

Mansfield Shire Proposed 2021-22 Budget

MDBA discussion paper

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In releasing the Mansfield Shire Council proposed 2021-22 Budget to the community Cr Holcombe said.

“As recently advised a 0% rate rise means that Council will not earn any additional income from rates in 2021-22, except in relation to new properties such as from new subdivisions or new buildings on previously vacant land.”

The Mansfield Shire Council proposed 0% rate increase combined with prior periods, means Mansfield Shire ratepayers have the lowest rates across the North East of Victoria and the proposed 0% rate increase cements this position further.

The Mansfield Shire Council proposed 2021-22 Budget provides a 0% general rate rise with an overall rate revenue increase delivered by the 178 additional rateable properties coming online over the 2021-22 year. The Shires total revenue declines for the budgeted year by approximately \$0.8m predominantly due to a decline in grant receipts for the proposed year.

The total expenses budgeted reduce by \$2.2m with \$1.6m coming from reduced expenditure in the Material and services for the community. Resulting in a budgeted surplus of \$3.8m.

The key deliverables proposed in the budget include total infrastructure investment of \$11.5m, including \$4.7m in Council renewal works, \$4.1m in the Heavy Vehicle Alternative Route (which does not complete the entire Heavy Vehicle Alternative Route, with approx. 400 metre section on Withers Lane still requiring completion and not yet budgeted for), \$0.7m for drainage works and a further \$0.2m for strategic planning. These investments are funded via external grants and increased borrowings of \$2.6m.

The proposed budget indicates a commitment to infrastructure projects, strategic planning initiatives to deliver a responsible bottom line for 2021-22.

Cr Holcombe said, “Council has been listening to the community and spent considerable time sifting through the previous budget, understanding Council’s services and cost structures and seeking to eliminate unnecessary spending wherever possible”.

“Through Council’s strategic planning, we acknowledge the responsibility to consider the future, as well as protect the land and lifestyle our community, businesses and industries enjoy. We have allocated \$200,000 for strategic planning capability to progress planning scheme amendments and protect the amenity and land use within the Shire to support population growth,” Cr Holcombe said.

The ratepayers and community members need the Mansfield Shire Council to maintain and improve the level of Lifestyle the community enjoys through adopting strategies that are balanced and financially responsible. It is fair to assume expectations are for Mansfield Shire to keep pace with the standards of our counterparts in other local Shires and even aspire to exceed their lifestyle standards. Our present lifestyle levels are a key reason why we choose to live here and a significant reason why Mansfield Shire continues to have population growth, land value appreciation and business investment confidence.

The Shire contributes to the community’s lifestyle level via the delivery of Roads, Parks & garden facilities, Sporting facilities for many of our Club’s, Land planning services, Council events, Aged care services, Youth services, Library and Pool services together with the amenities like public toilets and the parking we use, which is principally funded through the annual rates revenue collected.

To continue to deliver the level of lifestyle for the community, the Mansfield Shire Council needs an appropriate level of resource combined with good management to meet community expectations. Based on these assumptions, we compare Mansfield Shire Council with other local Shire ratepayer resource level contribution.

A comparison to local Shires

The table below provides a comparison of the base average ratepayer contribution across the neighbouring local Shires as proposed in the published Shire budget documents for the 2021-22 year. The table indicates Mansfield Shire rates are the lowest across the North East of Victoria and the proposed 0% rate increase fortifies this position further. Mansfield Shire Councils 0% rate increase is in contrast with our neighbouring Councils of Alpine, Murrindindi, Strathbogie, and Benalla, who have all proposed a 1.5% general rate increase for the year.

Shire Base Avg Rates Comparison

Shire	Mansfield	Alpine	Murrindindi	Strathbogie	Benalla
Base Avg Rates per property	\$1,567	\$1,763	\$1,787	\$2,288	\$1,899
Avg property discount received		\$196	\$221	\$721	\$332

The revenue impact of a 0% rate increase and opportunity cost for the Mansfield Shire, based on the Fair Go Rating System (FGRS), results in an average of approximately \$24 per property discount for the year. When multiplied by the 8,033 rateable properties, this amounts to approximately \$193,000 in lost revenue for the Mansfield Shire. The cashflow reduction over a 10-year forecasted is estimated at \$2.2m+, which will continue to increase in future years.

