



AGENDA

Budget Committee Meeting Monday, 12 December 2022

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

Date: Monday, 12 December 2022

Time: 9am

**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 16 NOVEMBER 2022

File Number: 12-12-2022

Author: Executive Assistant

Authoriser: Chief Executive Officer

OFFICER'S RECOMMENDATION

That the Minutes of the Budget Committee Meeting held on 16 November 2022 be received and the recommendations therein be adopted.

ATTACHMENTS

- 1. Minutes of the Budget Committee Meeting held on 16 November 2022**



MINUTES

Budget Committee Meeting Wednesday, 16 November 2022

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**MINUTES OF SOUTH BURNETT REGIONAL COUNCIL
BUDGET COMMITTEE MEETING
HELD AT THE WARREN TRUSS CHAMBER, 45 GLENDON STREET, KINGAROY
ON WEDNESDAY, 16 NOVEMBER 2022 AT 9:00AM**

PRESENT:**Councillors:**

Cr Brett Otto (Mayor), Cr Gavin Jones (Deputy Mayor), Cr Jane Erkens, Cr Danita Potter, Cr Kirstie Schumacher, Cr Scott Henschen

Council Officers:

Mark Pitt (Chief Executive Officer), Aaron Meehan (General Manager Infrastructure), Peter O'May (General Manager Liveability), Kerri Anderson (Acting General Manager Finance & Corporate), Craig Patch (Strategic Asset Management Accountant), Tim Low (Manager Water & Wastewater), Darryl Brooks (Manager Environment and Planning), Rebecca Humphrey (Manager People and Culture), Joanne Newbery (Communications Officer), Kimberley Donohue (Executive Assistant)

1 OPENING

That Mayor opened the meeting with the Lords Prayer and welcomed all attendees.

2 LEAVE OF ABSENCE / APOLOGIES**APOLOGY**

COMMITTEE RESOLUTION 2022/120

Moved: Cr Gavin Jones

Seconded: Cr Jane Erkens

That the apology received from Cr Duff be accepted and leave of absence granted.

In Favour: Crs Brett Otto, Gavin Jones, Jane Erkens, Danita Potter, Kirstie Schumacher and Scott Henschen

Against: Nil

CARRIED 6/0

3 ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

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

4 DECLARATION OF INTEREST

Nil.

5 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 MINUTES OF THE BUDGET COMMITTEE MEETING HELD ON 24 OCTOBER 2022

COMMITTEE RESOLUTION 2022/121

Moved: Cr Jane Erkens
Seconded: Cr Scott Henschen

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

In Favour: Crs Brett Otto, Gavin Jones, Jane Erkens, Danita Potter, Kirstie Schumacher and Scott Henschen

Against: Nil

CARRIED 6/0

Attendance:

At 9:02am, Executive Assistant Kimberley Donohue left the meeting.

At 9:03am, Executive Assistant Kimberley Donohue entered the meeting.

At 9:35am, Cr Gavin Jones left the meeting.

At 9:41am, Cr Gavin Jones returned the meeting.

At 9:50am, Communications Officer Joanne Newberry left the meeting.

At 9:52am, Communications Officer Joanne Newberry entered the meeting.

At 9:53am, Cr Gavin Jones left the meeting.

At 9:55am, Cr Gavin Jones entered the meeting.

6 BUSINESS

6.1 WATER & WASTEWATER PROPOSED CAPEX PROGRAM 2023-2024

COMMITTEE RESOLUTION 2022/122

Moved: Cr Gavin Jones
Seconded: Cr Scott Henschen

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.

In Favour: Crs Brett Otto, Gavin Jones, Jane Erkens, Danita Potter, Kirstie Schumacher and Scott Henschen

Against: Nil

CARRIED 6/0

ADJOURN MORNING TEA

COMMITTEE RESOLUTION 2022/123

Moved: Cr Brett Otto
Seconded: Cr Scott Henschen

That the meeting adjourn for morning tea.

In Favour: Crs Brett Otto, Gavin Jones, Jane Erkens, Danita Potter, Kirstie Schumacher and Scott Henschen

Against: Nil

CARRIED 6/0

Attendance:

At 9:30am, Manager Water & Wastewater Tim Low left the meeting.

At 9:30am, Manager Environment and Planning Darryly Brooks left the meeting.

At 9:30am, Manager People and Culutre Rebecca Humphrey left the meeting.

RESUME MEETING

COMMITTEE RESOLUTION 2022/124

Moved: Cr Brett Otto

Seconded: Cr Scott Henschen

That the meeting resume at 10:49am.

In Favour: Crs Brett Otto, Gavin Jones, Jane Erkens, Danita Potter, Kirstie Schumacher and Scott Henschen

Against: Nil

CARRIED 6/0

6.2 BUSINESS IMPROVEMENT OPPORTUNITIES

COMMITTEE RESOLUTION 2022/125

Moved: Cr Jane Erkens

Seconded: Cr Kirstie Schumacher

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.

In Favour: Crs Brett Otto, Gavin Jones, Jane Erkens, Danita Potter, Kirstie Schumacher and Scott Henschen

Against: Nil

CARRIED 6/0

7 CONFIDENTIAL SECTION

8 CLOSURE OF MEETING

The Meeting closed at 11:15am.

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

.....
CHAIRPERSON

6 BUSINESS

6.1 BUDGET PARAMETERS AND TIMELINES UPDATE

File Number: 12-12-2022

Author: Chief Executive Officer

Authoriser: Chief Executive Officer

PRECIS

Update on meeting dates and times

SUMMARY

Budget Parameters and Timelines report was presented to the Budget Committee on 24 October 2022 and that report is attached for information.

