

Executive Summary

Overall, operating expenditure budgeted for 2023/24 has increased by 8.6 per cent from the 2022/23 adopted budget. Excluding depreciation, budgeted expenditure has increased by 13 per cent. This includes an increase in materials of 14 per cent (\$1.9 million).

1. Rates and Charges

Total revenue from rates and charges is projected to be \$21.899 million, this includes Cultural and Recreational properties and solar farms, which incorporates an average rate increase of 3.5 per cent.

This is in line with the Fair Go Rates System (FGRS) which caps rates increases by Victorian councils and was guided by the forecast Consumer Price Index (CPI) of 4 per cent. The Victorian Government set the rate cap 0.5 per cent below the forecast CPI taking into account cost of living pressures facing rate payers. Council has not elected to apply to the Essential Services Commission (ESC) for a variation.

It is important to note, the actual rate increases experienced by individual ratepayers may differ from the 3.5 per cent increase due to revaluations. Rate increases are impacted by the average rate increase (3.5 per cent) and the property valuation increases (or decreases) of individual properties relative to the average across the municipality.

If a property increases in value by more than the average for the City (17.5 per cent), your rates will increase by more than 3.5 per cent. If your property value increases by less than the 17.5 per cent average, your rates will increase by less than 3.5 per cent and may in fact reduce from the previous year.

Waste management charges increase by 5 per cent.

2. Financial Position

The financial position is expected to improve with net assets (net worth) to increase by \$302.7 million to \$312.2 during 2023/24.

Working capital is an indicator of council's ability to meet its financial obligations as and when they fall due (being current assets less current liabilities).

There appears to be an increase in working capital during 2022/23, however, this is due to the inclusion of the \$3.3 million in cash held at the end of 2022/23 to complete capital works that will be carried forward into the 2023/24 year. The working capital ratio 190 per cent for 2023/24 then remains variable in future years due to changes in cash balances from provisions and unearned income/revenue.

- Rate Capping – The Victorian State Government continues with a cap on rate increases. The cap for 2023/24 has been set at 3.5 per cent.
- Supplementary Rates – Supplementary rates are additional rates received after the budget is adopted each year, for the part of the year when a property value increases in value (for example, due to improvements made or change in land class), or new residents become assessable. Importantly, supplementary rates recognises that new residents require services on the day they move into a municipality and Council is committed to providing these.

Supplementary rates income is based on historical and forecast data and is set at anticipated levels.

3. Operating Result

The expected operating result for the 2023/24 year is a surplus of \$9.453 million, which is an increase of \$5.678 million from 2022/23. This is mainly due to operating grant funds increasing by \$1.962 million and capital grant funds increasing by \$3.231 million.

4. Financial Sustainability

The budget has been prepared for the four-year period ending 30 June 2027. In turn, the budget is set within the Financial Plan to assist Council to adopt a budget within a longer-term financial framework.

The key objective of the Financial Plan is financial sustainability in the medium to long term, while still achieving the Council's strategic objectives.

The adjusted underlying result, which is a measure of financial sustainability, shows significant decline over the term of the Budget, even with rate increases capped at 3.5 per cent.

Council needs to continue to work with the community to:

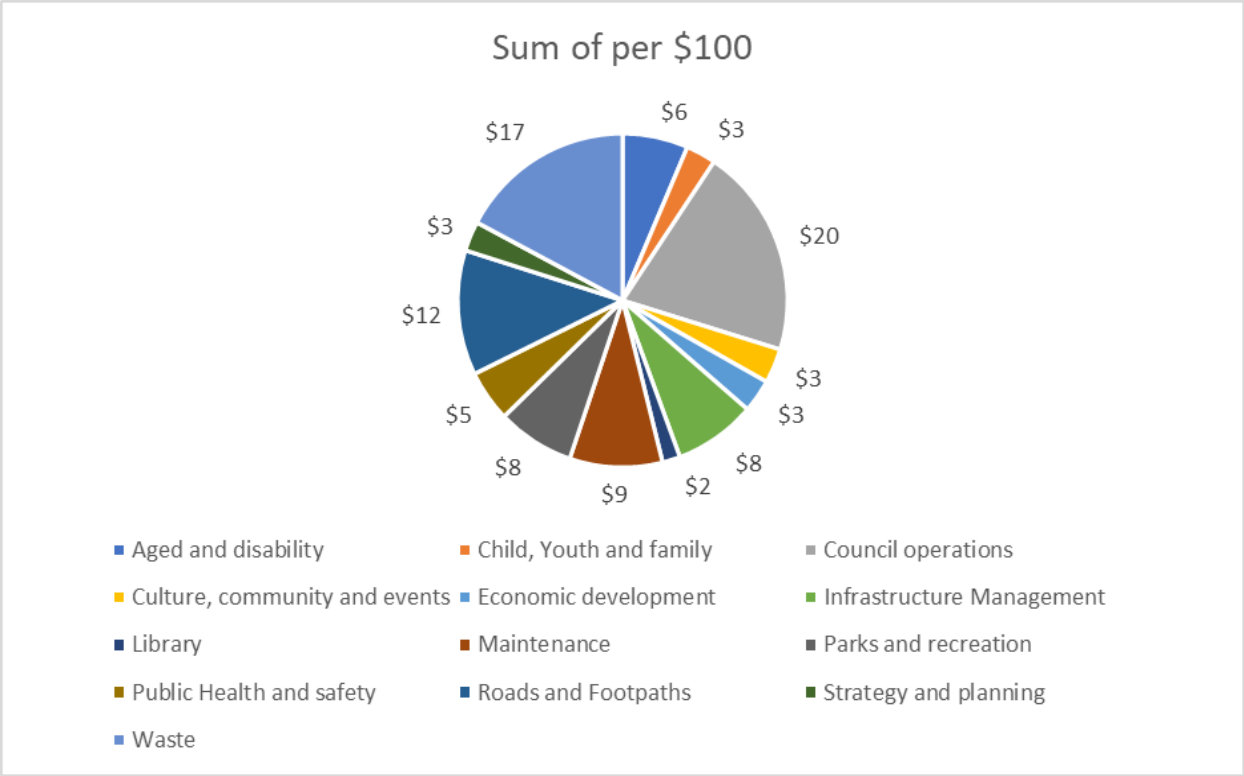
- review and prioritise the services that we provide
- determine the level of service that can be afforded
- determine which assets are required to undertake the prioritised services
- determine any surplus assets that can be decommissioned or rationalised
- determine where staffing resources may need to be realigned to deliver the shift in prioritised services.

