

**ITEM 3. INTEGRATED PLANNING AND REPORTING PROGRAM AND
BUDGET 2016/17 - PUBLIC EXHIBITION**

FILE NO: S124956

SUMMARY

Sustainable Sydney 2030 guides the development of the City of Sydney for the next 15 years and beyond. In 2011, the City incorporated its 2030 Vision into the Integrated Planning and Reporting framework for NSW local government, and developed a new suite of documents to support the key directions and objectives within the Sustainable Sydney 2030 Community Strategic Plan.

The Sustainable Sydney 2030 Community Strategic Plan (2014) reflects the 10 Strategic Directions, 10 Targets and major objectives of the 2011 version, and also incorporates refined objectives to reflect adopted Council strategies and project developments. The next review of the plan will be in 2016/17 to align with the legislative requirements.

The final year iteration of the Delivery Program 2014-2017 sets out specific activities, projects and resources required to progress the goals and targets within Sustainable Sydney 2030. The Delivery Program proposes the key four year outcomes that align to the objectives of the 10 strategic directions of Sustainable Sydney 2030 and integrates these within the City's long term strategic framework. The next review of the plan will be in 2016/17 to align with the legislative requirements.

The draft Operational Plan 2016/17 provides an annual instalment of the Delivery Program 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 the Revenue Policy, including the proposed rates, waste and stormwater charges plus other user fees and charges for the year.

The draft Resourcing Strategy (2016), which supports the activities outlined in the Delivery Program, has also been prepared, comprising a 10 year Long Term Financial Plan, a four year Workforce Strategy, a ten year Asset Management Plan and a four year Information, Communication and Technology Plan. The Resourcing Strategy demonstrates the City's commitment to deliver the Sustainable Sydney 2030 strategic outcomes in a planned manner to ensure the long term sustainability of the Council. This report recommends that this suite of Integrated Planning and Reporting documents be endorsed for exhibition and comment by the public, in accordance with the requirements of the Local Government Act (1993).

RECOMMENDATION

It is resolved that Council endorse:

- (A) the suite of Integrated Planning and Reporting documents for public exhibition for a period of 28 days, including:
 - (i) the draft Operational Plan 2016/17 as shown at Attachment A to the subject report; and
 - (ii) the draft Resourcing Strategy (2016) as shown at Attachment B to the subject report;

- (B) the draft Operating and Capital Budgets, and future years' forward estimates, reflected in the Operational Plan for 2016/17 and draft Resourcing Strategy (2016) including:
- (i) Operating income of \$530.8M, operating expenditure before depreciation of \$418.4M for an Operating Result of \$112.5M, and a Net Surplus of \$30.6M after allowing for interest, depreciation and capital contributions;
 - (ii) Capital Works expenditure of \$298.9M and a contingency of \$5.0M;
 - (iii) Plant and Assets net expenditure of \$20.7M; and
 - (iv) Net Property Divestments of \$18.8M; and
- (C) the proposed Rating structure and Domestic Waste Management Charges, Stormwater Charges and User Fees and Charges discussed within the subject report and included within the draft Operational Plan 2016/17.

ATTACHMENTS

Attachment A: Draft Operational Plan 2016/17

Attachment B: Draft Resourcing Strategy (2016)

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 four 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 and a workforce plan, 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 endorsed its first suite of Integrated Planning and Reporting documents on 27 June 2011.
5. The Sustainable Sydney 2030 Community Strategic Plan (2014) continues to reflect the 10 Strategic Directions, 10 Targets and major objectives of the 2011 version, and also incorporates refined objectives to reflect recently adopted Council strategies and project developments. There are no changes required to this document and it is not required to be placed on exhibition. The next review of the plan will be in 2016/17 to align with the legislative requirements.
6. The Delivery Program 2014-2017 was adopted in 2014 and integrates the City's corporate planning and budgets within Sustainable Sydney 2030 and guides implementation of its major strategic directions. The Delivery Program incorporates all of the elements required under the legislation, and reflects the Council's planned outcomes and projects. The next review of the plan will be in 2016/17 to align with the legislative requirements.
7. The draft Operational Plan 2016/17 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.
8. The draft Resourcing Strategy (2016) includes an updated City's 10 year Long Term Financial Plan and 10 year Asset Management Plan, and the previously adopted four year Information, Communication and Technology Strategic Plan and a four year Workforce Strategy.
9. 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.

