

2. 2017/18 Budget

SF/803-02

Cathy Fitzpatrick – Manager Finance

Robert Barber – General Manager Corporate and Community

PURPOSE OF REPORT

The report presents for adoption the *2017/18 Budget*.

BACKGROUND

The *Local Government Act* 1989 requires the Council to prepare a budget for each financial year. The Council must ensure the budget contains:

- financial statements in the form and containing the information required by the regulations
- a description of the services and initiatives to be funded in the budget
- a statement as to how the services and initiatives described under paragraph (b) will contribute to achieving the strategic objectives specified in the Council Plan
- major initiatives, being initiatives identified by the Council as priorities, to be undertaken during the financial year
- for services to be funded in the budget, the prescribed indicators of service performance that are required to be reported against in the performance statement under section 131 of the Act
- the prescribed measures relating to those indicators
- any other information required by the regulations.

The Budget reflects the first year of the Strategic Resource Plan. It describes the services, initiatives and major initiatives to be funded, including service performance outcome indicators to help monitor performance.

The Budget must contain financial statements and other information, including capital works, human resources, grants and rating information.

The *2017/18 Budget* is based on the Victorian City Council Model Budget developed by Chartered Accountants Australia and New Zealand.

The Council at its meeting on 7 June 2017, resolved as follows:

1. That public notice be given that the Council has prepared its *Proposed 2017/18 Budget*.
2. That the *Proposed 2017/18 Budget* be placed on public exhibition for a period of 28 days.
3. That submissions relating to the *Proposed 2017/18 Budget* be heard at a Special Meeting of the Finance and Operations Committee on 19 July 2017.

4. That the Council consider the submissions on the Proposed *2017/18 Budget* at the Council Meeting on Wednesday 2 August 2017.
5. That the Council consider the adoption of the *2017/18 Budget* at a Special Meeting of the Council on Wednesday 30 August 2017.
6. That in advance of the adoption of the 2017/18 Budget on 30 August 2017 the Chief Executive Officer be requested to present to the Council options to improve the result for the 2017/18 Financial Year by an amount in the order of \$400,000 to \$500,000 through a reduction in expenditure on Employee Costs and Materials and Services.

Public notice that the Council had prepared its 2017/18 Budget was given in the *Benalla Ensign* on 14 June 2017 with submissions invited until 5pm Wednesday 12 July 2017.

At the close of the submission period eight written submissions had been received (refer table below). An invitation was extended to each submitter to address a Special Meeting of the Finance and Operations Committee in support of their submission.

No	Organisation	Amount requested
1	Tomorrow:Today Foundation	\$20,000
2	Boweya Community Inc	\$17,276
3	Benalla Sports Entertainment Centre Inc	\$16,499
4	Irene Morgan	Not specified
5	Benalla Sustainable Future Group Inc	\$20,000
6	Benalla Squash and Racquetball Association	\$600,000
7	Benalla Business Network	\$25,000
8	Raise the Roof Benalla Inc	\$20,000

Submitters spoke to their submissions at the Special Meeting of the Finance and Operations Committee on 19 July 2017 and the Council considered the submissions at its meeting on 2 August 2017 where it resolved:

1. That the *Proposed 2017/18 Budget* be amended to include allocations to:
 - Benalla Business Network \$10,000
 - Boweya Community Inc. \$5,000
 - Benalla Sports Entertainment Centre Inc. \$20,000
 - Benalla Squash and Racquetball Association \$10,000
 - Raise the Roof Benalla Inc. \$20,000
 - Tommorrow:Today Foundation \$10,000.

The Council at its meeting on 2 August 2017 also considered event funding applications from 2018 National Cinema Pop Up and 2018 RACV Great Victorian Bike Ride and resolved the following:

That the following events be funded in the 2017/18 Budget:

2018 National Cinema Pop-Up	\$3,500
2018 RACV Great Victorian Bike Ride	\$12,000

DISCUSSION

Key Financial Issues

Rate Capping

The Victorian Government has legislated changes to the *Local Government Act* 1989 to force councils to cap rates. The 2017/18 Rate Cap is set at 2 per cent.

Financial Assistance Grants

The Australian Government implemented an indexation freeze on Financial Assistance Grants until the 2017/18 financial year. The indexation freeze has resulted in an accumulated reduction in the Council's revenue of approximately \$360,000. This revenue will never be recouped.

The Commonwealth Government has brought forward 50 per cent of the Council's aggregate 2017/18 Financial Assistance Grants allocation to the 2016/17 financial year. The early payment of \$1.963 million has had a significant impact on the 2017/18 financial result, a deficit of \$1.012 million.

If the payment was received in the current financial year, the 2017/18 result would have been a surplus of \$951,000.

