

**ISAAC**  
**Regional Council**



# Budget 2008/2009

FOR THE YEAR ENDING  
30TH JUNE 2009





# Annual Budget Index

Background	3
Corporate Strategic Values – Isaac Regional Council	4
Chief Executive Officer’s Report	5
Budget Commentary	7
▪ Financial Overview	8
▪ Where does council’s money come from	8
▪ Where does council’s money go	9
▪ Capital Works Funding Source	10
▪ Key Financial Ratios	11
▪ Annual Average Gross Rates & Utility Charges	12
Revenue Policy 2008/2009	
Revenue Statement 2008/2009	
Borrowing Policy 2008/2009	
Isaac Regional Council Budget 2008/2009	
Isaac Regional Council Five Year Budget	



## Background

The Local Government Reform Commission Report to the Minister on 1<sup>st</sup> August 2007 recommended that Broadsound, Nebo and Belyando Shire Councils be amalgamated to form the new ***“Isaac Regional Council”*** which was to be effective from 15<sup>th</sup> March 2008.

Isaac Regional Council covers an area of 58,862 km<sup>2</sup> and has an approximate population of around 21,000. The area is economically dependent on cropping, irrigated cropping, managed resources including cattle, forestry and aquaculture. Mining is a significant contributor to the region with minerals, gold and gas extractive industries continuing to develop.

Without question, coal mining forms the backbone of the councils and the states export industry with the majority of coal extracted from the Isaac Regional Council area being supplied to India and China.

The strong future of extractive industries within the Isaac Regional Council ensures that the area will be in a prominent position to continue to contribute to the economic prosperity and social amenity of the region and the state well into the next century.

The physical size and the economic, social and environmental diversity of the Isaac Regional Council area will deliver many challenges for the council to address.



## **Corporate Strategic Values - Isaac Regional Council**

### **Vision Statement**

*“to be the region of first choice”*

### **Mission Statement**

*“to promote and enhance the diversity of lifestyle and opportunity”*

### **Corporate Values**

In all its dealings Council acknowledges that the achievement of quality services and facilities requires a united team approach by our elected representatives and our workforce. Consequently Council has developed six key values which will be Councils backbone upon which councils decision are made and actions taken. Councillors and employees of Isaac Regional Council are committed to the following values over the next five years.

- **Professionalism** – *“which means that we will display accountability, openness, transparency and integrity”*
- **Continuous Improvement** – *“which means that all aspects of the organisations operations are encouraged through a progressive and creative approach”*
- **Excellence** – *“which means that the manner in which we approach all aspects of the business for Isaac Region, the highest possible outcome will be achieved”*
- **Procedural Consistency** – *which means that there is a consistent approach to the way in which council conducts its business across the region”*
- **Customer Focus** – *“which means that we identify and meet the needs of all customers in a responsible and equitable manner”*
- **Team Work & Coordination** – *“which means that we work together to achieve a common goal”*



## **Chief Executive Officer's Report on the 2008/2009 Budget**

The annual budget document for 2008/2009 has been prepared in accordance with the requirements of Section(s) 518, 519 and 520 of the Local Government Act 1993 and Section 32 of the Local Government Reform Implementation Regulation 2008.

This is the inaugural Budget of Isaac Regional Council which reflects the vision of the elected members of Council, and I extend my congratulations to the Mayor and Councillors for setting a program which will meet our obligations to maintain our assets on behalf of the ratepayers. The Budget is part of Council's program to address the needs for the expansion of services and new assets to meet the present economic development associated with the expansion of Coal Mining in the Shire.

The General and Special Rates have been increased taking into consideration the extent of the additional expenditure that council has incurred due to the amalgamations and also the additional pressure that council is under to service the requirements of the mining industry boom.

Council will need to be aware and mindful of the comments and recommendations that were made from the Queensland Treasury Corporation (QTC) – Financial Sustainability Review conducted on the former Council's as part of the defunct Size, Shape & Sustainability process. This review highlighted that Council must continue to ensure a disciplined approach to planning, risk management and financial management. Failure to manage these risks especially if large capital expenditure is undertaken or maintenance costs increase will place pressure on Council's financial position moving forward.

