

Public Exhibition - Integrated Planning and Reporting Program and Budget 2024/25

File No: X101909

Summary

The Integrated Planning and Reporting framework for NSW local government requires the City to demonstrate that its plans and objectives are appropriately resourced and can be achieved as it delivers functions and services, maintains its assets, and remains financially sustainable over the long term.

Council adopted Sustainable Sydney 2030-2050 Continuing the Vision on 27 June 2022 which continues our vision for a more sustainable future. The City has incorporated this vision into the Integrated Planning and Reporting framework and developed a suite of documents to support the key directions, targets and major objectives within the Community Strategic Plan - Delivering Sustainable Sydney 2030-2050.

The draft Operational Plan 2024/25 provides an annual instalment of the City's Delivery Program 2022-2026 and identifies the specific plans and activities to be undertaken during the forthcoming year to achieve the deliverable outcomes. It also contains the draft Operating Budget, Capital Budget and Revenue Policy including the proposed rates, waste and stormwater charges along with the other proposed user fees and charges for the year.

The draft Resourcing Strategy 2024 supports the activities outlined in the Delivery Program, comprising a Long Term Financial Plan, a People (Workforce) Strategy, an Asset Management Plan and an Information and Technology Strategy. A revised Community Engagement Strategy is also included within the Resourcing Strategy, articulating the City's objectives and approach to community engagement. The Resourcing Strategy demonstrates the City's commitment and capacity to deliver the strategic outcomes in a planned manner to ensure the long-term financial sustainability of the Council.

It is worth noting that the City, like all councils in NSW, continues to face underlying financial pressures to its financial sustainability. Local government rates are councils largest source of income, and under the NSW rate peg system, annual increases are approved by the Minister for Local Government on the recommendation of the Independent Pricing and Regulatory Tribunal (IPART). A general rate increase of 5.1 per cent has been approved for 2024/25, while this is in line with recent CPI increases it does not reflect the City's cost experiences of rising labour, materials, contracts, service and construction costs.

The Long Term Financial Plan identifies the City's key income and expenditure items, the underlying assumptions that underpin our financial modelling, and the anticipated financial risks to the City in relation to these items. This report recommends that this suite of Integrated Planning and Reporting documents is endorsed for exhibition and comment by the public, in accordance with the requirements of the Local Government Act 1993.

Recommendation

It is resolved that:

- (A) Council endorse the suite of Integrated Planning and Reporting documents for public exhibition for a period of 28 days, including:
 - (i) the draft Operational Plan 2024/25 as shown at Attachment A to the subject report; and
 - (ii) and the draft Resourcing Strategy 2024 as shown at Attachment B to the subject report;
- (B) Council endorse the draft Operating and Capital Budget, and future years' forward estimates, as reflected in the Operational Plan 2024/2025 and draft Resourcing Strategy 2024 including:
 - (i) Operating income of \$716.4M, operating expenditure before depreciation of \$597.3M for an Operating Result of \$119.1M, and a Net Surplus of \$115.4M after allowing for interest, depreciation and capital contributions;
 - (ii) Capital Works expenditure of \$228.5M and a capital works contingency of \$8.0M;
 - (iii) Plant and Assets net expenditure of \$18.6M
 - (iv) Capital Works (Technology and Digital Services) of \$24.0M; and
 - (v) Net Property Acquisitions of \$28.0M;
- (C) Council endorse the draft Rates, Domestic Waste Management Charges, Stormwater Charges and User Fees and Charges discussed within the subject report and included within the draft Operational Plan 2024/25; and
- (D) authority be delegated to the Chief Executive Officer to approve any minor editorial and document design corrections prior to publication.

