

**ITEM 3. INTEGRATED PLANNING AND REPORTING PROGRAM AND
BUDGET 2017/18 - PUBLIC EXHIBITION**

FILE NO: X007895

SUMMARY

Sustainable Sydney 2030 guides the development and planning for the City of Sydney local government area, a global city that supports a business, tourist and residential population of more than 1.2 million per day. The City has incorporated its 2030 Vision into the Integrated Planning and Reporting framework for NSW local government, and developed a suite of documents to support the key directions, targets and major objectives within the Sustainable Sydney 2030 Community Strategic Plan.

Following the local government elections last year, Council is required to review its suite of Integrated Planning and Reporting documents before 30 June 2017 to ensure that the revised plans reflect the intentions of the current Council. A comprehensive review to inform the development of the revised Sustainable Sydney 2030 Community Strategic Plan included:

- progress toward the Sustainable Sydney 2030 targets;
- key trends and issues likely to affect Sydney to 2030 and beyond;
- findings from community engagement and surveys over the past four years;
- analysis of the Community Wellbeing Indicators;
- review of Resilience Sydney research findings;
- review of global city strategic plans; and
- alignment with relevant State Government targets and priorities.

The revised Sustainable Sydney 2030 Community Strategic Plan responds to the findings from this extensive research and analysis, and proposes a plan that builds upon the existing version and addresses contemporary issues and challenges. The plan revises objectives to respond to the identified challenges, opportunities and policy context, and introduces a new target to achieve net zero greenhouse gas emissions by 2050 in line with the City's strong commitment to the environment.

The revised Delivery Program 2018-2021 identifies the 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 ten strategic directions of Sustainable Sydney 2030 and integrates these within the City's long term strategic framework.

The draft Operational Plan 2017/18 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 along with the other proposed user fees and charges for the year. This year's plan will also introduce the new Fire & Emergency Services Levy, as legislated by the State Government, which means that all property owners will now be billed an additional charge within their annual ratepayers notice to fund the State's fire and emergency services.

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

The draft Resourcing Strategy (2017) supports the activities outlined in the Delivery Program, comprising a Long Term Financial Plan, a Workforce Strategy, an Asset Management Plan and an Information and Technology Strategic Plan. 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 Sustainable Sydney 2030 strategic outcomes in a planned manner to ensure the long term sustainability of the Council.

It is worth noting however, that the City like all councils in NSW, faces mounting financial pressures to do more with less every year. The general rate increase of 1.5 per cent for 2017/18 approved by the Minister for Local Government, on the recommendation of IPART, does not reflect the City's experience of rising labour, materials, contracts and service costs. The City also now has to absorb an additional \$1.1M in annual operating costs associated with the continuing administration of the Non Residential Electoral Roll resulting from amendments to the 1988 City of Sydney Act in 2014.

On 12 December 2016, Council resolved to "*request the CEO to bring Environment Action 2016-21 and a work plan to accelerate the implementation, including any reallocation or re-prioritising of funding necessary*". An outline was reported to Committee prior to Council's adoption of the Environmental Action 2016 – 2021 Strategy and Action Plan on 27 March 2017. City staff have now identified initiatives worth \$2.4M each year (refer paragraphs 41-42) to fund in addition to our business as usual activities, within the draft 2017/18 operating budget and over the next five years, to accelerate the implementation and progress achievement of this plan. The City has also boosted its financial commitment to street tree planting and in road tree planting by more than \$8.0M over the next 10 years in order to ensure it meets its commitment to increase canopy cover by 50% by 2030.

To absorb these additional costs and still achieve the operating result required to fund the City's 10 year capital works program and ambitious climate actions, a detailed internal review has been undertaken. While the City's New Year's Eve celebrations, with \$133 million direct economic impact and 1 billion net audience will only get stronger – the City will take the opportunity provided by works being undertaken at the Opera House to end the official event located on the Northern Boardwalk. A thank you function for key sponsors and stakeholders will be held at Dawes Point, and the media centre will be relocated. The City's contribution to the Green Living Centre and our membership of Sydney Coastal Councils Group and Cooks River Alliance will also cease.

