

2 MAYOR'S REPORT 2017-2018 BUDGET

Introduction

The Annual Budget is the key annual financial planning document of Central Highlands Regional Council.

- It provides the funding for the activities of Council for the coming year
- It supports the annual operational plan for the coming year
- It provides financial accountability for Council through budgeted financial statements
- It reflects the policies and direction of the Mayor and Council
- It is consistent with Council's long term financial forecast, and the 2017-2022 Corporate Plan.

The 2017/18 Budget keeps delivering on that focus of preserving our lifestyles while respecting the past and looking forward to exciting new opportunities to sustain our region for future generations. As with all budgets it comes down to making those tough decisions on how and where resources are allocated against known and competing expectations. This year is no different.

Council has again challenged management to find the operational savings needed to keep costs down and hence retain the revenue from rates and charges at similar levels to last year depending on any changes in valuations.

This budget strikes a balance between maintaining services to the community, managing for productivity improvements, and securing a sustainable future through prudent financial management. It preserves our lifestyles, recognizes current economic constraints and retains a focus on the future.

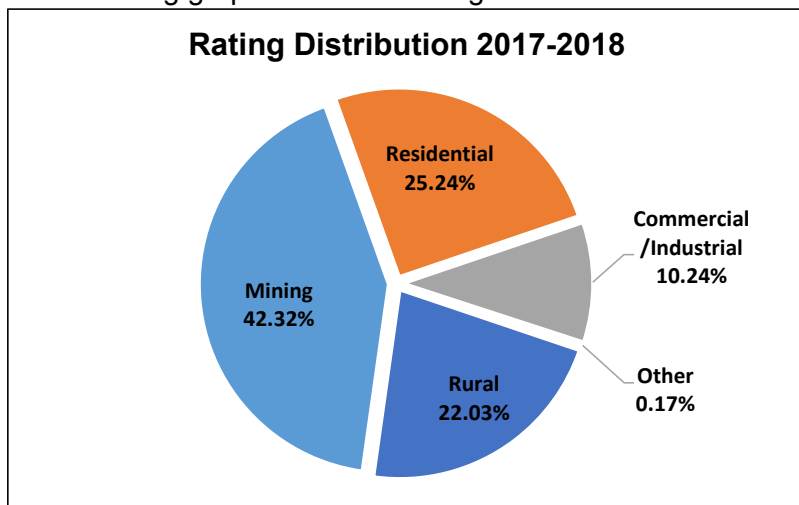
Rating Outcomes

As a result of significant swings in the valuation of properties across the region and the resultant effect on individual rates, a limitation on rates and charges increases of 10% over the 2016/2017 rates and charges has also been applied across all categories as appropriate for this financial year.

The rate notices will continue to be issued on a six-monthly basis in August and February each year, with a discount of 10% still offered for payment made within 30 days.

General Rates

The following graph shows the rating distribution for 2017/2018



Budget Summary

The Council Budget for 2017/2018 is based on (rounded to nearest \$'000):

Operating Income	\$117,407
Operating expenditure	<u>\$118,656</u>
Balance	\$ - 1,249
Capital grants/income	<u>\$ 19,474</u>
Total funding available from operations for Capital Works	<u>\$ 18,225</u>

The total expenditure for the 2017/2018 Budget is (rounded to nearest \$'000):

Operating expenditure	\$118,656
Capital expenditure	\$ 73,524
Debt redemption (Loan Repayments)	<u>\$ 3,687</u>
Total	<u>\$195,867</u>

Changes in Rates and Charges

Council remains committed to keeping rates and charges affordable for the region. The percentage and monetary increase, based on a direct comparison between the budget and the previous budget of all general differential rates, special rates and utility charges (water, sewerage and waste) net of discounts and remissions appears in the table below.

