

BUDGET

2018-19





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2018/19 - MAYORAL BUDGET STATEMENT

Councillors, Ladies and Gentlemen,

Welcome.

Councillors, this year we have acknowledged the need to work towards financial sustainability following successive years with an operating deficit which is forecast to continue into the future. To do this we have looked at our revenue and the need to balance an increase in rates with the ability to source our own revenue. We have worked hard to investigate our depreciation, we are looking to improve our asset management and to set responsible service levels in an effort to contain costs.

With the above in mind, I announce the proposed Balonne Shire Council's Budget for 2018/19.

This year the budget delivers an operating deficit before capital revenue of (\$3,462,525) with a modest operating surplus of \$285,493. Our capital budget of \$5,505,018 for 2018/19 is significantly less than that of 2017/18. Of this capital budget, \$3,748,018 is funded through State and Federal Government initiatives.

Council's general rate revenue represents 34% of council's total revenue and is insufficient for long term financial sustainability. Federal and State Government grant opportunities continue to diminish or are for new infrastructure projects only. New infrastructure commits Council to increased depreciation and maintenance costs. It does not assist in renewing and maintaining our current assets. So we need to work hard at adopting strategies to source our own revenue into the future. In that regard, we have applied for funding to achieve accreditation to secure recoverable works with the Department of Transport and Main Roads. We have engaged a fully funded Grants Officer to actively pursue grant funding opportunities and we also have a fully funded Economic Development Officer to boost the local economy over the longer term.

Even with this, there is still limited revenue and resources to achieve the results we want over the coming years.

RATES & CHARGES

The objective of the 2018/19 Budget has been to consolidate rate revenue by reviewing categories and benchmarking with similar local governments. Rates have been increased across all categories by 3% in the Rate in the Dollar and by 1% on the Minimum General Rate. We have also retained limitations for those properties affected by the increases in valuation in 2017/18.

When setting the rates council must:

- ✓ evaluate and determine the range of services it needs to support the community for example, waste management, local roads and suburban care
- ✓ decide how much money is needed to fund services and infrastructure

- ✓ establish how much funding it can expect to receive from the federal and state governments and other income sources
- ✓ determine how much money is required from rates and charges to cover the balance of expenditures
- ✓ decide on the best mix of rates and charges to provide services to the community.

To minimise the impact on individual landholders Council has adopted the following strategies:

- ✓ A 3% increase in the rate in the dollar for all rating categories. The rate in the dollar is applied to the land valuation to determine the amount of differential general rate you pay.
- ✓ A 3% increase for water, waste and sewerage utility charges.
- ✓ A 1% increase in the minimum general rate.*
- ✓ Council will apply a limitation on the increase of general rates under Section 116 of the Local Government Regulation 2012. The limitation of 30% has been applied to Differential Rating Categories 60, 61, 63, 69-73, 76 and 79.
- ✓ Council will continue to issue two (2) six-monthly rates notices.
- ✓ Services provided to Mungindi for waste and water services will have no change as per Moree Plains Shire Council.

*The minimum general rate is the minimum amount payable of a general rate or differential general rate determined by council, irrespective of valuation. The general rate is used for essential services such as road works, car parks, boat ramps, libraries, street lighting, many community health and sporting facilities, parks and reserves, and amenities such as showers and toilets and barbecues in local parks.

Council recognises the responsibility it is charged with and has concentrated on creating a budget that can deliver essential services to our communities, whilst keeping rate and charges increases to a minimum.

Pensioners

Pensioners will continue to receive a maximum concession of \$170 per annum for qualifying properties.

BUDGET HIGHLIGHTS

Roads - Construction and Maintenance

\$1.292M has been allocated in the budget for capital works on Council roads, including gravel re-sheeting of local roads. This includes utilising Transport Infrastructure Development funding on the Kooroon Road and Mitchell-Bollon Road. A further \$1.059M has been allocated to capital works on streets to finalise works on Arthur Street and Kenny Lane; continue the River Foreshore Upgrade and Dirranbandi Rail and River Precinct. Much of this funding has come from the Regional Economic Development Program. A full list of individual capital projects is detailed in Council's Capital Works Program.

Works for Queensland

Council will receive by the end of 2018/19 a total of \$1.22m* (*over the two financial years of 2017/18 and 2018/19) in funding from the Queensland State Government in the Works for Queensland Program. The most significant project to be completed using this funding is the St George Thermal Springs project at \$750,000, which is at the design phase.

Tourism / Visitor Services

We will look to consult further on our welcome to the Shire signage and explore opportunities for funding. There is \$45,000 in operational projects for tourism.

Economic Development

Council will look to implement the Economic Development Strategy and has improved its strategic outlook on Economic Development in the new Corporate Plan 2018-23.

Aerodromes

An Airport Master Plan is proposed for the St George Aerodrome along with \$80,000 in capital works for an automated weather information system and drainage improvements.

