



Northern Peninsula Area Regional Council

MINUTES OF NPARC BUDGET MEETING

Notification Date: Tuesday 2nd August 2011
Meeting Date: Tuesday 30th August 2011
Meeting Location: Bamaga Council Office
Time: 9:00am
Catering: Morning Tea and Lunch will be provided

Mayor and Councillors

Cr Joseph Elu	(Mayor)
Cr Gina Nona	(Division 1)
Cr Peter Lui	(Division 2)
Cr Reg Williams	(Division 3)
Cr Michael Bond	(Division 4)
Cr Jeffrey Aniba	(Division 5)

CEO	Stuart Duncan
Deputy CEO	Danny Sebasio
Director of Corporate Services	Michael Freeman
Director of Finance	Annette King
Director of Engineering	Jim Foody
Secretary	Esme Newman

Welcome and Declare Meeting Open - Mayor

- Apologies
Cr Nona
Cr Bond

AGENDA

Agenda Item (1) – NPARC Budget 2011 - 2012.

The Local Government (Finance, Plans and Reporting) Regulation 2010 requires Council to have an annual budget.

98 *Requirements for annual budget: A local government must prepare a budget for its operating fund for each financial year. The budget must be prepared on an accrual basis.*

99 Budget contents

- (1) The budget must include statements of the following for the financial year for which it is prepared and the next 2 financial years—
 - (a) financial position;
 - (b) cash flow;
 - (c) income and expenditure;
 - (d) changes in equity.
- (2) The statement of income and expenditure must state each of the following—
 - (a) rates and utility charges excluding discounts and rebates;
 - (b) contributions from developers;
 - (c) fees and charges;
 - (d) interest;
 - (e) grants and subsidies;
 - (f) depreciation;
 - (g) finance costs;
 - (h) net result;
 - (i) the estimated costs of—
 - (i) the local government's significant business activities carried on using a full cost pricing basis; and
 - (ii) the activities of the local government's commercial business units; and
 - (iii) the local government's significant business activities.
- (3) The budget must include each of the following (the *relevant measures of financial sustainability*) for the financial year for which it is prepared and the next 9 financial years—
 - (a) asset consumption ratio;
 - (b) asset sustainability ratio;
 - (c) interest coverage ratio;
 - (d) net financial liabilities ratio;
 - (e) operating surplus ratio;
 - (f) working capital ratio.
- (4) The budget must be consistent with the following documents:
 - (a) its long-term financial forecast;
 - (b) its financial plan;
 - (c) its 5-year corporate plan;
 - (d) its annual operational plan;
 - (e) its long-term community plan.

The budget must be adopted after 31st May and before 1st September each year.

CEO advised Council of the Budget for 2011-12 and gave Council an update on the Queensland Treasury Financial Model indicating that Council now had a robust 10 year financial model.

CEO stated that Council will notice there is a slight deficit showing for 2011- 2012 (\$14,000). The deficit relates to funding spent from prior year funds but will be corrected when the grant that the funding relates to is completed and reported in future balance sheets. This budget and the future 'annual' financial forecasts' are based on "best knowledge" at the time of drafting each report.

Council will note we have reported a positive funding position for year 2012 -13, however this can be misleading given the way in which Council is funded by way of special purpose grants or tied funding grants. Council has developed a responsible budget to fit within its means. This includes keeping employment numbers to a sustainable level, however the Council must carefully review every decision it makes about improving its aged assets (council buildings, vehicles, plant and machinery) in order to remain within budget.

CEO also stated that Council is reporting a deficit in our budget for 2013-14. This is due the Ranger Program and the CDEP contracts reaching their end dates. In the event the Council is unsuccessful in renewing these contracts, we will have no choice but to move to make the employees, assets and operational activities redundant.

Overall the future of Council's financial position looks as sound as a "remote grants dependant local government can be" but with an underlying fragility due to the uncertainty of future State and Commonwealth levels of funding and the ongoing burden of carrying the \$2m that was expended by the NPARC to complete the restructure of the regional Council post amalgamation.

Provided strict financial controls are continued to be observed, there is no reason to think that the NPARC will not continue to be sustainable and gain strength as a sound and well run NPA Regional Local Government.

Director of Finance then provided Council with a brief overview of the 2011-12 Budget report. Director of Finance mentioned that there will be a slight deficit regarding Council's financial forecast as explained by the CEO. The majority of the capital expenditure (from prior year funding) relates to the New Mapoon All Abilities Playground Project.

Director of Finance referred to Budget Income Statement on Page 6, and advised that the operating surplus for 2011-2012, after adding back depreciation, is \$342,170. From that operating surplus \$357,036 capital expenditure is deducted leaving a slight deficit of \$14,866.