The table below provides a comparison between Shires based on the cents in the dollar paid on capital improved value (\$/CIV) by each ratepayer land type as proposed in the respective Shires budget documents for the 2021-22 year. The \$/CIV contribution by land type forms part of the differential rating system.

Capital Improved Value (CIV) cents in the dollar paid by ratepayer's based on type of rateable land.

Type Class of Land	Mansfield	Alpine	Murrindindi	Strathbogie	Benalla
	Cents/\$CIV	Cents/\$CIV	Cents/\$CIV	Cents/\$CIV	Cents/\$CIV
Residential	\$ 0.2558	\$ 0.4099	\$ 0.2659	\$ 0.4605	\$ 0.4611
Rural Residential	\$ 0.2200	NA	\$ 0.2632	NA	\$ 0.3513
Farm	\$ 0.1484	\$ 0.2991	\$ 0.2632	\$ 0.3684	\$ 0.3513
Commercial	\$ 0.3658	\$ 0.5861	\$ 0.3324	\$ 0.5526	\$ 0.2831
Vacant	\$ 0.3325	NA	\$ 0.3988	\$ 0.9671	\$ 0.2831

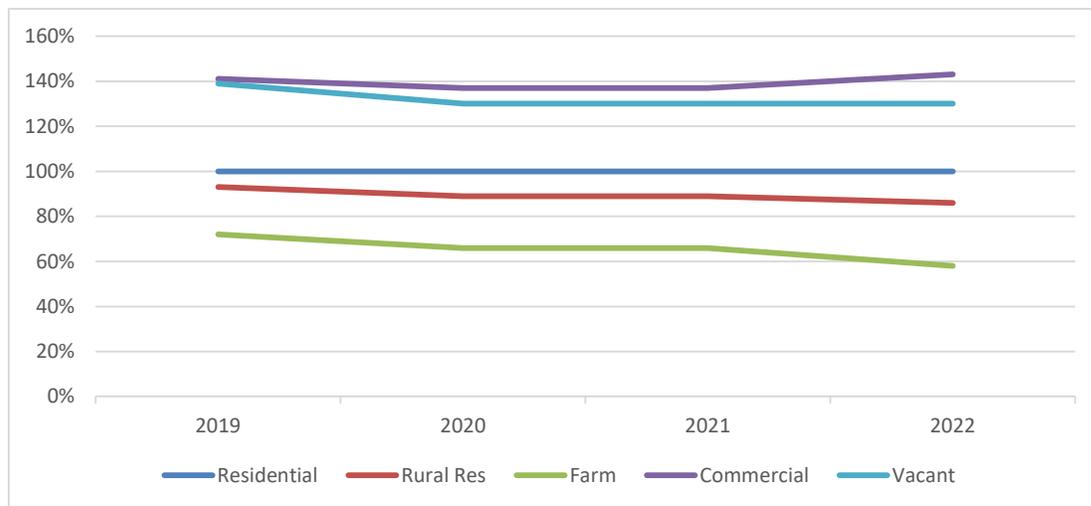
The above table assists to identify the comparative advantage Mansfield Shire ratepayers receive to their neighbouring Shires and the ratepayer \$/CIV contribution by land class type.

Mansfield Shire 2018-19 to 2021-22 differential rating % movement.

The differential rating % is often referred to as the burden paid by the different assessed land classes within a shire.

Differential percentages (Revenue & Rating Plan / Rating Strategies)				
	2021-22	2020-21	2019-20	2018-19
Vacant	130%	130%	130%	139%
Commercial	143%	137%	137%	141%
Residential	100%	100%	100%	100%
Rural Residential	86%	89%	89%	93%
Farmland	58%	66%	66%	72%

Mansfield Shire 2018-19 to 2021-22 differential rating % graphed.



“Rates notices are based on the property valuation and there have been significant shifts in property values. Across the categories, we have seen increases ranging from 3% to 23% on the previous year’s valuation. Once this is applied, it will affect individual rates notice,” Cr Holcombe said.

The above graph shows the rate burden in the proposed 2021-22 year moving from the Farming and Rural Residential properties to the Commercial, Residential and Vacant land properties, with Commercial land taking up the major increase and the balance leveraged against the Residential and Vacant land properties.

The rate revenue % collected in the Mansfield Shire is derived by 38% Residential, 33% Rural Residential, 16% Farm, 9% Commercial and 4% Vacant.

The land value ownership in Mansfield Shire is held 33% Residential, 34% Rural Residential, 25% Farm, 5% Commercial and 3% Vacant.

