# BAURANALD SHIRD COUNCIL

2020/21 Operational Plan, Revenue Policy

10 Year Long Term Financial Plan

# **BSC BUDGET TIMELINE**

#### April - May 2020

Draft budget workshops with Council Management and Administrator

#### **27 May 2020**

Draft 2020-21 Operational Plan advertised to community for 28 days.

#### 30 June 2020

Final adoption of Delivery Plan, 2020/21 Operational Plan and 10-Year LTFP

Draft budget presented to Council.



Closing date for public submissions

24 June 2020

# **PRESENTATION - COMMUNITY WORKSHOPS**

The intention is to:

- Present the Draft Operational Plan, Revenue Policy and the Fees and Charges.
- Present the 10 year long term financial plan and financial sustainability.
- Present revenue and operational expenditure.
- Present capital expenditure.

### **BSC BUDGET PROCESS**

#### **Budget Preparation**

 Budget preparations by Council Staff commenced in March 2020

#### Staff Engagement

- In preparing the budget, Managers were asked to submit operational and capital budgets for their departments. Finance staff then worked with the Managers to achieve the proposed budget put to Council.
- Meetings held at MANEX level after Managers supplied their budgets.

#### Community Engagement

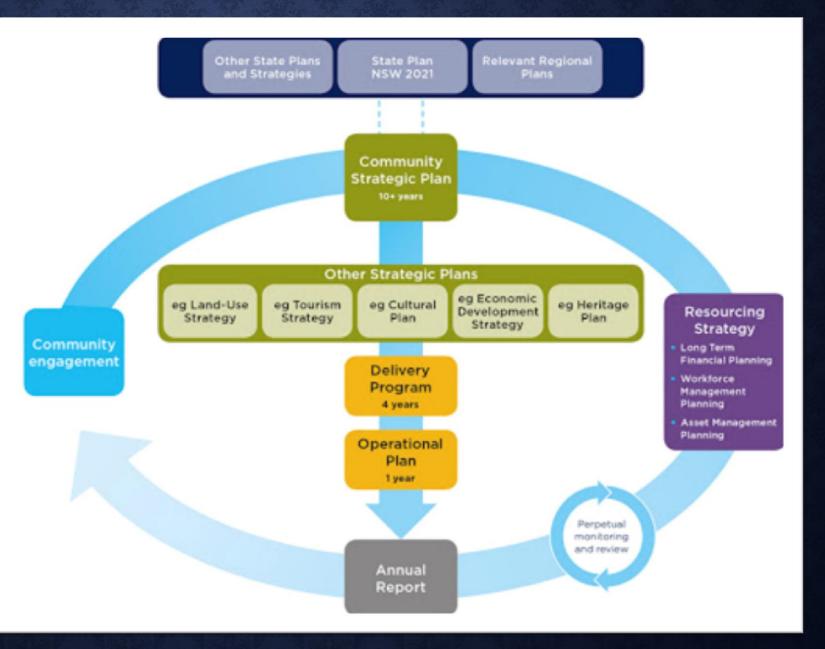
- Following Extraordinary meeting held on 26 May 2020 Draft Operational Plan advertised for 28 days.
- Submissions may be made to Council at any time during the 28 day period for consideration prior to the adoption of the draft operational plan as per Section 405 (3) of the Local Government Act 1993.



### **BUDGET DELIVERY**

- The Community Strategic Plan (CSP) contains the community's broad vision, goals and expectations for the plan's duration.
- The Delivery Program (DP) is the 4-year plan that takes CSP strategies and priorities them.
- Operational Plan (OP) is the 1-year plan that takes these actions in the DP and provides detailed budget and how success will be measured.
- Revenue Policy

THE INTEGRATED PLANNING AND REGULATORY FRAMEWORK



# **BSC BUDGET AIM**

#### Financial Sustainability

Number 1 priority for Council is to be financially sustainable over the long term

- Ensure services provide best-fit community expectations with resources available to Council.
- Delivery of services are efficient, effective and relevant.
- That decisions consider the 'whole of life' costing approach.
- That capital works projects are 100% funded and costed.

#### **Reality Check**

It is important that Council works as a unified organisation to achieve the strategies and goals outlined in the CSP and DP.

There are things that should be considered a necessity (i.e. delivery of water services or waste collection) and things that are nice to have.

Council should take care of the necessities first then do the nice things to have if funds permit.

Balranald has limited resources.

#### **Measuring Success**

- Set KPIs and measure against them.
- Projects are delivered on time and within budget.
- Obtain community feedback to measure how well Council is delivering the required services.
- Have better systems in place to capture more meaningful and current data to help improve the budget and decisionmaking process.
- Report to stakeholders within the agreed timeframes.

