



# **Budget** 2011-12





# Mayor's Budget Speech 2011 - 12

My fellow councillors, council staff and ladies and gentlemen,

Today brings a sense of achievement - twelve months ago, we set on a journey of reviewing our operations, the way we do business, how we deliver services and to re-assess every programs budget with the fundamental goal of delivering an affordable budget that provides for our rapidly growing community.

The 2011-2012 budget is a significant step in the right direction. The financial plan of this council is to set a platform which will ensure the long term sustainability of our region whilst keeping rates and charges as low as possible.

External factors, such as a rapidly growing resources sector and particularly the Queensland Government make this increasingly difficult, but I feel we have taken a giant leap towards a more sustainable way of managing the cost of living. The State

Government continues to provide very few favours for this buoyant, viable and economically sound region. The ongoing loss of subsidies, a cap on developer contributions and a lack of funding for critical infrastructure continue to impose a massive financial burden on ratepayers.

*“The financial plan of this council is to set a platform which will ensure the long term sustainability of our region while keeping rates and charges as low as possible.”*

We are the second fastest growing region in Queensland – our region's economy is worth some \$18 BILLION, significantly higher than our neighbours Townsville and Rockhampton. Mackay Region currently has \$43 Billion in projects under study. It makes good

business sense to invest in our region as the financial rewards are significant, yet we constantly face the battle of persuading the Queensland Government to inject substantial funds into such a high growth area.

This \$417 million budget has been framed against the understanding of the strain on family budgets and the current impact on local business. We have been devastated by a series of natural disasters and a prolonged wet season that has clearly caused further considerable damage to our road network and delayed works from previous events. It is our challenge to restore infrastructure and services – this will take time and significant funding.

In 2011-12, we expect to spend about \$118 million on flood recovery work. A further \$34 million has been allocated to additional roads and drainage capital work across the region.

As promised, we have done a tremendous amount of work minimising council's operating costs to minimise rate increases and ensure we deliver cost-effective, efficient services. This will continue through a number of council's Business Improvement Teams. We must always review our systems and look at ways to do things better. That has been a commitment of this council since it was elected.

*"Today's budget lays the foundations for our region to progress and face the future with confidence."*

Cutting our cloth and being smarter in the way we operate are tangible ways of delivering on our commitment to find internal savings and limit the average general residential rate rise to just 66 cents a week or \$34.20 for the full year. We have already announced plans to change operating hours at Artspace on Sundays and close the Memorial Swim Centre on weekends. These changes are part of the Service Level Review and save considerable funds, which can be directed to areas of need.

We have also kept water and sewerage charges at a 5 per cent increase as we recognise that many households are feeling the strain of rising government charges and utility cost increases but this has been difficult due to the external factors and the cuts to State Government subsidies.

Without the financial support from the State Government for essential infrastructure, council is forced to borrow more funds in the future to meet the needs of our community. We have anticipated to borrow \$38.7 million this financial year to build much needed infrastructure - projects such as wastewater plants and water treatment plants.

Today's budget lays the foundations for our region to progress and face the future with confidence.

On behalf of the councillors, I sincerely thank the CEO, the Directors, Managers and particularly staff in Financial Services for their cooperation and hard work in preparing this budget.

Their professionalism and long hours is very much appreciated.

I trust the ratepayers will appreciate the difficulties we are faced with and understand that this council is committed to providing value for money and doing what's best for the long term growth of this region.



