

Item No: MM08/20-38

## **MAYORAL MINUTE - RESPONSE TO JOINT STATEMENT ISSUED ON COUNCIL'S ECONOMIC STATEMENT**

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### **SUMMARY**

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Following the recent release of Cumberland City Council's Economic Statement and the actions Council resolved to take to address the budget situation, the six Cumberland Labor councillors released a joint statement expressing outrage about Council's privatisation proposals.

I found this statement to be inaccurate and premature. At no stage has Council made a definite decision regarding these services or facilities. The only decision made at this stage is to explore alternative options for the delivery of these services and use of these facilities to determine if, under a different operating model, these services and assets can provide a better return for the ratepayers of Cumberland City Council.

I was so concerned about the inaccuracies of this Joint Statement that I felt compelled to provide a response and correct the record about the events which resulted in the need for the Economic Statement to be published.

The Labor Councillors claimed that Council is handing over 'critical services to the private sector'. I would like to remind everyone that these alleged critical services are currently deemed to be a business and are therefore not a core service of Council. The claim that the Education and Care services are critical services is misleading for three reasons;

- 1) Cumberland has 9 Long Day Care centres which represents only 7% of the total centres that operate within our LGA.
- 2) Each childcare place offered to the 600 families using our services costs Council approximately \$13,000 per child per annum which is a cost borne by all 70,000 rate payers. So, in effect every rate payer is paying for a service used by 600 families, some of which do not reside in the Cumberland City Council LGA.
- 3) There is a strong concentration of services in the former Holroyd council area which provides an inequity for those residents who were not part of the former Holroyd Council area.

The claim that this is "short sighted and lacks vision" is a ridiculous statement. Council's Community Strategic Plan (CSP) lists the community's top five priorities as;

- A sense of community and liveability of the area
- Safety
- Equality and access to infrastructure and services
- High quality and a diverse range of green space
- Jobs

My priority as Mayor is to focus on a back to basics approach and under COVID conditions we have learnt that providing essential services is what the community wants. Having strong leadership means we focus on the services that are most important to our community and that we deliver those services to a high standard. We also have to improve those services which the community has told us are important but which currently have lower satisfaction levels. As a Council we must rely on the data from our community surveys to inform where we prioritise our limited resources. In our currently strained financial position, we simply cannot afford to invest in services that our community has said are less important than others.

Our financial vision is to reinvest the money we save from resetting our service model into improved community infrastructure and improved essential services which benefit the majority of our community and which are also of highest order in importance to the majority of our customers.

At Cumberland we do not shy away from the tough decisions we have to make to achieve and maintain financial sustainability. Over the past twelve months all Councillors have reviewed many options to turn around the current financial crisis. The options which have been considered by this chamber include:

- 1) **Borrowing money to restore the negative cash balance:** This was discussed at Council in May 2020 and was rejected due to the negative long term financial impacts. This option would have effectively meant that Council was borrowing money to fund its operating costs. Such a scenario is against Council's Financial Planning and Sustainability Policy and OLG Guidance.
- 2) **Increasing rates:** Council would have been required to increase rates by 5% per annum for the next five years to provide enough income to reverse this current financial crisis. The two main concerns with this approach are as follows:
  - a. Large increases on top of those proposed for some residents by rates harmonisation would see some rate payers bearing increases of 15% per annum for the next five years. Based on our most recent modelling conducted as part of the rates harmonisation exercise, these increases would have impacted the ratepayers with the lowest capacity to pay. This situation is not fair, particularly in the current climate of relatively high and rising unemployment as a result of the pandemic.
  - b. The regulator, IPART, which must approve rate increases above the rate peg, has a new criterion being "a history of well-documented council productivity improvement" which must be met before any further increases beyond CPI will be approved. On this basis I understand from the advice of Council officers that Council may not be successful in obtaining approval for a rates increase until such time as productivity improvements have been implemented and documented.

- 3) **Undertake a review of all the services identified as non-critical** that would not have a negative impact on overall community satisfaction: This review would focus on the services currently meeting the needs of a relatively small number of residents, but which are heavily subsidized by the entire rate base. These are also services which are outside of Council's core service offering.

Council resolved that the third option is clearly the most preferable and Council's Economic Statement presented a bold plan which required some tough decisions to be made, in securing our long term future. This has become necessary due to the financial crisis left behind by the state government appointed Administrator and more recently the impact of the Covid-19 pandemic

I note that Council has not yet made any decisions regarding the future of these services. As a chamber, we must remain collectively focused and support the management team in undertaking the investigative work that this chamber resolved for them to complete on our behalf.

I look forward to receiving the information about the options available to us in making the decisions we need to enact to secure this Council's future, as we have been elected and entrusted to do. I sincerely hope that all the Councillors in this chamber, regardless of ideology or political persuasion will see sense and allow logic to prevail in supporting our staff to do what we have asked of them and let this process be undertaken in a fair and open manner for all concerned.

Therefore Councillors, tonight I am recommending the following:

### **RECOMMENDATION**

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**That Council endorse the Mayoral Minute.**

### **ATTACHMENTS**

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Nil