# 2020/21 BUDGET SNAPSHOT

\$16.0 m

#### **Consolidated Council**

<ul> <li>Total</li> </ul>	Operating Revenue	\$23.8 m

- Total Operating Expense
- Net movement before Capital
   \$ 7.8 m
- Funded from Reserves \$ 1.4 m
- General Fund Result (surplus) \$144,378

The net budget result is the key figure. This means Council will be in surplus by \$144,378) and will not need to draw down working capital to fund the 2020/21 budget.

• By Fund Result (Net Budget Result):

•	General Fund	\$144,378
•	Water Fund	\$Balanced
•	Sewer Fund	\$Balanced

When setting the budgets, a balanced budget approach was taken for the Water and Sewer funds. Both are selffunded and cannot be used to fund the General fund and the General fund should not be used to cross subsidise the Water or the Sewer Fund.

# 2020/21 BUDGET SNAPSHOT (CONT.)

#### Other notes for 2020/21 budget:

- Depreciation expenditure is currently \$5.2m and will be reassessed during the 2020/21 year due to the increase in capital work upgrades due to ability to access unprecedented grant funding due to drought conditions and increased state and federal infrastructure funding. A full asset revaluation was completed in 2018/19 but with the change in circumstances, depreciation may be affected.
- Employee costs have increased due to the organizational restructure completed in 2019/20 and an average increase of 2.5%.
- Capital expenditure has reduced in 2020/21 as major projects such as the Main Street Upgrade and the Wooltrack project have reached completion with the exception of the Bidgee Haven Dementia addition which was delayed due to COVID-19.
- Reserve balances overall will be reduced by \$1.368M including the Water and Sewer Reserve.

#### Issues:

- Council rates revenue continues to be subject to a 10% increase as per Council's Special Rate Variation inclusive of the 2.6% rate peg increase.
- The need to continually source grant funding opportunities.
- Economy fluctuations.
- Depreciation expense Council needs to review this increase as depreciation represents around 1/3 of operating expenditure.
- Employee costs currently 42% of Council's total operational expenditure and needs to be reviewed for efficiencies where possible.
- COVID-19 and its impact into the future.

# 2020/21 REVENUE FROM CONTINUING OPERATIONS & CAPITAL GRANTS

Net Gain from Disposal of IPPE, \$0, 0%

18%

Rates and Annual Charges, \$4,273,850,

Grants and Contributions for Capital Purposes, \$9,209,420, 39%

User Charges and Fees, \$2,231,180, 9%

Interest and Investment Revenue, \$121,060, 0%

Other Revenues, \$379,972, 2%

Grants & Contributions for Operational Purposes, \$7,585,170, 32% Rates and Annual Charges

