

ITEM NO	: 4.1
SUBJECT	: ADOPTION OF 2021/22 BUDGET, FEES & CHARGES, LONG-TERM FINANCIAL PLAN AND RATES & CHARGES
STRATEGIC OUTCOME	: COUNCIL IS FINANCIALLY SUSTAINABLE
ACTION	: PROVIDE TIMELY FINANCIAL INFORMATION, ADVICE AND REPORTS TO COUNCIL, THE COMMUNITY AND STAFF INCLUDING THE LONG TERM FINANCIAL PLAN
REPORTING OFFICER	: MARIA KENNY

Ref:518856

PURPOSE

The purpose of this report is to adopt the draft 2021/22 Operational Plan, which includes the budget, longer-term financial projections, fees, rates and charges.

RECOMMENDATION

1. That the report be received and noted.
2. That that the 2021/22 Operational Plan and Budget, attached to this report, including the Long-term Financial Plan be adopted.
3. That the 2021/22 fees and charges attached to this report be adopted.
4. That the following ordinary rates, special rates and waste charges be made for 2021/22:

Rate Description	Rate in \$		
<i>Ordinary Rates</i>	<i>2021/22</i>		
Residential	0.00098154	\$585.54	Min
Business	0.00087152	\$73.11	Base
Strata Unit Residential	0.00098154	\$585.54	Min
Strata Unit Business	0.00087152	\$73.11	Base
Business Maritime Lease	0.00087152	\$73.11	Base
Mixed Business	0.00087152	\$73.11	Base
Mixed Business Strata Unit	0.00087152	\$73.11	Base
Mixed Residential	0.00098154	\$585.54	Min
Mixed Residential Strata Unit	0.00098154	\$585.54	Min

Rate Description	Rate in \$		
<i>Rates</i>	<i>2021/22</i>		

Special Rates			
Roads Infrastructure Residential	0.00002738	\$35.38	Base
Roads Infrastructure Business	0.00002738	\$35.38	Base
Environmental-Residential	0.00001320	\$16.22	Base
Environmental-Business	0.00001320	\$16.22	Base
Infrastructure Other-Residential	0.00001855	\$23.18	Base
Infrastructure Other-Business	0.00001855	\$23.18	Base
Community Facilities - Residential	0.00003137	\$20.93	Base
Community Facilities - Business	0.00003137	\$20.93	Base
Operational- Residential	0.00003277	\$0.00	No Base
Operational- Business	0.00003277	\$0.00	No Base

5. That it be noted no submissions were received for the updated Resourcing Strategies for Hunter's Hill Council – Asset Management Plan, Digital and Customer Information Plan and Workforce Management Plan - and that no further changes are made to these documents.

REPORT

Public exhibition and submissions

NSW councils must adopt an Operational Plan every year that includes a budget and fees and charges for the ensuing 12 months. Public comments received during a 28-day exhibition period must be considered before adopting the Plan.

Council reviewed the draft FY2021/22 Operational Plan on 17 May 2021. It was placed on public exhibition via Council's website, and notification was included in the Council's newsletter, e-news calling for submissions by 16 June 2021.

Proposed changes to FY2021/22 Budget and Operational Plan

At **Attachment 1 & 2** is the Operational Plan actions, Budget & Fees and Charges for FY2021/22.

One submission was received not supporting the increase of fees and charges during the pandemic period. The recommended increases have been modest, with fees benchmarked with neighbouring Councils. Most fees have only been increased by CPI.

A further submission was received questioning structure and content of the operational plan document, which will be addressed directly with the correspondent. In addition, the submitter also questioned whether Council could afford providing annual community grants program when monies could be directed to asset renewals. The business grants program in FY2020/21 was an initiative of COVID Hardship program. This will not be extended in future years. The remaining community services grants align with Council's strategic objective of Building Social Networks and Cohesion.

