

## 9.0 ADOPTION OF BUDGET

Reporting Officer: Director of Corporate Services, Martin Cookson

### Report

#### **Statutory Requirements for Annual Budget**

In accordance with Section 169 of the Local Government Regulation 2012, Council is required to prepare a budget for each financial year, and it must be prepared on an accrual basis.

The budget must include financial statements for the budget year and the next two financial years:

- financial position;
- cash flow;
- income and expenditure;
- changes in equity.

Furthermore, the budget must contain:

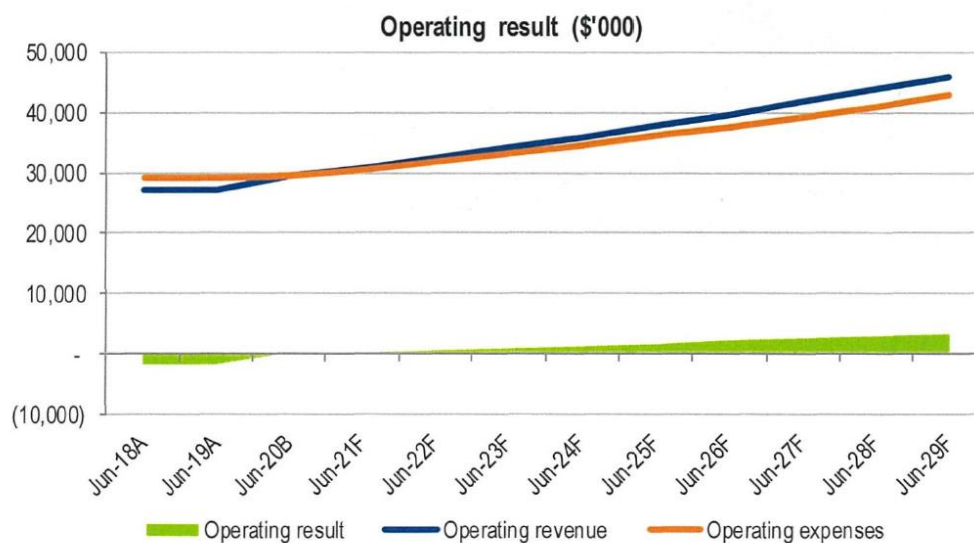
- a long-term financial forecast
- relevant measures of financial sustainability - 10 year financial ratios
- revenue statement
- revenue policy
- value of the change as a percentage in rates and utility charges

The budget must be consistent with the Council's 5 year Corporate Plan and its Annual Operational Plan.

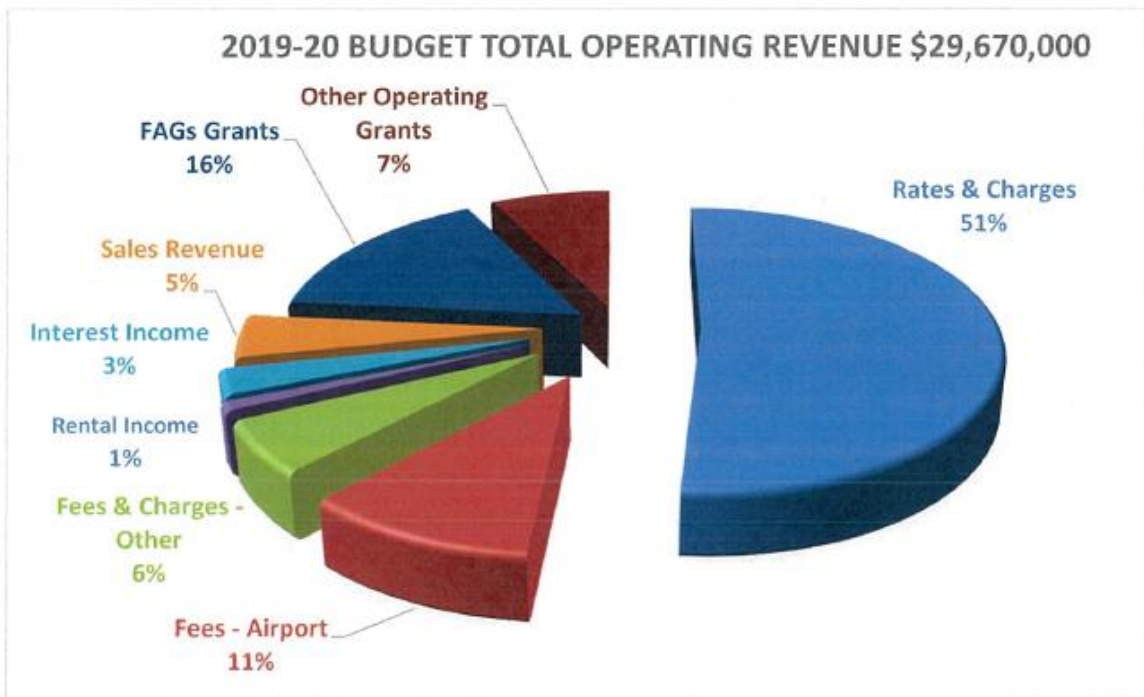
#### **Operating Budget Result**

The 2019/20 Revenue and Expenditure budget provides for a net operating surplus of \$53,000 from total operating revenue of \$29,670,000, capital revenue is an additional \$27,541,000 which will fund flood damage works and capital projects.