Council needs to continue to work towards eliminating the forecast operating deficits. Continuous deficits will affect Council's financial flexibility and could potentially transfer a liability to future ratepayers.

Council and staff must work together moving forward to:-

1. Ensure a balanced or surplus operating position in all years;
2. Develop management strategies to monitor risks associated with Council's large capital works programs;
3. Review the appropriateness of the depreciation expense assumptions and methodology; and
4. Conduct financial sustainability reviews as part of Council's regular review process

Council must continue to make hard decisions in relation to the level of increases in Rating Revenue to offset the continual increases in the Construction Cost Index as a large portion of Council's programs are linked

back to the construction industry.

Local Government will continue to face a number of challenges during the financial year with the most concerning being the effect from the State Government's Local Government Reform.

Information contained in a Local Government National Report noted that amalgamations were one of a number of reforms that contributed to staff stress and work intensification as Councils were implementing change as well as carrying out daily duties.

The real effects of this reform will not be known until many years after this event, especially in relation to the level of governance.

The implementation of this years Budget is going to be very demanding on staff as a considerable amount of time and resources will have to be channelled into implementing the transitional action plan. Retaining staff will be critical to the success of the transition from local government to regional government.

In addition to the challenges that lay ahead, Local Government will continue to face a number of challenges during the financial year:

- Increased responsibilities as a result of State / Federal Government Legislation without financial support;
- Increased demand to become involved with issues such as:-
  - Regional Plans;
  - Regional Water Infrastructure;
  - Regional Roads & Resource Sharing;
  - Regional Natural Resource Management Plans;
  - Development of Asset Management Plans & Systems;
  - Local Government Act Review;
  - Local Government review of Model Local Laws;
  - Queensland Audit Office review of depreciation charges set for non-current assets.

On behalf of Council and on a personal note I extend our very sincere thanks to all staff members for their assistance with the preparation of this inaugural budget for Isaac Regional Council.

Mark Crawley

CHIEF EXECUTIVE OFFICER



## Budget Commentary

The 2008/2009 Budget for Isaac Regional Council is a historic occasion and achievement making the first Regional Council Budget since the amalgamation of three local authorities.

The adopted budget reveals total revenue from ordinary activities amounting to **\$79,323,848**, total expenses from ordinary activities (including depreciation) amounting to **\$80,413,886** and capital funding operations amounting to **\$53,627,413**.

The budget reflects the vision of the elected members of council which will meet our obligations to maintain our assets and to address the needs for the expansion of services and new assets to meet the present economic development associated with the expansion of coal mining in the shire.

## Budget Highlights

Some of the major capital works programs for 2008/2009 are as follows:

### Roads, Drainage & Bridges

Re-sheeting, Re-Seals, Drainage, Bridges - \$20,149,530

*(In addition to the above capital works program, council has approximately \$13.0 million in N.D.R.A. funding as a result of the major floods that occurred earlier in the year. This funding will be utilised to restore impaired shire roads, bridges, culverts, signage, and drains back to their former standards).*

### Community Projects

- Affordable Housing Project (Moranbah) - \$8.25 million;
- Multi Purpose Sports Stadium (Dysart) - \$6.00 million;
- Residential Land Development – Isaac Views Stage 3 & 4 (Moranbah) - \$26.00 million;
- Heavy Industrial Land Development (Moranbah) - \$5.80 million;
- Replace Playground Equipment (Dysart & Middlemount) - \$0.40 million;
- New Paved Walking Tracks (Dysart) - \$0.30 million;
- Upgrade of Coastal Television Transmission (St Lawrence, Clairview & Carmila) - \$0.60 million

### Sewerage Services

- Upgrade sewerage services (Nebo) - \$3.00 million;
- Upgrade sewerage services (Moranbah) - \$5.00 million;
- Upgrade sewerage services (Dysart) - \$1.80 million;
- Upgrade sewerage services (Middlemount) - \$0.40 million