User Charges and Fees

□ Interest and Investment Revenue

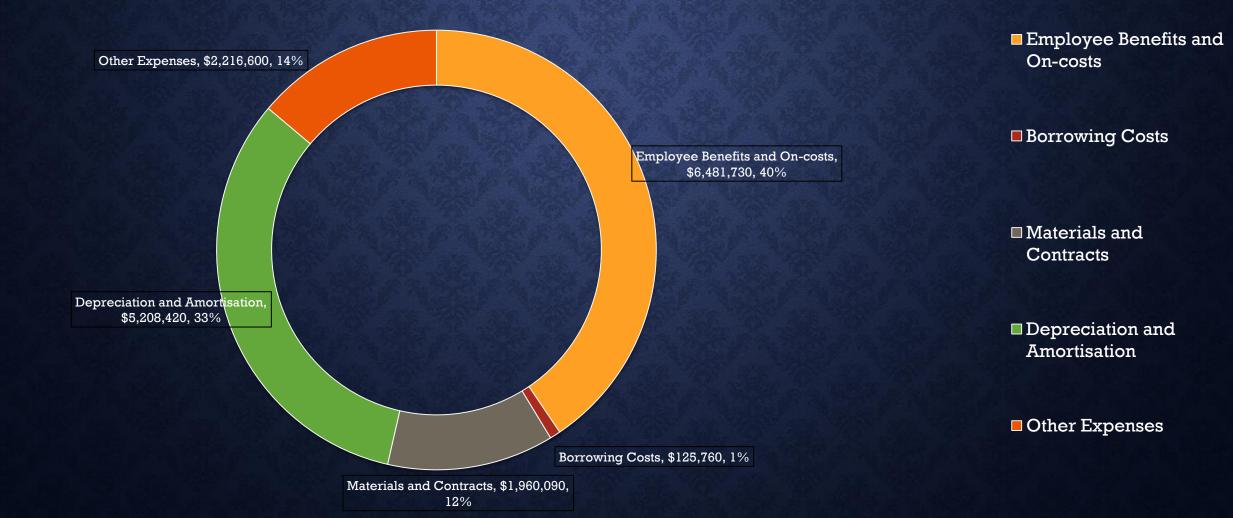
Other Revenues

Grants & Contributions for Operational Purposes

Grants and Contributions for Capital Purposes

Net Gain from Disposal of IPPE

# 2020/21 EXPENDITURE FROM CONTINUING OPERATIONS



## LONG TERM FINANCIAL PLAN

- The Operational Plan focuses on the next financial year budget.
- The Long Term Financial Plan focuses on the next 10 years – based on assumptions and reviewed annually.
- The first 4 years of the LTFP are the key to Council's overall performance.

Consolidated Council over 10 years:

- Total Operating Revenue \$188.6m
- Total Operating Expense \$169.6m
- Operating Surplus \$19.0m
   (before Capital)
- Budget Surplus/ (Deficit) \$bal

\$balanced

# **BSC BUDGET BY FUND**

#### General

- General fund has a 2020/21 budget surplus of \$144,378.
- Over the 4 years to 2023/24, this becomes a surplus of \$502,363.
- Over the 10 years to 2029/30, this becomes a surplus of \$1,706,933.
- Capital expenditure for 2020/21 increases due to the \$4.68m grant for the Bidgee Haven Dementia wing.
   Capital works decrease significantly as grant funding eases off from 2021-22 to 2029-30.
- Cashflow net result is (\$1.192 million) decrease for 2020/21 year. This is the result of movement in unspent grants, balance sheet movements and the budgeted deficit.

#### Water

- Balanced budget approach taken with deficit or surplus funds transferred to Water Reserve.
- Integrated Water Cycle Management Plan to be finalised in 2020/21.
- Capital expenditure increases in future years depending on Grant Funding -\$1.0m Loan borrowings included in the 2020/21 Budget.
- Negative Reserve movement of \$588,920 for 2020/21 from a reasonably healthy Water Reserve of approx. \$1.7m. This will vary when major capital works to upgrade the Balranald Water Infrastructure is estimated in conjunction with the IWCM plan.

#### Sewer

- The Balranald and Euston Sewer Fund does not have sufficient funds to carry out adequate sewerage services into the future.
- Comprehensive Report to Council was provided on 26 May 2020.
- Outcome was to continue with Pedestal Charges and increase Access Charges to all properties connected to sewer.
- Volumetric discharge charge for nonresidential properties.
- Sewer Reserve Balance deficit for 2020/21 is \$86,500 and reduces by \$247,110 over the next 4 years.

# FINANCIAL RATIOS

• To measure Council's financial performance, the following ratios have been employed to be monitored during the 2020/21 year:

Ratio	Description	Benchmark
Operating Performance	The ability to contain operating expenditure within operating revenue	> 0%
Unrestricted Current Ratio	Assess the adequacy of working capital and its ability to satisfy short term obligations	> 1.5:1
Own Source Revenue	Measures fiscal flexibility – degree of reliance on external funding	> 60%
Debt Service Cover Ratio	Measures the times of discretionary revenue required to repay loans	< 2x
Rates and Annual Charges Outstanding	Measures outstanding rates and annual charges against rates and annual charges levied	< 10%
Building & Infrastructure Renewal	Shows the rate assets are being renewed compared to estimated annual rate of utilisation	> 100%
Operating Expenditure per capita	Assess trends in operating expenditure over the LGA population	Constant or declining for same level of service

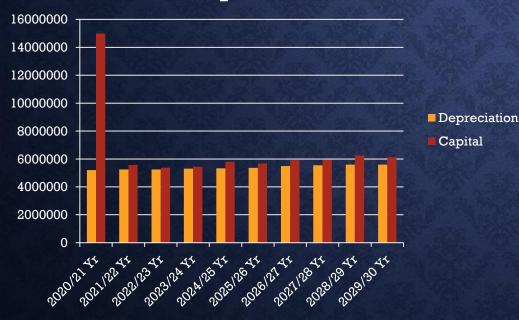
# **RATIOS OVER NEXT 4 YEARS**

- Council meets the unrestricted current ratio, debt service cover ratio, rates and annual charges outstanding ratio and the Building & Infrastructure Renewal ratio over the 4-year period.
- Council does not meet the Operating performance or the Own Source Revenue ratio in 2021/22 year.
- Council's cost per capita using the current population of 2,200 based on the ABS Stats equates to over \$7,000 per capita.