Attachments

- Attachment A.** Draft Operational Plan 2024/25
- Attachment B1.** Draft Resourcing Strategy 2024 – Part 1
- Attachment B2.** Draft Resourcing Strategy 2024 – Part 2

Background

1. In October 2009, the NSW Government enacted the Local Government (Planning and Reporting) Amendment Act 2009, which set a new framework to integrate the various statutory planning and reporting processes as required by the Local Government Act 1993 and the Environmental Planning and Assessment Act 1979.
2. The Integrated Planning and Reporting framework requires a number of strategic planning and resourcing documents, with alignment to the term of the elected council. The requirements include a long-term Community Strategic Plan (at least 10 years), a Delivery Program for the term of the council (generally 4 years), and a detailed Operational Plan that will set out Council's projects and activities for the coming 12 months.
3. These documents are all underpinned by a Resourcing Strategy including a long-term financial plan, an asset management plan, workforce strategy and an information and communication technology strategy, to demonstrate that councils have adequate resources to achieve the planned outcomes while ensuring the council's long-term sustainability for its community and stakeholders.
4. Council adopted Sustainable Sydney 2030-2050 Continuing the Vision on 27 June 2022 which continues our vision for a more sustainable future, along with our Community Strategic Plan - Delivering Sustainable Sydney 2030-2050 which guides the development and planning for the City of Sydney local government area. It builds on the work undertaken thus far to realise Sustainable Sydney 2030, responds to relevant global trends and policy frameworks, encapsulates our communities' values and aspirations and is underpinned by research and analysis of data. As the highest-level plan within the Integrated Planning and Reporting Framework, it provides the mechanism for the implementation of the vision for our city.
5. Staff have reviewed the progress of the current Operational Plan together with the objectives of the Delivery Program 2022-2026 to develop the projects and programs for the draft 2024/25 Operational Plan in line with recent Council adopted strategies and priorities.
6. The draft Operational Plan 2024/25 identifies the actions and activities planned for the next financial year, together with a range of indicators that will measure progress towards delivery of the City's outcomes. The draft Operational Plan also incorporates the City's proposed revenue policy for rates and annual charges, the fees and charges schedule, and other relevant budgetary information.
7. The draft Long Term Financial Plan describes the City's major categories of income and expenditure, and the likely risks and opportunities that may influence the City's financial capacity to continue to deliver services. This plan updates the previous year's plan and reiterates the City's financial position, current financial strategies to maintain sustainable operating surpluses to enable the delivery of major capital works programs that provide long lasting community benefits, and the measures it will use to monitor the Council's financial performance and sustainability.
8. The Long Term Financial Plan includes a "base case" version reflecting the City's best estimate of revenue and expenditure and is based on the rates peg of 5.1 per cent for 2024/25 and minimum future rates peg of 2.75 per cent for the future years.

9. Two other scenarios have been modelled to test the impact on the City's financial position. These are,
 - (a) Sustained high inflation over the early years of the plan, then decreasing and returning to the Reserve Bank of Australia's inflation target range, driving an underlying increase in the expenditure base.
 - (b) Reduced income from developer contributions resulting from uncertainty of future development cycles and the ownership of income flows.
10. The City's Asset Management Plan provides revised asset strategies, policies and short-term objectives relevant to the assets under management by the City, and reflects the progress completed since the initial Asset Management Policy was adopted in 2008. The City is responsible for the care and control of assets (including land) valued at over \$14.6 billion.
11. A significant body of work by the units responsible for the City's major asset classes continues to validate the integrity of the data collected for this infrastructure. The vast majority of assets are in a satisfactory (or better) condition, and the revised Asset Management Plan and Long Term Financial Plan incorporates estimates for the required renewal and ongoing maintenance of the City's major assets, based upon the volume and condition assessment of each asset group.
12. The City's Workforce Strategy referred to as the People Strategy, has been updated to reflect the key workforce metrics and outlines the strategic directions for our workforce development.
13. The Information and Technology Strategy outlines the major information and technology initiatives and goals. The strategy was not updated this year as it is set for 4 years. Note that the IPR guidelines do not include this strategy as a required component.
14. The revised Community Engagement Strategy incorporates the Community Participation Plan required by the Environmental Planning and Assessment Act. This means that the City's guiding documents on consultation and engagement are now available to the community in one place. The relevant sections constituting the Community Participation Plan, including notification requirements, are clearly identified in the Strategy.
15. Minor amendments have been made to the Community Engagement Strategy to reflect the amendment of the City of Sydney Act and the removal of the requirement to maintain a non-residential register, updates to reflect the most recent data including in the snapshot of our city, and other editorial corrections. Minor edits were also made to the Community Participation Plan to reduce red tape and to clarify the procedures regarding the notification of council-related development applications.
16. The community participation plan for land use planning has been updated to bring the document into closer alignment with the Environmental Planning and Assessment Act 1979 (the Act) and Environmental Planning and Assessment Regulation 2021 (the Regulations). The amended community participation plan clarifies the procedures for the notification of draft plans, such as planning proposals, including the method and content of any notification, and the ability for the Department of Planning, Housing and Infrastructure to alter these procedures as part of a Gateway Determination. More detail has been provided on the re-notification of amended planning agreements to align with the Practice Note published by the Department in 2021.