OFFICER'S RECOMMENDATION

That [Type Recommendation here](#)

BACKGROUND

At the Liveability, Governance and Finance Standing Committee of 7 December Council considered the following dates for the Budget Committee Meetings:

15 February;

15 March;

19 April;

17 May; and

The Special meeting to adopt the budget to be held on 21 June 2023.

All these meetings are proposed to commence at 8:30 am and be a full day – for example finishing at 4:30/5:00 pm. This would, when compared to the previous financial year, have the net effect of two committee meetings in the same day.

The first workshop on rates modelling has been proposed for 13 February 2023. There will be required at least on further rates workshop prior to the adoption of the budget and as noted in the attached report from October, there are other areas that may require a specific workshop to discuss prior to presentation to a budget committee.

The budget policies can be presented through the existing Standing Committee framework allowing for the budget committee meetings to concentrate on the fundamentals of the budget.

The Mayor and Deputy Mayor recently discussed an alternative operational budget development proposal which would effectively delegate the Mayor to work with the Senior Leadership Team to develop a wholistic budget and bring back to the full council for consideration and discussion.

Council direction is sought on the preferred path for budget development.

ATTACHMENTS

1. Budget Parameters and Timetable 2023-2024

5.1 BUDGET PARAMETERS AND TIMELINES

File Number: 24.10.2022
Author: Manager Finance & Sustainability
Authoriser: Chief Executive Officer

PRECIS

The report outlines the principles and key timelines for the 2023-2024 budget preparation including operational components identified to collate and deliver the annual budget.

SUMMARY

Provide the principles and brief explanation on the components required to collate and compile the annual budget including parameters and timelines for the delivery of the 2023-2024 annual budget.

OFFICER'S RECOMMENDATION

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

BACKGROUND

Budget Parameters and Timetable – 2023-2024

Local Governments are required under the *Local Government Act 2009* and the *Local Government Regulation 2012* to prepare a Corporate Plan, Annual Operational Plans, Budgets, and long-term financial forecasts.

Councils are also required under *Section 170 of the Local Government Regulation 2012* to adopt their yearly budget between 31 May and 1 August in that year. Based on current proposed timelines, finance and the executive team are expecting to have the finalised budget adopted by the Council at a Special Budget meeting to be held in June or July of 2023.

It is the intention of Finance to have the final draft of the budget finalised and distributed to Councillors for consideration and feedback allowing a full two (2) weeks prior to official adoption.

Corporate Plan

Extensive Community and Organisational consultation realised the establishment and adoption of the SBRC Corporate Plan 2021-2026 by Council on 28 April 2021.

OUR VISION: *"The South Burnett... unique communities working together in a strong and vibrant region."*

OUR VALUES: *"• Honesty • Respect • Accountability • Integrity • Unity"*

OUR PURPOSE: *"South Burnett Regional Council... making a positive difference in people's lives through the quality of the work we do."*

Legislative Requirements:

It is a mandatory requirement of *Section 104(5)(a)(i)* of the *Local Government Act 2009* and *Section 165* of the *Local Government Regulation 2012* for a Council to prepare and adopt a Corporate Plan.

1. *A local government must prepare a 5-year corporate plan for each period of 5 financial years.*
2. *A local government must adopt its 5-year corporate plan in sufficient time to allow a budget and annual operational plan, consistent with the corporate plan, to be adopted for the first financial year that is covered by the plan.*

3. *A local government may, by resolution, amend its 5-year corporate plan at any time.*
4. *A local government must discharge its responsibilities in a way that is consistent with its 5-year corporate plan.*

Annual Operational Plan

It is expected that for this year's budget, that managers will prepare their draft operational plan in parallel with their 2023-2024 budgets.

The South Burnett Regional Council ('Council') 2023-2024 Operational Plan is required to be developed in accordance with the *Local Government Regulation 2012* and focuses on the actions that Council staff are expected to take throughout the 12-month period to implement the longer-term goals detailed in the South Burnett Regional Council Corporate Plan for the period 2021-2026.

In accordance with the provisions of *Section 175* of the *Local Government Regulation 2012*, an Annual Operational Plan must:

- (a) *be consistent with the annual budget; and*
- (b) *state how the local government will –*
 - (i) *progress the implementation of the 5-year corporate plan during the period of the annual operational plan; and*
 - (ii) *manage operational risks; and*
- (c) *include an annual performance plan for each commercial business unit of the local government.*

In accordance with *Section 174(3)* of the *Local Government Regulation 2012*, Council will assess its progress towards implementing its Annual Operational Plan on a quarterly basis. The long-term strategies within the Corporate Plan are allocated to Departments to progress.

The Annual Operational Plan will display the operational Initiatives and operational services according to Departmental responsibility, providing clarity and accountability, as well as provide operational focus for the Departments within Council.

All day-to-day core business activities and services are not necessarily listed in the Annual Operational Plan; instead, the Plan focuses on initiatives and services that will be required in the current financial year to achieve long term corporate objectives.

The Corporate Plan provides a blueprint for the future of our communities and establishes priorities and outlines strategies which best reflect the needs of our community for today and into the future.

Council's Chief Executive Officer is responsible for preparing quarterly reports to the Council on the progress of the implementation of the Annual Operational Plan. These reports ensure that Council's elected members and staff are accountable for the progress made in meeting annual operational plan goals.

This plan is closely linked to South Burnett Regional Council's 2023-2024 budget and Council's available human resources. The Council's Annual Operational Plan is a statement of specific works to be undertaken and services to be provided to progress the long-term strategies set out in Council's Corporate Plan for the current fiscal year.

This Annual Operational Plan is prepared in conjunction with the budget, both of which are to be effective for the financial year 2023-2024 and will be adopted at the Ordinary June meeting of Council.

Council Budget Workshops

Various budget workshops will be presented from October to early June to ensure that all Councillors are aware of the makeup of each major component of the budget and be able to adjust assumptions and make decisions on each part of the budget composition.

