



VICTORIA DALY SHIRE COUNCIL

FOR THE EXTRAORDINARY MEETING OF COUNCIL OF 20 JULY 2010

Report for Agenda Item No 2

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Adoption of 2010/11 Financial Year Annual Budget

Purpose

To adopt the 2010/2011 Financial Year Budget.

Background

In accordance with section 127 of the Local Government Act 2008, Council must adopt its budget for that particular financial year by the 31st July of that year.

The Victoria Daly Shire Council is responsible for the delivery of a broad and unique range of services to its communities, with different communities within the Shire having their own different priorities.

The Victoria Daly Shire is responsible for:

- Delivering Core Services
- Providing Corporate Governance
- Providing Advice and Advocacy
- Ensuring Legislative Compliance
- Facilitating Local Education and Training

and managing the following resources:

- Financial Resources
- Human Resources
- Physical Resources
- Information Resources
- External Resources (Suppliers and Contractors)
- Partnerships and Relationships

The Victoria Daly Shire Councils objectives for the 2009/10 financial year are:

Strategy 1.1 To provide good governance, leadership and advocacy

Goal 1.1 Victoria Daly Shire Councilors, staff, committees and residents showing effective leadership and innovative ways of doing things

- Action Make Council, its local boards and committees across the Shire are effective and accountable – Training
- Help current and future leaders become better leaders and develop strong voices
- Develop good plans for the future of the Shire, businesses and residents
- Put in place better ways for the Shire, residents and the general public to talk to each other about Shire business and services

Goal 1.2 People doing good things for their community and Victoria Daly Shire Council by being on Local Boards and Committees

- Action Make times for the community and residents to talk to each other and the Shire on important community questions through local boards and committees and be part of the way the Shire makes decisions

Goal 1.3 To have cooperative and effective partnerships with government agencies, other Shire and Municipal Councils and private businesses

- Action Work closely with agencies and organisations to develop and put into action regional plans, ways of delivering services and to advocate for the Shire, residents and agencies so that the Shire, residents and the agency or organisation benefit

Goal 1.4 Good ways of looking after Shire business

- Action Use good and proper ways to administer the Shire and look after the Shire's finances

Strategy 2 To promote local employment and strong regional economy

Goal 2.1 Energetic and loyal Shire Council workers

- Action Give Shire workers and residents opportunities to be part of good education and training courses and career development
- Help local businesses offer residents training and work experience
- Action Make good Human Resources Policies that are fair and treat everyone the same way
- Open communication with all staff

Goal 2.2 More local people working for the Shire

Action Encourage local residents to work for the Shire

Goal 2.3 Local community economies that are workable and growing

Action Good support for community-based economic and employment opportunities that are matched to the way people live their lives

Goal 2.4 Access to non-Council services that give the most benefit to local people, businesses and jobs

Action Have a strong voice and speak up for the people and businesses in the Shire and support the Northern Territory and Australian governments and private business services being in communities

Strategy 3 To maintain and develop Shires assets, natural resources and country

Goal 3.1 Make sure all Council buildings, structures and assets are maintained and developed

Action Management of Council assets to make sure they are maintained and are, appropriate for service delivery and replaced when necessary

Coordination of technical services

Goal 3.2 Good management and maintenance of essential services to communities

Action Provide communities with electricity, water and sewerage infrastructure services on a commercial contract basis

Goal 3.3 Make sure that communities manage their waste properly without damage to the environment

Action Develop and implement safe and proper ways to manage waste collection

Apply for enough funds to make necessary capital improvements to waste management facilities

Goal 3.4 Improved transport access into and around communities

Action Develop and carry out plans to improve year-round transport access into and within communities

Goal 3.5 Functional, clean and tidy public spaces

Action Animal welfare and control practices that keep communities clean and people safe

Make sure all communities have well maintained and managed public spaces and natural reserves

Goal 3.6 Look after the environment using modern and culturally appropriate environmental management methods that can be carried on into the future

- Action Support regional management of land, sea and river environments
- Effectively manage natural resources including weed and fire control, in and around communities

Strategy 4 To provide high quality services within financial resources

Goal 4.1 Make sure all communities and residents receive the Shire Council services they are entitled to