Description	Impacts \$ (rounded to nearest \$'000)	Impacts %
Adopted Budget 2016/17	82,085	
Adopted budget 2017/18	83,711	
Total Variance	1,626	1.98%

The above measure includes all rates and utility charges and takes into account natural changes in the quantity of rateable properties and consumption patterns for water usage. Included in the result for 2016/2017 is \$2.188 million in special rates being levied on mining organisations for related road and other works. For the 2017/2018 financial year these special rates are levied at \$1.912 million. Throughout the 2016/2017 financial year additional mining leases were issued and the additional revenue received during the year was included in the 2017/2018 financial year. This increase was an amount of \$2 million.

When these impacts are removed from both budgets, the adjusted variance is -0.27% as shown below.

Description	Impacts \$ (rounded to nearest \$'000)	Impacts %
Adopted Budget 2016/17	79,834	
Adopted budget 2017/18	79,615	
Total Variance	- 219	-0.27%

Legislative budget requirements

The *Local Government Act 2009* requires that Council approve its budget before 1st August of each year. The budget must set out expected revenues and expenses for each major category in accordance with the *Local Government Regulation 2012*.

The budget adopted, however is in a prescribed consolidated format and these statements consist of the:

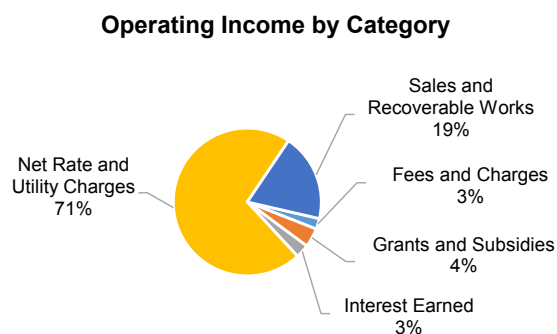
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Cash Flow;
- Statement of Changes in Equity;
- Indicators of Sustainability.

In line with current legislation, Council continues to publish more information about its long term financial position and sustainability. This is to ensure the impacts of today's decisions are considered over the longer term. Overall, Council's long term financial forecast and sustainability indicators highlight, that while there are challenges and risks to manage, Council maintains a sound financial position into the future.

Operating Income by category for 2017/2018

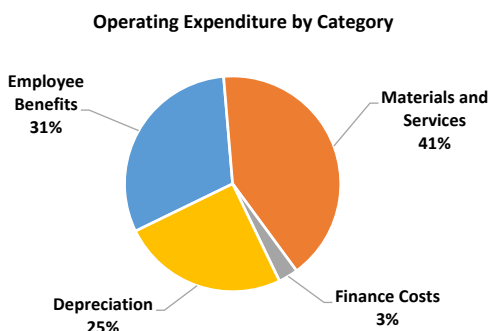
Operating Income by categories is as follows:

Category	\$
<i>Rounded to nearest \$'000</i>	
Fees and Charges	2,775
Grants and Subsidies	4,910
Interest Earned	3,483
Net Rate and Utility Charges	83,711
Sales and Recoverable Works	22,529
Total	117,407



Operating Expenditure by Category 2016/2017

Operating expenditure by categories is as follows:



Category	\$
<i>Rounded to nearest \$'000</i>	
Employee Benefits	36,651
Materials and Services	48,953
Finance Costs	3,493
Depreciation	29,558
Total	118,656

An operating deficit of \$1.25 Million has resulted from half of Council's Financial Assistance Grant for 2017/2018 being paid in advance in June 2017. This results in \$4.4 million of income that relates to the 2017/2018 financial year being included in the 2016/2017 financial year. Without the adjustment to the budget the operating surplus for the 2017/2018 financial year would have been a surplus of \$3.15 million. This grant money will be set aside into Council's reserves at the end of June 2017 and used to fund the operating expenditure for this budget.

The result for the year will provide coverage for the repayment of loans after all relevant transfers from reserves of additional income received in the previous financial year.

