

9. 2009-10 Financial Plan

Victoria Daly Shire Council is responsible for the delivery of a broad and unique range of services to its residents and communities, with each community having its own special needs and priorities.

The Shire is responsible for:

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

and managing the following resources:

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

The Shire delivers a range of Agency, Commercial and Other Council Services that contribute toward improving the level of services provided to residents and communities.

The Shire is faced with the challenge of delivering a broad range of services to a standard acceptable to the community whilst at the same time procuring income required to deliver core services.

Long term financial planning (3-5 years or longer) assists the Shire in delivering services in a sustainable way and will be undertaken to ensure that:

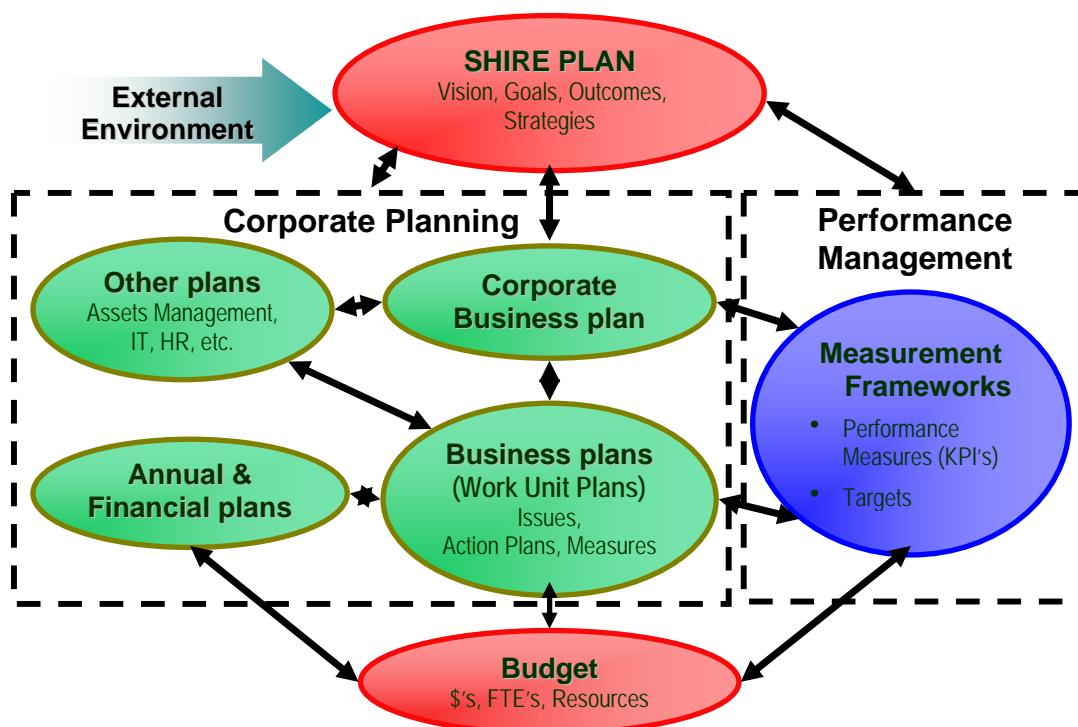
- Managers and elected members understand the current financial position of the Shire and how various financial elements impact on each other
- Guidelines are set to underpin the long term financial capacity
- Short term decisions and annual Budgets are made within the framework of longer term financial capacity
- Available funds are maximised for the benefit of the community

The key component of any financial strategy in a service delivery organisation is to balance community demands and expectations with the Shire's financial capacity.

A long term financial plan will link the strategic direction and policy of Council into the delivery of a range of services. The extent and standards of service delivery will depend largely on Council's preferred position on debt, cash reserves, liquidity and rating. The financial information contained in any long term plan simply reflects this. There is no right or wrong position but rather a "preferred" position based on strategic needs and level of financial conservatism.

Future Strategic Management Planning Development

The following model has been prepared for consideration. It is designed to provide a solid planning base by providing effective linkages from Strategic Planning, through the Business or "Corporate" Planning element and into the allocation of resources in the budget process. It demonstrates the interaction with planning documents, including long term financial plans, with the strategic direction of Council.



Once the organisation's goals, objectives and strategies have been developed, individual actions or processes are defined to support achievement of outcomes. This is usually carried out at a Business Unit level on an annual basis (Business Planning). These actions are also linked to relevant areas of service delivery.

The information obtained from the strategic planning and business planning processes can then be utilised in the preparation of annual plans and budgets.

Overview – 2009-10 Financial Plan

In order to assist in the discussions on development of the Shire, a draft 2009-10 financial plan has been prepared as the basis on which discussion and decisions on service delivery and revenue requirements of the organisation can be made.

A major task of Council is to ensure, over time, consistency of standard of service delivery across all existing areas of the Shire.

The Financial Plan has been based on the Core, Agency, Commercial and Other Council Services detailed in [Appendix 6 – Service Delivery Plan Summary](#).