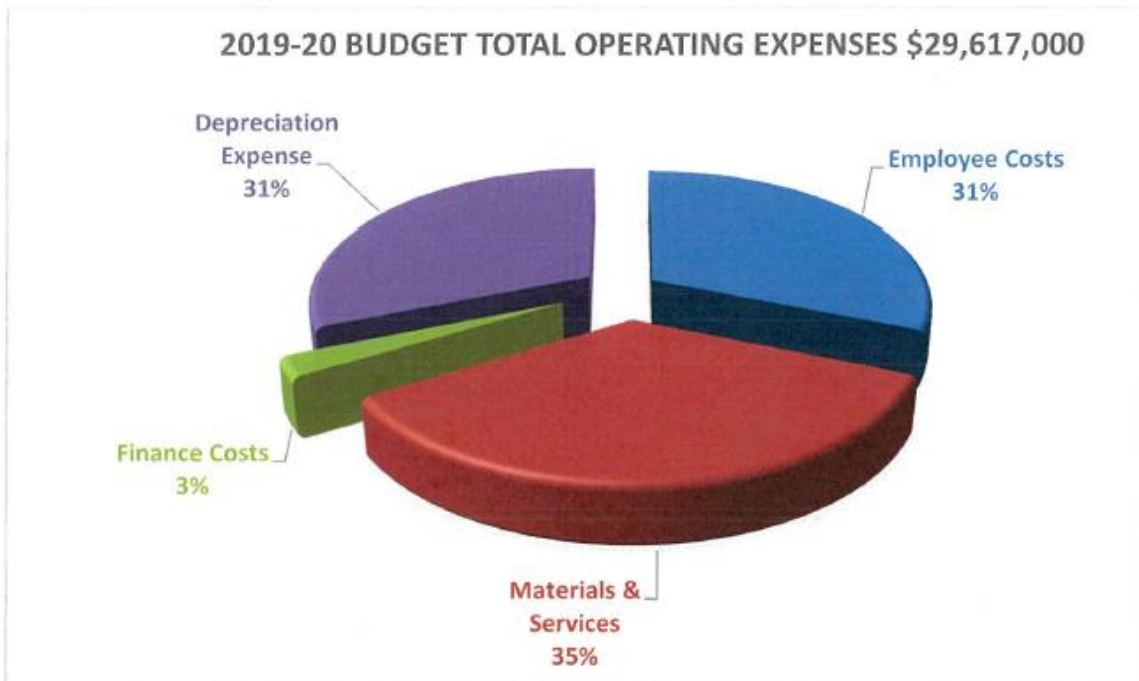
Council's long term forecasting model is showing a surplus for the next ten years and this is achievable with its current strong revenue base and focussing managing the operational costs.



Council's main operating revenue streams are from Rates, Operating Grants and Fees and Charges, as illustrated in the graph below.



The following graphs illustrates where Council's expenditure is incurred.