17. The notification requirements for development applications have incorporated requirements of the Act and the Regulations for notifications of development applications amended prior to determination, a review of a determination, a modification application, the revocation or modification of an existing development consent as a result of a proposed Local Environmental Plan or State Environmental Planning Policy amendment and when notification is not required under Section 108 of the Regulations.
18. Additional information has been provided specifying the content of notification letters and site notices. New maps have been inserted into the Plan which show 75-metre notification buffers around development sites. New entries have been inserted into the consultation matrix for applications for retrospective awards of Heritage Floor Space, Category 1 Remediation Work, threatened species development, and Council-related development. The glossary has been expanded to include definitions for Council related development applications, designated development, integrated development and State significant development.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

19. The attached strategic documents meet the needs of our diverse community and are based on the significant engagement program conducted over recent years.

Organisational Impact

20. The Operational Plan and Resourcing Strategy actions will be implemented during the 2024/25 financial year. The organisation's resources will be aligned to the priorities identified for the 10 plus years, four-year and one-year periods of those plans.
21. The proposed budget for 2024/25 provides for all approved full-time equivalent (FTE) positions, along with the significant additional employment that the City supports through the provision of contracts to underpin a range of externally provided projects and services.
22. These positions are required to ensure the ongoing operation of the City, and to advance the outcomes determined within the community strategic plan. City staff continue to revise functional operations to determine where opportunities arise to improve effectiveness and efficiency of service delivery to ensure the organisation as a whole remains financially sustainable.

Social / Cultural / Community/Environmental/Economic

23. The Community Strategic Plan represents the communities' aspirations for the future of the city, aims to achieve an equitable and inclusive city, where people can prosper and reach their full potential. It also aims to strengthen resilience in our community by making stronger the networks and connections that bind people and organisations together.
24. The Operational Plan and Resourcing Strategy support the achievement of the desired social, cultural, economic and environmental outcomes contained within the Community Strategic Plan.

Financial Implications

25. The proposed 2024/25 budget projects an operating surplus, prior to interest income, depreciation, capital project related costs and capital contributions, of \$119.1M.
26. Operating Income is budgeted at \$716.4M with key components described in this report, and full details provided in the Operational Plan and the Long Term Financial Plan.
27. The real growth of the City's own sources of income, including general rates, are critical to enable our continued provision of quality services, facilities and infrastructure, and underpin our long term financial sustainability.
28. The Independent Pricing and Regulatory Tribunal (IPART) recommended to the NSW Minister for Local Government that NSW Council's general income may increase by a maximum 5.1 per cent rate in 2024/25.
29. During 2023, IPART completed a review on the rate peg methodology and recommended a new approach comprising multiple components that better reflect the costs experienced by councils.
30. For the 2024/25 year, the following components have been endorsed for the City:
 - (a) Base cost change of 3.9 per cent
 - (b) Superannuation adjustment of 0.4 per cent
 - (c) Emergency services levy factor of 0.2 per cent
 - (d) Population growth factor is 0.6 per centresulting in a total allowed rate peg increase of 5.1 per cent.
31. The Rates and Annual Charges for 2024/25 are budgeted to be \$419.3M, of which ordinary rates are \$354.3M. Rates and Annual Charges include the following key elements:
 - (a) rates will be based upon the 1 July 2022 unimproved land valuations as supplied by the Valuer General of NSW;
 - (b) rates will comprise a cent in the dollar (ad valorem) rate, based on the unimproved valuations of the residential and business properties, subject to the application of a minimum rate contribution;
 - (i) Residential - Ordinary Rate - the City proposes to continue a single residential category of rateable land;
 - (ii) Business - Ordinary Rate - the City proposes to adopt a business ordinary rate; and
 - (iii) Business – CBD (Central Business District) Rate - a business subcategory rate for rateable land in the Central Business District as a centre of activity, as shown in the map contained within the draft Operational Plan 2024/25;