- Action Properly manage the Shire's core services to make sure that all residents get the services they should get
- To advocate for non core services to be available for all communities
- To ensure standards of service are appropriate
- To develop service levels and performance measures

Strategy 5 To ensure strong, safe, health communities that respect culture and heritage

Goal 5.1 Celebration, preservation and promotion of local knowledge, heritage, culture and language

- Action Encourage people to join in Indigenous cultural ceremonies and celebrations
- Encourage and support proper ways to preserve and promote local culture, language and knowledge

Goal 5.2 Sharing information in the community using radio and TV

- Action Encourage people to develop the use of community radio and TV
- Make sure residents can be told about important information

Goal 5.3 Make the community a good place to live

- Action Make sure there are good places for young people to go and things for them to do
- Support the ways families in communities can access child care services

Goal 5.4 Make sure there are plenty of opportunities for young people to join in sport and recreation activities

- Action Increased the opportunities for young people to join in and train for team sports and recreational activities

Goal 5.5 To increase services for aged and disabled residents

Action To undertake demographic analysis

Goal 5.6 Make communities healthier with better public health standards

Action Development of regional environmental health programs

Goal 5.7 Make communities safe places for people to live in

Action Together with the proper partners and government agencies make sure residents have the services and programs to make their communities safer

Make sure that the Shire has a high level of local readiness enabling it to respond to emergencies quickly and appropriately

Respond to emergencies through the Disaster Management

Plan including post disaster management and restoration of communities

**Overview of Revenue and Expenditure for the Financial Year
2009/10**

	2010/2011	Income	Expenditure
LG Administration		\$ 6,022,652.00	\$ 4,832,314.00
Revenue Growth		\$ 3,935,338.00	
Rates		\$ 575,000.00	
Governance			\$ 400,000.00
Local Boards		\$ 100,000.00	\$ 150,000.00
Councillor Expenses			\$ 250,000.00
Executive Salaries and expenses			\$ 900,000.00
Matching Funding		\$ 1,412,314.00	\$ 1,412,314.00
Financial Management			\$ 600,000.00
Human Resources			\$ 365,000.00
Asset Management			\$ 155,000.00
OH&S			\$ 50,000.00
Professional Fees and Services			\$ 250,000.00
It and Communication			\$ 300,000.00
Core Services - Local Civic		\$ 134,000.00	\$ 2,113,900.00
Library and Cultural Heritage		\$ 134,000.00	\$ 113,900.00
Maintain and upgrade Parks (incl cemeteries; street and public lighting)			\$ 2,000,000.00
Local Emergency Services			
Core Services - Local Environment		\$ 365,000.00	\$388,000.00
Waste Management		\$ 285,000.00	\$320,000.00
Animal Welfare		\$ 80,000.00	\$ 68,000.00
Community Engagement		\$ -	\$ 485,000.00
Training and Employment			\$ 45,000.00
Customer Relation Management			\$ 440,000.00
Local Infrastructure		\$ 1,848,146.00	\$ 8,270,924.10
Local Roads Upgrade		\$ 538,696.00	\$ 457,891.60
Local Roads Maintenance (incl Traffic Mgmt)		\$ 1,309,450.00	\$ 1,113,032.50
Community Management			\$ 3,700,000.00
Depreciation			\$ 3,000,000.00
Agency Services		\$ 17,049,648.00	\$ 14,376,500.80
Sport and Recreation (incl. Pools)		\$ 1,023,256.00	\$ 869,767.60
Aged and Disability Services		\$ 3,144,037.00	\$ 2,672,431.45
Family		\$ 1,075,803.00	\$ 914,432.55
Arts and Culture		\$ 30,000.00	\$ 25,500.00
Community Safety		\$ 3,800,000.00	\$ 3,230,000.00
Environmental Health		\$ 72,000.00	\$ 72,000.00
Community Media		\$ 140,000.00	\$ 119,000.00
CentreLink		\$ 390,000.00	\$ 205,000.00
Training and Employment (STEP)		\$ 1,444,000.00	\$ 1,227,400.00
Regional Infrastructure		\$ 216,800.00	\$ 184,280.00