Employee costs

The Benalla Rural City Council Enterprise Agreement (EA) 2015 includes annual pay increases of 2 per cent or \$25 (whichever is greater). Employee costs have increased by up to 3.5 per cent per annum (2017/18 to 2020/21) to cover other payments such as banding progression and end of band payments, Fringe Benefits tax and Workers Compensation premiums.

Borrowings

To part fund the Capital Projects Program, it is proposed that \$500,000 be borrowed in 2017/18.

The proposed Strategic Resource Plan for the four years ending 30 June 2021, projects borrowings of \$1 million in 2018/19, 2019/20 and 2020/21 to part fund the Capital Projects Program.

General Rates

General rates will raise \$12.018 million in 2017/18 a decrease of 1.1 per cent from 2016/17. The decrease is due to a change of rating status to a significant industrial property which is now exempt from paying rates following its purchase by the Australian Government. However, in 2017/18 the Australian Government will make a \$300,000 contribution in lieu of rates.

Municipal Charge

The Municipal Charge increases from \$231.70 to \$236.30 (2 per cent increase) and will raise \$1.77 million in 2017/18.

Waste Charges

Revenue from Waste Charges increases 10.8 per cent to \$2.446 million.

Capital Projects Program

The Capital Projects Program for the 2017/18 year is \$6.78 million of which \$1.94 million relates to projects to be carried forward from the 2016/17 financial year.

The 2017/18 Capital Project Program allocates \$500,000 towards the construction of a new cell at the Benalla Landfill and Resource Recovery Centre and \$450,000 towards the construction of a Transfer Station to improve the efficiency of the landfill and give ease of access for the community in the disposal of waste.

Further allocations of \$480,000 have been made for the purchase of an additional road grader and \$453,000 to continue the redevelopment of the Benalla Airport.

Other initiatives include \$200,000 to an upgrade of the Goorambat-Thoona Road Bridge, \$100,000 to footpaths and \$50,000 to town entry signage.

A breakdown of the 2017/18 Capital Projects Program is attached as **Appendix 1**.

Lake Mokoan Inlet Channel

Since the Council's *2013/14 Budget* a transfer of \$69,500 has been made each year to a discretionary reserve.

This transfer will continue annually over the next six years to reinstate \$695,000 in compensation received from Goulburn-Murray Water in relation to the transfer of assets of the decommissioned Lake Mokoan Inlet Channel.

2017/18 Financial Result

Following a series of councillor workshops, in accordance with the Council resolution of 7 June 2017, a reduction in expenditure of \$430,000 has been identified as detailed in the table below.

These savings combined with increases in income and offset by increases in expenditure following the public exhibition period have improved the forecast

deficit by \$310,000. The *Proposed 2017/18 Budget* forecast a deficit of \$1.322 million. The forecast financial result is now a deficit of \$1.012 million (refer **Appendix 2 - Income Statement**)

Additional income	
Financial Assistance Grant	\$24,000
Library grant	\$10,176
Total additional income	\$34,176
Decreased expenses	
Emergency works contingency	\$154,690
Employee costs (Net savings forecast for 2017/18. Ongoing savings will be approximately \$180,000 per annum as employee numbers will decrease by 1.5 Equivalent Full-Time).	\$91,248
Business Development materials and services	\$41,050
Benalla Performing Arts and Convention Centre Theatre Season	\$40,000
Consultants	\$40,000
New Energy Jobs Fund grant	\$25,000
Tourism North East campaign buy in	\$25,000
State Emergency Service contribution	\$13,452
Total decreased expenses	\$430,440
Increased expenditure	
Community contributions (Council resolution 2 August 2017)	\$75,000
Event funding (Council resolution of 2 August 2017)	\$15,500
Benalla Street Art Festival	\$15,000
Total increased expenditure	\$105,500

In addition to the above amendments, \$50,000 has been reallocated from the 2017/18 Capital Projects Program to 2017/18 operational expenditure to fund planning and design costs for potential capital projects.

Recommendation

1. That the Council adopt the *2017/18 Budget* as amended.
2. That the Council submit the *2017/18 Budget* to the Minister for Local Government in accordance with the *Local Government Act 1989*.
3. That the Council give public notice of its decision to adopt the *2017/18 Budget* in accordance with the *Local Government Act 1989*.