10. The draft Long Term Financial Plan provides for the ongoing delivery of services and the maintenance and enhanced renewal of the City's major infrastructure portfolio over the period of the ten years and into the future. It also provides for the investment in major city transformation and urban renewal projects, together with an investment in sustainable energy developments within the City of Sydney.
11. The City's draft 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 and infrastructure valued at almost \$7 billion.
12. 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 condition, and the revised asset management plan and long term financial plan incorporate 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.
13. The Information, Communication and Technology Strategic Action Plan was adopted in 2014 and includes the major information technology initiatives and goals that will support the organisation to deliver the Sustainable Sydney 2030 outcomes and targets.
14. The draft Workforce Strategy was adopted in 2015 and examines a number of global trends, high level workforce issues and themes and established a strategic directions for our workforce to guide our people management strategies over four years.

KEY IMPLICATIONS

Strategic Alignment

15. The attached strategic documents meet the needs of our diverse community and are based on the significant engagement program conducted in developing Sustainable Sydney 2030. The organisation is implementing the many strategies and key programs arising from Sustainable Sydney 2030.

Organisational Impact

16. The proposed budget for 2016/17 provides for full time equivalent (FTE) positions of 1,921. The City also supports a significant number of additional jobs through the provision of contracts that underpin a range of externally provided projects and services.
17. These positions are required to ensure the ongoing operation of Council, and to advance the outcomes determined within Sustainable Sydney 2030. Council officers continue to revise functional operations to determine where opportunities arise to improve effectiveness and efficiency of service delivery, to ensure that the organisation as a whole remains financially sustainable.

Social / Cultural / Community

18. The outcomes proposed, cost and benefits are all embedded within the attached draft plans and budgetary information.

BUDGET IMPLICATIONS

19. The proposed 2016/17 budget projects an operating result, prior to interest income, depreciation, capital project related costs and capital contributions, of \$112.5M. This surplus is in line with the last 2015/16 forecast operating result.
20. Operating Income is budgeted at \$530.8M, with key components described below, and full detail provided in the Operational Plan and the Long Term Financial Plan.
21. The Independent Pricing and Regulatory Tribunal (IPART) has recommended a 1.8% rate increase for 2016/17. IPART determined the Local Government Cost Index (LGCI) of 1.78% for councils. The LGCI measures the average change in prices of a fixed 'basket' of goods and services that are purchased by councils. IPART have previously deducted a 'productivity efficiency' factor, but have not included any amount for 2016/17 to reflect that the change in productivity is not material. This LGCI increase does not reflect the City's experience of rising labour, materials and service costs
22. The Rates and Annual Charges are budgeted to be \$309.9M and include the following key elements:
 - (a) 1.8% rate increase.
 - (b) The 2016/17 rates will be the first year of rates based upon the 2015 unimproved land valuations, supplied by the Valuer General of NSW.
 - (c) The 2016/17 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.
 - (d) The City proposes to continue a single residential category of rateable land:
Residential Rate - Ordinary Rate.
 - (e) The City proposes the following business categories for rateable land, each of which is a centre of activity:
Business Rate – Ordinary Rate
Business Rate – CBD - (Central Business District)

The boundaries of the Business Rate sub-categories are shown in the map contained within the draft Operational Plan 2016/17.
 - (f) The proposed rates for the 2016/17 rating year are:

Category	Minimum Rate (\$)	Ad valorem (Cents in Dollar)
Residential Rate – Ordinary	536.50	0.001210
Business Rate – Ordinary Rate	686.40	0.004595
Business Rate – CBD	686.40	0.010286