In 2015, Council adopted the Residential Apartment Sustainability Plan a new strategic direction for residential programs with a focus on engaging new stakeholder groups (owners' corporations, strata managers, developers etc.) to achieve environmental targets in this sector. Combined with changing community needs, complete dependence on partner Council funding and restricted flexibility to evolve in the market, the Green Living Centre model is no longer as effective going forward. Greater emission reductions can be achieved by using these funds for other City initiatives such as the Smart Green Apartments Program. The funding of the Green Living Centre occurs in partnership with Inner West Council. It is recommended that authority be delegated to the Chief Executive Officer to negotiate a new agreement with Inner West Council for the Green Living Centre to allow up to 12 months' rent free use of the King Street shop front and property services, and that any City funds currently held in the Green Living Centre reserve fund are provided to the Inner West Council, to enable the Inner West Council to consider its options for the Green Living Centre service.

It is also recommended that the City does not renew membership of the Sydney Coastal Councils Group and the Cooks River Alliance. City membership needs are now more strongly aligned with C40, CCCLM, 100 Resilient City Council network, South Sydney Regional Organisation of Councils and a greater focus on stormwater management and reuse in Green Square and Ashmore estates.

Property NSW has approached the City to discuss the potential transfer of some Place Management NSW (the former Sydney Harbour Foreshore Authority) land and assets and associated maintenance services to the City. Council officers are seeking further information from Property NSW in order to develop an understanding of the full impact of acquiring such assets on our resourcing and operational capacity and the terms under which such assets would be transferred. The draft 2017/18 operating budget and the 10 year Resourcing Strategy does not include any provision for owning, controlling, maintaining or operating assets and services currently controlled by Place Management NSW.

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:

- (A) endorse the suite of Integrated Planning and Reporting documents for public exhibition for a period of 28 days, including:
 - (i) the draft Sustainable Sydney 2030 Community Strategic Plan 2017-2021 as shown at Attachment A to the subject report;
 - (ii) the draft Delivery Program 2017-2021 as shown at Attachment B to the subject report;
 - (iii) the draft Operational Plan 2017/2018 as shown at Attachment C to the subject report; and
 - (iv) the draft Resourcing Strategy 2017 as shown at Attachment D to the subject report;

- (B) endorse the draft Operating and Capital Budget, and future years' forward estimates, as reflected in the Operational Plan 2017/2018 and draft Resourcing Strategy (2017) including:
- (i) Operating income of \$553.1M, operating expenditure before depreciation of \$436.8 for an Operating Result of \$116.3M, and a Net Surplus of \$27.3M after allowing for interest, depreciation and capital contributions;
 - (ii) Capital Works expenditure of \$299.0M and a contingency of \$5.0M;
 - (iii) Plant and Assets net expenditure of \$25.7M; and
 - (iv) Net Property Divestments of \$110.1M;
- (C) endorse 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 2017/18;
- (D) in relation to the shared services agreement with Inner West Council to fund the Green Living Centre:
- (i) note that this agreement ends 30 June 2017 and that the City will not be extending its cash funding;
 - (ii) note that cash contributions provided by the City and Inner West Council to date that have not been spent on Green Living Centre operations are held in a reserve fund which is currently estimated at \$113,000 (the GLC Reserve Fund); and
 - (iii) authorise and approve that the City's funds as currently held in the GLC Reserve Fund are to be provided to Inner West Council to support transitional services;
- (E) authority be delegated to the Chief Executive Officer to negotiate a new agreement with Inner West Council to ensure a smooth transition of the Green Living Centre that can include up to 12 months' rent free use of the King Street shop front, which would be a contribution of up to \$140,000 in 2017/18 in foregone revenue and maintenance for the City owned property at 218 King Street, Newtown; and
- (F) note the non-renewal of membership to the Cooks River Alliance at 30 June 2017, and the Sydney Coastal Council at 31 December 2017.