(c) the proposed rates for the 2024/25 rating year are:

Category/Subcategory	Minimum Rate (\$)	Ad valorem (rate in the dollar)
Residential - Ordinary Rate	\$ 668.50	0.00097404
Business - Ordinary Rate	\$ 855.50	0.00301020
Business subcategory - CBD Rate	\$ 855.50	0.00777792

32. The City continues to review its rating models each year to improve the fair and equitable distribution of the rates burden for all of our ratepayers. In a high density local government area, that has experienced significant population increase and NSW Government forecast ongoing increases, the City is investigating the best way to equitably align its rating structure to service this growth.
33. The Local Government Act 1993 requires councils to fully recover the cost of domestic waste management services. This budget proposes a pricing scheme formulated on a base domestic waste charge for each bin size, with a further flat surcharge applied for each additional weekly collection. This pricing methodology makes provision for properties requiring more waste collection to contribute a higher charge to reflect the level of service received, which satisfies the intent of the legislation as well as Council's desire to improve residential waste management.
34. Domestic Waste Management Charges reflect the availability of the service, and the volume and collection frequency for general household waste. These charges are proposed to increase on average by 3.7% in 2024/25. This represents the first increase in three years and reflects increased waste operating costs. The City is maintaining its commitment to increased waste education and to provide funding for investigation into a long-term solution for the treatment of nonrecyclable waste, to minimise the use of landfill.
35. Annual charges include a stormwater charge as allowed by the Office of Local Government. The charges remain at \$25 per residential property, \$12.50 per residential strata unit, and a pro rata rate of \$25 for every 350m² or part thereof for business properties. The funds raised from this charge are quarantined to improve the quality and quantity management of the City's stormwater network, over and above the existing works currently undertaken. Works envisioned include significant remediation where required, and the investigation and design of opportunities to enhance stormwater catchment for harvesting and re-use.
36. The City will continue its existing pensioner policy which provides all eligible pensioners a 100 per cent rebate on their rates, domestic waste and stormwater charges.

37. A full schedule of the user fees and charges proposed for the year is included within the draft Operational Plan 2024/25. The proposed fees have been set in accordance with Council's pricing policy, which requires consideration of a number of factors including community service obligations, the cost of service provision, whether the goods or services are provided on a commercial basis, and the capacity of the user to pay.
38. In accordance with the City's long established budget parameters, other fees have generally been increased to accommodate the higher cost of service provision based on the projected CPI for the next year. During the formulation of the budget, the forecast CPI was set at 3.25 per cent. This is the anticipated average rate of inflation over the 2024/25. Note that the Australian Bureau of Statistics published the CPI for the 12 months to 31 December 2023 at 4.1 per cent which is lower than the peak of 7.8% in December 2022. Inflation is anticipated to continue to decline and return to the Reserve Bank of Australia's (RBA) target range of between two to three per cent.
39. In 2024/25, it is proposed to harmonise on street parking rates in the Zone1 (CBD) with a single rate rather than peak and off peak rates. This simplification of rates is designed to encourage parking turnover, improve traffic flow and increase the opportunity for parking. In 2023/24 for Zone 1 the peak rate is \$8.00 and the off peak rate is \$6.00. For 2024/25, the proposed Zone 1 rate is \$8.20. This rate has been benchmarked against surrounding Local Government Areas and the Royal Botanic Gardens and is similar to their range of rates.
40. The Revenue Policy sets out the categories whereby Council can waive or reduce fees for hardship, or any other category.
41. Interest income is budgeted to be \$34.3M, reflecting the expected opening cash balances, and the anticipated cash utilisation for the planned capital program and property acquisitions.
42. Capital Grants and Contributions are projected at \$95.0M with \$72.0M linked to contributions for major development activity within the local government area for 2024/25. A further \$16.2M represents anticipated funding from the NSW Government to enable the delivery of bicycle lane related works.
43. In 2022, there were proposals to reform Infrastructure Contributions by the NSW Government which would have raised funds for State infrastructure by significantly reducing council's financial capacity to deliver new infrastructure for its growing communities. The legislative amendments to the reforms were deferred at that time, however this financial risk has not yet been permanently removed, and the City will need to remain vigilant to ensure these reforms are not revisited.
44. Total Operating Expenditure is budgeted at \$597.3M, with a number of key components as described below, and further detail provided within the Long Term Financial Plan.
45. Salary and Wages related expenditure totals \$289.3M, which provides for 100 per cent of permanent staffing (establishment) which is anticipated at slightly over 2000 Full Time Equivalent (FTE) as at July 2024. The budget also includes an adjustment for an award increase, agency hire costs, training, workers compensation and other employee related expenses. Note that at the time of writing the final amount of the 2024/25 award increase is still not confirmed, presenting an ongoing financial risk to the City's plans.

