



SOUTH BURNETT
REGIONAL COUNCIL

AGENDA

Budget Committee Meeting Wednesday, 16 November 2022

I hereby give notice that a Meeting of the Budget Committee will be held on:

Date: Wednesday, 16 November 2022

Time: 9:00am

**Location: Warren Truss Chamber
45 Glendon Street
Kingaroy**

**Mark Pitt PSM
Chief Executive Officer**

In accordance with the *Local Government Regulation 2012*, please be advised that all discussion held during the meeting is recorded for the purpose of verifying the minutes. This will include any discussion involving a Councillor, staff member or a member of the public.

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- 1 OPENING**
- 2 LEAVE OF ABSENCE / APOLOGIES**
- 3 RECOGNITION OF TRADITIONAL OWNERS**
- 4 DECLARATION OF INTEREST**
- 5 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**
- 5.1 MINUTES OF THE BUDGET COMMITTEE MEETING HELD ON 24 OCTOBER 2022**
File Number: 16-11-2022
Author: Executive Assistant
Authoriser: Chief Executive Officer

OFFICER'S RECOMMENDATION

That the Minutes of the Budget Committee Meeting held on 24 October 2022 be received and the recommendations therein be adopted.

ATTACHMENTS

- 1. Minutes of the Budget Committee Meeting held on 24 October 2022**



SOUTH BURNETT
REGIONAL COUNCIL

MINUTES

Budget Committee Meeting
Monday, 24 October 2022

Order Of Business

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**MINUTES OF SOUTH BURNETT REGIONAL COUNCIL
BUDGET COMMITTEE MEETING
HELD AT THE WARREN TRUSS CHAMBER, 45 GLENDON STREET, KINGAROY
ON MONDAY, 24 OCTOBER 2022 AT 1:00PM**

PRESENT:**Councillors:**

Deputy Mayor Gavin Jones, Cr Jane Erkens, Cr Danita Potter, Cr Kathy Duff

Council Officers:

Mark Pitt (Chief Executive Officer), Aaron Meehan (General Manager Infrastructure), Leanne Petersen (Acting General Manager Liveability), Susan Jarvis (General Manager Finance & Corporate), Darryl Brooks (Manager Planning & Environment), Kerri Anderson (Manager Finance & Sustainability), Craig Patch (Strategic Asset Management Accountant), Rebecca Bayntun (Land Investigations Officer), Rebecca Humphrey (Manager People & Culture), Kristy Champney (Executive Assistant Infrastructure), Kimberley Donohue (Executive Assistant)

1 OPENING

Deputy Mayor Jones welcomed attendees and opened the meeting.

2 LEAVE OF ABSENCE / APOLOGIES**APOLOGY**

COMMITTEE RESOLUTION 2022/114

Moved: Cr Gavin Jones

Seconded: Cr Kathy Duff

That the apology received from Mayor Otto, Cr Schumacher and Cr Henschen be accepted and leave of absence granted.

In Favour: Crs Gavin Jones, Jane Erkens, Danita Potter and Kathy Duff

Against: Nil

CARRIED 4/0

3 ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

Cr Duff acknowledged the traditional custodians of the land on which the meeting took place.

4 DECLARATION OF INTEREST

Nil.

5 BUSINESS

5.1 BUDGET PARAMETERS AND TIMELINES

COMMITTEE RESOLUTION 2022/115

Moved: Cr Kathy Duff

Seconded: Cr Danita Potter

That the Budget Parameters and Timelines report for the 2023-2024 annual budget be received for information and any adjustments to timelines or parameters be provided to Finance for use in the budget preparation.

In Favour: Crs Gavin Jones, Jane Erkens, Danita Potter and Kathy Duff

Against: Nil

CARRIED 4/0

5.2 INFRASTRUCTURE OPERATIONAL CONSULTANTS AND CONTRACT ENGINEERS

COMMITTEE RESOLUTION 2022/116

Moved: Cr Danita Potter

Seconded: Cr Jane Erkens

That Council note this report.

In Favour: Crs Gavin Jones, Jane Erkens, Danita Potter and Kathy Duff

Against: Nil

CARRIED 4/0

Attendance:

At 1:07pm, Executive Assistant Infrastrucutre Kristy Champney enetered the meeting.

5.3 1ST QUARTER INCOME STATEMENT

COMMITTEE RESOLUTION 2022/117

Moved: Cr Danita Potter

Seconded: Cr Kathy Duff

That the 1st quarter operational budget information be received for information.