Ratio for Consolidate Council	Benchmark	2020/21	2021/22	2022/23	2023/24
Operating Performance	> 0.00%	-9.60%	-13.22%	-10.84%	-8.93%
Unrestricted Current Ratio	> 1.50x	4:1	3.66:1	3.55:1	3.59:1
Own Source Revenue	> 60.00%	29.44%	46.32%	47.41%	48.72%
Debt Service Cover	> 2.00x	32.96	32.42	37.18	43.17
Rates and Annual Charges Outstanding	< 10.00%	6.45%	6.67%	6.42%	6.18%
Building & Infrastruture Renewal	> 100%	197.82%	106.11%	102.52%	102.60%
Operating Expenditure per capita	Constant Based on ABS Stats	\$7,269.36	\$7,109.40	\$7,237.78	\$7,389.58

# **CAPITAL EXPENDITURE FORECAST**

#### Capital Expenditure vc Depreciation



- Over the 10- year period, estimated capital works expenditure is greater than depreciation expended – i.e. assets are upgraded to a greater level than the depreciated value.
- Issues:
  - Depreciation expense can this be reduced as the estimated life of the asset is extended.
  - Council needs to apply for grants available for upgrades whenever possible.
  - More focus on renewing assets and less consideration given to new assets.
  - How does Council fund co-contribution where grant is not 100%.

### **MAJOR CAPITAL WORKS FOR 2020/21**

Major Capital Works	Budgeted Expenditure	
Major Plant Replacement	\$465,000	
MR67 North Heavy Patching	\$615,460	
MR514 Construction & Seal	\$509,180	
Grid Maintenance and Replacement	\$350,000	
Gravel Re sheeting	\$103,550	
Roads to Recovery	\$1,355,610	
Retirement Hostel Extension	\$4,680,000	
Art Gallery – Creative Community Learning Centre	\$284,380	
Balranald Tennis Court Upgrade	\$287,510	
Greenham Park Football Club Change rooms	\$500,000	
Ben Scott Birdwalk	\$100,000	
Joint Organisation Discovery Centre Complex	\$1,000,000	
IT Architecture Refresh	\$200,000	
Sewer Services Capital Works Water Services Capital Works	\$440,000	
Water Services Capital Works	\$2,432,300	
Resilience to Climate Change	\$102,500	

#### **Capital Works Expenditure for 2020/21**



# **BSC LONG TERM FINANCIAL PLAN**

#### **Proposed Budget**

- Budget has been prepared based on assumptions as outlined in the document.
- Borrowings The proposed budget does consider borrowing of \$1.0 million over the 30 years – for Water Infrastructure if Grant funding is available.
- 2020/21 Net cash movement is (\$1.192 million), which will see a closing cash and investments total of \$7.823 million at 30 June 2021.
- Note that the net cash movement of (\$1.192 million) includes the loan borrowing of \$1.0 million.

#### **Covid 19 Impact**

- Analysis undertaken to assess possible impact on Council's financial situation.
- The issue for Council will be one of cashflow rather than a massive reduction in operating result. Reason for this include rates and lease revenue deferred but not waived.

# LONG TERM OUTLOOK

- Based on the Proposed Long-Term Financial Plan budget (over the 10 years), the Water Fund is expected to grow in cash balance by \$3.12 million with funds utilised to address the Capital works expected outcomes of the Integrated Water Cycle Management Plan.
- The Sewer Fund will increase by \$661,000 over the 10 year period with increases between 7.5% to 10% on an annual basis. This will not address the shortfall in funds required to upgrade the Sewer infrastructure and additional funds will be required either through grant funding or loan borrowings to address intergenerational fairness.
- General Fund, however, is forecast to have an increase in cash of \$1.7 million over the same period.
- It should be noted that future years are estimated and reviewed on an annual basis.

### **BSC REVENUE POLICY**

- A Special Rate Variation was approved by the Independent Pricing and Regulatory Tribunal in 2017/18 for an increase to the Balranald Notional yield of 10% inclusive of the rate peg amount of 2.6% for a period of 7 years commencing on 1 July 2018. 2020/21 is Year 3 of the 10% increase per year.
- A major rating review was carried out in 2018/19 identifying many anomalies in the Rating Policy which were addressed in 2019/20 with consideration given to fairness and equity.
- Revaluation of all land within the Shire identified an overall increase of 125% from \$260.257 million to \$586.481 million.
- The impact of the land valuation increase has resulted in large increases and large decreases to some properties depending on the new valuations, with the overall increase varying from 4.5% to 10% and the Ad Valorem Rate decreasing significantly in most categories.
- Proposed Fees and charges have been based on Statutory charges as legislated or full cost recovery and partial cost recovery with an average increase of 2.5%.

# Thank you for participating in the 2020/21 Budget Workshop.

Please forward any submissions to council by emailing: council@balranald.nsw.gov.au