46. The vast majority of the City's \$308.0M non-salary related operational expenditure has not changed substantially, as it represents the ongoing business and service requirements of Council and its community, adjusted for relevant cost increases.
47. For 2024/25, the City has been notified, by the NSW Electoral Commission, that costs associated with the Local Government elections are to be \$1.7M. This represents a 42 percent increase since the last election.
48. Further details on all operational expenditure items and underlying cost assumptions are provided in the attached Long Term Financial Plan.
49. For 2024/25 operational contingencies of \$3.5M are proposed. These provisions cater for unforeseen circumstances and events that arise after the adoption of the budget. The utilisation of these contingent provisions are reported back to Council in each quarterly review of the City's financial and operational performance.
50. For 2024/25 the contingencies include:
 - (a) General Contingency of \$1.5M;
 - (b) and CEO Contingency of \$2.0M.
51. The draft capital works budget within the Long Term Financial Plan identifies each major project, rolling program and future project provision over the course of the 10 year planning horizon.
52. The proposed capital works program for 2024/25 totals \$228.5M with a capital works contingency of \$8.0M. It includes asset enhancement programs of \$104.1M and rolling capital renewal programs of \$124.4M. These programs are set out in the Long Term Financial Plan financial schedules, including a list of the forecast amount and timing for all projects with total budgets greater than \$5.0M.
53. The proposed capital works program will see the ongoing delivery of many major projects. The program prepared is in line with the agreed long-term financial parameters, representing the City's financial capacity to deliver the program each year, along with provisions for significant projects that may be delivered by third parties.
54. The asset enhancement programs for the 2024/25 financial year include:
 - (a) bicycle related works expenditure will amount to \$24.9M including significant work on Castlereagh Street north, Oxford Street west and Liverpool Street cycleway;
 - (b) works for open space and parks of \$12.4M which includes significant works on Gunyama Park Stage 2 and Perry Park sports field.
 - (c) property improvement projects across the community and commercial portfolios of \$17.1M;
 - (d) public art projects of \$2.7M which includes new public art Yananurula - Tarra/Dawes Point (Patyegeang) and Green Square;
 - (e) public domain asset enhancement works of \$42.7M which includes amounts for Crown Street upgrade works, George Street North Pedestrianisation and Dixon Street Public Domain improvements;

- (f) and stormwater drainage expenditure of \$1.1M which is largely allocated to water quality infrastructure works.
55. Long Term Financial Plan also includes funding provisions for the City's rolling asset renewal programs for public domain, building, streetscapes, parks, property related projects, pools, trees, stormwater drainage, and bicycle related works. The City is required to ensure it holds, upgrades and maintains its assets in an appropriate condition, to meet the community's expectations and ensure their sustainability over their useful lives.
56. The draft Plant and Assets budget provides for acquisitions of \$18.9M with disposal proceeds of \$0.3M, resulting in a net cost of \$18.6M. The Plant and Asset budget includes the annual vehicle and plant replacement program net (\$8.4M), library books and resources (\$0.8M), information technology equipment replacement (\$2.4M), equipment and furniture and fittings purchases (\$7.3M).
57. The proposed budget also includes funds for the ongoing development and delivery of the capital component of the information technology and digital services project portfolio of \$24.0M, as we continue to improve our digital service offering to our community in line with the Information & Technology Strategic Plan.

