

FACEBOOK LIVE

FINANCE & 2021/22 REVENUE POLICY



Local Government Context

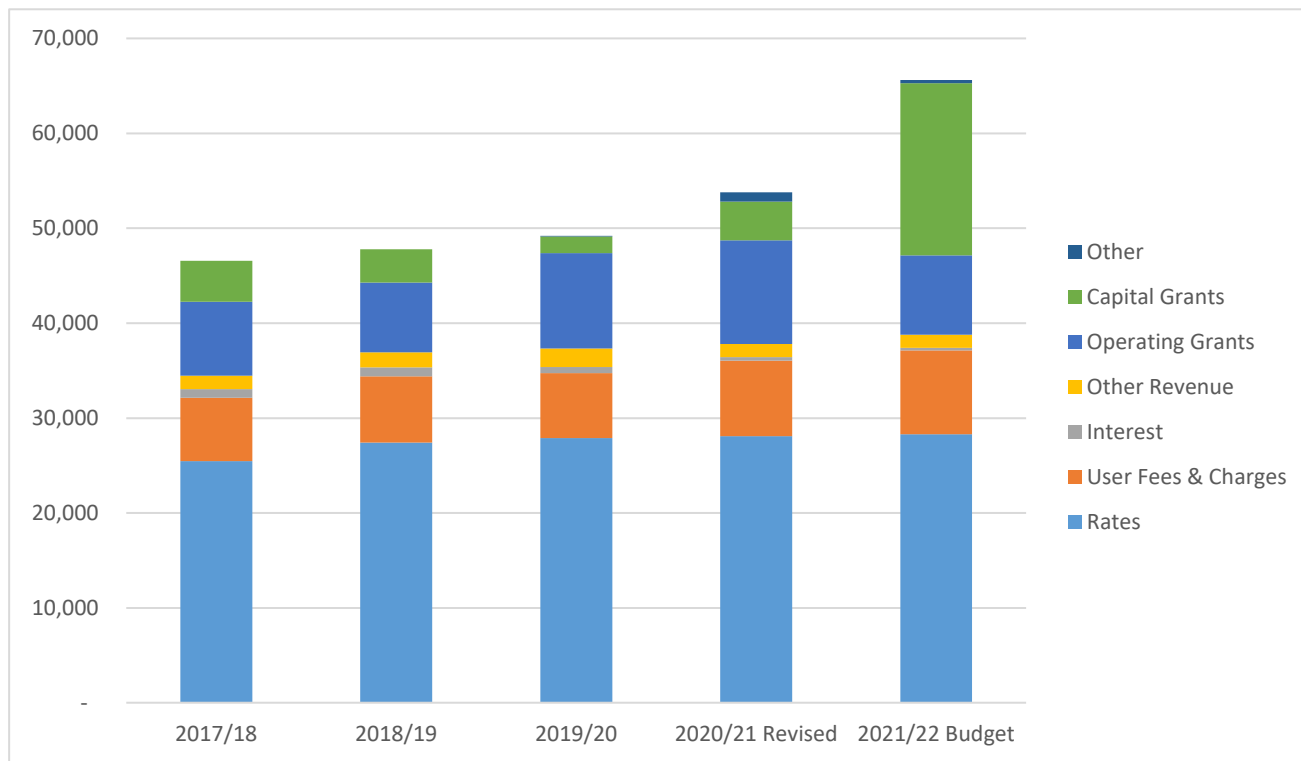
Councils have finite resources to deliver services and maintain / renew assets:

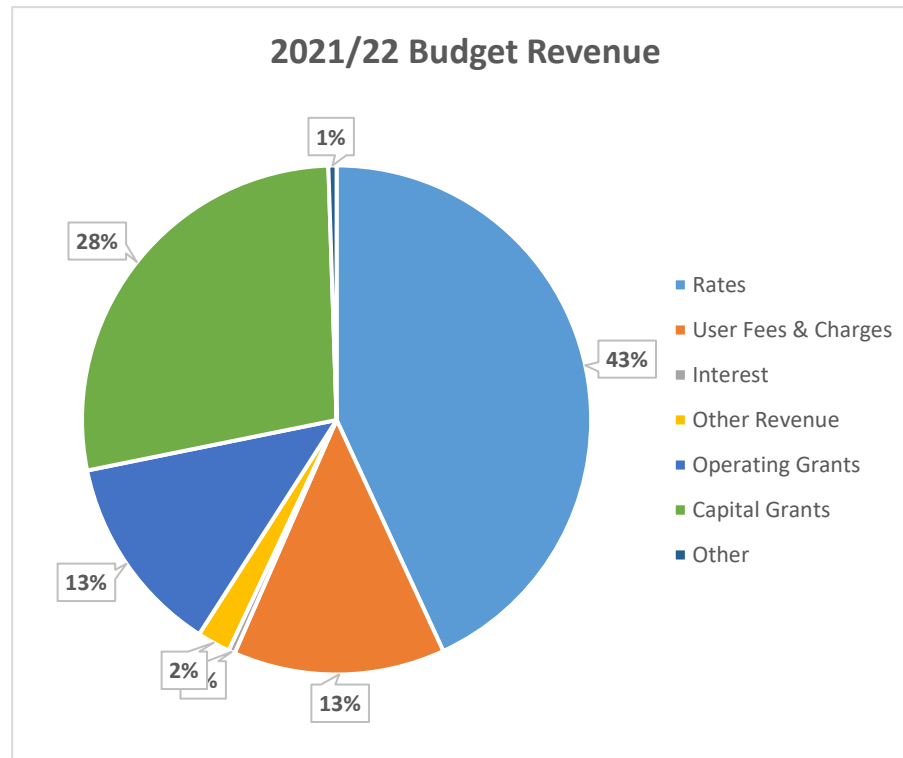
- Councils must “live within their means”
- Ability to raise revenue is constrained by the inflation linked rate peg set by IPART
- Reliance on grant funding, including the Financial Assistance Grant of approx. \$5M from the Federal Government
- Impacts of lower interest rates on Council’s investments
- Impacts of costs shifting