## Capital Expenditure Budget

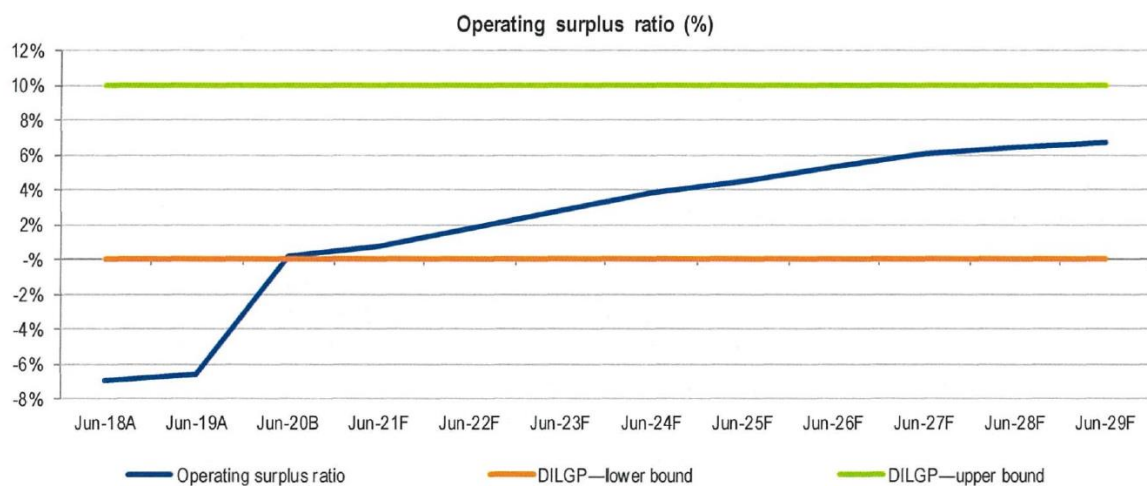
Cloncurry Shire Council is preparing for a large capital expenditure program for the 2019/20 financial year totalling \$27,857,594 in addition Council has submissions amounting to \$30,000,000 with the Queensland Reconstruction Authority for the restoration of council roads damaged in the February 2019 monsoon event and from Cyclone Trevor in March 2019, this will be funded through the Federal Government's Natural Disaster Relief and Recovery Arrangements.

## Long Term Financial Forecast

Council is required to maintain a 10 year long term financial forecast. Not only is this forecast a legislative requirement it is also a tool to assist Council ensure it has strong financial management, the model generates some important financial modelling tools in the form of graphs and ratios.

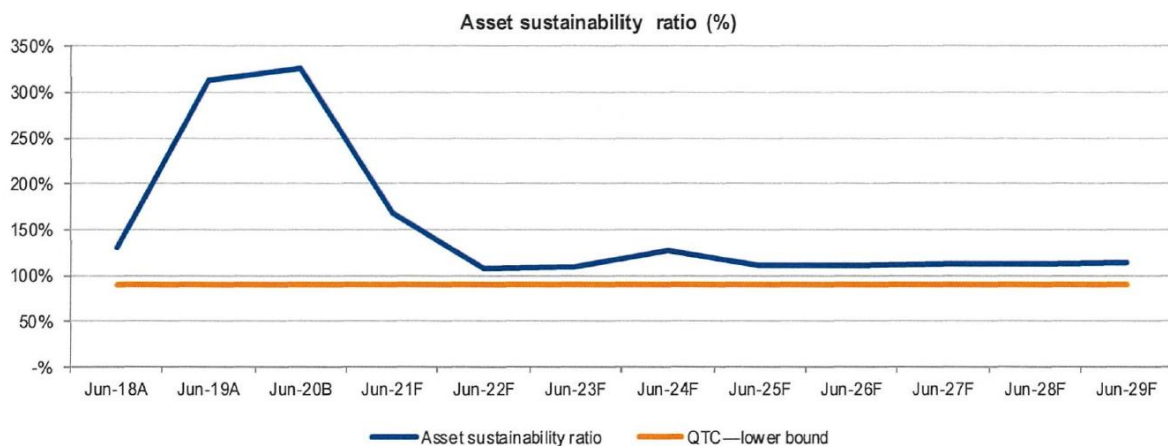
### Operating Surplus Ratio (Net Operating Surplus / Total Operating Revenue)

The following graph highlights Council's Operating Surplus Ratio projections for 2019/20 to 2028/29. Council is targeting a return to a surplus budget in 2019/20 and will be seeking to maintain a surplus in future years.



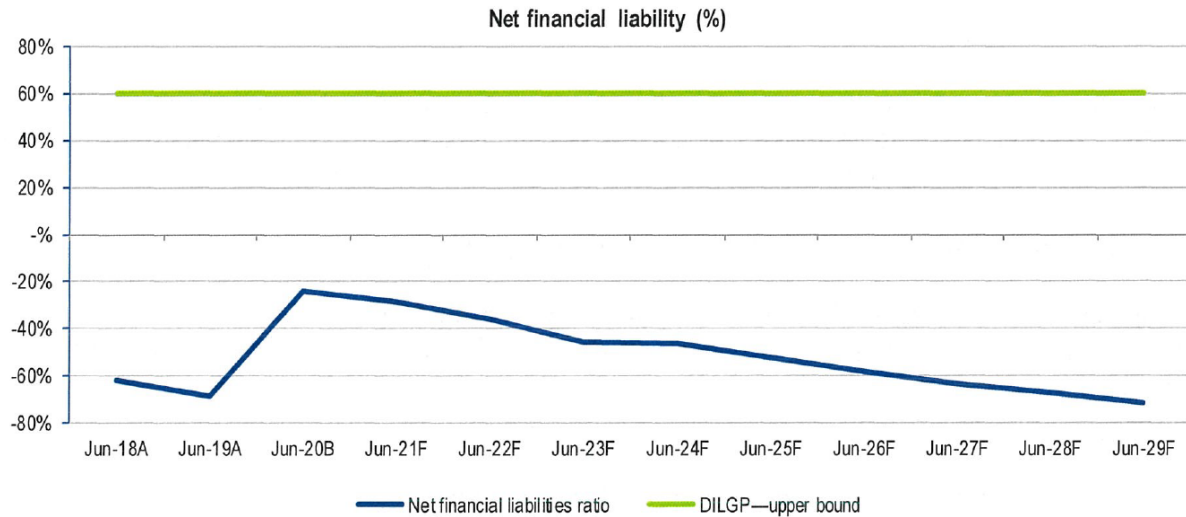
### The Asset Sustainability Ratio (Capital Expenditure on Replacement Assets / Depreciation expense)

