

29 April 2022

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Attn: Mr Edward Jenkins

Our Ref: 2022/254605

Dear Mr Jenkins

Additional Permanent Special Variation 2022/23 Application

Thank you for the opportunity to make a submission to the IPART for an Additional Special Variation.

In accordance with a resolution of Council made on 26 April 2022, Northern Beaches Council is seeking approval for a permanent single year special variation to general (rates) income of 2.4% (including the rate peg of 0.7%) for the 2022/23 financial year. Council will receive approximately \$3 million in additional income in the 2022/23 financial year if the special variation is approved (on top of the forecast \$1.2 million provided through the IPART rate peg of 0.7%), which maintains rates income at the level required in the 2022/23 financial year and the outer years of Council's Long Term Financial Plan which is essential to maintain a financially sustainable position.

Purpose of the special variation

The funds support maintaining planned infrastructure works and the rebuilding of working capital for the future. A permanent increase is essential to maintain financial sustainability in balance with responsible expenditure on the renewal of infrastructure assets. Projects contingent on this funding are listed in the following table.

Additional special variation program 2022/23

	\$'000
Road Resheeting Program	1,000
Planned Stormwater Renewal Works	435
Library Books - Replacement	200
Rockpool Renewal Program	200
Scotland Island Roads and Drainage Improvements	150
Foreshores Renewal Program	145
Sportsfield Renewal Program	100

	\$'000
Playground Renewal Program	100
Beach Buildings Works Program	100
Sport Buildings Works Program	70
Community Buildings Works Program	57
Public Amenities Works Program	56
Building Code of Australia Compliance Works (BCA)	50
Children's Centres Works Program	15
Community Centres Minor Works Program	15
Manly Aquatic Centre Renewal Works	15
Library Buildings Works Program	10
Warringah Aquatic Centre Renewal Works	10
Total ASV-Dependent Capital Expenditure	2,728

Evidence to support the need for a permanent special variation

Significant events over the past three years have placed pressure on the Council's finances, including natural disasters, bushfire threats and the COVID-19 pandemic. The pandemic alone has cost Council approximately \$46 million. The impact of inflation on costs is likely to further challenge Council throughout the next financial year.

A permanent special variation provides Council with the capacity to rebuild working capital to support the resilience of the organisation to, again, sustain unexpected shocks into the future. This is essential for financial sustainability in balance with continuing to invest in the renewal of aging infrastructure.

Council's application has been prepared in accordance with the guidelines and the prescribed Excel form. In addition to the above factors, our application recommends the IPART consider assessing against an adjusted Operating Performance Ratio based on the adjusted LTFP figures.

We have presented the LTFP adjusted for the following factors:

1. Updated information:

Updates have been made based on the most current information available as presented in Council's Long-Term Financial Plan 2022-2032 (April 2022 draft). Rates remain modelled at 2.4%, consistent with the 2021-2025 Delivery Program. This includes changes required under accounting standards regarding the classification of expenditure and the impact of asset revaluations.

2. Exclusion of income and expenditure associated with Kimbriki Environmental Enterprises:

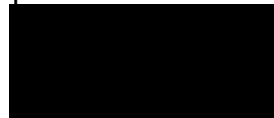
Council is the majority shareholder in Kimbriki Environmental Enterprises Pty Ltd. As the majority shareholder, Kimbriki's financial performance and position

is consolidated with Council's position. The company generates a surplus of around \$3 million each year principally for their capital expenditure requirements and the remediation and management of the landfill site. These funds are governed by an independent Board and are not controlled or available to Council.

Council looks forward to working with the IPART in relation to this application.

Should you require any further information or assistance in this matter, please contact Caroline Foley, Executive Manager Financial Planning and Systems, on [REDACTED].

Y



Ray Brownlee PSM
Chief Executive Officer

Attachments:

1. Application (excel) – Our ref: 2022/189153
2. Council resolution 26 April 2022 - Our ref: 2022/256208
3. Delivery Program 2021-2025 - Our ref: 2021/414898
4. Long Term Financial Plan 2022 – 2026 (April 2022 draft) - Our ref: 2022/022855