Council's Revenue

Budget 2021/22

2021/22 Revenue Budget \$65.6M

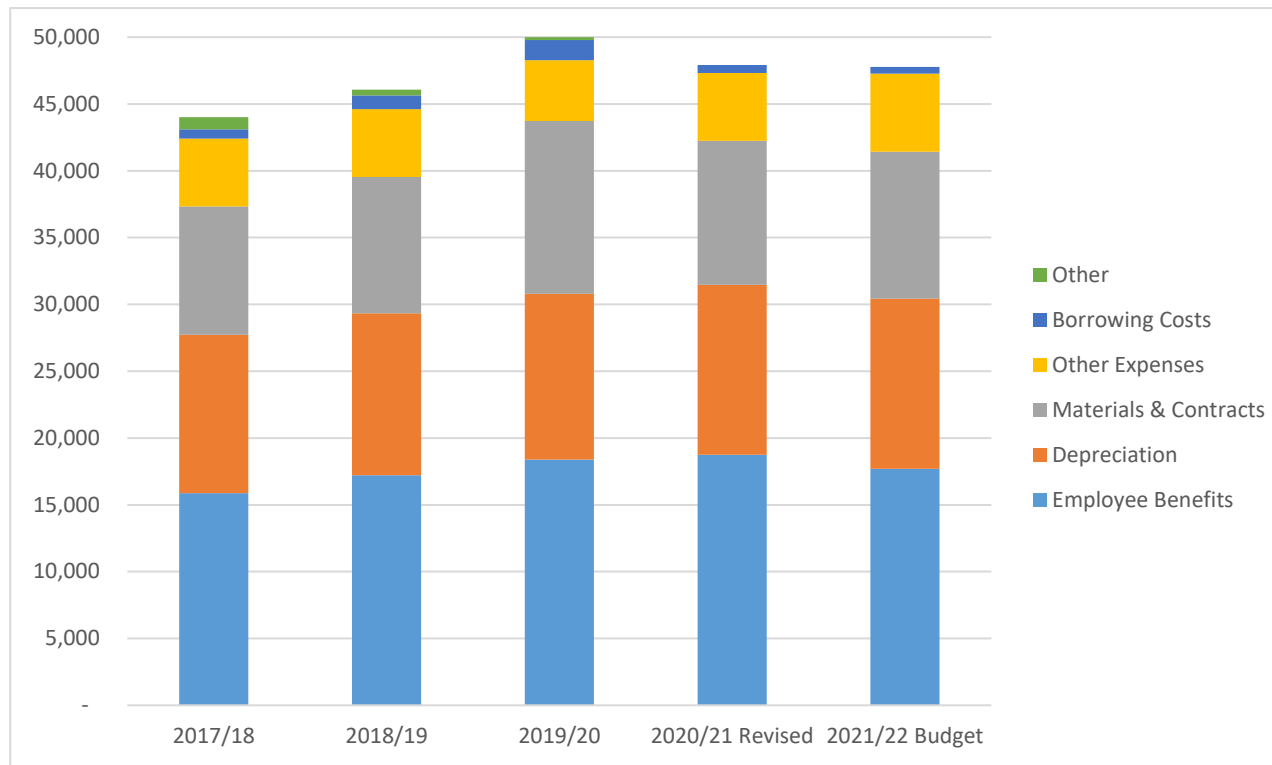


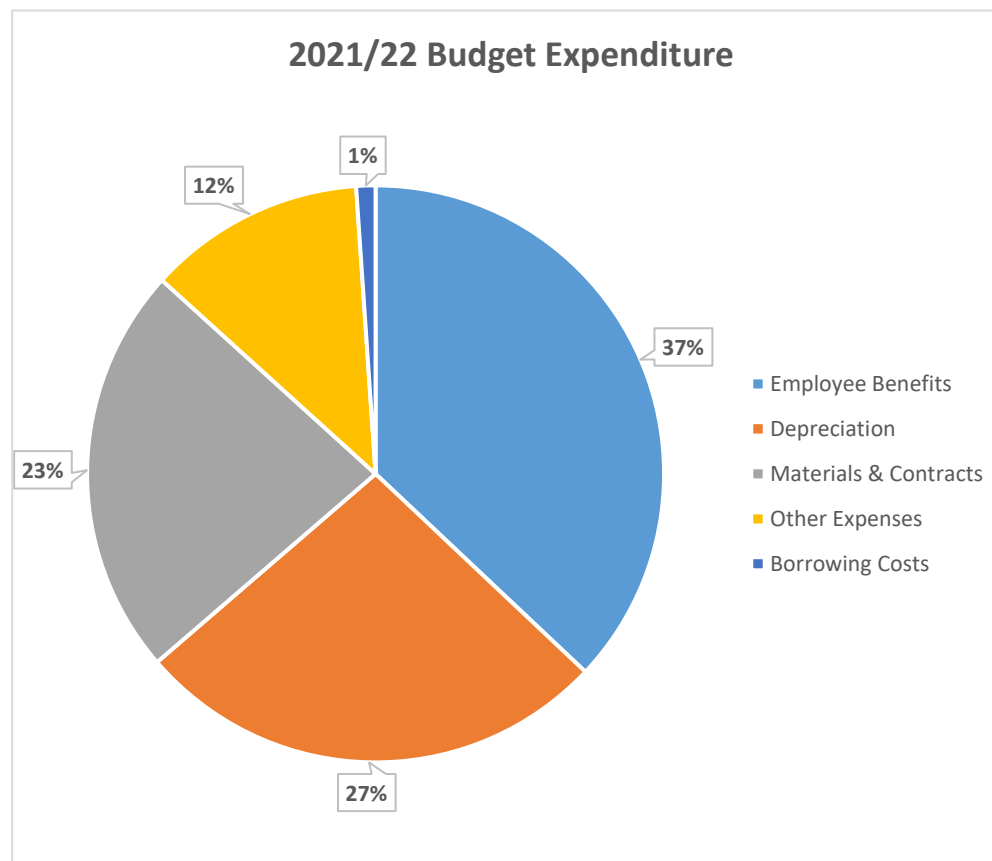


Council's Expenditure

Budget 2021/22

2021/22 Expenditure Budget \$47.8M





Operating Result Before Capital

Draft Operating Result by Fund vs LTFP

Fund	Draft 2021/22 Budget Operating Result Before Capital	LTFP Scenario 3 Operating Result Before Capital
General Fund	(1,023)	(1,645)
Water Fund	585	68
Sewer Fund	136	533
Consolidated Result	(301)	(1,044)

Budgeting Requirements

Council's budget aims to achieve the following requirements:

- Meet the OLG's performance benchmarks (e.g. Fit for the Future) over 10 years of the Long Term Financial Plan
- Cashflow positive – no use of internal restrictions to fund operational activities
- Meet audit requirements - compliance with all accounting standards
- Transparent to the community – financial restraint whilst maintaining good service levels

Impacts of Budget Management Strategies:

Budget strategies implemented to ensure that Council "lives within its means" will have impacts on service delivery standards for the 2021/22 year, for example:

- Strategy to maximise staff allocation to capital roads projects and a limited maintenance contract budget –
 - there will be fewer staff available to respond to immediate maintenance requests and works not allocated to external contractors, and
 - maintenance requests will need to be prioritised and scheduling / impacts communicated to Council & the community, e.g. temp reduction of speed limits.