	Program (RLCIP)		
	Emergency Relief Fund	\$ 32,380.00	\$ 27,523.00
	CDEP	\$ 5,681,372.00	\$ 4,829,166.20
Municipal Services		\$ 978,280.00	\$ 572,797.25
	Outstations and Homelands – Ess	\$ 338,585.00	\$ 287,797.25
	Outstations and Homelands – MUNS	\$ 338,585.00	\$ 287,797.25
	Outstations Capital Infrastructure	\$ 100,000.00	\$ 85,000.00
	CDEP Conversion MUNS Outstation	\$ 201,110.00	\$ 200,000.00
Commercial		\$ 17,680,340.00	\$ 14,984,287.12
	Community Stores	\$ 5,500,000.00	\$ 5,200,000.00
	Housing Management	\$ 239,000.00	\$ 203,150.00
	Housing maintenance (inc OS housing)	\$ 4,989,840.00	\$ 4,241,364.00
	Post Office Agency	\$ 17,500.00	\$ 4,773.12
	Power and Water	\$ 714,000.00	\$ 675,000.00
	DPI Contracts	\$ 2,200,000.00	\$ 1,800,000.00
	Naiyu Civil Contractors	\$ 3,000,000.00	\$ 2,400,000.00
	Visitor Accommodation	\$ 400,000.00	\$ 60,000.00
	Airport Landing Fees	\$ 120,000.00	
	Community Workshops	\$ 500,000.00	\$ 400,000.00
Other		\$ 815,000.00	\$ 742,750.00
	Community Grants	\$ -	\$ 50,000.00
	School Nutrition Program	\$ 325,000.00	\$ 276,250.00
	Red Cross Arts and Cultural Festivals	\$ 20,000.00	\$ 17,000.00
	Community Care Grant	\$ 50,000.00	\$ 42,500.00
	Indigenous Language and Records	\$ 14,000.00	\$ 11,900.00
	Museum Upgrade	\$ 100,000.00	\$ 85,000.00
	Leadership for Women	\$ 306,000.00	\$ 260,100.00
Capital Expenditure		\$ 6,700,000.00	\$ 4,200,000.00
	Cash Carried Forward	\$ 2,500,000.00	
	Borrowings	\$ 4,200,000.00	
	Fleet replacement		\$ 1,850,000.00
	Plant and Equipment		\$ 1,000,000.00
	Fixed assets acquisition		\$ 1,250,000.00
	Capital		\$ 100,000.00
Projects		\$ -	\$ 575,000.00
	Communication		\$ 50,000.00
	Community Survey		\$ 50,000.00
	Cemeteries		\$ 50,000.00
	Civil Services		\$ 50,000.00
	Demographics		\$ 50,000.00
	Playgrounds		\$ 75,000.00
	By Laws		\$ 50,000.00
	Community Grants		\$ 50,000.00

	Economic Development Officer		\$ 100,000.00
	Design Head Office		\$ 50,000.00
	Total	\$ 51,593,066.00	\$ 51,541,473.27

Budget Commentary

In establishing and considering the 2010/11 Budget, some key points must be recognised, as they form the platform from which all discretionary expenditure can be determined:

- Previous CGC's did not transfer depreciation expense to reserves (as they were not required to), resulting in the current unfunded depreciation liability of \$25,000,000.00 (not including roads)
- Annual depreciation expense on current assets is approximately \$2.5mil. As the valuations of these assets are completed, further work in determining the depreciation expense will be undertaken
- Current unfunded Depreciation of \$25mil (at today's dollars) will increase with the building index. Therefore depreciation must be allowed for at a greater rate if the Council is to adequately maintain our assets. This year that figure is \$3mil.
- Cash position remains largely unchanged, with similar holdings at the end of the 2009/10 financial year as the cash position shown in the 2008/09 Audit
- Of the \$19mil cash (or equivalent) there are tied funds that will either be returned or carried forward to the 2010/11 financial year totaling not more than \$9.5mil
- Of the \$19mil cash (or equivalent) there are depreciation reserve funds recognised as carried forward for the 2009/10 year of \$2.5mil and we have identified a further \$2.5mil to carry forward as depreciation reserve for the 2010/11 financial year.
- Of the \$19mil cash (or equivalent) the tied funds and depreciate combines to a total of \$14.5mil leaving approximately \$4.5mil as unallocated reserves
- It is highly recommended that Council consider allocating a further \$2.5mil to depreciation.
- It is highly recommended that Council consider allocating the remaining \$2mil to an Unexpected Capital Expenditure Reserve (or Emergency Fund) to allow a provision for major works such as the culvert at Pine Creek and similar projects.
- The 2010/11 Budget covers all operating costs to deliver core services and agency services
- The 2010/11 Budget allows \$3mil for depreciation, \$500,000 of which is funded from operational income
- The overall position from this Budget allows Council to meet its obligations for the 2010/11 financial year and build a reserve for both Depreciation and Unexpected Capital Expenditure
- Currently, we are not in a position to recognise or carry forward any unexpended funding from the 2009/2010 Financial Year. This is likely to occur after the September quarter, at which time a review of future expenditure can occur.
- Currently, confirmation of Program Funding Agreements for the 2010/11 Financial Year remains underway, although we remain confident of receiving the funding outlined in the Budget.