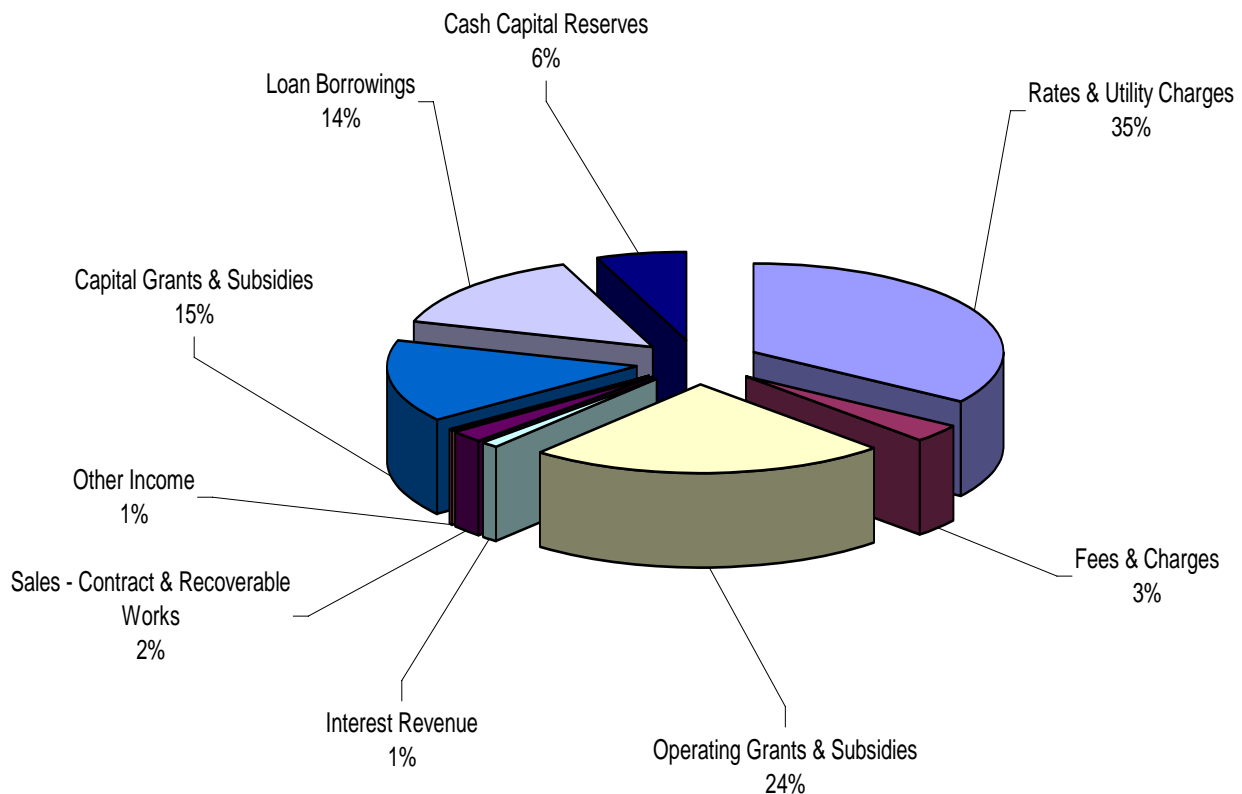


## Financial Overview

### Where does council's money come from?

Cash funding is required to provide the products and services to the Isaac Regional Council's various communities. This revenue is sourced from a number of different channels which includes General & Special Rates, Utility Charges, Operating and Capital Grants & Subsidies, Fees & Charges, Interest Revenue from council's investments, Loan Borrowings for capital works and Cash Capital Reserves.