Impacts of Budget Management Strategies:

- Strategy to limit Capital Works Program -
 - only high priority recreation and building projects are included in the draft Capital Works Program, and
 - impact on Council achieving the Asset Backlog Ratio benchmark in 2021/22.
- Strategy to limit Water & Wastewater capital works and operational projects to reduce cash outflows and to improve Council's consolidated operating position -
 - impacts on programs including valve condition testing, sewer manhole inspections, water main condition assessments, and
 - programs can be deferred for a year but will need to be funded for the following year's budget.

Financial Challenges

Key Financial Challenges:

- Revenue has not kept pace with rising costs over the past 5 years
- Legacy financial challenges have been created as a result of Covid related economic impacts
- New, major programs such as the diversification and strengthening of the local economy require funds and resources
- Addressing the growth trend in employment costs

Financial Challenges

Key Financial Challenges:

- Ceasing the use of internally restricted reserves to cover shortfalls in funding for operations and the capital works program
- Ensuring that Council's operations and capital program can be funded from available cash whilst rebuilding reserves
- Interest & Investment income budget reduced to \$270K (\$953K received in 2018/19)

Actively Seeking Grants:

- Council actively seeks grant funding opportunities.
- Grant funding applications have generally been focussed on asset renewal projects, rather than adding to new assets (which require ongoing maintenance and future renewal).
- In the 2021/22 year, Council anticipates that operating grants will provide \$8.4M (13% of revenue) and capital grants around \$19M (28% of revenue).
- Grant funding reduces the burden on ratepayers to fund the breadth of Council's activities.

Grant Funded Projects:

- In 2021/22, key projects to be funded by capital grants and contributions include:
 - Fixing Country Bridges Program - \$5.043M grant
 - Tablelands Way Project (Mutton Falls Road) - \$603K grant
 - Farmers Creek Upgrade Works - \$1M grant
 - Roads to Recovery - \$1.4M grant
 - Cullen Bullen Sewer Scheme - \$4M grant

What is cost shifting?

- Cost shifting describes a situation where the responsibility for, or the costs of, providing a service, asset or regulatory function are 'shifted' from a higher level of government to local government without providing corresponding funding or adequate revenue-raising capacity.
- In many cases, Councils have no alternative except to reduce service standards to cover additional costs.

Examples of cost shifting:

- Contributions to the Fire and Rescue NSW, NSW Rural Fire Services and NSW State Emergency Service, lack of adequate funding for public libraries and the failure to reimburse councils for mandatory pensioner rebates are major examples.
- Councils are not given sufficient financial resources for their responsibilities to assess development applications, regulate companion animals, manage contaminated land, control noxious weed, manage flood controls, or administer environmental regulation.

Emergency Service Levy

Example of cost shifting – Emergency Services Levy:

- The NSW Government has made changes to workers' compensation to provide better protection for volunteer and career firefighters affected by work-related cancers.
- This has resulted in a significant increase in the cost of providing emergency services across the State, which will be passed on to local Councils without providing any immediate capacity to raise revenue to fund the cost.

Year	ESL Amount	\$ Increase	% Increase
2018/19	517,040		
2019/20	625,636	108,596	21%
2020/21	841,438	215,802	34%

2 Year Increase	324,398	63%
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Capital Works Program

Draft Capital Works Program:

- Council proposes to complete works to the value of **\$25.925M** in 2021/22.
- The draft Capital Works Program includes \$696K of SRV funded projects.
- 2020/21 projects which have either not been commenced or have not been completed may be added to the final Capital Works Program

Capital Program Summary

Capital Works Program 2021/22	
Bridges	5,118,774
Buildings	1,303,553
Cemeteries	46,000
Footpaths	75,000
Information Technology	259,800
Plant Replacement	510,000
Recreation	1,165,000
Roads	3,774,576
Other Transport	142,812
Village Improvements	30,000
Waste	208,000
Wastewater	5,210,000
Water	8,081,460
Total Capital Program	25,924,975

2021/22 Revenue Policy:

The Revenue Policy also sets out Council's key charges for the 2021 year -

- Ordinary rates;
- Parking special rate (Lithgow CBD businesses);
- Sewerage charges;
- Stormwater charges;
- Waste charges;
- Water charges; and
- Septic tank charges.

2021/22 Fees and Charges

Review of fees and charges:

- 2% rate peg was applied to all non-regulatory/non legislated fees.
- Fees and Charges were reviewed to identify:
 1. Conscious Pricing Principles
 2. New market opportunities and marketing of facilities
 3. Cost to provide the service vs income generated
- Regulatory / legislated fees and charges are applied on advice from relevant authorities.



Thank you

How to make a

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submission

Email: ipr@Lithgow.nsw.gov.au