- (g) The Local Government Act 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, while a further flat surcharge applies 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.
 - (h) Domestic Waste Management Charges reflect the availability of the service, and the volume and collection frequency for the general household waste. These charges are proposed to increase by an average of 3.9%, reflecting increased State waste levies, increased tonnages to resource recovery facilities that reduce the final volume of waste sent to landfill and to provide funding for investigation into the viability of establishing a "Waste To Energy" facility. This is an important initiative to supplement Council's existing efforts to promote and provide recycling and green waste services to assist in the reduction of the total amount of waste being directed to landfill and to provide an alternative source of energy generation.
 - (i) This year's 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 that are 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.
 - (j) The City will continue its existing pensioner policy for 2016/17 which gives all eligible pensioners a 100% rebate on their rates, domestic waste and stormwater charges.
23. A full schedule of the user fees and charges proposed for the 2016/17 year is included within the draft Operational Plan 2016/17. 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.
24. In accordance with the City's long established budget parameters, the vast majority of the fees have been increased to reflect the higher cost of service provision based on the projected Consumer Price Index (CPI) for the next year which better reflect changes in our cost base than the LGCI uses to adjust rates. Certain fees have been adjusted for specific market circumstances, including recreation centre gym fees, car parking station fees and venue hire for specific sites to maintain competitive parity.
25. There are a number of new fees that are proposed for the 2016/17 year and a number which will not be adjusted by CPI. The major changes include.
- (a) New footway zone for areas affected by the light rail construction has been included. This area will attract a zero fee.

- (b) New application fee for activation events in areas affected by the light rail construction of zero has been included.
 - (c) A new fee for advertising and administration costs associated with the preparation and execution of a Planning Agreement and Deed of Variation of a Planning Agreement, as allowed by legislation, has been included in recognition of the extensive time and effort required to process these complex arrangements.
 - (d) Child care fees will increase by \$5 per child per day at Alexandria Child Care Centre. This increase is offset by the removal of charges for public holidays.
 - (e) At the Pine Street Creative Centre, a late pick up fee for children of \$1 per minute has been replaced by a flat fee of \$15.
 - (f) Ticket Parking (Parking Meters) reorganisation and simplification of parking zones to reduce the number of zones to three has meant some charges have increased at a slightly higher rate than CPI. The zones, in effect, are a CBD rate, a non-CBD high demand rate, and a non-CBD low demand rate.
 - (g) The new City Farm facility at Sydney Park will open in 2016/17, and there are a number of new fees for education, tours and markets that have been introduced.
 - (h) Car Share Parking will attract an annual permit fee of \$225 per bay.
26. Interest income is budgeted to be \$14.5M, reflecting the expected opening cash balances, continued low interest rates and the anticipated cash utilisation for the planned capital program.
27. Capital Grants and Contributions are projected to contribute \$64.7M in line with the long term forecast in major development activity within the Local Government Area for 2016/17.
28. Operating Expenditure is budgeted at \$418.4M, with a number of key components described below, and greater detail provided within the Long Term Financial Plan.
29. Salary and Wages related expenditure totals \$215.4M, which provides for 100% of approved staffing establishment and includes an adjustment for an award increase.
30. The proposed staffing full time equivalent establishment is 1,921. There are a number of new positions that reflect new priorities as identified by Council. The net increase includes positions for:
- (a) an international relations manager and assistant to focus on the City's economic relationship with Asia;
 - (b) two staff to prepare for the development of the new Green Square Creative Centre; and
 - (c) a senior contract manager to assist in developing the specifications for and management of the City's large scale commercial contracts.

