

# BUDGET OVERVIEW 2020 - 21

For the People  
*Salonne*  
Shire Council

ST GEORGE | DIRRANBANDI | BOLLON | THALLON | MUNGINDI | HEBEL | NINDIGULLY



# Budget 2020/21

Council is pleased to present its Budget for the 2020-21 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 2020-21. Council's elected members and senior executive team have worked together in a short space of time (since the March 2020 elections) to ensure the operating budget is 'business as usual' to service the community and ensure that all grant funded projects are delivered on time and within budget. Council recognises the need to focus on financial sustainability in the long term and the current economic conditions in the Shire following years of drought, a recent flood event 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 2020/21, 2021/22 and 2022/23
  - 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 2020/21 compared with the rates and utility charges levied in the previous budget
- ✓ Consistent with the corporate plan and annual operational plan

This budget will be revised early in the new financial year as Council awaits funding agreements that will see a further injection of funds from the Queensland Construction Authority for flood damage; \$1.18m from Queensland Works for Queensland funds and \$1.14m from the Federal Community Infrastructure & Roads fund, \$5m in Building Our Regions Fund for a new Library Innovation Hub and \$800,000 for a Country University Program.



# Budget 2020/21

Our team has been working on improving our financial sustainability and received a credit rating of moderate with a neutral outlook from the Queensland Treasury Corporation in March 2019. Council has been working on asset management including the accounting treatment of its assets, project governance and assessment of the new accounting standards relevant to revenue recognition and leases. Progress is being made on our asset management plans and we will use this information to revise our long-term financial plan, treatment of assets and depreciation as we continue to look for savings through operating efficiencies. Council has been able to secure more than \$30m in grant funding in recent years and is working towards the ability to generate its own revenue through contracting for infrastructure works. \$100,000 has therefore been allocated towards achieving prequalification to meet Transport and Main Roads requirements.

Council implement a range of strategies over the coming years to improve the economic and social viability of the Shire. Programs are already underway to implement the strategic decision to borrow up to \$8m in funds for the Wild Dog Exclusion Fencing Scheme. A Round 2 of the special rate scheme will commence on 1 July 2020 with approved applicants at an estimated cost of up to \$4.6m. The projects in Round 1 are valued at \$3.174m and are progressing with a number of properties now complete. 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 gaining momentum and will result in an investment of more than \$2m to improve the digital connectivity across the Shire. Other projects that are continuing into 2020/21 include the \$1m redevelopment of our general aviation area at the St George aerodrome and a large asset management project with the South West Regional Roads and Transport Group (consisting of 6 member councils).

Forecast budgets for the next three years indicate continuing deficits before capital revenue. The budget for 2020/21 results in an operating deficit of just over \$146,000. Council's cash position is healthy with over \$40m reflective of the significant value of grant funding. Council may consider further borrowings in 2020/21 for plant to achieve capital work programs and a special rate beautification scheme for St George, Thallon and Bollon.

## **REVENUE STATEMENT 2020/21**

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. We are also amending this policy to provide 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 also increase to 60 days for the August levy.

Council will not raise the rates and utility charges by the Council Cost Index of 1.88% this financial year recognising the impact of drought, COVID-19 and recent flooding. Council will however continue the rural categories of 100, 200, 300 and 500 on the seven-year rating strategy



# Budget 2020/21

that aims to achieve a single rural rate by 2025. Landholders in these rural categories will receive a letter to explain the impact on their rate notice. Many of these properties are still on limitations applied to reduce the impact of the 2017/18 valuation changes.

The seven-year rural rating strategy is:

**TABLE 1 – ANNUAL Rates in the Dollar proposed\***

Category	Short description	RID 19/20 c/\$	RID 20/21 c/\$	RID 21/22 c/\$	RID 22/23 c/\$	RID 23/24 c/\$	RID 24/25 c/\$	RID 25/26 c/\$
100	GRAIN AND GRAZING	1.183860	1.201608	1.219632	1.240976	1.265795	1.291111	1.316864
200	MIXED USE with COTTON	1.774000	1.697811	1.621621	1.545432	1.469242	1.393053	1.316864
300	SOLE COTTON	2.128580	1.993296	1.858009	1.722723	1.587436	1.452150	1.316864
500	SMALL RURAL AND CROPPING	1.267660	1.293013	1.316864	1.316864	1.316864	1.316864	1.316864

*IMPORTANT NOTE: that table 1 rates in the dollar and percentage increases/decreases are estimates only and are subject to CCI\* or CPI\* increases and valuation variations from year to year and will be dependent upon a council resolution to set the rates on an annual basis as required by the Local Government Act 2009 and Local Government Regulations 2012.*

*CCI = council cost index CPI = consumer price index*

## LONG-TERM FINANCIAL FORECAST

A Long-Term Financial Plan for the years 2020/21 to 2029/30 has been developed to assist Council in adopting its 2020/21 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.