Capital Expenditure 2017/2018

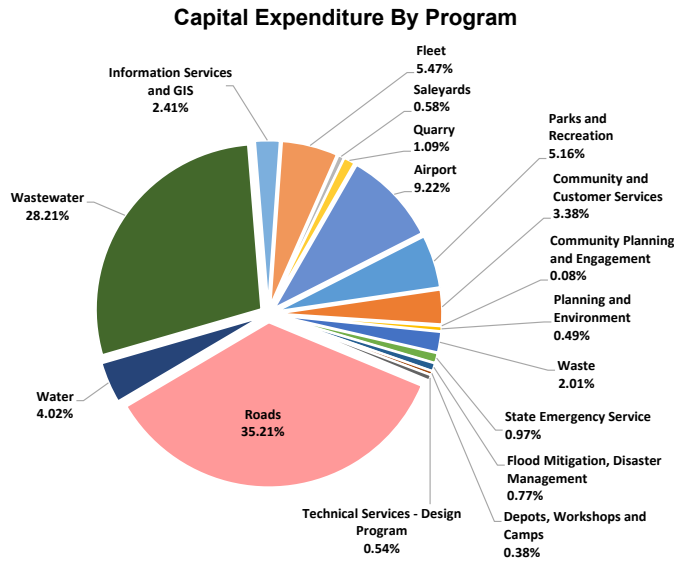
The capital program for 2017/2018 is \$73.5 million with significant investment to continue on Council’s extensive road network, utilities and community infrastructure.

A number of key projects will be a focus of the capital program this year including:

- Black Gully Waste Water Treatment Plant
- Emerald Airport Runway Overlay

Capital Expenditure by Function is summarised in the table and below.

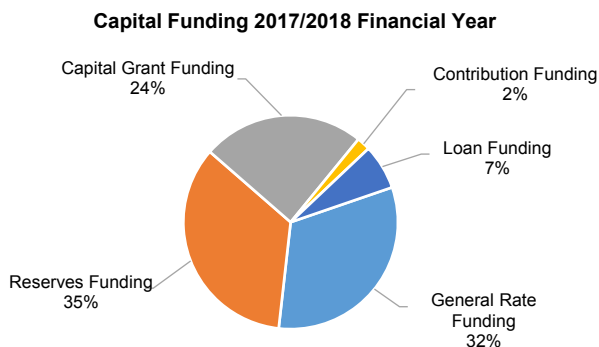
Summary by Program	
Program	Budget (\$)
Parks and Recreation	3,797,269
Community and Customer Services	2,484,809
Community Planning and Engagement	56,400
Planning and Environment	360,000
Waste	1,476,418
State Emergency Service	710,000
Flood Mitigation, Disaster Management	567,500
Depots, Workshops and Camps	277,000
Technical Services - Design Program	400,000
Roads	25,890,428
Water	2,954,764
Wastewater	20,738,266
Information Services and GIS	1,771,670
Fleet	4,024,500
Saleyards	430,000
Quarry	805,000
Airport	6,780,000
Total Capital Spend	73,524,024



Capital Income 2017/2018

Council continues to utilise a mix of funding sources to deliver its capital programs with loan borrowings of \$5 million forecast in 2017/2018. Grants and subsidies continue to become harder to source with all levels of government constricting funding programs. Grants in the 2017/2018 budget relate to funding for the Black Gully Sewerage Treatment Plant, road works and community infrastructure. Council continues to actively lobby all levels of government to maintain and increase funding support to regional areas.