### Cash Funding 2008/2009

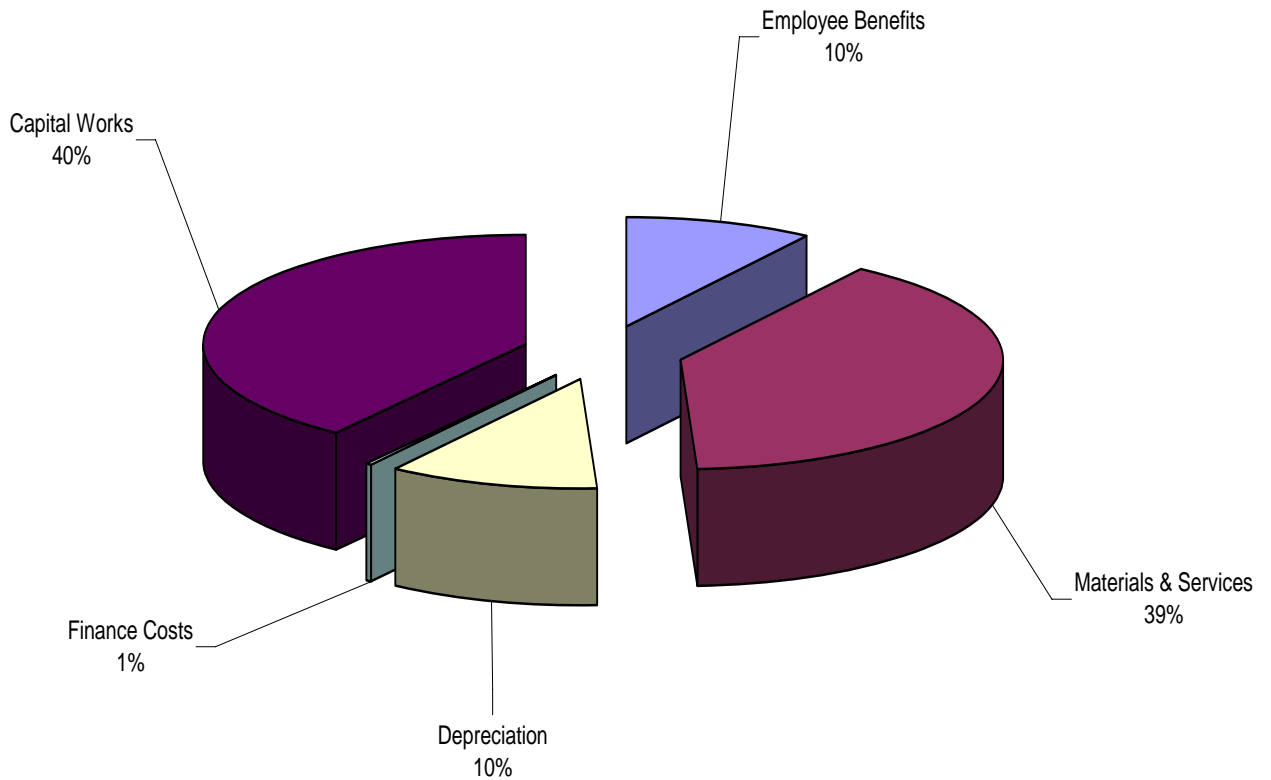




**Where does council's money go?**

A significant portion of the expenditure, more than 40%, will be allocated on capital projects. A further 39% will be spent on materials & services, 10% will be spent on employee benefits, 1% will be allocated to finance costs and 10% will be provisioned for council's depreciation expense.