Budget Commentary - Continued

Therefore, the priorities of the Council must remain recognised as follows:

- Ongoing payment of wages
- Expenditure of tied funding in alignment with Program Funding Agreements
- Retention of a cash reserve for replacement and repairs
- Depreciation of all assets. This is a requirement of Council under the Accounting Regulations, in alignment with the guidelines set by the ATO and is identified as follows:
 - Fleet must be depreciated over 8 years
 - Fixed assets (in communities with tenure) must be depreciated over 25 years

It is a further recommendation that all identified capital expenditure be deferred until the position of any untied funding from the 2009/10 Financial Year can be recognised and carried forward.

The Budget will be reviewed on a quarterly basis, with more information added as it becomes available. It is at the September quarterly review that we anticipate identifying any unexpended carry over funding from the 2009/10 Financial Year.

LOCAL GOVERNMENT ADMINISTRATION

Revenue Growth	Operating Grant funding received from FAG and NT Operating Grant programs, for the delivery of core services.
Rates	Anticipated rate generation across the Shire
Governance	To be met from untied grant / operating
funding	
Local Boards	Facilitation of Local Board Meetings
throughout the Shire	
Councillor Expenses	Mayoral and Councillor allowances
Executive Salaries and Expenses	Wages and operating expenses
Matching Funding	Operating Grant to support wages
Financial Management	Wages and operating expenses
Human Resources	Wages and operating expenses
Asset Management	Wages and operating expenses
OH&S	Wages and operating expenses
Professional Fees and Services	Expenditure items include Councilbiz,
LGANT, Audit and Legal fees	
IT and Communications	Telephone and internet expenses

CORE SERVICES – LOCAL CIVIC

Library and Cultural Heritage	Tied grant funding – NT Libraries
Maintain and upgrade Parks	This includes all cemeteries, local street and
public lighting	
Local Emergency Services	Expenses to be met from operating funds

CORE SERVICES – LOCAL ENVIRONMENT

Waste Management	Income from the waste management fee
applied to ratepayers	

Budget Commentary - Continued

Animal Welfare FAHCSIA will provide \$10,000 per annum for vet clinics in each Community

COMMUNITY ENGAGEMENT

Training and Employment Recruitment, training and development for activities not linked to the delivery of grant programs

Customer Relation Management Expenses to be met from operating funds

LOCAL INFRASTRUCTURE

Local Roads Upgrade Tied grant funding – Roads to Recovery

Local Roads Maintenance Tied grant funding – FAG Roads (includes Traffic Management)

Community Management Expenses to be met from operating funds – Shire Service Managers wages and wages of other staff (not associated with grant programs) and general operating expenses

Depreciation Provision for depreciation of assets

AGENCY SERVICES

Sport and Recreation Tied grant funding, incorporating Sport and Rec, After School Care, Vacation Care and Swimming Pools

Aged and Disability Services Tied grant funding, incorporating HACC, C ACP and Flexible Aged Care

Family Tied grant funding, incorporating Jet Creche, Long Day Care

Arts and Culture Tied grant funding for regional cultural festivals

Community Safety Tied grant funding for Night Patrol

Environmental Health Tied grant funding for wages

Community Media Tied grant funding

Centrelink Program funding

Training and Employment Tied grant funding for STEP

Regional Infrastructure Program (RLCIP) Tied grant funding for specific project works