Director of Finance referred to Page 5, Budgeted Statement of Financial Position, and advised that the projected 'Receivables' show a decrease reflecting the transfer from rent collection to the social housing leasing arrangements with the Department of Communities.

Director of Finance advised that Inventories have been assumed to be constant as it is difficult to estimate any movements, unless there is a material change in activity. This can then be adjusted, if necessary, during the yearly budget reviews.

Director of Finance advised that Council will experience a decrease in Trade and Other Payables as the CDEP and Ranger Programmes cease.

Director of Finance drew attention to the variances in the Property, Plant and Equipment budgeted figures in the Statement of Financial Position on Page 5, and noted that these reflected the inclusion of external capital grants identified in the Asset Management Plan, eg, Major Infrastructure Programme.

Director of Finance informed Council that Council is yet to be informed by the QAO and Department of Communities, on the financial treatment of the 40 year housing leases.

CEO provided additional information on the current issue with the social housing stock.

CEO stated that as Trustees, we are leasing the social houses to the State and Council does not relinquish ownership of these assets.

Cr Elu mentioned that the State wanted to lease the land under the houses to allow them to have access and control of the asset. Cr Elu stated that after the lease term of 40 years the land comes back to the Trustees with the Asset.

Cr Aniba queried the old housing stock and what is going to happen to these assets?

CEO advised that Council has endorsed the 40 year leasing of all social houses in an attempt to have access to the Federal / State agreement on new housing funds to reduce overcrowding in our community.

Cr Lui – how will it affect our books?

Cr Elu - advised that it is included in our asset register for now but we are waiting for confirmation from the QAO.

CEO will provide an updated housing report at the October 2011 meeting.

CEO mentioned the deal with Sunwater to provide raw water to the Umagico oval and then continue it to the Injinoo oval. CEO stated that this Council cannot afford to maintain four fully supported Sporting Ovals. We must make serious decisions around what the 'priority use' of each community field will be, for example we can afford to have a playing field in each community but we cannot afford to enhance all fields with grandstands, changing sheds, abolition blocks, field lighting and major sport halls.

CEO advised Council that the Council's Budget is solid with Council still having a \$4.0m cash facility / overdraft sitting with the QTC. CEO mentioned that this provides Council with some surety of cash to cover unfunded liabilities. Council must make application to have this cash facility made permanent.

CEO advised that indications are that Council will achieve an unqualified audit this year (2010-11).

Cr Lui asked if Council will again proceed with more redundancies to compensate for the areas that are not generating revenue / profitable.

CEO – Council has no current plans for any more forced redundancies.

Cr Elu – It was a great outcome to move to a sustainable workforce without any forced redundancies.

CEO mentioned that redundancies may apply to those affected by the CDEP and the Ranger programs if we cannot renew these contracts. CEO commented that Council will re-tender for these programs when they become available.

Cr Lui – queried housing officers?

CEO stated that once the social houses are leased to the State, the tenancy management activities will become the responsibility of the State. If the State does not employ the housing officers the NPARC will have no choice but to offer them redundancy packages.

CEO stated that the dedicated Housing officers will continue working for this Council while we continue to be responsible for collecting rents and we will retain the rent money collected.

Cr Lui requested that a detailed budget breakdown of each council area to see if the individual sections are viable, and if not, then how long council will carry these functions?

CEO requested that Council consider if there should there be any amendment to the NPARC Fees & Charges on Page 11. CEO informed council that the commercial sewerage fee is lower then the domestic fee.

Director of Engineering stated that it is based on system loads passed through commercial premises compared to private properties.

Cr Elu stated that the fees will affect small or semi-viable businesses.

Cr Williams stated that the load is the same if tenant is at home or at work.

Council agreed that fees stay the same.

THAT Council, pursuant to the Local Government Act 2009 and the supporting legislation of the Local Government (Finance, Plans and Reporting) Regulation 2010, Local Government (Operations) Regulation 2010, Local Government (Beneficial Enterprises and Business Activities) Regulation 2010 and the Local Government Finance Standard 2005 resolve:

- a) to adopt an Annual Budget for 2011/12 (section 104(2))
- b) to levy charges as per the schedule (section 94)
- c) to confirm the 5-year Corporate Plan, annual Operational Plan, a 10-year Financial Plan, a Long Term Asset Management Plan (section 104(3))

Moved: Cr Aniba

Seconded: Cr Lui

Vote: 3/0

Resolution Number: 01- 30.08.11

Budget Meeting Closed. 10.20am