A key measure that focuses on how much of council's capital works program is allocated to maintaining its existing assets, the target is a ratio in excess of 90% of capital renewal costs and the depreciation expense - rectification of council roads through the NDRRA program is a major factor in this calculation as the depreciation expense is \$5.5 million for council's road network.



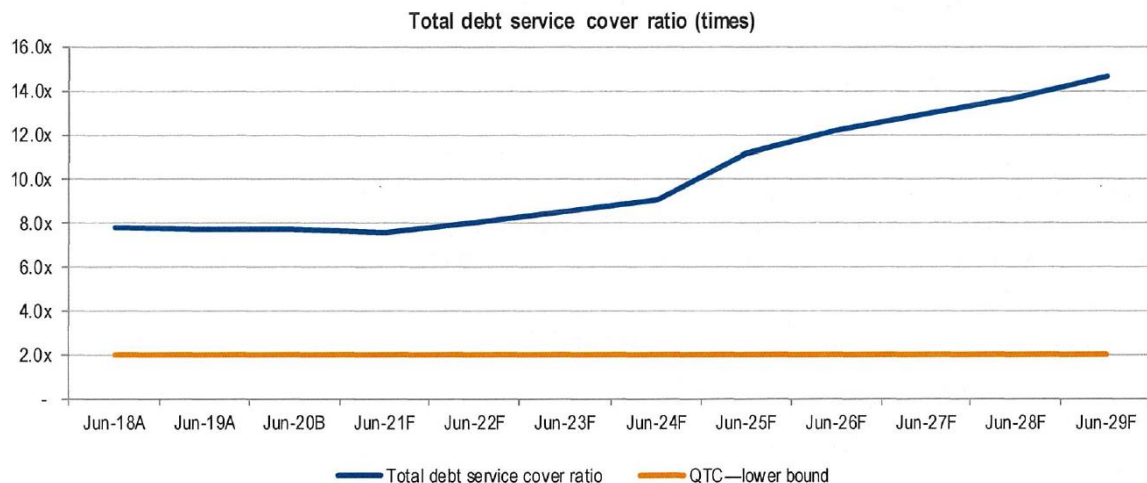
### Net Financial Liabilities Ratio

This ratio is calculated by dividing the total liabilities less current assets by the operating revenue and this gives an idea of how well Council can meet its financial obligations, Council is well within the recommended range with a ratio of -24.2% against a ceiling of 60%.



### The Debt Service Ratio (Operating Result + Depreciation + Interest Exp / Prior Year Borrowing Cost)

Council borrowed \$4,500,000 in June 2018 to provide additional funding for the upgrade of the Cloncurry Sewerage Treatment Plant, this brings total debt at 30 June 2019 to \$13,800,000. The ratio target is to generate an annual cash surplus that is at least two times the interest cost of the loans, council is at 6.9 times and this shows that council's debt is not a burden on its ability to maintain Council's assets and provide services to the community.



### Council Policy

There appears to be no policy implications

### Legal Implications

*Local Government Act 2009*

*Local Government Regulation 2012 – s169-173*

### Financial Implications

As presented in the 2019/20 Annual Budget

### Recommendation

**That pursuant to section 107A of the Local Government Act and sections 169 and 170 of the *Local Government Regulation 2012* Council's Budget for the 2019/2020 financial year, incorporating:**

- 1. The statement of income and expenditure;**
- 2. The statement of financial position;**
- 3. The statement of cash flow;**
- 4. The statement of changes in equity;**
- 5. The long term financial forecast;**
- 6. The revenue statement;**
- 7. The revenue policy (adopted by Council resolution on 18 June 2019);**
- 8. The relevant measures of financial sustainability; and**
- 9. The total value of the change, expressed as a percentage, in the rates and utility charges levied for the financial year compared with the rates and utility charges levied in the previous budget,**

**as tabled, be adopted by Council.**