Emergency Relief Fund No funding secured at this stage

CDEP Tied grant funding, incorporating Wages, Community Development, Work Readiness, Service Fees and Management

MUNICIPAL SERVICES

Outstations and Homelands Essential Services Tied grant funding

Outstations and Homelands Municipal Services Tied grant funding

Outstations Capital Infrastructure Tied grant funding

Budget Commentary - Continued

CDEP Conversion MUNS Outstation Tied grant funding for wages

COMMERCIAL

Community Stores	Income and expenditure associated with the managed facilities in Palumpa, Yarralin and Kalkarindji
Housing Management	Tied grant funding
Housing Maintenance	Tied grant funding
Post Office Agency outlets across the Shire	Operating allowance for Australia Post
Power and Water	Fees for service for Essential Services and Meter Reading
DPI Contracts	Provision of fee for service and Period
Contracts across the Shire	
Nauiyu Civil Contractors	Income and expenditure associated with the Civil Works Contractors
Visitor Accommodation	Operation of commercial visitor accommodation across the shire
Airport Landing Fees	Collection of landing fees at Wadeye, Kalkarindji and Nauiyu
Community Workshops	Income and expenditure associated with vehicle workshops

OTHER

Community Grants	Funding for community projects, to be allocated from general operating funds
School Nutrition Program	Tied grant funding
Red Cross Arts and Cultural Festivals	Funding from Red Cross for regional festivals
Community Care Grant	Tied grant funding
Indigenous Language and Records	Tied grant funding
Museum Upgrade	Specific purpose tied grant funding
Leadership for Women	Specific purpose tied grant funding

CAPITAL EXPENDITURE

Cash Carried Forward works	Funding for depreciation and other essential works
Borrowings consultation	Funding sought for specific projects and
Fleet Replacement allowance	Depreciation and fleet replacement
Plant and Equipment allowance	Depreciation and fleet replacement
Fixed Assets Acquisition	As approved by Council
Capital	Programmed Capital Expenditure

PROJECTS

Various consultative processes and project works as approved by council

Includes such projects as:

- Communication
- Community Survey
- Cemeteries

- Civil Services
- Demographics
- Playgrounds
- By Laws
- Community Grants
- Economic Development Officer
- Design Head Office

The major financial assumptions that have been made in the development of the draft financial plan for the Shire are summarised below:

FINANCIAL ITEM	ASSUMPTIONS
Operating Expenditure	
Ongoing operations	<ul style="list-style-type: none"> • Ongoing base operational expenditure has been developed for each service based on 2009-2010 budget details. • Operational income and expenditure has been expressed in 2009-2010 values to facilitate development of detailed budgets for the 2010-11 operation of the Shire. • An attempt has been made to allocate significant labour costs across most program areas. This allocation will be refined as the year progresses, and as more detailed data is available to accurately determine labour allocation. • FaHCSIA will provide \$10,000 per annum for vet clinics in each community.
Roads Maintenance	<ul style="list-style-type: none"> • The 2009-2010 general purpose roads grant funding has been used as the basis for establishing the 2010-11 roads maintenance budget. This will be subject to ongoing review as roads maintenance needs are determined • A provision of \$1,309,450.00 has been allocated for the road maintenance program in 2010-11. • No provision has been made for the transfer of Department of Planning and Infrastructure (DPI)-managed roads in 2010-11 • Local community civil works teams will continue to undertake relevant DPI roads maintenance activities under contract.
Waste Management	<ul style="list-style-type: none"> • Provision has been made for Waste Management Consultation across the "Big Rivers" Region, funds being carried over from 2009-2010 NTG SPG.

FINANCIAL ITEM	ASSUMPTIONS
New operating initiatives	<ul style="list-style-type: none"> No new operating initiatives have been included in this Plan. Business Plan in regards to Construction Services
Depreciation	<ul style="list-style-type: none"> Depreciation has been included only on assets that council has clear ownership, care and control of.
Interest on Borrowings	<ul style="list-style-type: none"> It is anticipated that upon approval by the Minister for Local Government the Shire will seek to borrow sufficient funds to invest in commercial property and fleet purchases for the purposes of enhancing service delivery Interest will be at commercial rates
Operating Income	
Rates	<ul style="list-style-type: none"> This plan is been prepared in 2009-2010 values.
Fees and Charges, Interest Earnings and Other Income	<ul style="list-style-type: none"> This plan is been prepared in 2009-2010 values.
General Purpose and Road Grants	<ul style="list-style-type: none"> A combined total of \$2,472,636.00 has been allocated by the Department of Housing, Local Government and Regional Services
Goods and Services Tax (GST)	<ul style="list-style-type: none"> GST offsets have not been included in the budget estimates.