**Cash Expenditure 2008/2009  
(Operational & Capital)**

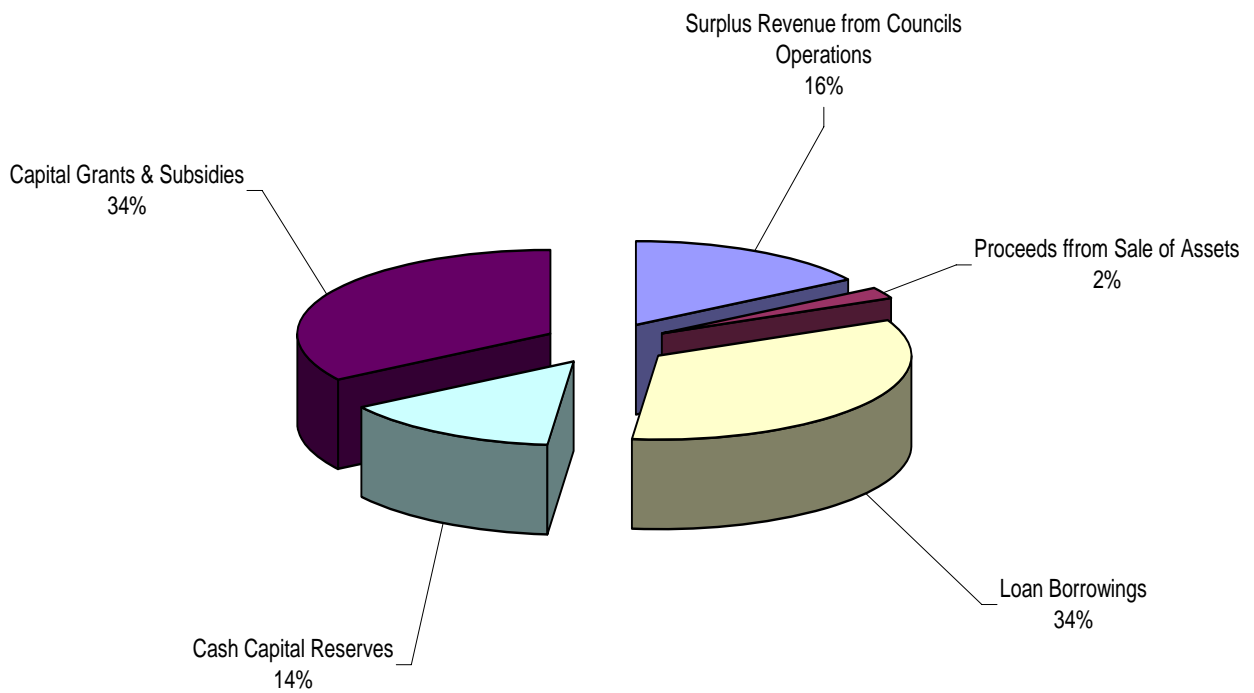




## Capital Works Funding Sources

The sources of Capital Expenditure funding of \$53,627,413 are shown below:

### Capital Works Funding Sources 2008/2009





## Isaac Regional Council – Budget 2008/2009

### Key Financial Ratio's (Financial K.P.I. Analysis)

#### Operating Surplus / Deficit

(Total Operating Revenue less Total Operating Expenses)

*"It is an indicator of a Council's ability to meet its operating expenses with its operating revenue stream. The analysis uses a benchmark operating deficit of 10% of total revenue, as councils with deficits larger than this are spending well beyond its revenue base and potentially at risk of sustainability problems". Council needs to continue to work towards eliminating the forecast operating deficits. Continuous deficits will affect council's financial flexibility and could potentially transfer a liability to future ratepayers".*

Operating Performance Ratio 2008/2009 = **-0.0137%**

#### Sustainability Ratio

(Capital Expenditure divided by Depreciation)

*"This ratio is a measure of the net increase or decrease in the asset base. Results over 1.0 indicates that councils overall asset base is increasing or being replenished, at a rate above the consumption of assets, whilst results under 1.0 indicates a declining asset base and potential sustainability risks, councils sustainability ratio results need to be interpreted with care due to the infrequent as well as inconsistent asset revaluation and depreciation approaches".*

Sustainability Ratio 2008/2009 = **26.57%**

#### Current Ratio

(Current Assets divided by Current Liabilities)

*"This ratio is a measure of the ability to meet short term debt obligations. We have a benchmark value of 1 times for the current ratio with council at below 1 times being at risk of liquidity problems".*

Current Ratio (Liquidity Ratio) = **4.52 times (4.52 : 1.0)**

#### Rates Coverage

(Total rates revenue as a proportion of total expenses)

