



CUMBERLAND  
CITY COUNCIL

# Economic Statement Update

from Cumberland City Council

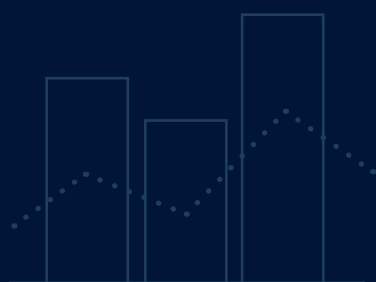
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February 2021



# Financial Summary

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In September 2020, Council released an Economic Statement during the peak of the COVID-19 pandemic. This statement was based on budget estimates as approved by Council on 20 May 2020.

This update is based on Council's financial position as of 31 December 2020 and reflects the progress on the immediate and mid-term saving measures identified in the Economic Statement.

# Current financial situation

	2019-2020 As at 20 May 2020	2019-2020 Actual	2020-2021 Budget Q1 Revised
Forecast Recurrent Budget Surplus / (deficit)	(\$500,000)	(\$433,000)	\$4,000,000
Loss of Income Range \$10m to \$11m	\$11,000,000*	\$5,943,000	\$6,200,000
Forecast available cash	(\$3,000,000)	(\$3,341,000)	+\$3,895,000

\* Federal Grant Assistance estimate of \$4,000,000 was included in loss of income. Council actually received \$3,900,000 as an advance payment. In 20-21 Cumberland will be short the \$3,900,000 due to the advance payment. When you consider the forecast of \$10m to 11m there is a difference of between \$57,000 to \$1,157,000 in the May forecast, which would be considered immaterial for \$200m budget.

# Financial Recovery



## Immediate Action

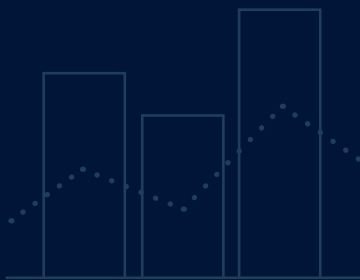
Completed

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Previously, Council stated that a range of immediate actions will allow Council to restore its financial position within 12 months and generate \$75 million in cash over the next ten years. These savings will be reinvested into community infrastructure and used to strengthen Council's financial capacity by creating a buffer for any additional unforeseen circumstances. Council is continuing to assess the needs of the community to ensure long term sustainability.

The budget that has been reported to Council, and financial results from December 2020, confirm that Council is performing well on delivering budget measures outlined in the Economic Statement. The savings achieved totalled \$3.36 million for six months, and on an annual scale Council is saving \$6.72 million. These figures are higher than what was initially reported, as Council is required to identify additional savings to offset further COVID-19 related losses in income of \$2 million expected in 2020/21. The net result of this is therefore a predicted saving of \$4.72 million.

# Financial Recovery

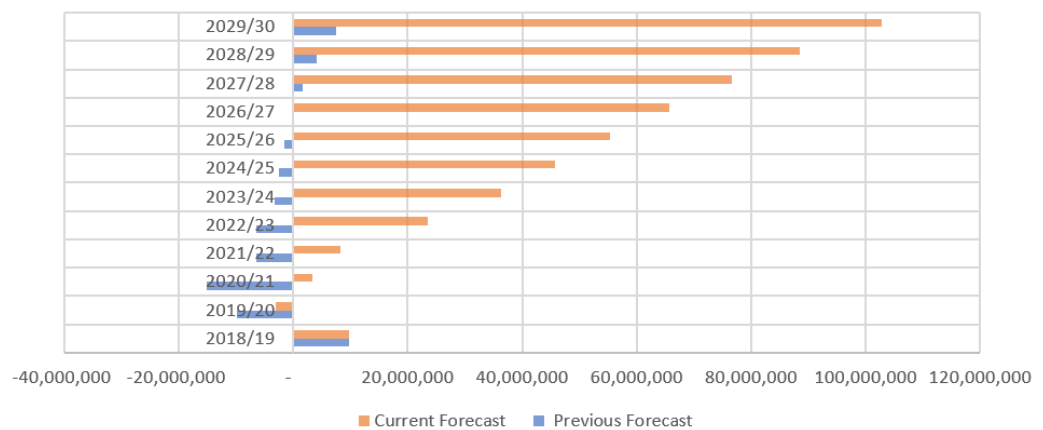


The first six months of savings in 2021 can be categorised as follows:

- \$2.36 million in Employee Costs Savings: Council implemented a cost reduction program that has reduced non-essential services, resulting in permanent changes to our cost structure. The cost saving recorded from the original budget in six months is \$2.36 million, a 5.75% reduction, which is lower than the previous year by \$2.1 million which saw a 5.25% reduction. Considering CPI increases in salary costs of 1.5% were applied, this represents a real reduction of 6.5%.
- Further savings of \$1m in function and events costs and a significant reduction in the community grants program which Council could not afford to fund to its previous level.

The following graph shows the long-term effects of implementing these savings and how Council can now achieve its goal of increasing investment and financial sustainability in the long term. This graph demonstrates that Council is on track to return the available cash to surplus five years earlier than previously predicted.