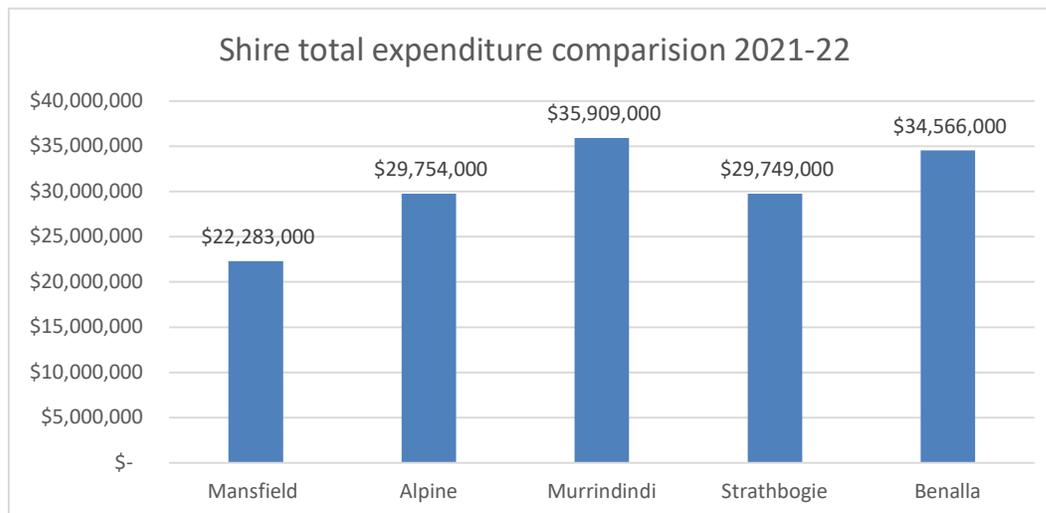
The concept of rate revenue for council is to receive revenue from the local landowner, based on their land value as a contribution to provide the local services, facilities, and infrastructure investment.

Budgeted 2021-22 Shire comparison information.

The below table presents a summary of key financial data from the individual Shire budgeted 2021-22.

Shire comparison	Mansfield	Alpine	Murrindindi	Strathbogie	Benalla
Total Revenue	\$ 26,163,000	\$ 36,999,000	\$ 37,053,000	\$ 31,793,000	\$ 37,301,000
Total Expenditure	\$ 22,282,000	\$ 29,754,000	\$ 35,909,000	\$ 29,749,000	\$ 34,566,000
Surplus	\$ 3,881,000	\$ 7,245,000	\$ 1,144,000	\$ 2,044,000	\$ 2,735,000
Rateable Properties	8,033	8,864	10,073	8,162	7,681
Average Rates	\$ 1,567	\$ 1,763	\$ 1,787	\$ 1,899	\$ 2,301
Staff (FTE)	107	122	152	120	150

The below graph assists to depict Mansfield Shires expenditure level in comparison to the other local Shires for the budgeted 2021-22 year.



Mansfield Shire Statement of Cashflow with 0% rate increase.