This budget has been developed through a rigorous process. More detailed budget information is available throughout this document.

5. Services

The net cost of services delivered to the community in the 2023/24 year is expected to be \$9.453 million, an increase of \$5.678 million over the 2022/23 forecast cost.

The chart below shows how much is allocated to each broad service area for every \$100 dollars that Council spends.



Council will continue to work with the community over the coming years to align community priorities and expectations with Council’s service delivery model. This needs to be set within a financially sustainable framework.

6. Cash and Investments

Cash and investments are expected to decrease by \$2.155 million during the year to \$17.345 million as at 30 June 2024. It is important to note the forecast cash balance at 30 June 2023 includes \$3.337 million held for completion of capital works carried forward into 2023/24.

Council must maintain a minimum of approximately \$13.01 million in cash and investments to meet the day-to-day requirements of Council business. This ensures all accounts can be paid during times of low income. This target needs to be in addition to funds held for reserves, i.e., developer contributions, trusts funds and the like. This ensures all reserves can be accessed at any time to fund the purpose of the reserve.

No new loans are proposed for 2023/24.

7. Capital Works

The \$21.206 million capital works program is funded by:

- \$14.012 million in grants and contributions
- no borrowings
- \$0.025 million in proceeds from sale of assets
- \$7.194 million Council cash.

Key capital projects include:

road works	\$12.046m (\$10,000,000 of flood remediation works)
waste management	\$2.633m
Benalla Art Gallery Redevelopment project	\$2.8m
drainage works	\$1.182m

8. Budget Influences

This section sets out the key budget influences arising from the internal and external environments within which Council operates.

Internal and External Influences

The four years represented within the Budget are 2023/24 through to 2026/27. In preparing the *2023/24 Budget*, a number of external influences have been taken into consideration.

These are outlined below:

- Population Growth: Includes current population, expected population increase 1 per cent per annum years.
- Superannuation: Council has an ongoing obligation to fund any investment shortfalls in the Defined Benefits Scheme. The last call on Local Government was in the 2012/2013 financial year where Council was required to pay \$1.801m to top up its share of the Defined Benefits Scheme. The amount and timing of any liability is dependent on the global investment market. At present the actuarial ratios are at a level that additional calls from Local Government are not expected in the next 12 months.
- Financial Assistance Grants: The largest source of government funding to Council is through the annual Victorian Local Government Grants Commission allocation. The overall state allocation is determined by the Australian Government's Financial Assistance Grants program.
- Capital Grant Funding: Capital grant opportunities arise continually.
- Cost shifting: This occurs where Local Government provides a service to the community on behalf of the State and/or Australian Government. Over time, the funds received by Local Governments' do not increase in line with real cost increases, such as school crossing or library services, resulting in a further reliance on rate revenue to meet service delivery expectations.

- Enterprise Agreement (EA): Council's current EA expires in November 2024. From October 1 2023, salaries and wages will increase by 2 per cent or \$28.
- Rate Capping: The Victorian State Government continues with a cap on rate increases. The cap for 2023/24 has been set at 3.5 per cent.
- Supplementary Rates: Supplementary rates are additional rates received after the budget is adopted each year, for the part of the year when a property value increases in value (for example, due to improvements made or change in land class), or new residents become assessable. Importantly, supplementary rates recognises that new residents require services on the day they move into the Rural City and Council is committed to providing these. Supplementary rates income is based on historical and forecast data and is set at anticipated levels.
- Waste Disposal Costs: Environment Protection Authority Victoria (EPA) regulation has a sustained impact on Council with regards to compliance with existing and past landfills sites. Waste disposal costs are also impacted by industry changes such as increasing EPA landfill levies and negotiation of contracts, for example, recycling, sorting, and acceptance.
- Coronavirus (COVID-19): Has presented a fast-evolving significant challenge to businesses, households, and the economy worldwide. Council has acted in the interest of keeping our community, residents and workforce safe.
- Natural disasters had a major impact on the Council's finances in 2022/23 with a flood event in October 2022 and storm event January 2023. The 2023/24 Capital Works Program includes \$10m of flood remediation works, the majority of which will be funded by the Natural Disaster Financial Assistance scheme.