Some of the workshops to be presented include:

- service level discussions in conjunction with operational budgets
- proposed capital expenditure
- review of rates modelling for utilities and general rates

- continue to implement regional equity / consistency in Council's rating system
- discussions on various policies that need to be updated annually including SBRC Debt Policy, Investment Policy, Revenue Policy and Revenue Statement and Procurement Policy
- Admin Recoupments and Plant and Fleet Review Workshop
- Asset Overview Workshop
- Water, Wastewater, and Waste - Opex/Capex/Revenue
- Operational and Draft Service Level Infrastructure Workshop
- Fees and Charges and Draft Operational Service Level Community Workshop
- Capital Program Workshop (Works, Water and Wastewater, Fleet)
- Capital Program Workshop (Works, Buildings, Parks, Waste)
- Corporate Plan, finance and corporate operational budget and policies Workshop
- Budget and Operational Plan Workshop
- 2nd Draft Operational, Capital Expenditure and Service Level Infrastructure Workshop
- 2nd Draft Operational and Service Levels Community Workshop
- Operating Budget Workshop
- Final Capital Expenditure Workshop (Infrastructure and Fleet)
- Final Capital Expenditure Workshop (Community)
- Review Operational Plan Workshop
- Final Operational Plan Workshop
- Final Budget Presentation Workshop
- Operational Plan Adopted – General Meeting
- Final Draft of Budget to Council for Review
- Adoption of Budget – Special Budget Meeting

Budget Parameters and Principles:

To assist managers and staff in substantiating costs to Council, the following principles, parameters and assumptions will be used to prepare the base 2023-2024 budget.

Budgeting and Consumer Price Index

In developing the "business as usual" budget for 2023-2024, finance intends to use half of the Headline CPI inflation change for Brisbane over last year's budget to adjust for their predicted materials budget. This would account to **3.65%**.

The most significant price rises in the June quarter were new dwellings at 5.6%, furniture at 7.0% and automotive fuel at 4.2%.

Goods accounted for 79% of the rise in the CPI during June, reflecting high freight costs, supply constraints and prolonged strong demand.

Consumer Price Index (State)

Statistical releases relating to the Consumer Price Index (CPI) which measures quarterly changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by the CPI population group (i.e. metropolitan households). As well as covering a wide range of goods and services the CPI measures price movements in each of the capital cities in Australia.

The CPI provides the official measure of inflation in Australia.

- Brisbane's headline CPI increased 2.1% in June quarter 2022, resulting in a 7.3% increase over the year

Employee Costs

It is proposed that salary and wages for the 2023-2024 period be indexed by 1.25% over the future second quarter budget for the 2022-2023 year which should be adopted in January / February 2023. This will allow for any adjustments from the EBA that is currently under negotiation to be calculated and will provide a more accurate indication of what the proposed wages for the budget period might be.

Oncost rates will then be recalculated based on the new rates but should be similar to the current 2022-2023 year.

Plant Internal Hire and Plant and Fleet Replacement

Plant hire rates were reviewed and rates methodology are substantiated and correct as at October 2021. Plant and Fleet will do a review of the rates during the 2022-2023 year to determine if any adjustments need to be made for the 2023-2024 budget.

The 10-year Capital Plant Replacement budget will be reviewed and prepared in line with the guidelines provided in the International Infrastructure Management Manual and the IPWEA Plant and Vehicle Management Manual both of which are recognised as best-practice manuals in Australia.

Council originally approved a budget of approximately \$3.907 million in the Fleet Replacement and Renewal Program during the current year to maintain a fit for purpose fleet of plant and equipment to support our on-ground service delivery.

REPLACEMENT**New operating expenditure**

General Managers/Managers may identify new operating initiatives or one-off expenditures during the development of work planning for 2023-2024. Prior to including these items into the budget, the CEO will prioritise the items for submission and review by Council.

All one-off initiatives will be identified separately in the budget.

In addition, justification must be submitted as part of the budget documentation process, example: Project report or a one-page Business Case.

Contingency costs

Where contingency costs are required for capital and operational expenditure (i.e. flood events where there is no external funding source), the estimated contingency cost required is to be identified separately within the budget.

Capital expenditure and planning

Capital project proposals for the annual budget will be submitted in line with the approved Asset Management Plans.

Capital funding sources must also be submitted with the capital program to ensure that the programs are all funded in an appropriate manner.

Managers have provided Finance with their current 10-year programs and predicted funding sources which are currently being reviewed and reconciled.

Water and Wastewater programs will be finalised as part of the rate modelling workshop as these will link hand in hand with the rating strategy for the 2023-2024 budget.

Fees and Charges

Council sets several fees and charges for services to the community. These services are either a cost recovery fee or a commercial fee.

Council proposes to increase their fees and charges from the previous year in the budget by 3.65% increment which is in line with the state CPI.

In the instances where Managers identify fees previously undercharged, an increase more than the recommended 3.65% increment increase will be implemented with decreases in fees and charges also being considered where the cost structure has changed.

The proposed workshop to present to Council is identified in the proposed schedule of workshops presented by the CEO.

Rates and Charges

In preparation for 2023-2024, general rates and charges are proposed to be modelled with 3.65% indexation awaiting Council direction. Separate rates charges for water, wastewater and waste will be indexed by the following rates as per the 2022-2023 modelling:

- Water access and consumption (excluding high volume commercial) – 6%
- Water consumption – high volume commercial – 1%
- Wastewater access and pedestals – 3%
- Waste management levy – 6%
- Wheelie Bin Collection – 3%
- Recycling Collection – 3%

The models will require review upon presentation of the operational budget.

Water, sewerage, and waste rating workshops are identified in the schedule presented by the Chief Executive Officer.

