



## Budget Overview

### BUDGET OVERVIEW

The 2018-19 Budget has been prepared under a limited financial environment. The budget has two (2) major items that will impact on the bottom line, these being:

- 1) The financial commitment to the establishment of a roadhouse in Jundah upon completion of the planning scheme requirements, and;
- 2) A significant plant replacement program including loans to payout existing hire buy arrangements and the purchase of new plant.

This year, Council will be faced with having to strongly monitor the management of our funds. Whilst there is no significant risk, we are faced with a reduction of cash reserves to meet capital obligations under the roadworks, plant replacement and asset renewal programmes. However, there will be offsets in reduced maintenance of plant in particular, as well as opportunities to identify savings across the organisation with improved methods of communication and technology, an increased training budget to upskill staff and a commitment to regular reviews of financial circumstance.

The annual rate increase has been limited to 2.5% for all categories, except medium and large rural landholdings, which is in line with the March Quarter CPI of all groups seasonally adjusted at 1.9% (Transport was 2.9%). Looking at the wage index for the March Quarter of 2.3% for the public sector, the rate increase is relevant to the market trends in our economy. With a total rate and charges revenue of just on \$1.2M, the opportunity to raise rates and receive a significant increase in income is limited.

However, in 2018/19 Council has moved to split the rural properties into 3 rating categories with medium ( 199,001ha to 399,000ha) and larger (over 399,000ha) landholdings levying a 5% and 10% rating increase respectively. Whilst Council is fully aware of the financial strains in recent years that have impacted the rural industries, however rate revenue within the Shire is overwhelmingly provided by the rural sector. The larger holdings by sheer size of their geographical area also produce large volumes of beef cattle which are transported by road mostly unsealed and owned by Council. Damage to shire roads varies but in the main, is significant and the season has little effect, bulldust in the dryer months, bog holes in the wet.

Further, Council has reviewed the minimum charges for all rating categories as many of our services are unfunded and general rates are required to subsidise these functions.

Again for the 2018/19 financial year, initial figures show Council is subject to an operational deficit (\$4.820M) caused by the unfunded depreciation of assets (\$4,207M) which has been further exacerbated by the early payment of the 2018-19 Federal Assistance Grants of \$1,934M on 21 June 2018 which under current Accounting Standards must be taken up in 2017-18 financial year.

At 30<sup>th</sup> June 2018, Council's accumulated funds are \$9.852M. However, this will be impacted this year with Council's commitment to projects that have either commenced or been funded with grants and matching revenue and it is expected cash will reduce to \$4.660M at 30<sup>th</sup> June 2019 leaving a cash expense coverage ratio which is considered adequate.



Initially, this looks to be a significant impact on our accumulated funds, but Council has committed that if the supporting grant funding is not received, the projects will not progress, thus reducing the impact on our funds and providing for responsible management of our position.

Council is also mindful of the risk in carrying large debt, particularly when our own sourced revenue is low, and other revenue streams are subject to large variations in road works contracts and competitive government grants. We currently have one rural electrification loan of approximately \$42K which is forecast to be repaid by 30<sup>th</sup> June 2022. Whilst there is opportunity for Council to borrow for large projects such as the proposed roadhouse development, and spread this cost over the life of the asset Council wishes to ensure these type of projects are funded from cash.

To this end whilst Council asked for Expressions of Interest for Pest Exclusion or Cluster Fencing in the April 2018 Council newsletter and 12 properties have registered we plan to use our political influence to ensure that Queensland Rural Industry Development Authority (QRIDA) rolls out this valuable economic development tool as a new exclusion fencing product which would lead to the revitalization of the sheep and wool industry in the central west.

In the past Council has used hire-buy arrangements to fund the purchase of second hand plant but some recent financial analysis together with Queensland Treasury Corporation (QTC) using their Asset Financing Model has demonstrated that Council would be better served by taking out a fixed rate loan in October 2018 for \$1.084M to payout these activities. Further it should be noted that a new accounting standard for leasing which comes into effect this financial year will require this arrangement to be reported on balance sheet. Also, it is proposed to purchase a Loader, Grader and Prime Mover for a total of \$0.964M using a similar facility in June 2019.

Council believes that we all have to live within our means, and whilst debt is a valid method of financing assets that have a future value and can be sold to realise that value, it is also passing on a debt to future councils and members of the community. Therefore there is significant support from Council to continually review our operations, and look towards doing our business more efficiently, which will enable us to capitalise on some of these savings. With modern technology, communications, improved vehicle maintenance requirements and better opportunity to upskill our employees, there is opportunity to save costs within our organisation through good management and good governance. It is incumbent on Council and senior management to ensure our staff has the skills and knowledge to support the vision of Council into the future.

We are looking forward to another progressive year for Council, but we must acknowledge that the opportune years of continued grant funding and Natural Disaster Relief and Recovery Arrangements works is potentially receding, and we must look to other ways to fund our future.

Cr Bruce Scott  
**Mayor**  
**12 July 2018**