In Favour: Crs Gavin Jones, Jane Erkens, Danita Potter and Kathy Duff

Against: Nil

CARRIED 4/0

5.4 CONTINUED PROJECTS AND RESTRICTED CASH 21/22

COMMITTEE RESOLUTION 2022/118

Moved: Cr Jane Erkens
Seconded: Cr Danita Potter

That the report be received and noted.

In Favour: Crs Gavin Jones, Jane Erkens, Danita Potter and Kathy Duff

Against: Nil

CARRIED 4/0

5.5 1ST QUARTER CAPITAL EXPENDITURE REVIEW

COMMITTEE RESOLUTION 2022/119

Moved: Cr Jane Erkens
Seconded: Cr Danita Potter

That the report be received and noted.

In Favour: Crs Gavin Jones, Jane Erkens, Danita Potter and Kathy Duff

Against: Nil

CARRIED 4/0

6 CONFIDENTIAL SECTION

7 CLOSURE OF MEETING

The Meeting closed at 1:14pm.

The minutes of this meeting were confirmed at the Budget Committee Meeting held on .

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CHAIRPERSON

6 BUSINESS

6.1 WATER & WASTEWATER PROPOSED CAPEX PROGRAM 2023-2024

File Number: 16/11/2022

Author: Manager Finance & Sustainability

Authoriser: Chief Executive Officer

PRECIS

Water & Wastewater Proposed 23/24 Budget Opex and Capex

SUMMARY

Consideration of water and wastewater opex and capex programs for inclusion in the 23/24 budget deliberations

OFFICER'S RECOMMENDATION

That the Committee receive the proposed 2023-2024 draft budget for the water and wastewater Opex and Capex program and provide guidance for inclusion in the continued preparation of the full South Burnett Regional Council 2023-2024 annual budget.

BACKGROUND

The opex and capex programs proposed for the 2023-2024 year for water and wastewater are up for deliberations. These are currently in line with long term asset programs.

That the Committee give direction on the proposed water and wastewater opex and capex programs for inclusion in the 2023-2024 budget preparations.

Account Grouping Description	21/22 YTD Actuals	21/22 Original Budget	22/23 original Budget	23/24 Draft Budget	% Variance 22/23 Orig vs 23/24 Draft
Water					
Materials	2,012,266	3,101,734	3,189,239	3,285,031	3.00 % Rise
Consultants	84,812	35,000	100,000	80,000	-20.00 % Fall
Contractor Services	104,071	222,853	219,340	360,920	64.55 % Rise
Plant	394,105	447,628	471,671	485,817	3.00 % Rise
Wastewater					
Materials	818,013	905,534	944,863	992,849	5.08 % Rise
Consultants	1,500	10,000	10,000	10,000	0.00
Contractor Services	194,533	102,253	113,000	136,390	20.70 % Rise
Plant	149,794	212,203	212,832	219,217	3.00 % Rise
Combined Water Wastewater					
Materials	2,830,279	4,007,268	4,134,102	4,277,880	3.48 % Rise
Consultants	86,312	45,000	110,000	90,000	-18.18 % Fall
Contractor Services	298,604	325,106	332,340	497,310	49.64 % Rise
Plant	543,899	659,832	684,503	705,034	3.00 % Rise

ATTACHMENTS

Nil

6.2 BUSINESS IMPROVEMENT OPPORTUNITIES

File Number: 161122
Author: Chief Executive Officer
Authoriser: Chief Executive Officer

PRECIS

During the 1st half of the 2022/23 financial year the Executive Leadership Team (ELT) have reviewed opportunities for business improvement. This report is to stimulate discussions on options that may be considered for further investigation and adoption.

SUMMARY

Presentation of the outcomes for the business improvement programme (BIP) and discussion with Councillors regarding a path forward. This work was following on the work done in the 2021/22 financial year and continues to progress the intent in the resolution adopted by Council at the Ordinary meeting of Council on 28 April 2021.

RESOLUTION 2021/335

Moved: Cr Brett Otto

Seconded: Cr Kathy Duff

That South Burnett Regional Council work with our Chief Executive Officer to develop a strategy which provides a pathway to surplus by 2023/2024 and that such work commence in July 2021 with a view to finalisation of the strategy by 30 June 2022.

In Favour: Crs Brett Otto, Gavin Jones, Kathy Duff, Roz Frohloff, Danita Potter, Kirstie Schumacher and Scott Henschen

Against: Nil

CARRIED 7/0

In summary though, the BIP program looks at identifying both process and efficiency improvements.