12-month phasing for 2023-24 – Capital Expenditure

Phasing of the Budget will also enable more accurate reporting and better cash management. Managers will be required to plan when their capital expenditure is likely to occur throughout the year.

Variance analysis

The budget submission requires each Manager to include an explanation regarding historical comparisons.

The variance analysis will compare the 2023-2024 budget submission to the prior year's estimated actual expenditure and the prior year's budget. The variance analysis is required for explanations to the Councillors during the budget deliberations.

Documentation

Detailed cost and qualitative information used by Managers to inform the budget process must be stored and incorporated in the budget spread sheet for future reference and submitted as part of the budget process.

Live Streaming of Budget Workshops

Council has requested consideration be given to live streaming budget workshops.

Budget workshops are by nature a process to deliver information and seek direction for the formal resolution of Council at the Budget Meeting. There would be certain information delivered at these workshops that would be considered confidential.

The *Local Government Regulation 2012* notes the following permission for closing a Council Meeting be it a Standing Committee or General Meeting:

254J Closed meetings

- 1) *A local government may resolve that all or part of a meeting of the local government be closed to the public.*
- 2) *A committee of a local government may resolve that all or part of a meeting of the committee be closed to the public.*
- 3) *However, a local government or a committee of a local government may make a resolution about a local government meeting under subsection (1) or (2) only if its councillors or members consider it necessary to close the meeting to discuss one or more of the following matters—*
 - (b) industrial matters affecting employees;*
 - (c) the local government's budget;*

It is also the intent for this year's budget process to report the information considered in workshops to the Budget Committee Meetings.

ATTACHMENTS

Nil

6.2 ADOPTION OF THE SOUTH BURNETT REGIONAL COUNCIL FINANCIAL SUSTAINABILITY POLICY - STATUTORY070

File Number: 12-Dec-2022

Author: General Manager Finance and Corporate

Authoriser: Chief Executive Officer

PRECIS

Adoption of the South Burnett Regional Council Financial Sustainability Policy – Statutory070.

SUMMARY

South Burnett Regional Council ('Council') has a responsibility to ensure that it has sufficient resources now and into the future to provide levels of service that are both affordable and at a level considered appropriate by the community. This responsibility encompasses how decisions are made regarding the allocation of ratepayer funds to the day-to-day operations of Council as well as towards the replacement of existing assets and procurement of new assets.

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That the South Burnett Regional Council Financial Sustainability Policy – Statutory070 be adopted as presented.

FINANCIAL AND RESOURCE IMPLICATIONS

No direct financial and resource implications arise from this report which have not already been considered in the development of Council's annual budget.

LINK TO CORPORATE/OPERATIONAL PLAN

Corporate Plan 2021 - 2026	OR2 Achieve community recognition as an ethical Council that values and practices community consultation, accountable governance and open and transparent decision-making
Operational Plan 2022/2023	Deliver the Council Policy Governance Framework aligned to strategic planning and relevant legislation incorporating Council's policies, procedures, forms and factsheets
	Promote a high standard of corporate responsibility, transparency and accountability in decision making at all levels of the organisation in the best interest of Council and the community aligning to legislation and Council policy

COMMUNICATION/CONSULTATION (INTERNAL/EXTERNAL)

The Draft South Burnett Regional Council Financial Sustainability Policy – Statutory070 was reviewed by the Chief Executive Officer, supported by Corporate, Governance & Strategy.

The Draft South Burnett Regional Council Financial Sustainability Policy – Statutory070 was then presented at the Senior Leadership Team Meeting held on 6 December 2022 for endorsement to the Budget Committee.

LEGAL IMPLICATIONS (STATUTORY BASIS, LEGAL RISKS)

Local Government Act 2009 (Qld)

Local Government Regulation 2012 (Qld)

Human Rights Act 2019 (Qld)

Section 4(b) of the *Human Rights Act 2019* requires public entities to act and make decisions in away compatible with human rights. The Act requires public entities to only limit human rights in certain circumstances and after careful consideration. The human rights protected under the Act are not absolute. This means that the rights must be balanced against the rights of others and public policy issues of significance.

In the decision-making process, Council is to consider the 23 human rights:	
1. Recognition and equality before the law;	13. Cultural rights—Generally;
2. Right to life;	14. Cultural rights—Aboriginal peoples and Torres Strait Islander peoples;
3. Protection from torture and cruel, inhuman or degrading treatment;	15. Right to liberty and security of person;
4. Freedom from forced work;	16. Humane treatment when deprived of liberty;
5. Freedom of movement;	17. Fair hearing;
6. Freedom of thought, conscience, religion and belief;	18. Rights in criminal proceedings;
7. Freedom of expression;	19. Children in the criminal process;
8. Peaceful assembly and freedom of association;	20. Right not to be tried or punished more than once;
9. Taking part in public life;	21. Retrospective criminal laws;
10. Property rights;	22. Right to education;
11. Privacy and reputation;	23. Right to health services.
12. Protection of families and children;	

POLICY/LOCAL LAW DELEGATION IMPLICATIONS

No direct local law or delegation implications arise from this report.

ASSET MANAGEMENT IMPLICATIONS

No direct asset management implications arise from this report.

REPORT

This policy applies to Councillors of Council.

The key measurement criteria for whether Council is achieving its financial sustainability objectives over the short and medium term are the three (3) financial sustainability ratios required to be published pursuant to *Section 169(5)* of the *Local Government Regulation 2012* ('Regulation') legislation, currently are the:

- • asset sustainability ratio;
- • net financial liabilities ratio; and
- • operating surplus ratio.

