



Our financial challenges

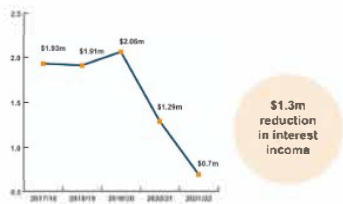
The 2021/22 forecast Operating Deficit of \$4.1 million is a result of the challenges faced by Council over the last five years or so including rising expenditure, reduced income and interest rates and as a local government we have a limited capacity to increase rates income or fees and charges. Put simply, the operating deficit is a result of our expenditure being greater than our income.

The reality is our expenditure is greater than our income – which is something we need to address. We have been fortunate to have cash reserves to draw on, but this is no long term solution. We must address our current deficit and regain our surplus and to achieve that we need to acquire a minimum of \$4.1 million through a combination of reduced expenditure or increased income and other saving measures, based on the draft 2021/22 budget.

To meet the challenge of COVID-19 we responded quickly and were one of the first Sydney councils with financial relief for its commercial tenants and small businesses. We provided over \$7.9million in financial measures including assistance for residents and local businesses in easing the economic pressure from the pandemic and promoting recovery. More information on our response to COVID-19 is available [here](#).

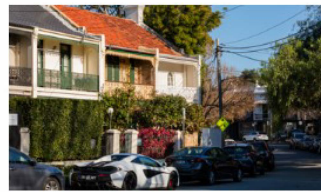
Our other challenges have included:

Interest rates



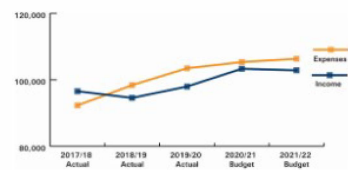
Over recent years significantly lower interest rates have resulted in a reduction in interest earnings of \$1.3 million per annum.

Constraints on rates



\$42 million (41%) of our income comes from rates, excluding capital grants and contributions. The increase in rates income is set annually by the Independent Pricing and Regulatory Tribunal (IPART). This constrains on our ability to increase our revenue to adequately cover increases in our costs.

Expenditure increases



Increases in our expenditure, some of which relates to improving our services to our community within our heritage area.

We have taken a proactive approach to improving our financial position through the following actions:

Refinancing



We refinanced our Loan for Kiaora Place, the Council-owned Double Bay commercial centre, resulting in:

- decreases annual interest expense by \$700,000
- total savings of \$7.97 million over the life of the loan (net of the one-off break costs of \$6.45m)

Extending fleet turnover



The replacement of passenger fleet vehicles has been extended from a 2.5 year replacement cycle to a 4 year replacement cycle.

This is expected to save \$3.5 million over 10 years.

Internal efficiencies



We limited our increases in discretionary expenditure and identified efficiencies of \$526,000 in 2021/22.

Actions we are considering

We are also considering a number of other measures, subject to further decisions by Council:

- We are looking at opportunities to increase income including the potential of Bus Shelter Advertising for non heritage bus shelters and bus shelters in non heritage areas. This is subject to changes in the Local Environment Plan
- Productivity Improvements/Service Review commenced in May 2021 to identify areas of the business where cost savings or income generation could be achieved without reducing our commitment to service
- Special Rate Variation – with the specific aim of generating funding for a pre-determined and agreed outcome i.e. financial sustainability and / or things like Streetscape improvements, environmental initiatives, infrastructure upgrades etc.

