website at www.balonne.qld.gov.au.

LONG-TERM FINANCIAL FORECAST

A Long-Term Financial Plan for the years 2024/2025 to 2034/2035 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 an operational surplus in the long-term by using strategies to generate or increase revenue. This will 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 Federal Assistance grant (FA grant) has an estimated increase of 16% on last year's amount. The FA Grant is generally received in advance however, this year 85% of the 2024/2025 payment was received on 2 July 2024. This is the first year that the FA grant has been paid in the financial year that it is to be expensed. The uncertainty of the amount to be received and the timing of the grant often cause distortion in council's overall operating result. The FA grant must be recognised in the year that it is received. Council had budgeted to receive the FA grant for 2024/2025 in the 2023/2024 year. This did not occur and will cause a deficit result for the year ending 30 June 2024. Should the FA grant for the 2025/2026 financial year be received before 30 June 2025 this will cause a greater surplus result for 2024/2025. The uncertainty makes it difficult to complete long term financial planning due to council's reliance on grant funding of approximately 70% of its overall revenue.

The need to raise revenue from alternate sources and/or reduce expenditure continues to be a high priority for Council to reduce the burden on our small rate base. The nine-year forecast indicates net surplus results from recurrent operations as we work towards financial sustainability. It is hoped there will be improved certainty in the amount and timing of future FA Grants and the ability to bid for contract work so we can continuously improve Council's financial sustainability.

EXTERNAL INFLUENCES

In preparing the 2024/2025 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.

- ✓ Recovery from three flood and rainfall events in 2023/2024. Council working to restore Shire roads and submit claims for approval with the Queensland Reconstruction Authority.
- ✓ The supply chain remains a challenge with delays worldwide for materials and inability to source trades and contractors in the region.
- ✓ There are a number of grant funding projects that will continue into 2024/2025.
- ✓ Council continues to seek State and Federal Government funds to meet the current and future needs of our Shire.
- ✓ Maintaining ISO accreditation for its quality, environment and safety systems and the Department of Transport and Main Roads National Prequalification system for Civil (Road and Bridge) Construction Contracts aims to improve the



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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 Performance Contract is \$2.5m in 2024/2025 to service our State road network.
- ✓ 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 6% increase in cleansing (waste) utility charges (excluding Mungindi).

BUDGET CONSIDERATIONS

To produce a surplus 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 ratepayers. Council has applied the Accounting Standard for Revenue Recognition to have revenue match expenditure where funding agreements are significantly specific.
- ✓ Federal Assistance Grants are typically paid in advance by the Federal Government. Council received 85% of the 2024/2025 FA grant on 2 July 2024.
- ✓ Council adopted a rolling asset valuation program and will report on the outcome of the transport revaluation as part of the end result for 2023/2024 financial year.
- ✓ For 2023/2024 no indexation was required for Water or Wastewater, as the movement is still below the 5% materiality threshold (due to those asset classes being subjected to revaluation in 2022/23 FY).
- ✓ Buildings and Other Structures were indexed at 11.43% for end of 2023/2024. This is the cumulative for the 2 financial years since the class was last revalued in 2021/22.
- ✓ 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.
- ✓ Roads to Recovery funding has been recognised as operating rather than capital revenue based on accounting standards.

The key changes for the 2024/2025 financial year include the following:

- ✓ A recommended increase of 6% in water and wastewater utility charges to achieve full cost recovery (excluding Mungindi).



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- ✓ A 6% increase in cleansing (waste) utility charges to service our landfill and waste collection services (excluding Mungindi).
- ✓ All Mungindi utility charges for water and waste will remain consistent with Moree Plains Shire Council revised charges including a 5% administration fee.
- ✓ Rating categories 100, 200, 300 and 500 will pause on the seven-year single rural rating and the general rate will increase by 4% across all rating categories.
- ✓ The urban animal levy has been increased from \$23 to \$25 per property, per annum, across rating categories 4A and 4B
- ✓ Special levies and charges have been adjusted as follows:
 - Feral Animal Management Special Rate is increased by 3.9% resulting in revenue of approximately \$129,000.
 - Environmental special charge for waste services will increase from \$65.50 to \$70.00 per annum
 - Thallon Rural Fire levy will remain the same rate however, the discount is no longer applied as this service is charged by Queensland Fire & Emergency Services.
- ✓ Staffing levels are under regular review in response to external funding assistance with a current establishment of 109 FTE. The Enterprise Bargaining Agreement negotiations will commence on 29 July and likely see an increase over the next three years in wages.
- ✓ Capital works have been reviewed against proposed forward plans and budgets and in line with recent grant funding approvals. Multi-year projects and some of those not yet complete from 2023/2024 have been carried forward.
- ✓ There will be an average 5% increase in fees and charges with St George cultural centre facilities remaining the same.

The Budget adopted by Council at its special meeting on 25 July 2024 will be subject to amendment as grant funding for Local Roads Community Infrastructure and Works for Queensland and/or flood recovery works are approved.

Matthew Magin
Chief Executive Officer