3.4 Statement of Cash Flows

	Forecast / Actual										
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows (Outflows)										
Cash flows from operating activities											
Rates and charges	15,218	15,082	15,581	16,141	16,714	17,299	17,895	18,502	19,122	19,755	20,400
Statutory fees and fines	359	355	361	369	376	383	391	399	407	415	423
User fees	995	1,114	1,133	1,156	1,179	1,202	1,226	1,251	1,276	1,302	1,328
Grants - operating	8,052	4,747	4,793	4,840	4,887	4,934	4,982	5,031	5,080	5,129	5,179
Grants - capital	2,468	4,528	1,092	955	511	984	1,551	1,033	820	457	457
Contributions - monetary	-	50	40	40	40	40	40	40	40	40	40
Other receipts	299	279	296	290	286	274	261	226	229	243	273
Net GST refund / payment	-	-	-	-	-	-	-	-	-	-	-
Employee costs	(11,365)	(10,159)	(10,260)	(10,363)	(10,466)	(10,570)	(10,675)	(10,782)	(10,889)	(10,997)	(11,107)
Materials and services	(9,123)	(7,494)	(7,652)	(7,931)	(8,260)	(8,097)	(8,266)	(8,610)	(8,597)	(8,804)	(9,151)
Other payments	(259)	(262)	(266)	(271)	(277)	(282)	(288)	(294)	(300)	(306)	(312)
Net cash provided by/(used in) operating activities	6,643	8,240	5,118	5,226	4,971	6,168	7,097	6,798	7,189	7,234	7,530
Cash flows from investing activities											
Payments for property, infrastructure, plant and	(11,088)	(11,907)	(7,282)	(6,167)	(5,985)	(6,525)	(8,895)	(6,107)	(5,725)	(4,986)	(5,076)
Proceeds from sale of property, infrastructure, plant and	80	84	60	60	66	84	60	60	66	84	-
Payments for investments	2,866	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of investments	-	1,011	2,884	1,462	1,276	-	-	-	-	-	-
Net cash provided by/(used in) investing activities	(8,142)	(10,812)	(4,538)	(4,646)	(4,643)	(6,441)	(8,835)	(6,047)	(5,659)	(4,902)	(5,076)
Cash flows from financing activities											
Finance costs	(152)	(144)	(143)	(127)	(110)	(92)	(74)	(55)	(35)	(19)	(12)
Proceeds from borrowings	-	2,600	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(183)	(193)	(438)	(454)	(471)	(488)	(506)	(526)	(546)	(323)	(276)
Net cash provided by/(used in) financing activities	(335)	2,262	(581)	(342)	(288)						
Net increase/(decrease) in cash & cash equivalents	(1,834)	(310)	(0)	(0)	(253)	(854)	(2,318)	170	950	1,990	2,166
Cash and cash equivalents at the beginning of the	5,100	3,266	2,956	2,956	2,956	2,703	1,849	(469)	(299)	651	2,641
Cash and cash equivalents at the end of the	3,266	2,956	2,956	2,956	2,703	1,849	(469)	(299)	651	2,641	4,807

Over the forecasted 10-year Statement of Cashflow, rate revenue is set to increase by roughly 25% and grant funding levels to remain similar. This increase is partly driven by the strategy of increasing the revenue base by increasing the volume of rateable properties coming online. With a proposed 2021-22 growth of 178 properties contributing an additional \$226k in (FGRS) average rates.

The Mansfield Shire expenditure and cost base remains relatively stable at nominal increases, which will require skilful management to ensure the present levels of service and facilities are maintained with the likely increased user demand placed on them from the growth in increased population. The below graph shows the annual expenditure of local shires for the 2021-22 budgeted year.

Will the property volume growth trigger the need for existing infrastructure of items like drainage to be upgraded to service the increase demand further along the pipeline away from the pending development? At present the balance sheet provisions of \$1.8m are unlikely to be sufficient to provide for infrastructure investment, with these current provisions more likely to mainly service staffing entitlements.

The underlying cash position increases by \$1.6m, plus new investments of \$2.6m funded by the sale of existing investments of \$6.2m resulting in a net decline of \$2m in investments held by the Mansfield Shire Council.

The proposed Cashflow forecast indicates the Shire strategy is to sell assets to maintain the bank balance, with the impact being a loss in future investment returns and assets growth, that could help sustain the future services, facilities and infrastructure investment provided to the community.

Impacts of 0% rate increase & historically lower average rate base.

The Mansfield Shire Fair Go Rating System (FGRS) average of \$1,567 per property is \$196 less than our closest comparable local Council in the Alpine Shire Council and with their 8,864 properties, the Alpine Shire Council has nearly \$1.6m further to invest annually for their community. A similar comparison with the Strathbogie Shire Council, indicates they generate an additional \$5.9m more in ratepayer revenue annually than the Mansfield Shire to invest for the community, off a base of 7,681 rateable properties.

The impact for Mansfield in the coming year, could be said these rate discounts come at the cost of having the ability to deliver additional community projects. The Strathbogie Shire model potentially has the ability, to deliver a project like the Mansfield's Lords Oval redevelopment in the coming year or alternatively the Station Precinct, without reliance for external sources of government funding grants or increased Shire debt.

A comparative annual level of ratepayer contribution to that of the Alpine Shire may have already addressed historical issues of adequate footpaths and removed safety hazards whereby community members are forced to use roads to travel along on residential streets, which we currently see daily shared between vehicles, pedestrians with prams or using their mobility scooters.

If a simple project like footpath in residential streets cannot be addressed, as being indicated to date, then how probable is the communities growing list of projects likely to be delivered. A series of these projects is listed below. These community projects are the amenity and infrastructure we aspire to have in our Shire to increase the lifestyle standard together with driving stronger economic benefits and a stronger community.