ATTACHMENTS

Attachment A: Draft Sustainable Sydney 2030 Community Strategic Plan 2017-2021

Attachment B: Draft Delivery Program 2017-2021

Attachment C: Draft Operational Plan 2017/2018

Attachment D: Draft Resourcing Strategy 2017

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 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. As a result of the local government elections last year, Council is required to review its suite of Integrated Planning and Reporting documents before 30 June 2017 to ensure that the plans reflect the intentions of the current Council. Council may endorse or amend the existing plan, or develop and endorse an entirely new community strategic plan, as appropriate, to ensure that the area has a community strategic plan for the next 10 years. Council's achievements against its plans are then recognised in an end of term report that is prepared at the conclusion of the current electoral cycle.
5. Staff have reviewed the full suite of Integrated Planning and Reporting documents with the purpose of reflecting current progress on major strategies and projects, clarifying outcomes and objectives in line with recent Council adopted strategies and consideration of the Federal Government's commitments, such as the Paris Agreement and Sustainable Development Goals, and the most recent NSW Government plans and strategies.
6. The Sustainable Sydney 2030 Community Strategic Plan (2017) builds on the previous plan (adopted in 2014). It takes account of what has already been achieved since Sustainable Sydney 2030 was first adopted in 2008 and responds to the feedback provided by the community, particularly over the last four years. It also addresses changes in relevant Federal and NSW Government policies and commitments, as well as the long term economic, social, cultural and environmental trends and challenges for Sydney.
7. Achievements, and progress towards the 10 ten targets in Sustainable Sydney 2030 since its adoption in 2008, include:
 - (a) 25 per cent reduction in greenhouse gas emissions from City of Sydney operations as at June 2016 and a 17 per cent reduction in greenhouse gas emissions across the local government area as at June 2015;
 - (b) within the local government area, 14 per cent of electricity demand has been met from renewable sources in 2016, potable water consumption for 2014/15 was 6.7 per cent above the 2005/06 baseline; and in 2013 there was a 10.3 per cent increase in canopy cover from the 2008 baseline;

- (c) at June 2016, there were an additional 16,111 private dwellings in the city when compared to the 2006 baseline as well as 11,569 non-private dwellings (boarding houses, student accommodation and residential care facilities which was approximately double the number in 2007);
 - (d) at June 2016, there were a total of 9,716 social housing dwellings in the city, representing 9.2 per cent of all private dwellings. As well, there were 845 affordable housing dwellings or 0.8 per cent of all private dwellings. A further 465 affordable houses were in the development pipeline or announced for development.
 - (e) at last count (2012), there were 437,000 jobs in the city, or growth of 69,000 above the baseline;
 - (f) the last census showed that 74.5 per cent of trips to work during the morning peak were made using public transport, up from 73.3 per cent in 2006;
 - (g) the latest Transport for NSW Household Travel Survey in 2012/13 showed that 49.2 per cent city trips were made by walking, up from 48.6 per cent in 2007/08;
 - (h) preliminary analysis shows that the majority of city residents are estimated to be within reasonable walking distance to local main streets, providing access to most local services. The exceptions being some residents in southern suburbs. The development of Green Square town centre will address this situation;
 - (i) the Liveable Green Network Strategy and Master Plan, when fully implemented, will ensure that every resident will be within a 3-minute walk of continuous green links that connect to the harbour foreshore, harbour parklands, Moore or Centennial or Sydney parks; and
 - (j) our 2015 wellbeing indicators showed that 75 per cent believed that most people can be trusted, up from 45 per cent in 2007.
8. The City engages with people from all walks of life, across all generations, citizens, workers, visitors and representatives from government, business, academic and the not-for-profit sector on relevant strategies, policies and projects. The results of this engagement all inform the development of the Sustainable Sydney 2030 Community Strategic Plan.
9. The City also conducted a survey of residents in 2015 – the “Wellbeing Survey”, which included the open-ended question “Tell us about the kind of local area you want to live in, in the future”. More than 4,700 responses were received, resulting in the Community Wellbeing Indicators Report that was adopted by Council in October 2016, which helped inform the revised Community Strategic Plan and provided another valuable local data source about our community.