ATTACHMENTS

- 1. Draft South Burnett Regional Council Financial Sustainability Policy - Statutory070**



POLICY CATEGORY - NUMBER: Statutory070
POLICY OWNER: Executive Services

ECM ID: 2968296
ADOPTED:

Financial Sustainability Policy

NOTE: Council regularly reviews and updates its policies. The latest controlled version can be obtained from the Policy Register on Council's intranet or by contacting Council's Corporate, Governance & Strategy Branch. **A hard copy of this electronic document is considered uncontrolled when printed.**

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1. POLICY STATEMENT

South Burnett Regional Council ('Council') has a responsibility to ensure that it has sufficient resources now and into the future to provide levels of service that are both affordable and at a level considered appropriate by the community. This responsibility encompasses how decisions are made regarding the allocation of ratepayer funds to the day-to-day operations of Council as well as towards the replacement of existing assets and procurement of new assets.

2. SCOPE

This policy applies to Councillors of Council.

The key measurement criteria for whether Council is achieving its financial sustainability objectives over the short and medium term are the three (3) financial sustainability ratios required to be published pursuant to *Section 169(5)* of the *Local Government Regulation 2012* ('Regulation') legislation, currently are the:

- asset sustainability ratio;
- net financial liabilities ratio; and
- operating surplus ratio.

3. GENERAL INFORMATION

Council's current and expected financial sustainability performance will be measured and reported against the benchmarks set by the State Government, as well as by ongoing periodic sustainability assessments undertaken by the Queensland Treasury Corporation ('QTC').

Responsible ongoing financial management by Council will achieve the following objectives:

- Council operates in an efficient and effective manner, minimising general rate increases;
- full cost pricing compliance for Council business activities;
- ongoing operating surpluses to ensure Council's equity is not degraded and future financial risk can be adequately mitigated;
- appropriate collection and retention of cash funds for ongoing infrastructure and asset replacement and renewal (including future climate change mitigation measures);
- future trunk infrastructure financial obligations can be met;
- the implementation of adopted strategies and plans to achieve goals outlined in Council's Corporate Plan 2021-2026;

- informed decisions are made on discretionary new operating or capital investment proposals (i.e., business cases including whole of life cost analysis);
- infrastructure and assets are maintained to required service levels;
- debt levels will be minimised and returns on cash holdings maximised; and
- achieving all the minimum financial sustainability benchmarks set by legislation.

3.1. Principles

The local government principles that underpin this policy are:

- transparent and effective processes, and decision-making in the public interest; and
- sustainable development and management of assets and infrastructure, and delivery of effective services; and
- democratic representation, social inclusion and meaningful community engagement; and
- good governance of, and by, local government; and
- ethical and legal behaviour of Councillors, local government employees and Councillor advisors.

Furthermore, additional principles that underpin this policy are:

- Public Interest - The use of public monies in the public interest by responsible budgeting and accounting;
- Fair and Reasonable - Fair and reasonable allocation of Council resources in the form of allowances, facilities and other benefits, to enable all Councillors to conduct the duties of their office; and
- Accountability - Accountability for expenditure and use of facilities through full justification and acquittal.

3.2. Operating Surplus

Council will ensure that it maintains an operating surplus each year over the life of the 10 year financial plan. An operating surplus is achieved when operating revenues are greater than operating expenses (including depreciation and interest on debt). The operating surplus ratio is one (1) of the three (3) key measures of financial sustainability required pursuant to *Section 169(5)* of the Regulation. It calculates the operating surplus (or deficit) as a percentage of Council operating revenue. The target operating surplus ratio set by the state government is between 0% and 10%.

Council will target to achieve an operating surplus commensurate with mitigating known risks with respect to appropriately funding future trunk infrastructure requirements, whilst also ensuring that the operating surplus ratio is contained within the required benchmarks.

3.3. Liquidity Management

The cash expense cover ratio is a key indicator utilised to measure Council liquidity (i.e., current financial health) and to assess ongoing financial sustainability risk. This ratio calculates how long Council can continue paying its day-to-day expenses from cash at bank without needing additional cash flow injections.

Council will target achieving a minimum cash expense cover of three (3) months operating expenditure held as restricted cash in any given financial year. The cash expense cover ratio will be reported to Council monthly.

3.4. Expenditure Management

Council will ensure that expenditure on goods and services to meet established service levels will be undertaken efficiently and effectively.

This will be achieved via the development of the annual operating expenditure budget from a zero base, ensuring staff compliance with Council's policies and procedures as well as partnering with key stakeholders such as Local Buy to ensure efficient cost procurement options are implemented.

Expenditure management outcomes will be measured by how Council performs annually against its operating and capital expenditure budget allocations.

3.5. Physical and Natural Asset Management

Council will ensure that it maintains its physical and natural assets on an ongoing basis at defined levels to ensure that services are able to be provided effectively to the community.

The asset sustainability ratio is one of the three (3) key measures of financial sustainability required under legislation. This ratio is calculated by measuring the annual expenditure on the renewal and rehabilitation of Council's assets against the annual depreciation charge. It is a measure of whether Council is reinvesting appropriately in existing infrastructure assets.

Council will target over the life of the 10 year financial plan to achieve a minimum asset sustainability ratio of 90% (including plant, fleet and office equipment renewals) consistent with the benchmark unless condition-based renewal forecasts demonstrate a percentage lower than 90% in any given year. Investment in natural assets will be prioritised according to biodiversity value and ecosystem service benefits realised for the community.

Established management plans for Council's asset and infrastructure classes will incorporate annual maintenance financial estimates as well as 10 year renewal / replacement forecasts developed from regular asset condition assessments. Asset management plan financial forecasts will be incorporated into Council's 10 year financial plan and annual budget to ensure financial sustainability implications are appropriately considered.

Annual depreciation forecasts will be developed on an asset basis, utilising methodology endorsed by the Queensland Audit Office ('QAO'), with assets regularly revalued in accordance with legislative requirements.

The QTC project decision framework will be utilised for business case analysis for all new and replacement capital projects in accordance with policy. The outcomes from the analysis will be used to inform Council of whole of life costing implications associated with each project.