Available Cash



# Financial Recovery



## Mid-term actions

25% complete

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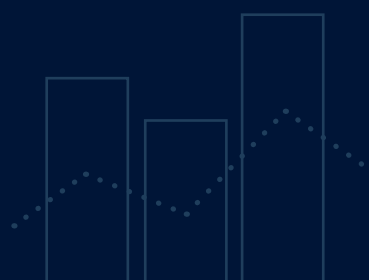
Council previously stated the benefit of running services as a business should be to provide a return to all residents. All the businesses we operate, except for golf courses, currently require a Council subsidy to fund the business. This is reflected in the Special Purpose Financial Statements for 2019-2020. The level of subsidy for these businesses in that year was \$8 million.

Council needs to consider further actions to reduce these subsidies, as they account for 7% of all rates income collected. The funds collected from rates should be prioritised for the delivery of essential services and areas, which are considered important to the community.

Council uses the Community Satisfaction Survey to help determine 'essential services' and relies on the Integrated Planning and Reporting process to allocate funding priorities. In effect, we have found that we are funding Council business areas that are not strong indicators of community satisfaction, relative to other services. These surveys have also indicated that in higher priority service areas, residents would like to see an improvement in the service standards but due to financial constraints, Council cannot implement such improvements without reducing expenditure elsewhere.

Council has concluded that the impact to the budget will require an ongoing, focused approach on essential services, in correspondence with community consultation.

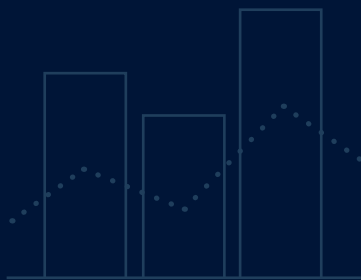
# Financial Recovery



An update of mid-term priorities is outlined below

Program	Actions	Progress
Market testing of the Education and Care service	EOI Long Day Care Tender Long Day Care	Completed In progress
Undertake a market testing of the Senior's Living Units	Sale Lidcombe EOI remainder	Approved by Council
Business review of the Holroyd Centre	Report to Council	Incomplete
Market testing on management of swim centres	Wentworthville management confirmed	Completed
'Keep or drop' analysis on the use of open space at Auburn Golf Course which is adjacent to Woodville Golf Course	Report to Council	Incomplete

# Financial Recovery



## Next Steps

While these initial results are promising, these measures on their own are not enough to ensure Council's long-term financial sustainability.

The preliminary program of 2.5% efficiency savings across the entire organisation is no longer in place because Council budgets have been reconfigured to account for operating costs, which have been reduced by at least this figure in most areas.

This was applied by Council to address the financial concerns in the most effective way. As the organisation progressed, Council has identified the levers at our disposal to continue to drive efficient operations.

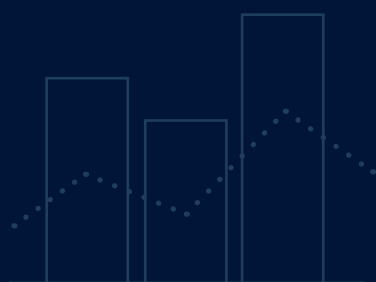
While the pandemic confronted us with some difficult challenges, there were also important opportunities seized to understand from the perspective of our residents which of our services are most important, and to then consider the best value models for the delivery of those services.

Council has come a long way in this process, but much work remains to be done in reviewing the organisation holistically to ensure that all services offered are considered necessary and essential to the community, and if not, to address that.

Once the service model has been finalised, the work will continue to ensure the service offering is delivered in a way that achieves the highest return on investment for our ratepayers.



# Financial Recovery



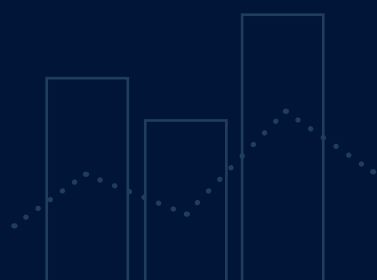
The improvement program we have commenced, which is likely to continue for the foreseeable future, has given Council a high degree of confidence in what is possible. We have focused our priorities on those services which our community has told us are most important and started to work on improvement in those services.

These improvements have been achieved without the need for a Special Rate Variation (in looking after the interests of our ratepayers) and the cost savings have delivered the same return had Council increased rates by 30% over five years.

Council has also made immediate changes to address the financial situation by removing \$6.5 million and \$15 million of expenditure from the capital works program between 2019/20 and 2020/21 years. These measures were necessary at the time, however, based on community feedback, we know that expenditure on the capital works program needs to be reinstated to original budgets moving forward. This will allow the necessary and desired investment in our facilities and infrastructure and ensure we deliver on the expectations of our community in this vital area.

It is anticipated that in order to return to normal levels of spending in the capital works program, we must first reach our goal of having \$10 million in unrestricted cash flow.

# Financial Recovery



To reach this goal of \$10 million in unrestricted cash and a fully funded capital works program in line with community expectations, the budget measures referred to in this document and monitoring and effective management of Council's finances will continue.

Therefore it is important to note that while improvements to date are significant, Council's long-term financial sustainability remains reliant on implementing the identified savings measures. Council is committed to remaining vigilant and managing its finances to ensure we reach a position where we can further invest into areas based on resident feedback, including our local infrastructure, facilities and community pride.