10. In 2015, Australia was one of 193 countries to commit to the implementation of the Sustainable Development Goals by 2030. The 17 Goals cover interconnected issues relevant to all sectors of society and its institutions, ranging from gender equality to economic inclusion, climate justice, responsible consumption and production and partnership approaches for delivery. It is intended that all sectors of society – government, business, individuals and organisations – implement the goals. Sustainable Sydney 2030 provides a local roadmap to deliver on the Goals relevant to our city and community. The Sustainable Development Goals are a reflection of this plan
11. The 2017 version of the Sustainable Sydney 2030 Community Strategic Plan has been developed to recognise that Sydney is part of the global 100 Resilient Cities initiative pioneered by the Rockefeller Foundation. The program is a collaboration between the metropolitan councils of Sydney, the NSW Government, business and community partners. The City of Sydney hosts the Resilient Sydney project and team.
12. Sustainable Sydney 2030 is the City of Sydney's response to the preliminary findings of the Resilient Sydney research. We address, in particular, the challenges associated with a resilient economy, resilient infrastructure and a resilient community.
13. In late 2016, the Greater Sydney Commission released a draft plan for the Central District, an area that incorporates the City of Sydney local government area. The plan sets out a 20 year vision, priorities and actions to improve the productivity, liveability and sustainability of the region in a coordinated way. The draft Central District Plan is not intended to be finalised until late 2017. The City is committed to the collaborative development of our region and the updated Sustainable Sydney 2030 reflects the intent of the draft Central District Plan.
14. In November 2016, the Federal Government ratified the Paris Agreement, a landmark global climate initiative on climate action that commits signatory countries to work towards limiting global warming to two degrees and set five-yearly targets for cutting emissions.
15. The 2017 Sustainable Sydney 2030 includes a new target – 'to reduce greenhouse gas emissions to net zero by 2050' consistent with the State Government target - as well as revised objectives based on the analysis of the issues arising from the research, consultation and the changed policy context outlined above. It also identifies how the City will use technology to deliver outcomes for our community and economy.
16. The Delivery Program 2017-2021 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 for under the legislation, and reflects the Council's planned outcomes and projects.
17. The draft Operational Plan 2017/18 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.

18. The draft Resourcing Strategy (2017) includes an updated ten year Long Term Financial Plan and ten year Asset Management Plan, four year Information and Technology Strategic Plan, together with updated statistics in the previously adopted four year Workforce Strategy. The Resourcing Strategy also includes a revised Community Engagement Strategy section to reflect the City's community engagement objectives and principles and provide a summary of recent engagement programs, and an update on progress on the objectives set out in the City's Improvement Action Plan response to the State Government's Fit for the Future program in June 2015.
19. 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.
20. 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 \$12.7 billion in physical assets (including land).
21. 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 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.
22. The new Information and Technology Strategic Plan builds upon the previous version adopted in 2014. The 2017 version revises the major information technology initiatives and goals that have been refreshed in line with the development of the City's draft Digital Strategy.
23. The City's Workforce Strategy, adopted by Council on 29 June 2016, examined a number of global trends, high level workforce issues and themes, and established strategic directions for our workforce to guide our people management strategies over four years. A number of key statistics have been updated within this 2017 revised version to reflect current employee data and trends.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

24. 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

25. The proposed budget for 2017/18 provides for full time equivalent (FTE) of 1,950. 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.
26. 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/Environmental/Economic

27. The outcomes proposed, cost and benefits are all embedded within the attached draft plans and budgetary information. The City has also developed a draft Inclusion (Disability) Action Plan for the next four years that aligns and integrates with the overall objectives contained within the Integrated Planning and Reporting documents.