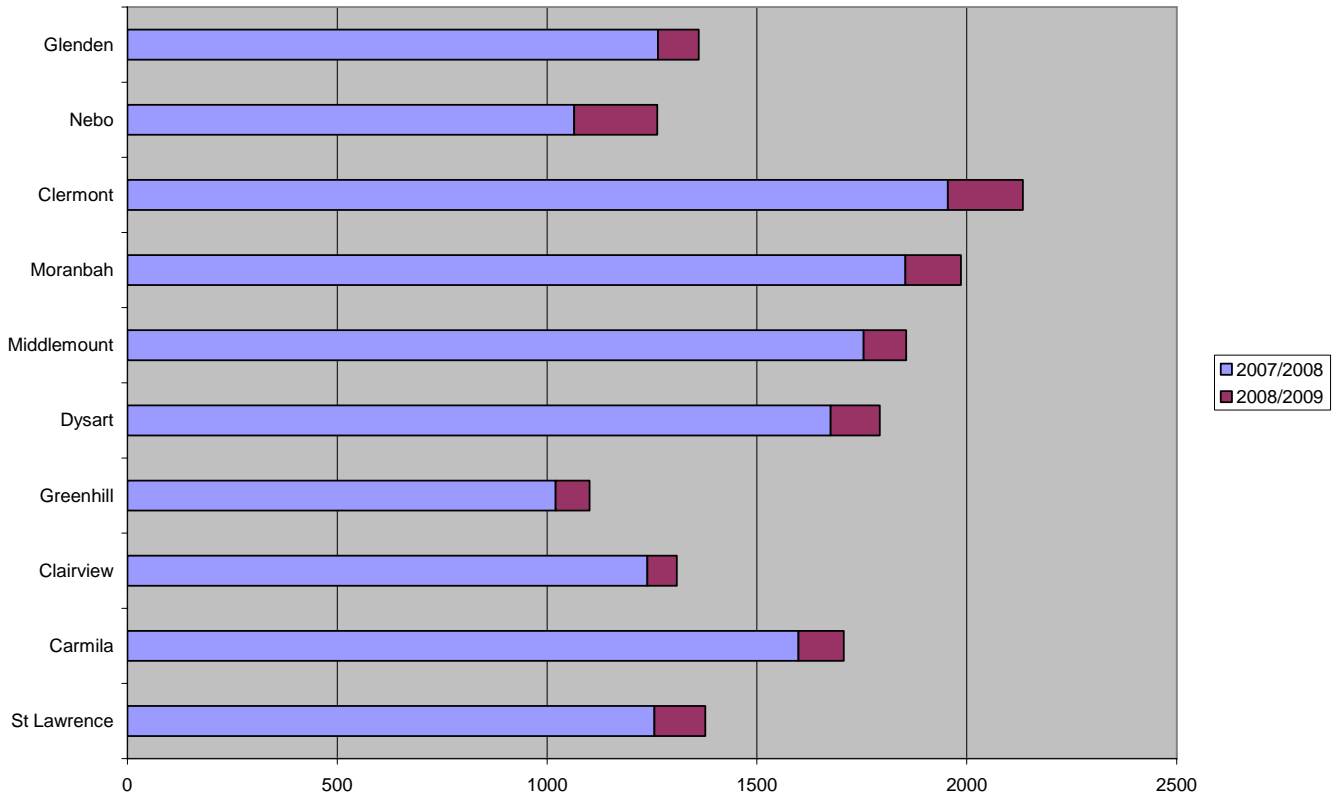
*"Is a measure of a councils ability to cover its costs through its own tax revenue. A benchmark result of 40% was selected as a point which measures adequate self-funding with results below 40% indicating a greater dependence on other revenue streams such as grants and hence more risk of sustainability issues".*

Rates Coverage Ratio = **53.25%**



## ANNUAL AVERAGE RATES & UTILITY CHARGES INCREASE

(Based on the average UCV in the various townships)



Township	2007/2008 Gross Annual Rates & Utility Charges	2008/2009 Gross Annual Rates & Utility Charges	Gross Monthly \$ Increase
St Lawrence	\$1,255.42	\$1,377.34	\$10.16
Dysart	\$1,675.25	\$1,792.60	\$ 9.78
Middlemount	\$1,754.07	\$1,855.26	\$ 8.44
Carmila	\$1,599.24	\$1,706.87	\$ 8.97
Clairview	\$1,238.95	\$1,309.36	\$ 5.87
Greenhill	\$1,020.37	\$1,101.01	\$ 6.72
Moranbah	\$1,853.83	\$1,986.30	\$11.04
Clermont	\$1,954.85	\$2,133.52	\$14.89
Nebo	\$1,064.25	\$1,262.42	\$16.52
Glenden	\$1,264.21	\$1,361.37	\$ 8.10