Reserves

58. The Long Term Financial Plan incorporates the City's cash reserves, including all of the external restrictions required by legislation to quarantine funds raised for specific purposes, including developer contributions, security deposits, and domestic waste and stormwater charges. It also incorporates internal restrictions where Council has resolved to set specific funding aside for employee leave entitlements, asset replacement, and significant strategic commitments such as the Supported Accommodation Affordable and Diverse Housing Fund, Green Square Infrastructure, and Green Infrastructure (energy, stormwater and waste). The amounts in these reserves is reported to Council as part of the Quarterly Reporting process.
59. The cash restrictions within the Long Term Financial Plan are intended to meet specifically identified Council commitments and are not designed to set aside amounts covering all future capital works.
60. This current version of the plan continues to provide for future cash funding and utilisation of the restricted cash reserves, reflecting the proposed timing of these major projects and commitments of the City.
61. In March 2023, Council resolved not to start the Town Hall Square project until 2035. This allows leases, when they fall due, to be extended well past the former demolition date of 2026. Council resolved that any increased rental revenue, due to the extension of the available commercial lease terms for properties associated with the future Town Hall Square, will be allocated to a specific reserve towards the construction costs of a future Town Hall Square. The Long Term Plan includes this reserve and it is anticipated that more than \$70M will be held in reserve by the end of the 10 year plan.

Relevant Legislation

62. Local Government Act 1993. Section 8B sets out the principles of sound financial management that apply to councils. Section 8C sets out the integrated planning and reporting principles that apply to councils. Section 406 requires council to comply with the integrated planning and reporting guidelines established by the Executive of the Office of Local Government. Council must comply with these requirements when preparing a draft community strategic plan, the underlying delivery program and operational plans and strategies with respect to the council's activities.

Critical Dates / Time Frames

63. Section 405 of the Local Government Act 1993 requires that councils must adopt an Operational Plan, including a statement of the council's revenue policy for the year covered by the operational plan before the beginning of each year.
64. Council is required to place the proposed new documents related to the Integrated Planning and Reporting legislation on public exhibition for 28 days. The Local Government Act 1993 requires the draft budget, and revenue pricing policy for rates, annual charges and fees be incorporated within that exhibition and consultation process.

Options

65. Council has the option to vary budget allocations, rates and fees and charges prior to, and after the 28-day exhibition period, prior to final approval.

Public Consultation

66. This suite of Integrated Planning and Reporting documents reflects the vast amount of public consultation and engagement undertaken with the City's community and other interested stakeholders in developing the original Sustainable Sydney 2030 Vision.
67. A comprehensive engagement program was undertaken from late 2018, through 2019, and detailed in a report to Council in December 2019 including reports from numerous engagement activities which are all available on the City of Sydney website. Information from ongoing engagement with communities on major strategies and projects throughout 2020 to 2022, including a survey of residents and businesses in 2020 on the impacts of the pandemic, informed the finalisation of Sustainable Sydney 2030-2050 Continuing the Vision and the Community Strategic Plan - Delivering Sustainable Sydney 2030-2050.

68. The City continues to engage with the community when developing significant strategies, projects and policies. Feedback received through these engagement activities has been considered in developing the revised draft suite of Integrated Planning and Reporting documents.
69. Council is required to exhibit to the community, for a period not less than 28 days, the draft Operational Plan 2024/25, including its revenue policy and budgets. The City elects to exhibit all of the draft Resourcing Strategy at the same time even though it is not a legislative requirement.

BILL CARTER

Chief Financial Officer