**Cr Col Meng**  
Mayor of Mackay Region  
- June 2011

# Where does the money come from?

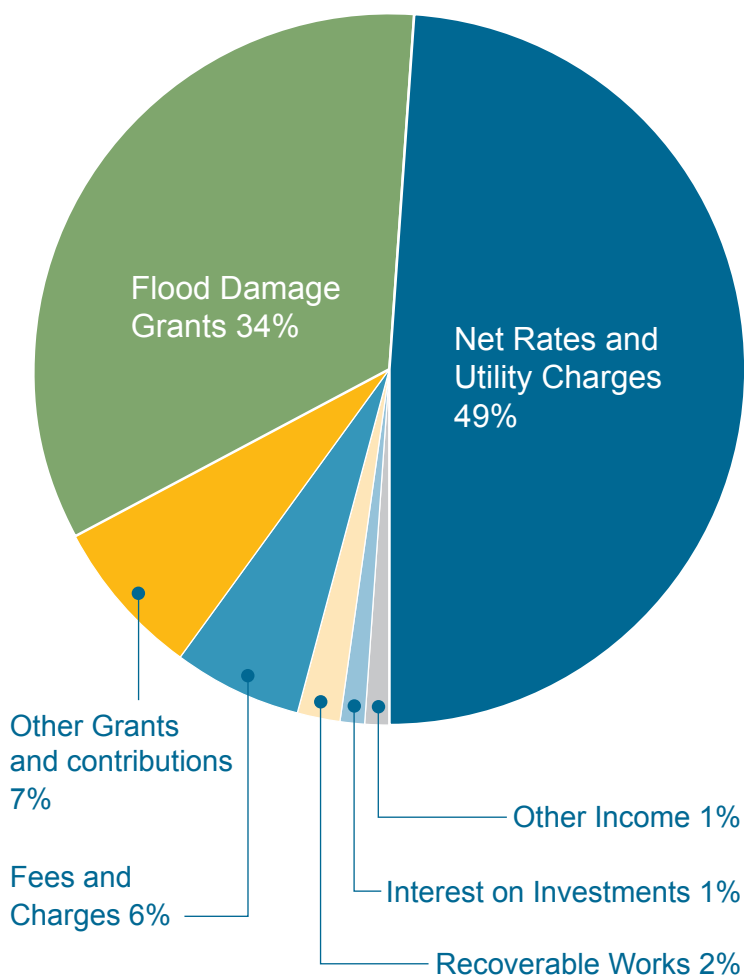


Council budgets are funded through a number of different sources. Rates form a large portion of the budget, however council raises money through other means to help fund our community infrastructure and services.

The ongoing loss of State Government subsidies, capped development contributions and the expectation of the community to fund future infrastructure projects continue to create further pressure on generating income from the general rate fund.

In 2011-12, rates and utility charges (water, sewerage etc) contribute to just under half the total budget.

This year, due to the significant wet weather work, grants and subsidies account for a third of the total budget.





## A challenging budget

This has been one of the most challenging budgets since amalgamation and has been based around affordability and providing a framework for the long term financial viability of the organisation.

Given the rates and charges our community pays is levied by council, we as an organisation must provide efficient, cost effective services.

Council is conducting an extensive review of existing services to look at efficiencies and determine future levels of service. These reviews will continue over the next 12 months.

Cutting back on costs is necessary so we can remain sustainable into the future and minimise rate increases. It is equally important to continue to invest in much needed infrastructure such as roads, water mains and sewerage to cater for the predicted growth.

The significant reduction and availability of State subsidies, which equates to about \$8 million a year coupled with a

cap on developer contributions severely hinders council's ability to provide essential infrastructure.

Providing infrastructure adds significant interest and depreciation costs to council's bottom line, which are apportioned over the life of the facility or piece of infrastructure.

## Long Term Financial Forecast

Council has adopted a Long Term Financial Forecast, which provides a blueprint for the future and sets out anticipated annual rate rises at a more affordable level.

The 10-year strategy meets the expectations of the community and through prudent financial management will ensure we continue to ease the cost of living pressures but also deliver key infrastructure to cater for future growth.

Council will continue to investigate ways to work smarter and more efficiently and maintain future loans at an appropriate level.



## What are my costs this year?

Just as Federal and State Governments collect taxes to pay for services, programs and initiatives, council collects rates to fund the extensive services it provides to the community.

The general rates are the largest source of revenue for council. This year the average general rate will increase by 3 per cent. Water and Sewerage charges will rise by about 5 per cent.

When you include the general rate and other services and levies, council has kept the increase to an average 3.8 per cent. This is one of the lowest percentage increases delivered by a council in regional Queensland.

**The rate increase is well below the Local Government Association of Queensland's expected increase of 7 per cent for Queensland councils.**

It has been achieved by council making tough decisions on how services are provided and finding other operational efficiencies.

The 2011-12 average residential ratepayer's annual bill will increase by \$92.76, which equates to \$1.78 per week. This includes all levies, water, sewerage and cleansing charges.