BUDGET IMPLICATIONS

28. The proposed 2017/18 budget projects an operating result, prior to interest income, depreciation, capital project related costs and capital contributions, of \$116.3M. This surplus is in line with the current approved Long Term Financial Plan.
29. Operating Income is budgeted at \$553.1M, with key components described below, and full detail provided in the Operational Plan and the Long Term Financial Plan.
30. The Independent Pricing and Regulatory Tribunal (IPART) has recommended a 1.5 per cent rate increase for 2017/18. IPART determined the Local Government Cost Index (LGCI) of 1.47 per cent for councils. The LGCI measures the average change in prices of a fixed 'basket' of goods and services that are purchased by councils. IPART has previously deducted a 'productivity efficiency' factor and has calculated this for 2017/18 at 0.001 per cent. This LGCI increase does not reflect the City's experience of rising labour, materials and service costs.
31. The Rates and Annual Charges are budgeted to be \$324.5M and include the following key elements:
 - (a) 1.5 per cent rate increase;
 - (b) the 2017/18 rates will be the first year of rates based upon the 2016 unimproved land valuations, supplied by the Valuer General of NSW;
 - (c) the 2017/18 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 2017/18.

- (f) the proposed rates for the 2017/18 rating year are:

Category	Minimum Rate (\$)	Ad valorem (rate in Dollar)
Residential Rate – Ordinary	544.55	0.001092
Business Rate – Ordinary Rate	696.70	0.009305
Business Rate – CBD	696.70	0.004036

- (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 4.2 per cent 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 a “Waste To Energy” facility, as outlined in the Advanced Waste Treatment Master Plan: 2013-2030 and the forth coming Waste Strategy which will be finalised early in the new financial year. 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 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) effective from 1 July 2017, the NSW Government has abolished the Emergency Services Levy (ESL) previously collected through insurance policies and replaced it with a Fire & Emergency Services Levy (FESL), which will be charged and collected alongside council rates. The FESL will apply to businesses (both commercial and industrial, residential houses and individual units in strata and company title properties according to their unit entitlements, and public benefit organisations (churches etc.) which are exempt from rates. The levy will include a fixed component (a single amount per property regardless of land value) and an ad valorem component calculated by multiplying the ad valorem rate by the unimproved land value for each particular land classification. The fixed and ad valorem components have been set to apply universally across all councils in NSW by the State Government, without any upper capped limit, and this is expected to be significant for a number of property owners in the City given our relevantly high unimproved land values; and
 - (k) the City will continue its existing pensioner policy for 2017/18 which gives all eligible pensioners a 100 per cent rebate on their rates, domestic waste and stormwater charges. This rebate will not apply for the new Fire & Emergency Services levy, however a discounted ad valorem component for pensioners will provide some relief.
32. A full schedule of the user fees and charges proposed for the 2017/18 year is included within the draft Operational Plan 2017/18. 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.
33. In accordance with the City's long established budget parameters, the vast majority of the fees have been increased to accommodate the higher cost of service provision based on the projected Consumer Price Index (CPI) for the next year, which better reflects changes in our cost base than the LGC1 that is used to adjust rates. Relevant 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.
34. There are a number of new fees that are proposed for the 2017/18 year, and a number which will not be adjusted by CPI including (full details are listed within the Fees and Charges section of the Operational Plan):
- (a) introduction of an application fee for Heritage Floor Space;
 - (b) new fees and charges for guided cycling programs and the hire of the Sydney Park Cycling Centre room;
 - (c) new categories of aquatic facilities membership fees for families, birthday parties and squads;
 - (d) new categories of fees for new programs at the Pine Street Creative Arts Centre;
 - (e) new fees for the supply, delivery or repair of residential waste bins;
 - (f) fees relating to City Farm produce and plants;