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 annual budget. Accordingly, revisions to this financial plan will need to be made as agency funding is finalised.

Likewise, until the 2007-08 end-of-year financial reports and audits for existing councils are completed, and until a comprehensive asset audit has been completed, the Shire will not be able to accurately estimate its depreciation budget, unrestricted cash holdings, and the value of other assets and liabilities.

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 2008-09 budget details. • Operational income and expenditure has been expressed in 2008-09 values to facilitate development of detailed budgets for the 2009-10 operation of the Shire. • The Victoria Daly Shire has honoured the Employee Relations Principles established by the Department of Local Government and Housing and the Local Government Association of the Northern Territory. <ul style="list-style-type: none"> ○ All staff from the former Community Councils have had their pre-existing employment terms and conditions honoured throughout 2008-09. An independent job evaluation process is being undertaken to ensure there is equity within similar position across the Shire. • Negotiation and formulation of the Shire's collective workplace agreement have been undertaken and it is anticipated that from July 1 2009 all relevant Shire employees will operate under this agreement ensuring equality of employment conditions across the Shire. It is anticipated that this initiative will result in an increase in operational costs to 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 2008-09 general purpose roads grant funding has been used as the basis for establishing the 2009-10 roads maintenance budget. This will be subject to ongoing review as roads maintenance needs are determined • A provision of \$ 1,300,000 has been allocated for the road maintenance program in 2009-10. • No provision has been made for the transfer of Department of Planning and Infrastructure (DPI)-managed roads in 2009-10. • Local community civil works teams will continue to undertake relevant DPI roads maintenance activities under contract.

FINANCIAL ITEM	ASSUMPTIONS
Waste Management	<ul style="list-style-type: none"> No provision has been made for waste management-related capital works on the assumption that these works are being undertaken during the current year as part of the Federal Government's intervention strategy. No allowance has been made in this budget for provision of additional household bins. This may be revised in the coming months.
New operating initiatives	<ul style="list-style-type: none"> No new operating initiatives have been included in this Plan.
Depreciation	<ul style="list-style-type: none"> Depreciation has not been included, as the value of assets will need to be determined on transfer along with the level of assets impairment.
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 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 2008-09 values.
Fees and Charges, Interest Earnings and Other Income	<ul style="list-style-type: none"> This plan is been prepared in 2008-09 values.
General Purpose and Road Grants	<ul style="list-style-type: none"> Grant estimates for 2009-10 were provided by the Department of Local Government and Housing
Goods and Services Tax (GST)	<ul style="list-style-type: none"> GST offsets have not been included in the budget estimates.

Comment [rh1]: Check this

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 \$2.693 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 2009-10 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 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"> • The general lack of balance sheet information has prevented an assessment of unrestricted cash. This will not be determined until completion of the 2007-08 financial statements for each of the existing organisations that formed the Shire.

Estimated Income Summary for 2009-10

A summary of proposed Operating Income for Core, Agency, Commercial and Other Services is contained in the following table:

Grant Income 2009-10

Operation Grants

FAG	\$1,100,000
FAG Roads	\$1,300,000
NT Operating	\$2,700,000
Roads to Recovery	\$540,000
Matching Funding	\$1,390,000
Total	\$7,030,000

Aged and Disability Services

HACC	\$829,000
AG Flexible Service	\$2,016,000
AG CACP	\$60,000
Total	\$2,905,000

Community Development Employment Project

CDEP Wages	\$6,500,000
CDEP MAF	\$2,400,000
Total	\$8,900,000

Child Care

DHCS	\$23,000
Child Care	\$403,000
Child Care CDEP	\$291,000
JET Creche	264,000
Total	\$679,000

Environmental Health

Environmental Health Worker	73,200
Total	\$73,200

Structured Training and Employment Program

DEEWR	\$1,444,000
Total	\$1,444,000

Night Patrol

Operational Funding	\$6,000,000
Total	\$6,000,000

Municipal Services

NT Operation Grant	\$678,000
Total	\$678,000

Sport and Recreation

AG After School Care	\$62,000
AG Vacation Care	\$92,000
NT Sport and recreation	\$280,200
DOHA – NT Job Transition	\$486,000