Since the draft budget and operational plan were reported on 17 May, 2021 Council has secured a further \$3,336,305 of state and federal grant funding. As a result, the amended budgeted Income & Expense Statement for FY2021/22 is now:

Income from Continuing Operations	Budget FY2021/22
	\$
Rates and Annual Charges	13,129,141
User Charges and Fees	1,321,759
Interest and Investment Revenue	316,580
Other Revenues	1,189,755
Grants and Contributions provided for Operating Purposes	931,269
Grants and Contributions provided for Capital Purposes	3,736,305
Net Gains from the Disposal of Assets	328,900
Net Share of interests in Joint Ventures	0
TOTAL	20,953,709
Expenses from Continuing Operations	
Employee Benefits & On-costs	6,114,643
Borrowing Costs	0
Materials and Contracts	6,139,615
Depreciation & Amortisation	3,537,517
Other Expenses	2,725,808
Net Losses from the Disposal of Assets	145,000
TOTAL	18,662,583
Net Operating Result	2,291,127
Net Operating Result for the year before Grants & Contributions provided for capital purposes	(1,145,178)

Amendments to FY2021/22 Capital Program

As a result of this additional grant funding for capital purposes, the following changes are recommended to the draft 2021/22 capital program:

- It has been confirmed that Council will receive \$92,935 capital funding from the Roads to Recovery Federal Grant program. This will be allocated to the reconstruction Collingwood Street. This project is an unforeseen failed embankment following a weather event. Council has also submitted a funding application with NSW Resilience for the balance of the project. A further report will be bought to Council once the funding application process has been determined.
- Council previously applied and were successful in receiving grant funding for Phases 1 and 2 of the Local Roads and Community Infrastructure Program, which has been expended in FY2020/21. Council has further been notified that it has been successful in securing phase 3 funding of \$185,870. It is proposed this funding be allocated to the Kerb and Gutter program.

In addition, Council was successful in securing \$4.75 million in a funding application from the NSW Public Spaces Legacy Program for embellishment of Figtree Park which will include upgrades to the play equipment and seating areas, a new public restroom and the installation of public art.

As a result of the increased grant funding, the capital program has increased from \$2.7m to \$6m.

Cash Flow Statement and Long-term Financial Plan

At Hunter's Hill Council, the capital program is funded through the following mechanisms:

Capital Program (\$)		Funding source (\$)			
		Special Variation	Grants	s.7.12 / Other. Cont	General Funds
	\$	\$	\$	\$	\$
Buildings	412,945	214,890			198,055
Kerb	288,237	72,370	185,870	30,000	
Marine Structures	24,439	24,439			
Open Space	3,322,114	171,610	3,087,500	63,000	
Paths	536,111	185,190		300,920	50,000
Roads	803,188	474,220	107,935	30,000	191,030
Other Road Assets	78,552	30,550		48,000	
Stormwater	111,500	111,500			
Plant and Motor Vehicles	352,995				352,995
Information System	120,000				120,000
TOTAL	6,050,082	1,284,770	3,381,305	471,920	912,080

The forecasted Net Operating Result for the year before Grants & Contributions provided for capital purposes is a deficit of \$1,145,178. This figure is inclusive of depreciation expense for the 'wear and tear' of Council's assets. The ability to fund depreciation expense (a non-cash expense item) enables Councils to forward fund future asset renewal. The Long-term Financial Plan includes scenarios for funding Council's current asset backlog (refer to **Attachment 3**).

The overall cash balance at 30 June 2022 is expected to be \$16.3 million, down from a projected cash opening balance of \$16.5m as at 30 June 2021. As at 30 May 2021, Council's total cash balance was \$21.1m, of which \$10m is unrestricted cash and \$11.1m is allocated to external and internal restrictions.

The Unrestricted Current Ratio, an important liquidity measure which is a ratio specific to local government which measures Council's ability to meet its short-term obligations i.e. those which aren't obligated to external obligations such as Developer Contributions and special levies (restricted funds). The unrestricted current ratio is expected to be 2.91% as at 30 June 2022, exceeding the 1.5% industry benchmark.

Update of Resourcing Strategies

The following resourcing strategies were also updated and placed on public exhibition with the FY2021/22 Budget, Long-term and Operational Plan:

- Hunter's Hill Council Asset Management Plan;
- Hunter's Hill Council Digital and Customer Information Plan; and
- Hunter's Hill Council Workforce Management Plan.

There were no submissions received regarding these updated resourcing strategies. No further changes are being recommended to these documents.

CONCLUSION

Council's draft 2021/22 budget, long-term budget and fees and charges have been publicly exhibited in accordance with legislative requirements.

FINANCIAL IMPACT ASSESSMENT

As outlined in the budget documentation which is the subject of this report.

ATTACHMENTS

1. FY2021-22 Delivery Program and Operational Plan
2. FY2021-22 Fees and Charges Schedule
3. Long Term Financial Plan June 2021