It is important to note the increase in 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.

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:

- ✓ A recommended growth in rates and charges revenue with on average 4% increase from 2021/22 if council is to remain financially sustainable into the future
- ✓ General rate revenue will remain consistent with 2019/20 with no increase in the rate in the dollar and minimum general rate for all rating categories. Rating categories 100, 200, 300 and 500 will see variations as set out in the seven-year rating strategy.
- ✓ Council will not increase its utilities for the 2020/21 financial year (including Mungindi which will remain at the 2019/20 rate). Service and utility charges are set to fully fund operations and provide sufficient revenue to deliver projected capital works
- ✓ A review of the three-tier pedestal charges has been undertaken. Categories 15, 11 and 12 will see a noticeable change in their pedestal charges with a flat \$250.00 per pedestal.
- ✓ Continuation of the Thallon Rural Fire Levy



# Budget 2020/21

- ✓ There will be no loan payments associated with Council's borrowings for the Wild Dog Exclusion Fencing rating scheme until 2022/23
- ✓ Special levies and charges have been retained at 2019/20 levels and have not moved for several years
- ✓ Federal Financial Assistance Grant will increase for 2020/21 by CPI, continuing into future years. 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 been brought forward and will increase 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 under the approved establishment with a range of positions vacant due to a freeze on recruitment during the COVID-19 restrictions.
- ✓ 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 up to 2027/28. 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 2020 to 30 June 2021. 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 2020/21 prior to the local government elections held on 28 March 2020.
- ✓ 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 following the election 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



# Budget 2020/21

- ✓ Community consultation was not undertaken due to the short timeframes, however council notes this will be compulsory in the lead up to the 2021/22 budget. Council has released a series of media releases in the lead up to the budget and will contact those ratepayers impacted by the continuation of the rural rating strategy that aims to achieve a single rural rate
- ✓ The Mayor is no longer required to present the Budget documents to Councillors 14 days prior to the formal Budget meeting due to recent changes to the *Local Government Act 2009*
- ✓ On 25 June 2020, the final Budget and Operational Plan will go to Council for adoption

## **EXTERNAL INFLUENCES**

In preparing the 2020/21 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 seven year drought continues to impact the Shire despite an increase in rainfall and the February flood event
- ✓ The February flood event has impact significantly on our Shire roads and a claim is currently pending with the Queensland Reconstruction Authority
- ✓ The COVID-19 global pandemic has impacted on the ability to deliver council services, and council resources. The Local Disaster Management Group stand up for over 5 months, over 10 administrative staff worked from home during the pandemic and a range of travel restrictions and changes to our meetings to allow for social distancing were implemented. Microsoft Office teams became an important platform to maintain contact with our staff in the field and productivity was maintained (if not increased).
- ✓ Council has successfully increased the value and number of grants from State and Federal Government with our fully funded Grants Officer with over \$30m in current funding
- ✓ Council has committed to funding accreditation with Department of Transport and Main Roads with a view to increase its own revenue base
- ✓ This is the last year of the one single Enterprise Bargaining Agreement with all staff and Unions under the new *Local Government Industry Award – State 2017 and Industrial Relations Act 2017*. A new EBA will be negotiated in the later part of 2020/21 to be implemented in 2021/22.
- ✓ Council is continuing to implement the Murray Darling Basin Federal Government funds with over \$9.1m in a range of projects across the Shire.
- ✓ Council's fully funded Economic Development Officer continues to pursue economic stimulus for the Shire
- ✓ Council continues to work with our local sheep and cattle producers to increase the amount of wild dog exclusion fencing within the Shire. The combination of funding cluster fencing through grants and Council's special rates scheme will increase sheep numbers and assist in the control of feral animals. Council has obtained approval to borrow \$8,540,987m to fund the special rates scheme
- ✓ Future budgets include provision for landfill remediation, as required by the Queensland Audit Office and Accounting Standards.
- ✓ Announcements have been made on future funding including \$5m for a new library and innovation hub in St George, a country university hub \$800,000 along with Works for Queensland \$1.18m and Local Community Infrastructure & Road funds of \$1.14m that will see a wide range of community projects implemented. The 2020/21 Budgets will see the implementation of these projects once funding agreements have been executed.



# Budget 2020/21

## **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 no increase in fees and charges for 2020/21 and food shop licence fees will be waived to assist those impacted by the COVID-19 restrictions
- ✓ 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. This new accounting standard commenced on 1 July 2019
- ✓ Council undertook a fully comprehensive valuation of all assets in 2018/19 and completed its own self-assessment concluding that no indexation would be applied for 2019/20
- ✓ Grants are based on confirmed funding agreements with milestone and acquittal dates
- ✓ 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', enclosed in a thin black rectangular box.

Matthew Magin

**Chief Executive Officer**