3.6. Debt Management

New debt will only be incurred as part of Council's strategic approach to:

- liquidity management that considers the minimisation where possible of surplus cash holdings; and
- intergenerational equity requirements.

The net financial liabilities ratio is one of the three (3) key measures of financial sustainability required under legislation. The net financial liabilities ratio represents Council's net financial liabilities (total liabilities fewer current assets) expressed as a percentage of total operating revenue. A negative percentage indicates that current assets exceed total liabilities. The target net financial liabilities ratio set by the state government is less than 60%.

Council will adopt a conservative approach to new debt to ensure that the net financial liabilities ratio is below the target over the life of the ten (10) year financial plan. New debt that may be required to assist with the funding of trunk infrastructure to cater for population growth will be considered on a case-by-case basis.

3.7. Full Cost Pricing

Council will ensure that competitive neutrality and full cost pricing outcomes required pursuant to *Section 44 of the Local Government Act 2009* with respect to its business activities are complied with on an annual basis.

3.8. Commercial Opportunities

Commercial opportunities will only be considered if they provide value for money to the community and have a positive net impact on overall general rate funding requirements of Council.

The QTC project decision framework will be utilised for business case analysis for all new identified commercial opportunities. The outcomes from the analysis will be used to inform Council of whole of life costing implications associated with each commercial proposal.

3.9. Climate Change

Council recognises that mitigation measures to address climate change may have financial sustainability implications. Ongoing infrastructure and operating funding will be considered as part of long-term planning and addressed via inclusion in the 10 year financial plan and discussed annually through the budget process (where identified).

Council will also ensure that operational and strategic decisions made today with associated climate change implications will consider minimising the exposure of future Councils to potential financial risk.

3.10. Responsibility

The Chief Executive Officer is responsible for the delivery of the annual budget.

4. DEFINITIONS

Council means South Burnett Regional Council.

Councillor means Councillor, of a local government, includes the Mayor.

QTC means Queensland Treasury Corporation.

5. LEGISLATIVE REFERENCE

Local Government Act 2009 (Qld)

Local Government Regulation 2012 (Qld)

6. RELATED DOCUMENTS

South Burnett Regional Council Corporate Plan 2021-2026

7. NEXT REVIEW

As prescribed by legislation or January 2025

8. VERSION CONTROL

Version	Revision Description	Adopted Date	ECM Reference
1	Development of policy		2968296

Mark Pitt PSM
CHIEF EXECUTIVE OFFICER

Date:

6.3 DRAFT 23/24 BUDGET - WASTE

File Number: 12.12.2022

Author: Manager Environment and Planning

Authoriser: Chief Executive Officer

PRECIS

Draft 2023/2024 Budget – Waste

SUMMARY

Under the *Local Government Regulations 2012* section 169, Council must prepare an annual budget each year. The information detailed in this report is for discussion and potential inclusion in the 2023/2024 annual budget as it relates to the Waste Department.

OFFICER'S RECOMMENDATION

That the Committee receive the proposed 2023-2024 draft budget for the Waste Department to provide guidance and for inclusion in the continued preparation of the full South Burnett Regional Council 2023-2024 Annual Budget.

BACKGROUND

The Waste Department is considered to be stand-alone department with the intention that it will fund its own activities. The attached report provides an overview for the proposed 2023-2024 budget for waste.

It is important to note that employee wages, on-cost rates and interest on loans are all indicative amounts at this stage. These figures will be finalised as the 2023-2024 budget preparation progresses and variables in the calculation of these amounts are known.

Depreciation will be finalised once capitalisation of current work in progress projects are performed, indexation rates for desktop revaluations are known and draft capex amounts are locked in.

Rates charges for waste are also yet to be determined and will be presented in the future once modelling has been delivered to the Council for consideration.

Landfill provision calculations for the unwinding of discount is also yet to be determined and will be calculated based on end of April or end of May discount rates. It is noted there was a significant difference in calculations last financial year with the movements in official interest rates. With ongoing movements in interest rates (*as opposed to the relatively steady interest rate levels seen in previous years*) this calculation will need to be undertaken as close to the end of this financial year as possible.

The budget was put together using the approved budget parameters of 3.65% for materials and services. Budget figures have then been adjusted based on an assessment of expected external factors impacting budgets. A number of service/budget risks have been identified and will be discussed in the attached presentation.

The draft budget presented has been framed to provide a surplus for the waste department which will be restricted for future capital expenditure.

ATTACHMENTS

1. **2023/24 Draft Budget Presentation 12 December 2022.pdf**
2. **Draft Income Statement 2023/24 Waste**



OPERATIONAL BUDGET

WASTE SERVICES

2023/24



SERVICE OVERVIEW


SERVICE OBJECTIVES

- Provide cost effective and environmentally responsible waste management services and facilities in accordance with the:
 - Waste Reduction and Recycling Regulation 2011, s7
 - Environmental Protection Regulation 2019, Ch 6
 - Environmental Authority EPPR00445213
 - Local Government Act 2009, s28
 - Public Health Act 2005, s11
- Comply with State Government Waste Levy requirements
- Provide community waste education
- Provide an appropriate network of waste transfer and disposal facilities
- Provide opportunities to reduce waste going to landfill



SERVICE OVERVIEW

CURRENT SERVICES

- Collection Services
 - 240L kerbside general waste wheelie bin – domestic and commercial
 - Recycling collection service commencing 2 January 2023
 - Street & park litter bin collection
 - Waste Transfer and Disposal Facilities
 - Transfer Stations
 - Landfills
 - Legacy Landfill management
 - Resource Recovery
 - Recycling
 - Monitoring of potential alternative waste treatment technologies
 - Waste Avoidance, Minimisation and Reuse
 - Community Waste Education
- 