FINANCIAL ITEM	ASSUMPTIONS
Balance Sheet Items	

FINANCIAL ITEM	ASSUMPTIONS
Road Upgrade and Construction	<ul style="list-style-type: none"> • No provision has been made for Black Spot funding. Additional funding will be added when there is greater certainty about road construction priorities. • Roads to Recovery Program will fund \$2.693 million over the next five years
Vehicles, Plant and Equipment	<ul style="list-style-type: none"> • Provision has been made for a mix of leased and purchased vehicles depending upon operational requirements. • There is likely to be a significant requirement to replace key plant and equipment during the 2010-2011 year of operations
Landfill Restoration Provision	<ul style="list-style-type: none"> • Provision has been made for restoration of landfills as required by the Waste Management & Pollution Control Act (NT).
Borrowings	<ul style="list-style-type: none"> • It is anticipated that upon approval by the Minister for Local Government the Shire will seek to borrow sufficient funds to invest in commercial property and fleet for the purposes of enhancing service delivery.
Valuation of Fixed Assets	<ul style="list-style-type: none"> • Issues relating to fixed asset ownership, valuation and related depreciation expenses will be addressed once long term land tenure issues are resolved
Unrestricted Cash and Unrestricted Current Ratio	<ul style="list-style-type: none"> • To be advised upon completion of the 2009/10 Audit

Financial Indicators

There are a number of key financial measures and ratios used in a financial plan, including cash balances, unrestricted cash balances, revenue ratio, liquidity ratio, operational surplus / total revenue ratio, and, of special relevance to the Victoria Daly Shire, an agency dependency ratio.

At the time of print, a large amount of funding from government agencies for Agency Services had not been finalised. This funding will have a major impact on the financial plan, including most obviously on the estimate of an agency dependency ratio. Accordingly, revisions to the budget will need to be made as agency funding is finalised.

Key Conclusions

The Shire will have a high dependency on revenue from fully funded agency services

The financial analysis highlights that under the Shire structure the Council will have annual revenues totalling at least \$51 million.

Despite an increase in the rating base of the Council there remains a significant reliance on grant funding. Under the proposed model rate revenue comprises approximately 1.9 per cent of total revenue. The Northern Territory Government has determined that rates will be capped for next financial year and therefore this reliance on grant funding will not change in the near future.

Agency dependency will grow as additional contracts are finalised. It will be important to ensure that all agency contacts are negotiated and operated on a commercial basis.

Options

The Council must adopt a budget.

Identification of relevant legislation, Council policy and plans

The budget attached is in accordance with the following:

- Local Government Act 2008, Pat 10.5 sections 127 and 128;
- Local Government (Accounting) Regulations 2008
- Shire Business Plan, Section 9 – Financial Plan.

Consultation

The draft Shire Business Plan (including section 9. 2009/10 Financial Plan Policy) has been available for public consultation since May 2010.

Pursuant to 128 (3) of the Local Government Act 2008 the Victoria Daly Shire Council as soon as practicable after adopting its budget, or an amendment to its budget, for a particular financial year, must:

- (a) publish the budget or the amendment as adopted on the council's website; and
- (b) notify the Agency in writing of the adoption of the budget or amendment; and

- (c) publish a notice in a newspaper circulating generally in the area informing the public that copies of the budget or amendment may be downloaded from the council's website or obtained from the council's public office.

Other Considerations

Not applicable.

Recommendation

1. That council establish a \$2 million Unexpected Capital Expenditure Reserve (or Emergency Fund) to allow a provision for major works.
2. That council allocates \$3mil (\$500,000 of which is funded from operational income) for depreciation from this current budget
3. That council allocates an additional \$2.5 million from unallocated reserves to the depreciation reserve to partially cover currently unfunded depreciation.
4. That the Council adopts the budget as presented for the Financial Year 2010/11.

Attachments

There are no attachments for this report.