Community Development

\$41,000 has been allocated to continue our community development programs including Young Women's Bursary, Get Ready Balonne and support of local community events. \$69,958 has been allocated for Library Programs to continue our Digital Literacy, First 5 Forever Program and the Pop up Gallery. This amount also includes our support for the Dirranbandi Rural Transaction Centre and Library Service Memorandum of Understanding.

Sport & Recreation

Council will complete the works at Rowden Park Grandstand utilising the Works for Queensland funding and also the Dirranbandi Sports Oval Amenities. Drought funding will also see the Canoe Boat Ramp upgrade completed on the River foreshore in St George.

Parks & Gardens

Council will continue to provide attractive well maintained parks and recreational areas with several projects planned across the shire.

Showgrounds

Hebel Showgrounds will receive white rock resurfacing from the entrance gate to the cattle yards; the Bollon Showgrounds will receive a fire/hydrant and storage tank and Dirranbandi Polocrosse a new shed fridge. Council understands the need to support our local community groups but has limited funds available. Council has maintained the priority lists provided to Council for budget consideration and this will be used to help in the search for grant funding to achieve the outcomes sought by our local clubs and sporting groups.

Health, Environmental & Rural Services

Council will continue its joint project with Maranoa Regional Council for cluster fencing. Funding has also been achieved to provide \$90,000 in Aerial Baiting, trapping and monitoring. A review of the Feral Animal Levy will be conducted in 2018/19 together with the development of a Biosecurity Plan to replace our Pest and Weed Management Plans.

Water

The capital works budget for water projects is \$990,000 on renewal and upgrade of water infrastructure with projects across the Shire's water supply schemes. These projects are fully funded by council.

Urban Waste Water

\$135,000 has been carried forward to finalise the St George Sewerage Treatment Effluent Reuse capital project. This project has been made possible through Building our Regions funding

Waste

\$40,000 will be spent to look at our landfill remediation requirements into the future. This is a requirement of the Queensland Audit Office to ensure that future generations are not left with the full cost of a new waste facility and rehabilitation of the old site/s.

Overall, the proposed budget is conservative which recognises our limited revenue and resources.

In closing, I acknowledge that the budget process involves extensive input and workflow from many people. I thank everyone involved; Councillors and staff for the effort put in over this lengthy period taken to prepare the 2018/19 budget. We can today say this is a Council budget and a great team effort.

Cr Richard Marsh
MAYOR



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Council is pleased to present its Annual Budget that converts the strategies and initiatives contained in Council's Corporate and Operational Plans into financial terms to ensure that there are sufficient resources for their achievement while ensuring financial sustainability. This will be the first year of our Corporate Plan 2018-2023 with a new vision and mission statement.

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.

The budget must:-

- ✓ Be prepared on an accrual basis
- ✓ Include the following statements for 2018/2019, 2019/20 and 2020/21;
 - Financial Position (Balance Sheet)
 - Cash Flow
 - Income and Expenditure
 - Changes in Equity
- ✓ Include a Long-Term Financial Forecast
- ✓ Be 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 2018/19 compared with the rates and utility charges levied in the previous budget
- ✓ Be consistent with the corporate plan and annual operational plan.

Council's financial sustainability continues to be of concern with a reduction in State and Federal Government Grants. Forecast budgets for the next three years indicate continuing deficits before capital revenue. For 2018/19 the deficit before capital is \$3,462,525 with a modest operating



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surplus of \$285,493. Council is therefore continuing to undertake a range of strategies to review its long term financial plan, treatment of assets and depreciation and will continue to look for savings through operating efficiencies.

REVENUE STATEMENT 2018/19

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 document will be of particular interest to ratepayers, community groups, government departments and other interested parties who seek to understand the revenue policies and practices of the Council.

LONG-TERM FINANCIAL FORECAST

A Long-Term Financial Plan for the years 2018/19 to 2027/28 has been developed to assist Council in adopting its 2018/19 budget within a longer term financial framework. The key objective of the Financial Plan is to:

- ✓ Deliver operational surpluses in the long-term through strategies that generate or increase revenue to minimise the impact on ratepayers where possible and deliver the strategic outcomes as specified in the Corporate Plan.

While certain assumptions were made in preparing forecasts for the Financial Plan they are based on current knowledge available and are generally conservative in nature.

- ✓ Minimal growth in fees and charges revenue
- ✓ General rate revenue has been based on a 1% increase in the minimum general rate across all categories; 3% increase in the rate in the dollar across all categories and a 3% increase across all utilities for the 2018/19 financial year.
- ✓ Continuation of Rural Fire Levy
- ✓ Service and utility charges are set to fully fund operations and provide sufficient revenue to deliver projected capital works.
- ✓ Special levies and charges have been retained at 2017/18 levels.
- ✓ Federal Financial Assistance Grant will increase for 2018/19 by CPI, continuing into 2019/20. Council is however uncertain when the Financial Assistance Grants will be received and this may impact on projected revenue from grants.
- ✓ Federal Roads to Recovery is set to decrease in the short to medium term and is dependent on the Federal Government's commitment to continue in the long term



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- ✓ Staffing levels are under regular review in response to external funding assistance and is currently under the approved establishment with a range of positions vacant due to inability to attract suitable candidates, natural attrition and/or operational needs.
- ✓ Capital works have been reviewed against proposed forward plans and budgets.