- Process improvements are typically identified through an on-line survey followed up by a facilitated workshop.
- Efficiency improvements are identified in 2 key steps, the first being understanding your numbers (income statement only) and then identifying efficiency improvements around services to change, stop or the identification of opportunities to do things differently.

OFFICER'S RECOMMENDATION

That the committee note the report for information and for the provision of guidance for inclusion in the continued preparation of the full South Burnett Regional Council 2023-2024 annual budget.

FINANCIAL AND RESOURCE IMPLICATIONS

Operating profit/loss

SNAPSHOT - NET OPERATING RESULT				
	2022	2021	2020	2019
Revenue (R)	81,465,331	72,284,772	68,139,485	70,410,682
Expenses (E)	(76,337,062)	(73,437,915)	(70,525,924)	(68,683,374)
Operating Result - Profit/(Loss) (R-E)	5,128,269	(1,153,143)	(2,386,439)	1,727,308

South Burnett Regional Council 5 year average of surplus/deficit compared to the actuals

	21/22	20/21	19/20	18/19	17/18	16/17	15/16	14/15
Operating Profit	\$ 5,128,269	-\$ 1,153,143	-\$ 2,386,439	\$ 1,727,308	-\$ 393,540	\$ 2,967,373	\$ 2,280,151	\$ 10,389,363
5 year average	\$ 584,491	\$ 152,312	\$ 838,971	\$ 3,394,131				

LINK TO CORPORATE/OPERATIONAL PLAN

OR3 - Manage Council assets effectively through the development and implementation of Asset Management Plans

OR7 - Continue implementation of zero-based budgeting to support responsible fiscal management in the preparation of Council's budget.

COMMUNICATION/CONSULTATION (INTERNAL/EXTERNAL)

In accordance with resolution number 2021/335 and as reported to Council meetings through the Business Outstanding reports in the last financial year, all Councillors and senior staff completed the Financial Management in Practice facilitated through QTC on 12 May 2022. The business improvement programme was also noted through this mechanism.

Following this training, workshops with QTC, and ELT were then held on 5 August, 9 August, and 29 August.

LEGAL IMPLICATIONS (STATUTORY BASIS, LEGAL RISKS)

Local Government Act 2009; Local Government Regulations 2012

POLICY/LOCAL LAW DELEGATION IMPLICATIONS

Council's adopted Corporate Plan, Operational Plans and Annual Budget

For context the following points were considered as part of the policy framework for the programme:

1. Council is already running lean and is looking for further improvement to operating position (follows changes in costs and reduction in revenue base)
2. Council has already commenced a program based on the principles of 'reduce waste, minimise deficits and will leave no stone left unturned'

Draft Financial Sustainability Policy:

As well as reviewing several initiatives that could be pursued, the development of a Financial Sustainability Policy has commenced. This policy would give a strategic framework to Council's position on sustainability. This draft policy will be processed through Council's adopted Corporate Governance Framework for consideration by Council.

ASSET MANAGEMENT IMPLICATIONS

Sound Asset Management

REPORT

As part of the commitment to zero based budgeting, a process of review was commenced in partnership with QTC. Feedback was received and collated and then consideration was given to understanding our numbers, cost of services analysis (COSA), and cost of services review (COSR)

The following data was also reviewed prior to the 1st workshop:

- An extract of the FY21 and YTD FY22 general ledger trial balance in excel (council only).
- A summary of directorates (noted that the following were listed in the FY21 annual report – Community, Finance and Corporate, Infrastructure and office of the CEO.
- A list of the cost centres in each directorate / area:

e.g., noted that the office of the CEO comprises 3 areas, Executive Services, People and Culture and Economic Development; that Community comprises 6 areas, Environment, and Waste, Planning and so on.

- Those services that could be classified as 'commercial' eg, if the waste / water businesses are set up to recover costs, these could be classified as commercial.

(Generally, Council looks at Water, Wastewater, Waste and Fleet as being "commercial" in that they are standalone sections where the intent is for them to fund their own operations. Into the future, Council is also looking to "commercialise" the Tourist Parks (Boondooma Dam & Bjelke Petersen Dam) and the Saleyards.)

- Details of which accounts reflect rates and federal assistance grants and values.
- Clarification of how flood works are treated (capital or revenue).