Closure of Meeting

Appendix 1

2017/18 Capital Projects Program, including works carried forward from the 2016/17 financial year	\$ Total Budget
New	1,094,500
AER002: Airport - Concrete Runway Letter & Number Indicators	36,000
CPE018: Single Point Asset Management Program	100,000
OSP031: Willis Little Drive Reserve - Boundary Fence	8,500
LFIL11: Cell Construction 17/18	500,000
LFIL12: Transfer Station	450,000
Renew	2,776,013
BRD071: Culvert Replacement - Creamery Lane	150,000
BUI005: Depot Refurbishment	20,000
BUI049: Town Hall Refurbishment	50,000
BUI122: Depot - Replace Lunchroom Ramp & Repair Main Office Ramp	5,000
CP1718: Major Plant Replacement CPP	480,000
CPE010: Office Furniture & Equipment	7,000
CPE014: Small Plant Upgrade	25,000
FPA001: Footpaths	100,000
LIB100: Library Book Purchases	90,000
OSP030: Goorambat Recreation Reserve - Septic Renew / Repair	18,000
RRS005: Total FY Shoulder resheeting cpp	82,880
RUR001: Unsealed Roads - resheeting	668,825
RSR001: Road Reseals - 2017/18	1,079,308
Upgrade	968,000
BRD001: Goorambat Thoona Rd Bridge	200,000
BTS001: Town Entry Signage	50,000
BUI118: Aquatic Centre - Remove Family Pool and Re-instate Public Open Area	50,000
BUI121: Depot - Workshop Shed Repairs OH &S	20,000
CPE015: Aerial Photography for GIS	15,000
CPE016: Information Systems Project	180,000
DRA100: Airport Redevelopment	453,000
Expand	0
Total Capital Projects 2017/18	4,838,513

	\$ Total Budget
Carry Forward New	1,093,032
CPE016: Information Systems Project 2015/16	12,686
FEA002: Enterprise Park Stage 3 CPP 2016/17	124,589
LFIL07: Landfill Construction of Cell 2	670,000
LFIL09: Landfill Rehabilitation Plan & Sequencing 2016/17	4,987
DRA025: Drainage Rehabilitation - Devenish Drainage Stage 1/2	184,773
FPA011: Benalla Winton Wetland Cycle Trail	67,833
OSP025: Community Development - Winton Streetscape	11,164
RRE048: 2 Mair St 2015/16	17,000
Carry Forward Renew	182,129
BPC007: BPACC - Built in bench / roller door Box Office \$13,000 ex gst estimate	6,125
BRD060: Culvert - Kennedy Creek Sydney Road	60,000
BUI113: BPACC Sound & Lighting System	10,501
REG096: Regulation_Boxwood Rd 4.19 - 9.600, CPP 2016/17	2,322
REG097: Regulation_Bungeet Rd 5.600 - 11.800, CPP 2016/17	2,544
REG098: Regulation_Carrier Street 0.00 - 0.690, CPP 2016/17	110
REG100: Regulation_Devenish-St James Rd 0.00 - 0.200, CPP 2016/17	7,699
REG102: Regulation_Molyullah Tatong Rd 0.00 - 8.440, CPP 2016/17	12,450
REG103: Regulation_Old Thoona Rd 0.00 - 1.320, CPP 2016/17	20,190
REG104: Regulation_Saleyards Rd 0.00 - 1.180, CPP 2016/17	30,717
REG105: Regulation_Sayers Rd 0.00 - 4.450, CPP 2016/17	3,076
REG108: Regulation_Swanpool-Lima Rd 0.00 - 4.000, CPP 2016/17	3,561
REG110: Regulation_Thoona-Boweya Rd 1.300 - 3.100, CPP 2016/17	2,833
BUI086: Replace various items at the Benalla Saleyards	20,000
Carry Forward Upgrade	664,784
BUI101: Airport Redevelopment - Extension Glider Strip West (300m) (Fed) 16/17 CPP	220,266
BUI109: Airport Redevelopment - Extension Glider strip east (Council) 16/17 CPP	102,225
BUI110: Airport Redevelopment - Construct operations Amenities Building (Council) 16/17 CPP	65,000
DRA100: Airport Redevelopment	148,094
DRA102: Airport Redevelopment - Channel Drainage Maintenance (Fed) 16/17 CPP	110,000
BUI052: Benalla Airport/Electricity supply upgrade	19,199
Total Carried Forward 2016/17	1,939,944
Total Capital Projects	6,778,457

Income Statement

	Budget 2017/18 \$'000
Income	
Rates and charges	16,613
User charges – Statutory fees	349
User charges	3,869
Operating grants - Recurring	3,908
Operating grants – Non recurring	203
Capital grants - Recurrent	1,371
Capital grants – Non recurrent	358
Contributions	120
Proceeds of sale of assets	705
Other income	171
Total income	27,667
Expenses	
Employee costs	11,695
Materials and services	11,431
Bad and doubtful debts	10
Depreciation and amortisation	4,979
Borrowing costs	197
Other expenses	367
Total expenses	28,679
Surplus/(deficit) for the year	(1,012)