- (g) fees for new facilities, such as Perry Park Recreation Centre and Rushcutters Bay tennis room hire;
 - (h) a slight reconfiguration of localities within parking zones to reflect demand patterns and increases of \$1 per hour in all zones, excluding the CBD which remains unchanged;
 - (i) increases above CPI are recommended for some community centres and creative programs to cover higher salary costs, tutor costs, and to standardise prices across different centres; and
 - (j) activities requiring approval of Council under S116 (2) Roads Act 1993, for example erecting a barrier on or carrying out work on or regulating traffic on a public road, which still reflects only partial cost recovery for the service.
35. Interest income is budgeted to be \$13.5M, reflecting the expected opening cash balances, continued low interest rates and the anticipated cash utilisation for the planned capital program.
36. Capital Grants and Contributions are projected to contribute \$81.8M in line with the long term forecast in major development activity within the local government area for 2017/18.
37. Total Operating Expenditure is budgeted at \$436.8M, with a number of key components described below, and greater detail provided within the Long Term Financial Plan.
38. Salary and Wages related expenditure totals \$227.1M, which provides for 100 per cent of approved permanent staffing establishment, including an adjustment for an award increase, agency hire costs, training, workers compensation and other employee related expenses.
39. The proposed staffing full time equivalent (FTE) establishment is over 1,930. There are a number of new positions that reflect new priorities as identified by Council. The net increase includes positions for:
- (a) five new and the extension of 1.4 FTE required to staff the Elections Unit to maintain the Non Residential Electoral Roll;
 - (b) five new FTE in the City's Property Unit to manage the new Property Services Contract and improve the efficiency and effectiveness of the property portfolio;
 - (c) six new FTE to manage and operate the new library at Green Square and prepare for the opening of the new Darling Exchange Library. Note that four of these positions are scheduled to start in January 2018; and
 - (d) eight new FTE across the City Planning (two), Properties (one), and Sustainability (five) Units to drive the accelerated implementation of the Environmental Action Strategy and Action Plan (noted in detail below).
40. The vast majority of the City's \$209.7M non-salary related operational expenditure has not changed substantially, as it 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.

41. The draft 2017/18 budget incorporates the financial impact of the 12 December 2016 Council resolution to *"request the CEO bring Environment Action 2016-21 to the February 2017 Council meeting and a work plan to accelerate the implementation, including any reallocation or re-prioritising of funding necessary"*.
42. Staff have identified initiatives that will accelerate the implementation of the Environmental Action Strategy and Action Plan, adopted by Council on 27 March 2017, and support the achievement of environmental targets for both the City's own operations and the local government area. The initiatives identified are budgeted in 2017/18 will cost \$2.4M, and over the next 5 years, including:
 - (a) efficiency initiatives, improved utilities management and better waste management practices;
 - (b) amendments to planning controls to improve the environmental performance of new buildings, including the development of a planning pathway towards net-zero buildings;
 - (c) utilisation of open data platform to report on local government area environmental programs;
 - (d) use of this data to target sustainability programs;
 - (e) enhancement of office tenancy sustainability programs;
 - (f) energy tune-up programs for businesses and residential apartments; and
 - (g) sustainability programs to encourage uptake of renewable energy.
43. The Greening Sydney Plan and the Urban Forest Strategy, endorsed by Council in 2011, adopted a commitment to increase tree canopy cover by 50% by the year 2030. Reaching the target has become more challenging due to major urban renewal developments and infrastructure works like the CBD and South East Light Rail Project and WestConnex. The budgets for In Road Tree Planting and Street Tree Planting has been boosted by \$8.0M. The total commitment over the next 10 years will rise to \$28.2M.
44. To absorb these additional costs while still achieving the operating result required to fund the City's 10 year capital works program and ambitious climate actions, a detailed internal review has been undertaken. While the City's New Year's Eve celebrations, with \$133 million direct economic impact and 1 billion net audience will only get stronger – the City will take the opportunity provided by works being undertaken at the Opera House to end the official event located on the Northern Boardwalk. A thank you function for key sponsors and stakeholders will be held at Dawes Point, and the media centre will be relocated. The City's contribution to the Green Living Centre and our membership of Sydney Coastal Councils Group and Cooks River Alliance will also cease.
45. The Green Living Centre is a joint initiative of the City and Inner West Council. The Centre was first established as 'The Watershed' in 2002 with the former Marrickville Council. The most recent Shared Services Agreement was entered into in 2014 and is due to end in June 2017. It is recommended not to renew this partnership.