The long-term forecast indicates Council's General Operations Budget continuing to operate with deficits up to 2025/26 without significant effort by Council to raise revenue from alternate sources and/or reduce expenditure. This will impact on projected forward capital works programs and Council's ability to improve its asset management financial sustainability ratio. Council has commenced developing its Asset Management Framework to set service levels and improve ongoing management of our assets and will continue to focus on this into 2018/19.

BUDGET PREPARATION

The budget, which is included in this report, is for the year 1 July 2018 to 30 June 2019. 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 to 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

1.4 BUDGET PROCESSES

The key steps comprising the budget process are summarised below:

- ✓ Council commenced its budget preparations early for 2018/19. 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 no increase in expenditure.
- ✓ A series of councillor workshops were held with the Mayor and Senior Leadership Group to consult and adjust as necessary to deliver a sustainable budget.
- ✓ A draft budget and rate model options were presented to Council over a number of workshops, providing opportunity for input, discussion and debate by Councillors.
- ✓ The "proposed" budget was finalised with the Mayor for presentation to Council on 14 June 2018.
- ✓ On 14 June 2018 the Mayor will present the budget documents to Councillors 14 days prior to formal budget meeting as required by the Local Government Act 2009.
- ✓ On 28 June 2018 the final Budget and Operational Plan will be submitted to Council for adoption.



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External Influences

In preparing the 2018/19 budget a number of external influences have been taken into consideration because of their significant impact on Council's ability to fund the services delivered during the budget period.

- ✓ The reduction in grant monies from State and Federal Government requires a pro-active approach to ensure we pursue opportunities to maximise our grant and subsidy revenues. To assist in this area Council recently appointed a fully funded Grants Officer.
- ✓ Council's ability to secure roadwork contracts with the Department of Transport and Main Roads has been affected by the shift of funds away from regional areas in the South West to those most affected by Cyclone Debbie and the Commonwealth Games. Council is seeking third party accreditation to improve our ability to secure contract works.
- ✓ Council has commenced negotiations with all staff with a view to adopting one Balonne Shire Council Certified Agreements under the new Local Government Industry Award – State 2017 and Industrial Relations Act 2017 that came into effect on 1 March 2017. Council hopes to conclude negotiations with Unions and employees in early 2018/19.
- ✓ In 2018/19 our community will continue to feel the socio economic impacts of the water buy back scheme in the Balonne Shire. Council has made a concerted effort to advocate on behalf of the local community, participating in the Murray Darling Basin Authority Northern Basin Review and deputations to key parliamentarians.
- ✓ To improve economic development in the Shire Council has secured funding to engage an Economic Development Officer.
- ✓ The Queensland Government Container Refund Scheme is set to commence 1 November 2018. This will impact Council's existing landfill contract that is due for renewal. Council is continuing to monitor the introduction of this scheme and has recently commenced the tendering process for the landfill contract.
- ✓ Council is working with our local sheep and cattle producers to obtain funding and/or develop a scheme to fund cluster fencing. The combination of funding cluster fencing through grants and other schemes will improve production and assist in the control of feral animals. Council is discussing options with the Queensland Treasury Corporation (QTC) to adopt a model similar to Longreach Regional Council that applies a special levy to participating properties under a loan scheme through QTC.
- ✓ Council will undertake a review of the Feral Animal Levy and look to develop a Biosecurity Plan to replace its current weed and pest management plans.
- ✓ The Queensland Audit Office has recommended Council investigate the need to make provision for landfill remediation. Council plans to source appropriate technical advice to prepare reliable estimates that will be incorporated into the Long Term Financial Plan.



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Budget Principles

In order to produce a modest budget in response to these significant influences the following principles were utilised when preparing the budget.

- ✓ Fees and charges were reviewed and commercial charges have generally been increased by 2-5% for 2018/19. Council's cost recovery charges have increased by 2%, slightly above the Council Cost Index of 1.89%.
- ✓ Council will aim to mitigate ongoing operating deficits by increasing revenue from as many sources as possible without significantly impacting on ratepayers
- ✓ Council has commenced a review of its treatment of asset depreciation and will continue to look for efficiency measures and savings.
- ✓ Grants are to be based on confirmed or likely funding levels.
- ✓ Overtime is to be undertaken for essential and emergency work only.
- ✓ Initiatives or new projects are to be supported by a business case, strategic plans and whole of life costing.

Matthew Magin
Chief Executive Officer