### Average General Rate

↑ 3%

average \$0.66/week

### General Rates + all other services/levies

↑ 3.8%

average \$1.78/week

**Note:** Figures do not include the metered water consumption rate.



	<b>Annual Rate \$ Increase</b>	<b>Average Rate 2011-12</b> (includes discounts where applicable)
<b>General</b>	<b>\$34.20</b>	<b>\$1,164.60</b>
<b>Sewerage</b>	<b>\$32.76</b>	<b>\$681.12</b>
<b>Water</b>	<b>\$12.60</b>	<b>\$263.34</b>
<b>Cleansing</b>	<b>\$6.30</b>	<b>\$213.66</b>
<b>Environmental Levy</b>	<b>\$0.90</b>	<b>\$28.40</b>
<b>Roads Separate Levy</b>	<b>\$1.70</b>	<b>\$56.70</b>
<b>Emergency Services Levy</b>	<b>\$0.40</b>	<b>\$11.40</b>
<b>Refuse Management</b>	<b>\$3.90</b>	<b>\$130.70</b>
<b>TOTAL:</b>	<b>\$92.76</b>	<b>\$2,549.92</b>

To the left, is what an average ratepayer is likely to pay, based on the unimproved capital value of land at \$176,662.

This represents about 60 per cent of Mackay Regional Council urban residential ratepayers.

# New land valuations - how do they impact on rates?

New valuations conducted by the Department of Environment and Resource Management (DERM) showed about a two per cent increase since the last valuation in 2008.

The 2011 valuation saw the Queensland Government move to a 'site valuation' methodology for non-rural land, because site value was a closer reflection of the land's current value.

Most residential land, except land with extensive site works, is unlikely to be significantly affected, other than through normal market movement.

In some cases valuations have dropped and residents could notice a slight drop in their rates.

While council uses land valuations as a base to calculate rates, changes to land valuation don't automatically coincide with changes to council rates. Many other factors are considered.

In the latest valuations, there has been a slight drop in some areas, while some rural townships have recorded increases. DERM says generally the market remained static with only marginal to moderate increases in all land types.



## 2011-12 Operating and Capital Budget: \$417.3 million

The Operating Budget relates to the day-to-day running of all services, facilities and requirements.

Council's Capital Budget is the total investment needed for capital projects such as roads, new buildings, bridges and other assets.

## 2011-12 Total Capital Budget: \$119.8 million

## 2011-12 Operating Budget (excl. depreciation): \$297.5 million



# Why does council borrow for Capital Projects?

Mackay Regional Council will borrow \$38.8 million in 2011-12 to invest in many Capital Projects.

The main reason council borrows money for investment in Capital Projects is to ensure an equitable distribution of costs among users.

## Example:

If council builds a sewerage treatment plant with a lifespan of 50 years, the cost to build the plant should be shared across its usable life. It would not be equitable to ask current ratepayers to completely fund a facility that the next generation of users will also utilise.

By borrowing to fund the capital investment the cost to build the plant is more equitably shared amongst its users as it is split up over a number of years.

Council will have an overall debt of about \$221 million at the end of the 2011-12 financial year – this is in line with Queensland Treasury sustainability parameters.



## Rebates for Pensioners

Pensioners have received generous concessions during this term of council, boosting rebates by 42 per cent or \$76 since the 2008 election.

Further relief will be delivered in 2011-12 budget with a 3 per cent jump to \$256. This will be complemented by the Queensland Government's pensioner rebate of \$200 – the first time the government has increased its rebate in five years.

Council provides a number of other discounts for pensioners, including reduced charges for registering a pet and a 20 per cent rebate on the fire levy (where applicable).

	<b>Council Rebate</b>	<b>State Rebate</b>
	<b>Maximum</b>	<b>Maximum</b>
<b>2011 - 2012 (Proposed)</b>	<b>\$ 256.00</b>	<b>\$ 200.00</b>
<b>2010 - 2011</b>	<b>\$ 248.00</b>	<b>\$ 180.00</b>
<b>2009 - 2010</b>	<b>\$ 226.00</b>	<b>\$ 180.00</b>
<b>2008 - 2009</b>	<b>\$ 210.00</b>	<b>\$ 180.00</b>
<b>2007 - 2008</b>	<b>\$ 180.00</b>	<b>\$ 180.00</b>



## Budget at a glance

How money is spent (includes Capital Works)

**\$185.8**  
MILLION

Roads, Maintenance,  
Bikeways, Bridges

**\$99**  
MILLION

Water and Wastewater

**\$43.3**  
MILLION

Corporate Services  
(Machinery, IT, Customer  
Service, Finance etc)

**\$31.4**  
MILLION

Waste

**\$27.3**  
MILLION

Community Services  
(Libraries, Aquatic  
Facilities, MECC, Economic  
Development etc)

**\$18.8**  
MILLION

Parks & Environment  
(Mowing, playgrounds,  
upgrades, beach  
protection etc)

**\$11.7**  
MILLION

Development Services  
(Planning, Engineering,  
Regulatory Services)

For the budget papers visit:

[www.mackay.qld.gov.au](http://www.mackay.qld.gov.au)



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