A note: since this process was commenced the end of financial year adjustments have changed some of the assumptions used in these workshops – e.g., the Council surplus forecast for this programme was \$3.09 m and the result finished at \$5.1 m. Financial assumptions are based on the information available at the time and may change as new and updated information is presented.

Out of a long list of opportunities, process improvement opportunities identified the following initiatives were considered a 'do-now' priority (FY23)

Strategic planning	Clarify and monitor council's short, medium and longer term objectives, prioritising resources to deliver key objectives. Review KPIs for the Operational and Corporate Plans ensuring they are SMART (Specific, Measurable, Attainable, Relevant and Time-based).
Capital planning and reporting	Options, risks, scenarios and WOLC impacts to be included in reports to council when considering projects. Explore the concept of 'one-in, one-out' reflecting resource and budget constraints on delivery.
Cash flow monitoring	Review and refine the approach to the forecasting and reporting of cash (including restricted and unrestricted).
Workforce capability plan	Develop a workforce strategy, defining Council's core services, resourcing requirements, training needs, succession plans and strategies to address.
Grant management	Review and refine approach to grant management to improve the monitoring of grants applications, progress, delivery, acquittal, and reporting.
Define service levels	Define service levels for council's services, understanding costs for current services provided to the community and develop an engagement strategy with the community for service levels and impacts on costs/rates.

Councillors will note the alignment to current initiatives through both the internal audit process and the operational plan. Other initiatives were considered a 'do-next' priority

Financial reporting improvements	Review Council's monthly financial reports to Councillors to identify improvement opportunities. Identify opportunities to refine Council reports and simplify financial messages (and where relevant outlining potential consequences of decisions). Consider development of dashboards for inclusion in Council and management reporting
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This initiative would assist with the understanding of the implications of decisions made by resolution during a financial year and in between quarterly reviews. Councillors and Senior Staff go through an extremely rigorous budget process for the adoption of the annual budget. During the financial year decisions are made in isolation during the council meeting process. A recommendation may be:

That all financial resolutions made for increases in capital and operational expenditure have no affect until they are considered as part of a quarterly review.

This action would clear any confusion as to when a decision would need to be enacted and would also allow for the full impact of any changes to be seen prior to the release of budget funds on the capital and operational budgets and on Council's overall financial position.

Other process improvement opportunities identified were considered a 'do-next' priority (FY24) which include:

Project governance framework	Review and refine the end-to-end project governance framework from idea inception to project delivery. Focus will be on scalability and nature of projects.
Information systems roadmap	Develop (and communicate) a roadmap to improve ERP functionality in the short, medium and long term, reflective of business priorities, linkages between system modules and resource requirements.
Long term forecast review	Review council's long term financial forecast including reviewing appropriateness of key assumptions and sensitivities and impact on financial sustainability.

During the review project, efficiency improvement opportunities were identified with the following 7 initiatives considered a 'do-now' priority:

Initiative	Details
Water	Continue to implement prices increases identified in the 2022 full cost pricing review.
Tourism – caravan park and tourism facilities	Understand cost of services provided by Council at these facilities, ensuring that all relevant costs incurred are allocated to this service i.e., depreciation, parks costs and water charges.
Tourism – caravan park and tourism facilities	Business model review comparing contractor run vs council run operating model.
Solar panels	Solar initiative for council buildings and facilities. Investigate the cost / benefit of installing solar panels on key assets i.e., develop business case to reduce electricity costs through installation of solar panels.

Facilities	Facilities stocktake. Undertake a stocktake of all council facilities to assess their use and utilisation (including leases). Explore opportunities for divestment, consolidation, removal, or refurbishment and finalise business case. Note that where facilities are hired to the public that utilisation and that the opportunity to increase fees is understood.
Gravel pits	Gravel pit business model review. Review business model comparing contractor vs council operating model.
Fleet	Fleet renewal review. Review fleet considering whole of life costs ensuring that best value for money outcomes achieved through optimal replacement / renewal program.

The next steps may include:

- Preparation of detailed work plan for each initiative (both improvement and efficiency initiatives)
- Completion of the 'Initial Financial impact (Range \$ From – To)' for the efficiency initiatives
- Seek Council endorsement of the efficiency initiatives
- Following Council's feedback / endorsement - finalise initiatives for delivery
- Ongoing implementation and monitoring
- Presentation and adoption of a Financial Sustainability Policy.

ATTACHMENTS

1. **Cost of Services Review Process** [↓](#) 

Cost of services review process...



7 CONFIDENTIAL SECTION

8 CLOSURE OF MEETING