46. In 2015, Council adopted the Residential Apartment Sustainability Plan as a new strategic direction for residential programs with a focus on engaging new stakeholder groups (owners' corporations, strata managers, developers etc.) to achieve environmental targets. Combined with changing community needs, complete dependence on partner Council funding and restricted flexibility to evolve in the market, the GLC model is not effective going forward. The current City contribution includes \$175,000 funding each year and the in-kind provision of City-owned property at 218 King Street, Newtown, valued at \$140,000 p.a. It is recommended that authority be delegated to the Chief Executive Officer to negotiate a new agreement with Inner West Council to ensure a smooth transition of the Green Living Centre that can include up to 12 months' rent free use of the King Street shop front and property services allowing time for Inner West Council to consider if the centre continues to fit in to its environmental strategic direction.
47. It is recommended that the City not renew membership of the Sydney Coastal Councils Group beyond 31 Dec 2017. This notice period is longer than the six months required under the existing membership agreement. The City also hosts the Group in Town Hall House as a tenant, under a commercial Services Agreement, which will expire on 30 June 2018.
48. The City's membership agreement with the Cooks River Alliance ceases on 30 June 2017, and it is recommended to not extend beyond this period.
49. Operational contingencies of \$4.5M are also proposed to cater for unforeseen circumstances and events that arise after the adoption of the budget, including:
 - (a) General Contingency of \$1.5M; and
 - (b) CEO Contingency of \$3.0M.
50. Property NSW has approached the City to discuss the potential transfer of some Place Management NSW (the former Sydney Harbour Foreshore Authority) land and assets and associated maintenance services to the City. Council officers are seeking further information from Property NSW in order to develop an understanding of the full impact of acquiring such assets on our resourcing and operational capacity and the terms under which such assets would be transferred. The draft 2017/18 operating budget and the 10 year Resourcing Strategy does not include any provision for owning, controlling, maintaining or operating assets and services currently controlled by Place Management NSW.
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 ten year planning horizon.
52. The proposed Capital Works program for 2017/18 totals \$304.0M, which comprise a program of major projects of \$208.1M, asset enhancements program of \$37.1M and rolling capital renewal programs of \$53.8M, with a provisional \$5.0M Capital Works Contingency for unknown circumstances that may arise after adoption of the budget.

53. 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 \$63.6M. 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 that may be delivered by third parties.
54. In addition to the Green Square works \$119.6M and the Light Rail contribution \$63.6M, major project expenditure for the 2017/18 year includes; Alexandra Canal Depot, Green Square Water Reuse – Non Potable, the crescent lands at Johnstons creek and Ashmore Precinct – Stormwater Drainage.
55. The Long Term Financial Plan also includes funding provision for 2017/18 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, and Bicycle related works.
56. The draft Plant and Assets budget provides for acquisitions of \$27.8M with disposal proceeds of \$2.2M, resulting in a net cost of \$25.7M. Together with the annual vehicle replacement program \$7.0M, Library Books \$1.9M, IT Equipment replacement \$2.0M, Furniture and Fittings \$0.8M, Equipment \$3.5M, the proposed budget also includes funds for the development and delivery of the Information Services Project Portfolio \$7.5M.

RESERVES

57. 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 Sustainable Sydney 2030 commitments including City Centre Transformation, Green Square, and Green Infrastructure (energy, stormwater and waste).
58. In 2016, 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. This transaction is currently expected to occur by the end of the 2016/17 financial year.
59. 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.
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.

RELEVANT LEGISLATION

61. 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.
62. 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

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 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.
65. Following an ordinary election of councillors, a council must review its community strategic plan before 30 June following the election. The council may endorse the existing plan, endorse amendments to the existing plan or develop and endorse a new community strategic plan, as appropriate, to ensure that the area has a community strategic plan covering at least the next 10 years.

OPTIONS

66. 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 2017.

PUBLIC CONSULTATION

67. 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.
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 Resourcing Strategy (2017) and draft Operational Plan 2017/18 including its revenue policy and budgets.

70. During this period, the community is 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 2017.

BILL CARTER

Chief Financial Officer

Geoff Burton, Business Planning and Performance Manager
Bob Wallace, Manager Financial Planning and Reporting