NT Regional Sports Program	\$11,500
Total	\$879,000
Other Grants	
Remote Indigenous Broadcast Service	\$65,000
AG Regional Cultural Festivals	\$47,000
School Nutrition Program	\$162,000
DEWHA Transitions	\$500,000
DITRDLG RCLIP Program	\$271,000
NT Libraries	\$144,000
DEEWR Youth Link	\$60,000
FaHCSIA Mens' Shed (Palumpa)	\$50,000
FaHCSIA Emergency Relief	\$20,000
NT DPI Urban Enhancement	\$385,000
Red Cross Arts and Cultural Festival	\$20,000
Wadeye Emergency Response Upgrades	\$191,400
Community Care Grant	\$50,000
Indigenous Language and Records	14,000
Regional Cultural Festivals	47,000
Palumpa Minor Community Grants	100,000
Renovations: Kalkaringi/Daguragu Baptist Church	31,500
Palumpa Men's Shed Coordinator	104,500
Total	\$2,262,400
Agency Income 2009-10	
CentreLink	\$531,000
Total	\$531,000
NT Housing	
Housing Repairs and Maintenance	\$3,180,000
Housing Management	\$900,000
CDEP Conversion MUNS Outstation	\$200,000
Total	\$4,280,000
Power and Water Corporation	
Essential Services	\$681,000
Meter Reading	\$33,000
Total	\$714,000
Commercial Operations	
Grant funding (carried forward)	\$120,000
Sales income	\$3,700,000
DPI contract income	\$1,800,000
Australia Post	\$17,500
Total	\$5,637,500
Other Income	
Rates	\$575,000
Fees and Charges	\$100,000
Borrowings	\$350,000
Total	\$1,025,000
Total Revenue	\$37,036,400

The current total estimated revenue is \$37,036,400 for 2009-10. However, this does not account for a number of income streams.

Income from commercial operations is estimated for the full 2009-10 financial year. It needs to be noted that a number of commercial enterprises are currently being assessed as to their viability if they were to be transferred to a separate community entity. If the enterprise is determined to be viable as a separate entity and transferred, adjustments to that income stream will need to be made. However, the timing and the extent of these transfers has not been finalised in some cases.

Expenditure – Tied Grants

Financial Statements

A financial plan would normally include:

- Income and Expenditure Statement
- Balance Sheet
- Statement of Cash Flow

The Income and Expenditure statement contains financial details for those agency service profiles where funding details were provided. As explained above, this statement will need to be updated when full details for all agency and commercial services are available.

Due to the delay in the implementation of the finance system procured by the Northern Territory Government on behalf of all Shires it has not been possible to date to accurately record expenditure and until the implementation of the financial system is completed no accurate expenditure estimates can be made.

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 financial plan will need to be made as agency funding is finalised.

Likewise, until the 2007-08 end-of-year financial reports and audits for existing councils are completed, and until all assets and liabilities of existing councils are transferred to the Shire, the Shire will not be able to accurately estimate its cash balances, liquidity ratio and operational surplus. Similarly, until a comprehensive asset audit is completed, the Shire will be unable to provide an accurate depreciation budget, valuation of all assets and liabilities, and a capital expenditure budget.

Key Conclusions

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

The financial analysis highlights that under the Shire structure the Council will have annual revenues totalling at least \$37 million. A number of additional agency and commercial contracts are expected to be added to the Shire's planned operations in the coming weeks.

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 1.5 per cent of total revenue. The Northern Territory Government has determined that rates will be capped for next two financial years 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 contracts are negotiated and operated on a commercial basis.

Road funding will be a key driver of the new Shire's future Financial Plans

Funding of road infrastructure is likely to be the biggest risk to the new Shire over the coming years. Assuming that the Shire will progressively take over maintenance of some of the road network previously undertaken by the Department of Planning and Infrastructure (DPI), the financing of the ongoing improvement and maintenance of the roads will be a major ongoing service delivery issue. It will require the development of road asset management plans and long term prioritisation of the work required under those plans. However, there are no plans to negotiate the transfer of DPI-managed roads in the near future, and no financial provision has been made for any transfers in 2009-10.

Provision for borrowings under the proposed Financial Plan

The use of debt is a legitimate means of financing major new or replacement infrastructure projects. To maximise Council's capacity to service its communities, businesses and residents Council is intending to purchase a commercial property in the 2009-10 financial year. To achieve this goal, Council is intending to finance this investment.

The Shire's liquidity position is unknown

Not all of the 2007-08 annual financial statements and end-of-year audits of former local government councils were available at the time of preparing this Plan and hence no accurate information can be provided on estimated cash balances for 2009-10.

There is a need to resolve issues relating to Shire assets

The asset registers of existing councils and further asset information collected by DLGH over the last twelve months has formed the basis of the asset analysis. However the following issues are still to be resolved:

- The accuracy of existing council asset registers, in particular the inclusion of assets that are obsolete or unable to be located leading to an overstatement of assets in the Shire's balance sheet.
- Inadequate valuation of gifted assets

- The condition of assets transferred to the Shire
- The ownership (and liability) in relation to fixed assets, given that many were built on Aboriginal Land without leases from the relevant Land Trust.
- The impact of the Australian Government 'intervention' leasing arrangements; and the move to a public housing model in respect to Indigenous housing.
- The ongoing responsibility (and management authority), if any, of the Victoria Daly Shire in relation to fixed assets that will be used by third party providers to deliver services previously delivered by local government

Many of the assets of the former Community Councils have been transferred to the Shire, valued and insured. To complete the transfer of the remaining assets to the Shire the tenure of these assets needs to be determined. This process will continue in this new financial year.

Comment [rh2]: Confirm accuracy and intent of this paragraph