



VICTORIA DALY SHIRE COUNCIL

FOR THE SPECIAL MEETING OF COUNCIL OF 27 JULY 2011

Report for Agenda Item No 5

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2011/2012 Financial Year Budget

Purpose

To adopt the 2011/2012 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 Strategic Goals for the Shire are:

1. To provide good governance, leadership and advocacy
2. To promote local employment and strong regional economy
3. To provide high quality services within financial resources
4. To maintain and develop shires assets, natural resources and country

5. To ensure strong, safe, healthy communities that respect culture and heritage

Strategy 1. To provide good governance, leadership and advocacy

Goal 1.1 Victoria Daly Shire Councillors, staff, committees and residents showing effective and innovative leadership.

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

Goal 1.3 Cooperative and effective partnerships with government agencies, other Councils and private businesses.

Goal 1.4 Good ways of looking after Shire business

Strategy 2. To promote local employment and strong regional economy

Goal 2.1 Energetic and loyal Shire employees

Goal 2.2 Local community economies that are workable and growing

Goal 2.3 More local people working for the Shire

Goal 2.4 Access to non council services that give most benefit to local people, business and jobs

Strategy 3. To provide high quality services within financial resources

Goal 3.1 To properly manage shires core services to ensure residents get the service they should.

Goal 3.2 To provide and advocate for non-core services to be available for all communities

Goal 3.3 To ensure standards for services are appropriate and develop service levels

Strategy 4 To Maintain and develop shires assets, natural resources and country

Goal 4.1 To ensure all council building structures, assets are maintained and developed

Goal 4.2 Good management of essential services

Goal 4.3 Make sure communities manage their waste properly and without damage to the environment

Goal 4.4 Improved access into and around communities

Goal 4.5 Functional, clean and tidy public spaces

Goal 4.6 Look after the environment using modern and culturally appropriate environmental management methods

Action Properly manage the Shire's core services to make sure that

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

Goal 5.1 To celebrate, preserve and promote local knowledge and heritage

Goal 5.2 Sharing information in the community using radio and other mediums

Goal 5.3 Make the community a good place to live

Goal 5.4 To ensure opportunities for young people to join sport and recreation activities

Goal 5.5 To increase good services for aged and disabled

Goal 5.6 To make communities healthier with better public health standards

Goal 5.7 Make communities safe places for people to live in

Overview of Income & Expenditure for the Year 2011/2012

	2011/2012	Income	Expenditure
LG Administration		6,228,911	3,492,987
	Revenue Growth - FAG and NT Op Grant	4,035,000	
	Rates	603,911	
	Governance		200,000
	Local Boards		50,000
	Councillor Expenses		387,987
	Executive Salaries and expenses		900,000
	Indiginious Employment - NTG	1,590,000	
	Financial Management		600,000
	Valuations		50,000
	Election Costs		100,000
	Human Resources		500,000
	Asset Management		155,000
	Professional Fees and Services		250,000
	It and Communication		300,000
Core Services - Local Civic		135,000	2,613,900
	Library and Cultural Heritage	135,000	113,900
	Maintain and upgrade Parks (incl cemeteries; street and public lighting)		2,500,000
Core Services - Local Environment		539,000	370,000
	Waste Management	479,000	320,000

	Animal Welfare	60,000	50,000
Community Engagement		0	500,000
	Customer Relation Management		500,000
Local Infrastructure		1,958,696	5,070,924
	Local Roads Upgrade	538,696	457,892
	Local Roads Maintenance (incl Traffic Mgmt)	1,420,000	1,113,033
	Community Management		3,000,000
	Program Income - Asset Usage inc Fleet management		-2,500,000
	Depreciation		3,000,000
Agency Services		15,902,000	13,380,456
	Sport and Recreation (incl. Pools)	1,100,000	935,000
	Aged and Disability Services	3,252,000	2,750,000
	Family	1,100,000	914,433
	Arts and Culture	30,000	25,500
	Community Safety	1,500,000	1,300,000
	Environmental Health	75,000	75,000
	Community Media	480,000	350,000
	CentreLink	450,000	205,000
	Training and Employment (STEP)	436,000	370,000
	Workplace Mentoring - NTG	236,000	200,000
	Emergency Relief Fund	36,000	27,523
	School Nutrition Program	427,000	365,000
	CDEP	3,000,000	2,650,000
	Youth Services - ICC	3,780,000	3,213,000
Municipal Services		978,280	898,594
	Outstations and Homelands - Ess	338,585	297,797
	Outstations and Homelands - MUNS	338,585	300,797
	Outstations Capital Infrastructure	100,000	100,000
	CDEP Conversion MUNS Outstation	201,110	200,000
Commercial		15,554,000	13,349,500
	Community Stores	3,500,000	3,400,000
	Housing Management	1,100,000	900,000
	Housing maintenance (inc OS housing)	4,200,000	3,800,000
	Post Office Agency	20,000	4,500
	Power and Water	714,000	575,000
	DPI Contracts	2,200,000	1,800,000
	Naiyu Civil Contractors	3,000,000	2,400,000
	Visitor Accommodation	200,000	70,000
	Airport Landing Fees	120,000	0
	Community Workshops	500,000	400,000
Other		205,000	209,400