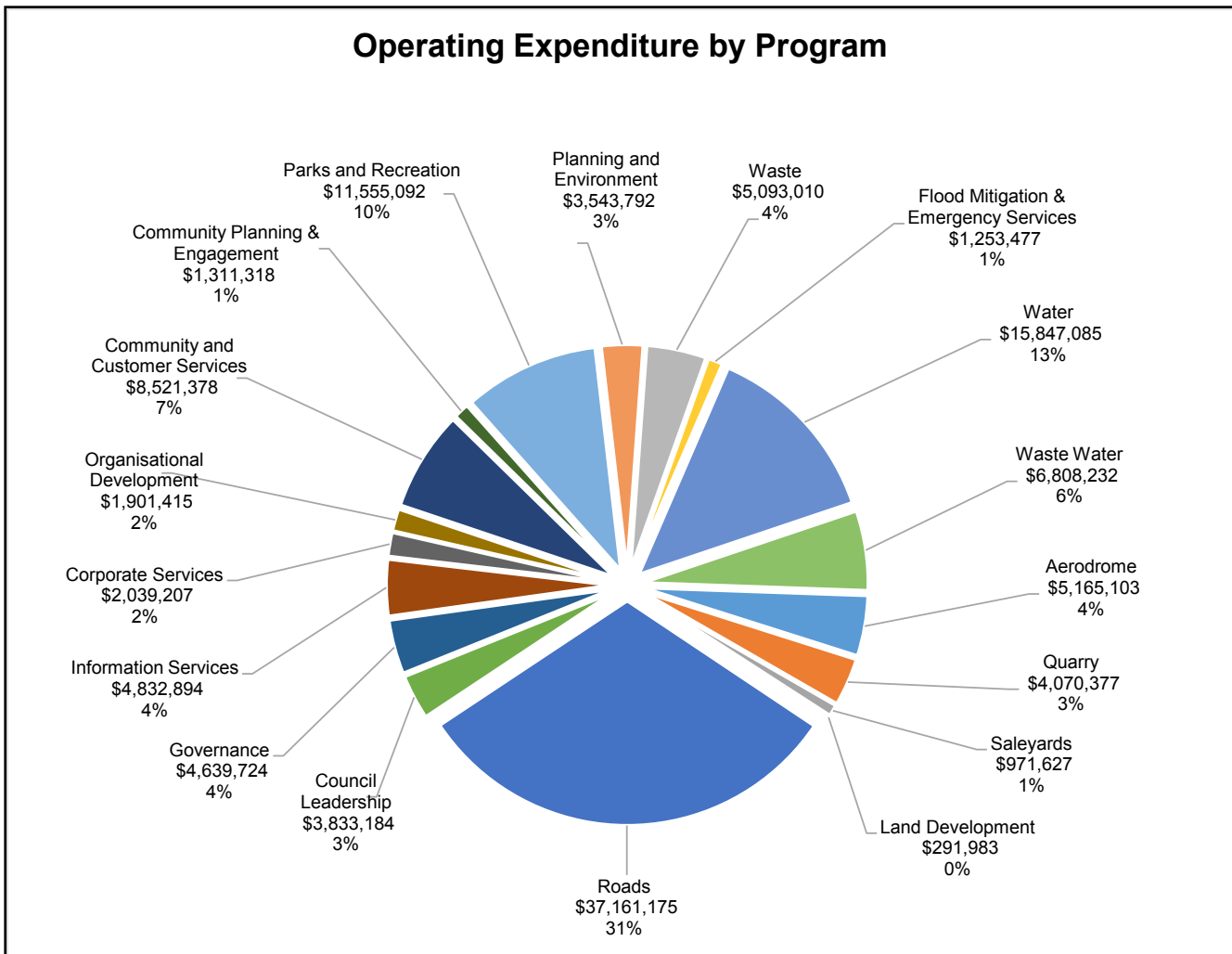
Capital income by category is as follows.



Capital Funding 2017/2018 Financial Year	
Funding Source	Amount
General Rate Funding	23.572
Reserves Funding	25.477
Capital Grant Funding	17.974
Contribution Funding	1.5
Loan Funding	5
Total Capital Spend	73.523

Summary

The overall Operating Expenditure across activities is shown in the graph below.



This is a modest budget which I believe the community will acknowledge and respect that maintains our sound financial position, but allocates funds for ongoing capital works and a focus on our sustainability, while retaining a sound cash and debt position.

I commend the budget to Council for consideration and approval of the Budget Statements, Rates and Charges, Financial Statements and Policies for the 2017/2018 financial year.

Mayor Kerry Hayes