SERVICE OVERVIEW

- **4 Major Landfills**
 - Kingaroy, Nanango, Wondai and Murgon

- **13 Transfer Stations**
 - 27m³ Skip Bin Transfer Station
 - Kingaroy, Wattlecamp, Durong, Brigooda, Cloyna, Kumbia
 - Home Creek, Hivesville, Proston, Blackbutt, Memerambi
 - 10m³ Skip Bin Transfer Station
 - Murgon, Wondai and Chahpingah
 - 2m³ Bulk Bin Transfer Station
 - Maidenwell and Bunya Mountains



SERVICE LEVELS

SERVICE SUMMARY

		Blackbutt	Chelphingah	Briggoda	Cloyva	Durong	Hivesville	Home Creek	Kingaroy	Kumbia	Maldenwell	Memerambi	Murron	Proston	Nanango	Wattlecamp	Wondal	Bunya Mtns.
Opening Hours		Open 8:00am - 5:00pm Thur - Mon Domestic & Commercial waste only Local residents only Domestic Waste only	Local residents only Domestic waste only	Local residents only Domestic waste only	Local residents only Domestic waste only	Local residents only Domestic waste only	Local residents only Domestic waste only	Local residents only Domestic waste only	Open 8:00am - 5:00pm everyday Domestic, Commercial & Industrial	Locked facility - Keypad Access Local Residential waste only	Local residents only Domestic waste only	Local residents only Domestic waste only	Open 8:00am - 12:00pm everyday Domestic, Commercial & Industrial	Locked facility - Keypad Access Local Residential waste only	Open 8:00am - 5:00pm everyday Domestic, Commercial & Industrial	8:00am - 5:00pm Wed, Sat & Sun Local Domestic waste only	Open 1:00pm - 5:00pm everyday Domestic, Commercial & Industrial	Local residents only Domestic waste only
Recyclable - Free Disposal	Aluminium Cans	✓						✓				✓		✓				
	Batteries (car/truck)	✓						✓	✓			✓		✓		✓	✓	
	Cardboard & paper	✓						✓				✓		✓		✓	✓	
	Clean fill		✓					✓				✓	✓	✓		✓	✓	
	Cooking oil		✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	
	E waste (computers, games, TVs etc)							✓				✓		✓		✓	✓	
	Glass							✓	✓			✓	✓	✓		✓	✓	
	Motor oil	✓			✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	
	Scrap metal	✓		✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	
	Asbestos							✓						✓		✓	✓	
Waste - Fee for Disposal	Commercial & Industrial waste							✓				✓		✓		✓	✓	
	Construction & demolition waste							✓				✓		✓		✓	✓	
	Household hazardous waste							✓				✓		✓		✓	✓	
	Paint							✓										
Plastics – milk & softdrink bottles, soft plastics	Recycling arrangements pending - This waste is presently treated as general waste. Some bottles able to be recycled through Container Refund Scheme.																	
Tyres								✓						✓				
No Fee	Domestic General waste	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Domestic Green Waste (clean vegetation)	✓			✓		✓		✓	✓		✓	✓	✓		✓		✓

WHAT'S HAPPENING IN 2023/24

- New waste collection and recycling contract needs to be decided by June 2023 with a commencement from 1 July 2024
- New Waste Strategy will be developed, this will include review of the number of facilities and available landfill space remaining
- Tender to be developed on the Supervision of our waste facilities
- Specification to be developed for the maintenance of our landfills (excluding Kingaroy)
- Regional Waste and Infrastructure plans being developed
- Amendment to Council's Environmental Authority (licence to operate) to ensure compliance with current day operations.



STATE GOVERNMENT WASTE LEVY

- For every ton of domestic waste to landfill we pay the State \$88.00
- Council receives a prepayment from the State Government to offset the cost of their waste levy for domestic waste to landfill
- Equates to \$1.4M for 2022/23
- Council pays back to the State each month the actual tonnage of domestic waste to landfill
- For 2021/22 Council paid \$60,000 more back to the State for domestic waste to landfill
- From July – October 2022 Council paid \$31,000 more back to the State
- Recycling will assist but need to revisit sending kerbside domestic waste to landfill where there isn't a weighbridge.



WASTE FACILITIES – OPERATIONAL CONCERNS

- The number of facilities
- The frequency of servicing them all
- Majority of facilities have no supervision or operating hours
- Transporting minimal tonnage due to airspace in the bins
- Facilities being abused constantly by residents
- Little control over access or what gets disposed of
- Time and cost taken to clean up the illegal dumping
- Increasing risk (and cost) to Council
- Further discussions to be held with Council in 2023.



LANDFILL STATUS

	Kingaroy	Nanango	Wondai	Murgon
Approved Limit (tons / annum)	<10,000	<5,000	<2,000	<5,000
Actual Waste – 2022 (tons / annum)	13,000 – 15,000	4,000	1,900	<3,000
Forecast closure year	Mid 2025 – 2027	2040	>2050	2025 – 2028
Key Issues	<ul style="list-style-type: none"> Landfilling outside of boundary Landfilling outside of levyable area No stormwater controls for landfill area Waste input exceeds licence limits 	<ul style="list-style-type: none"> No weighbridge (planned for 2023) Transfer station needed to separate customers from landfill Improve environmental controls 	<ul style="list-style-type: none"> No weighbridge (could be exempt until 2029) Limited capacity for waste acceptance Multiple tipping faces Closure date based on current volumes 	<ul style="list-style-type: none"> No weighbridge (need by 2024 for levy compliance) Space constrained Amenity with neighbours (caravan park) Future rehabilitation costs will be significant



LANDFILL STRATEGY

- How much economical landfill airspace does Council have remaining?
- An airspace assessment is being conducted at Council's four (4) landfills
- No medium – long term strategy
- Kingaroy landfill to reach capacity from mid 2025 – 2027.
- Currently Kingaroy accepts over 60% of waste to landfill
- Work being done as part of new Waste Strategy
- More conversations will be had with Council during 2023.
- Consideration also needs to be given as to the strategy to assess and properly remediate the legacy landfills which are on Council's Environmental Authority.



