



CUMBERLAND
CITY COUNCIL

28 April 2022

Our Reference 8573323
Contact Tony Chahine
Telephone 02 8757 9701

Independent Pricing and Regulatory Tribunal
Level 16, 2-24 Rawson Place
Sydney NSW 2000

Dear Sir/Madam,

RE: Cumberland City Council – Permanent Additional Special Variation application

Please find Cumberland City Council's 2022-23 Additional Special Variation (ASV) application for a permanent special variation of 1.3% to be included in the rates base under section 508(2) of the Local Government Act 1993. This takes the rate peg to the allowable cap under the ASV to 2.5%, which had been incorporated in Council's LTFP.

The following documentation has been attached for your consideration as required by the Office of Local Government Circular 22-03 "Guidelines for Additional Special Variation (ASV) Process for 2022-23":

- The completed IPART excel application form required for the 2022-23 ASV process.
- The required Council resolution as per the ASV guidelines for a permanent ASV to fund ongoing service levels in accordance with Council's adopted Long Term Financial Plan (LTFP).
- Councils Adopted 2017/18 LTFP
- The most recent LTFP as requested in the excel application
- Councils 2021/22 Budget as shown in the Operational Plan

Furthermore, as also required by the Circular guidelines, Council is required to provide additional information demonstrating the financial need to the ASV.

Additional Information - Operating Performance Ratio

When looking at Council's "Financial need" as required by the OLG, there are several factors which need to be considered

Since the adoption of Council's last LTFP, inflation relating to employee costs, fuel costs, construction materials and other costs have outstripped the existing rate peg, placing additional pressure on Council's financial position. These cost pressures have been compounded by the impacts of the Covid-19 pandemic limiting council's ability to raise non-rates income and recent weather events which have adversely impacted Council's infrastructure network and increased maintenance costs and capital investment required to ensure public safety is managed adequately.

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In addition to this, Council's advance payment of the 2022/23 Financial Assistance Grant as well as correspondence from the NSW Government Local Government Grants Commission indicates that Cumberland will be receiving a 4% decrease on the 2021/22 grant received. Cumberland's draft 2022/23 budget assumes a 2% increase on this grant, leading to a \$500k shortfall in 2022/23 income.

Council's Operating Performance Ratio (OPR) dips below the 2% OLG ASV benchmark in the 2022/23 financial year as shown below. In addition to this, it should also be noted the Cumberland is currently going through an exercise to build up its domestic waste reserve, with approx. \$2m of Cumberland's draft 2022/23 \$3.5m operating surplus made up of restricted waste funds. This reduces the OPR even further to 0.65% for 2022/23.

In preparing this application, Cumberland's most recent LTFP has been used to populate the prescribed templates provided by IPART. In populating the templates with information extracted from Council's adopted LTFP, the Unrestricted Current Ratio and Operating Performance ratios are as follows:

Financial Year	Unrestricted Current Ratio	Operating Performance Ratio with additional ASV	Operating Performance Ratio with no ASV
2020-21 (Actual)	2.6	3.8%	3.8%
2021-22 (Forecast)	2.3	2.0%	2.0%
2022-23 (Forecast)	2.3	2.1%	1.5%

Given that Council's OPR diminishes to below 2% if the ASV is not received, it is clear that Council's service levels will be severely impacted.

Cumberland's 10-year capital works program included in the 2022-23 Operational Plan is forecasting a general decline in capital expenditure. Cumberland's infrastructure backlog is anticipated to improve with this ASV, however it still fails the 2% performance benchmark in all projected years.

Financial Year	Capital Expenditure (\$M)
2021-22 (Current Budget)	62.8
2022-23	60.6
2023-24	58.9
2024-25	58.2
2025-26	59.7

The additional income generated from an ASV was already factored into Council's adopted LTFP (which factored a total rate peg increase of 2.5%) and will be used to maintain existing service levels and address Cumberland's infrastructure backlog. With the additional cost pressures currently being experienced, if Council is unsuccessful in receiving the additional 1.3% ASV, service levels to community will be reduced which jeopardises the delivery of essential services. This will ultimately give risk to a Special Rate Variation request

If you require any further information on this application, please don't hesitate to contact me on 02 8757 9701.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Tony Chahine', written in a cursive style.

Tony Chahine

Acting Director Finance & Commercial Services