31. The vast majority of the City's operational expenditure has not changed substantially, as it already represents the ongoing business and service requirements of Council and its community. Further details on these existing expenses, and assumptions, are provided in the long term financial plan and in the attached financial schedules.
32. The draft 2016/17 budget, however, does include:
 - (a) \$4.0M to fund the administration of the new business vote process;
 - (b) a \$1.5M grant to an affordable housing provider; and
 - (c) formal recognition, for the first time, of accommodation grants (\$4.0M) in the financial statements in order to explicitly recognise the level of commitment by the City, and better reflect the utilisation of the City's property portfolio. This has nil net effect on the operating result.
33. Operational contingencies of \$1.5M are also proposed to cater for unforeseen circumstances and events that arise after the adoption of the budget, including:
 - (a) General Contingency of \$0.5M; and
 - (b) CEO Contingency of \$1.0M.
34. 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.
35. The proposed Capital Works program for 2016/17 totals \$298.9M. The capital reporting categories have been restructured. The new categories comprise a program of major projects of \$187.5M, asset enhancements program of \$47.6M and rolling capital renewal programs of \$58.8M, with a provisional \$5.0M Capital Works Contingency for unknown circumstances that may arise after adoption of the budget. These categories more closely align with the Office of Local Government capital reporting framework and the City's asset management plans.
36. The proposed capital works will see the continuation, on a large scale, of the renewal of Green Square and the delivery of many key major projects, including the third instalment of the City's contribution to the State Government's light rail project of \$47.1M. The program prepared is in line with the agreed long term financial parameters and represents the City's financial capacity to deliver the program each year along with provisions for significant projects which may be delivered by third parties.
37. In addition to the Green Square works (\$84.2M) and the Light Rail contribution (\$47.1M), major project expenditure for the 2016/17 year includes Johnstons Creek and Harold Park Construction works (\$8.9M), Chinatown Public Domain works (\$2.1M), Juanita Nielsen Centre (\$3.4M), new Childcare Centres (\$5.1M), Hyde Park works (\$4.8M), Major Depot Upgrade works (\$24.4M) and Barangaroo Integration works (\$7.2M).

38. The Long Term Financial Plan also includes funding provision for 2016/17 and future years for the City's rolling asset enhancement and renewal programs for Public Domain, Building, Streetscapes, Parks, Property Related Projects, Pools, Trees, Stormwater Drainage, Bicycle related works and the enhanced CBD granite paver in-fill program..
39. The draft Plant and Assets budget provides for acquisitions of \$22.5M with disposal proceeds of \$1.9M, resulting in a net cost of \$20.7M. Together with the annual vehicle replacement program (\$5.0M), Library Books (\$1.3M), IT Equipment replacement (\$2.5M), Furniture and Fittings (\$1.5), Equipment (\$7.5M), the proposed budget also includes funds for the development and delivery of the Information Services Project Portfolio (\$8.5M).

RESERVES

40. 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, 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 Sustainable Sydney 2030 commitments, including City Centre Transformation, Green Square, and Green Infrastructure (energy, stormwater and waste).
41. A new affordable housing reserve was created from the proceeds of the sale of land at Harold Park for \$10.3M. To date, this has been reduced by \$0.250M as a result of a grant to the Salvation Army to assist in the design of an affordable housing project. The 2016/17 budget includes another grant of \$1.5M, from the reserve, to assist in the development of another affordable housing project by Hammond Aged Care.
42. The Long Term Financial Plan cash restrictions are not designed to set aside amounts covering all future capital works; rather restrictions are intended to meet specifically identified Council commitments. Capital projects outside the scope of the existing restrictions utilise alternative funding sources, primarily general cash reserves.
43. 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.

RELEVANT LEGISLATION

44. The Local Government Amendment (Planning and Reporting) Act 2009 was assented on 1 October 2009. The aim of the Integrated Planning and Reporting framework is to improve integration of various statutory planning and reporting processes undertaken by councils as required by the Local Government Act 1993, the Office of Local Government's guidelines and the Environmental Planning and Assessment Act 1979.
45. Sections 402-406 of the Local Government Act (1993) outline the requirements that a council must undertake when preparing a draft community strategic plan, underlying delivery plans and strategies with respect to the council's activities.

CRITICAL DATES / TIME FRAMES

46. 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.
47. Council is required to place proposed new documents related to the Integrated Planning and Reporting legislation on public exhibition for 28 days. The Local Government Act requires that the draft budget, and revenue pricing policy for rates, annual charges and fees be incorporated within that exhibition and consultation process.

OPTIONS

48. 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 before 30 June 2016.

PUBLIC CONSULTATION

49. 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.
50. Council is required to exhibit to the community, for a period not less than 28 days, the draft Resourcing Strategy (2016) and draft Operational Plan 2016/17 including its revenue policy and budgets.
51. During this period, the community are invited to make comments and submissions regarding the plan. All submissions received by Council will be considered and assessed against the draft planning documents, prior to final adoption of the Plans in June 2016.

BILL CARTER

Chief Financial Officer

Geoff Burton, Business Planning and Performance Manager

Bob Wallace, Manager Financial Planning and Reporting