- Station Precinct project.
- Better sporting/community facilities at Lords, Bonnie Doon, Mansfield Rec Reserve, Show Grounds etc,
- Heavy Vehicle Alternative Route completion – Withers Lane section
- Improved footpaths, guttering & drainage.
- Expansion of the sewer and water capacity servicing Goughs Bay
- Better car parking in CBD
- Further School facility investments
- Improve telecommunications and digital infrastructure.
- Improved transport linkages within Mansfield Shire and to towns to increase access to higher education, health care and jobs.
- Sealed road network between Bonnie Doon to Alexander.

As with any business, setting the price of product or services, plays a critical role in covering operating costs and producing a surplus, so the surplus reserves from current and prior years can be invested into the business for future continued business improvements and growth.

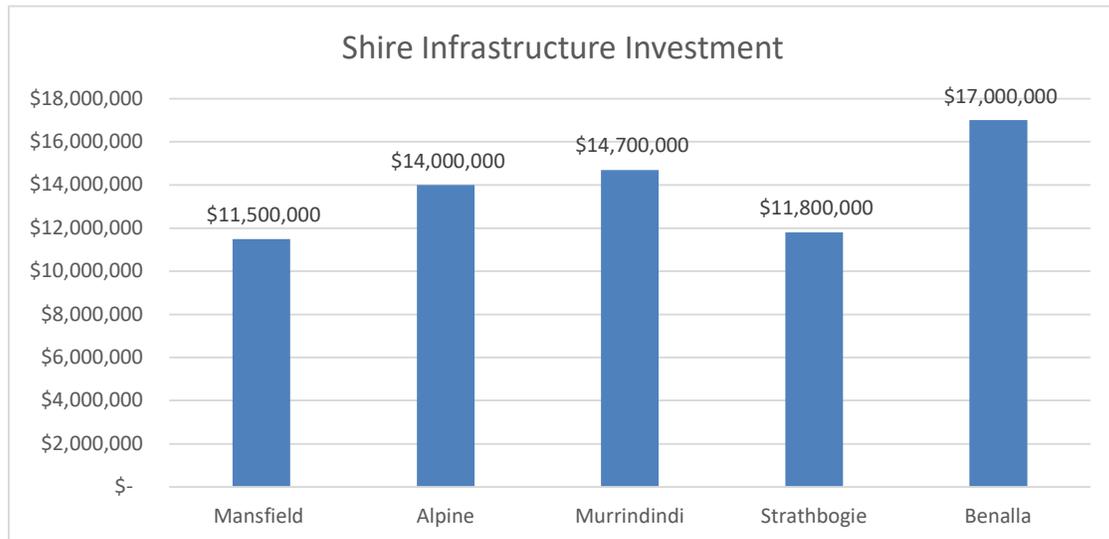
Mansfield Shire Council is no different to other businesses, the level of continued surpluses will help fund the level at which the Shire can invest in services, facilities, and infrastructure for the community to benefit from and this comes from good management and leadership to deliver an effective council.

Infrastructure Investment & Funding

Mansfield Shire Council proposed infrastructure investment in 2021-22 for the community is \$11.5m and this compares to our respective local shires, who are making the following proposed investments for their communities. Alpine \$14m, Murrindindi \$14.7m, Benalla \$11.8m & Strathbogie \$17m. These other local Shires have a comparative advantage through their substantially higher annual rate revenue collections, giving them capability to provide higher levels of investments from their cash operating reserves.

Mansfield Shire Council external government capital grant funding in 2021-22 is budgeted at \$4.5m, which compares to our comparative local shires in the Alpine \$8.0m, Murrindindi \$4.8m, Benalla \$6.1m & Strathbogie \$3m.

Often funding from Federal and State governments requires a percentage level of local funding contribution to assist with gaining commitment towards a project. With a lower level of resource provided to the Mansfield Shire due to the discounted rating position, their capacity to deliver or fund new projects is reduced, which can also reduce the levels of external government funding Mansfield Shire receives. With this reduced level of infrastructure expenditure annually, it is feasible this could lead to a growing gap between Mansfield Shires infrastructure supplied to the other local Shires.



The Mansfield District Business Association has presented this discussion paper and corresponding information to assist the community members to develop their own informed opinion regarding the Mansfield Shires rating system employed by council to support the community.