CAPITAL WORKS PROGRAM

- Two (2) key projects for 2023/24:
 - Maidenwell transfer station
 - Contract to purchase has been signed
 - Planning application being prepared
 - Preliminary design to commence in early 2023
 - Concern about budget allocation of \$350,000 – is it enough?
 - Nanango Waste Facility - Weighbridge
 - Project funded
 - Location to be determined (needs to be constructed on natural ground)
- 

COMPLIANCE

- Waste deposition outside the property boundary
- Groundwater bores not installed at many sites for ground water sampling
- Exceeding the threshold / approved capacity for landfilling
- Many sites converted to transfer stations still appear as landfill on the existing Environmental Authority
- Adjustment of the Resource Recovery Area (RRA) boundary at the landfill sites
- Concerns around State waste levy reporting compliance (and greater auditing emphasis by the State)
- Final closure of the legacy landfills.



RECYCLING SERVICE

- 2023/24 will be the first full year of the kerbside recycling collection service
- This will impact the operational budget – both income and expenditure
- Expenditure to the Material Recovery Facility (MRF) for the full year will be in the vicinity of \$450,000.00
- This doesn't include collection costs via JJ's Waste & Recycling and the collection and disposal of the contamination from the MRF.
- The service will save \$264,000.00, this being payment not having to be made to the State Government for the waste levy. *(estimated savings are included in the recycling service charge)*



DRAFT BUDGET INCOME STATEMENT

- Employee wages, on-cost rates and interest on loans have not been adjusted and will be finalised as the 2023-2024 budget preparation progresses and variables in the calculation of these amounts are known.
- Depreciation will be finalised once indexation rates for desktop revaluations are determined.
- Rates charges for waste are yet to be calculated and will be presented in the future once modelling has been provided to Council for consideration.
- Landfill provision calculations for the unwinding of discount will be calculated close to the end of current Financial Year.
- Materials and Services includes indexing of 3.65%. Budget figures have then been reviewed based on an assessment of expected external factors impacting budgets.
- Adjustment to grant funding. i.e. reduction in one off grants received in 2022/23 (offset by reduction in expenditure)
- Recycling impacts - review in February 2023 following 2 January 2023 commencement.
- Surplus budget for the Waste Department which will be restricted for future capital expenditure.



2023/2024 - Comprehensive Income Statement - Waste

	20/21 Actuals	21/22 Orig Budget	21/22 Actuals	22/23 Orig Budget	22/23 YTD Actuals	23/24 Orig Budget	Bud Change 24 v 23 Orig	Comments
REVENUE								
Recurrent Revenue								
Fees & Charges	1,000,825	788,500	1,189,318	826,700	399,219	904,035	77,335	Tip disposal fees - increase in predicated waste disposal
Interest Received	22,411	20,500	26,392	20,500	11,767	25,000	4,500	Interest on overdue Rates
Other Income	529,902	95,000	289,453	110,000	113,574	147,577	37,577	Increase in returns on scrap steel
Rates, Levies & Charges	5,116,639	5,191,643	5,327,078	5,885,127	2,782,737	5,885,127	0	To be considered in future workshop
Rental Income	-	-	5,250	-	-	-	-	Not Applicable
Sales Revenue	15,481	10,800	15,318	12,500	4,898	15,000	2,500	Internal Waste services charges e.g. Dam
Grants, Subsidies, Contributions & Donations	37,745	-	155,442	192,043	26,203	75,000	(117,043)	Balance grant funds from 2022/23 Waste strategy grant
Total Recurrent Revenue	6,723,003	6,106,443	7,008,250	7,046,869	3,338,399	7,051,739	4,870	
Capital Revenue	-	-	-	-	-	-	-	
Total Revenue	6,723,003	6,106,443	7,008,250	7,046,869	3,338,399	7,051,739	4,870	
Capital Income	-	-	-	-	-	-	-	
TOTAL INCOME	6,723,003	6,106,443	7,008,250	7,046,869	3,338,399	7,051,739	4,870	
EXPENSES								
Recurrent Expenses								
Depreciation	63,987	92,265	64,948	104,416	30,415	101,553	(2,863)	To be reviewed in line with valuations
Donations	8,782	9,622	10,164	9,622	-	9,625	3	
Employee Benefits	758,167	688,507	866,014	738,808	412,983	738,807	(1)	To be considered as part of Wages discussions
Finance Costs	188,478	517,718	(2,380,827)	373,854	156,317	373,989	135	Review close to end of FY
Internal Finance Charges	582,845	955,511	955,511	955,511	398,130	955,855	344	No change budgeted
Materials	317,300	356,312	318,287	360,748	215,193	403,258	42,511	Materials cost increase
Plant	858,139	879,095	911,176	908,445	402,121	941,664	33,219	Increase in utilisation
Services	2,420,060	2,572,411	2,669,380	3,213,931	1,075,003	3,187,259	(26,672)	Reduction in expenditure related to grant project. Contract renewals
Total Recurrent Expenses	5,197,758	6,071,441	3,414,652	6,665,334	2,690,162	6,712,011	46,677	
TOTAL EXPENSES	5,197,758	6,071,441	3,414,652	6,665,334	2,690,162	6,712,011	46,677	
Net Surplus	1,525,245	35,002	3,593,598	381,535	648,237	339,728	(41,807)	
OPERATING SURPLUS/(DEFICIT)	1,525,245	35,002	3,593,598	381,535	648,237	339,728	(41,807)	

7 CONFIDENTIAL SECTION

8 CLOSURE OF MEETING