	Community Grants		50,000
	Red Cross Arts and Cultural Festivals	20,000	20,000
	Community Care Grant	50,000	42,500
	Indigenous Language and Records	35,000	11,900
	Leadership for Women	100,000	85,000
Capital Expenditure		4,050,000	4,050,000
	Cash Carried Forward	1,000,000	
	Borrowings	2,550,000	
	Fleet replacement		1,300,000
	Plant and Equipment		500,000
	Other Infrastructure		500,000
	Fixed assets acquisition		1,250,000
	Capital NTG SPG	500,000	500,000
Projects		0	1,589,000
	Economic Development Officer		100,000
	Arts Policy		24,000
	Team Leader Training		50,000
	Indigenous working party		50,000
	Matched Disability Funding subject to grant		100,000
	Introduction of Bylaws		100,000
	Leasing		100,000
	Emergency Management Plans		50,000
	OH & S Committee plus upgrades		100,000
	Playgrounds		100,000
	Joint headquarters Development		150,000
	Publicity for Constitutional Recognition LGANT		15,000
	Service Standard Consultation and Development		50,000
	Organisational Restructure		600,000
	Total	45,550,887	45,524,760

Budget Commentary

In establishing and considering the 2011/12 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 approximately \$25,000,000.00 (not including roads)
- Annual depreciation expense on 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 2010/11 financial year.
- Of the \$13mil cash (or equivalent) there are depreciation reserve funds recognised as carried forward for the 2009/10 year of \$5.5mil and we have identified a further \$2.5mil to carry forward as depreciation reserve for the 2010/11 financial year.
- The 2011/12 Budget covers all operating costs to deliver core services and agency services
- The 2011/12 Budget allows \$3mil for depreciation.
- The overall position from this Budget allows Council to meet its obligations for the 2011/12 financial year and continue to 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 2010/2011 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 2011/12 Financial Year remains underway, although we remain confident of receiving the funding outlined in the Budget.
- The Budget as presented is based on 2010/2011 Financial Year actual income and expenditure where sufficiently accurate data has been available and differs from the previous budget where income and expenditure in respect to most agency funded programs was based on funding applications.
- Commercial income has been reduced based on the assumption that the Palumpa Store will be transferred to a community entity within the first quarter of the financial year.

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

There is no budget provision for capital works not funded through a externally funded program. The \$2.5 million Infrastructure Fund set up previously remains in reserves.

It is a further recommendation that all identified capital expenditure for existing agency funded programs that have not commenced be deferred until the position of any untied funding from the 2010/11 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 2010/11 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 Councilor 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
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 HACCP, CACP 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	Tied Grant Funding
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
CDEP Conversion MUNS Outstation	Tied grant funding for wages

Commercial

Community Stores	Income and expenditure associated with the managed facilities in Yarralin and Kalkarindji
Housing Management	Contract
Housing Maintenance	Contract
Post Office Agency	Operating allowance for Australia Post outlets across the Shire
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
Naiyu 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 Naiyu
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
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	Funding for other infrastructure works
Borrowings	Funding sought for specific projects
Fleet Replacement	Fleet replacement
Plant and Equipment	Plant and Equipment 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:

- Community Grants – Continuation of current program
- Economic Development Officer – Unfunded position.
- Joint Headquarters Development – for professional services
- Arts Policy - \$24 000 per Councils Arts Policy
- Team Leader Training – need identified through training program
- Indigenous working party – need identified through staff retention data
- Introduction of Bylaws – community consultation identified need
- Leasing – to cover the costs in negotiating leases
- Emergency Management Plans – Update EMP in communities
- OH & S Committee – as required by the NT Worksafe Legislation
- Playgrounds – to repair and make safe areas identified in assessment
- Publicity for Constitutional Recognition (LGANT)
- Organisational Restructure – Additional administrative fees from new programs to cover the cost of additional staff to address current gaps and non compliance
- Service Standard Consultation – To develop service standards in each community

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	

FINANCIAL ITEM	ASSUMPTIONS
Ongoing operations	<ul style="list-style-type: none"> • Ongoing base operational expenditure has been developed for each service based on 2010-2011 budget details. • Operational income and expenditure has been expressed in 2010-2011 values to facilitate development of detailed budgets for the 2011-2012 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 2010-2011 general purpose roads grant funding has been used as the basis for establishing the 2011-12 roads maintenance budget. This will be subject to ongoing review as roads maintenance needs are determined • A provision of \$1,418,000 has been allocated for the road maintenance program in 2011-12. • No provision has been made for the transfer of Department of Planning and Infrastructure (DPI)-managed roads in 2011-12 • Local community civil works teams will continue to undertake relevant DCI 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.
New operating initiatives	<ul style="list-style-type: none"> • No new operating initiatives have been included in this Plan. • Review Civil Services Team • 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 2010-2011 values.
Fees and Charges, Interest Earnings and Other Income	<ul style="list-style-type: none"> • This plan is been prepared in 2010-2011 values.

FINANCIAL ITEM	ASSUMPTIONS
General Purpose and Road Grants	<ul style="list-style-type: none"> A combined total of \$2,772,152 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	
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 \$2.154 million over the next four 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 2011-2012 year of operations
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 the completion of the 2010-2012 General Purpose Financial 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 \$45 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 1.2 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 6. 2010/2011 Financial Plan Policy) has been available for public consultation since May 2011.

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

That Council adopts the budget as presented for the Financial Year 2011/2012.

Attachments

There are no attachments for this report.