

Relevant Information for Council

FILE: X094861 **DATE:** 12 May 2023

TO: Lord Mayor and Councillors

FROM: Bill Carter, Chief Financial Officer

THROUGH: Monica Barone, Chief Executive Officer

SUBJECT: Information Relevant To Item 6.3 - Public Exhibition – Integrated Planning and Reporting Program and Budget 2023/24

Alternative 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 2023/24 as shown at Attachment A to the subject report; and
 - (ii) the draft Resourcing Strategy 2023 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 2023/2024 and draft Resourcing Strategy 2023 including:
 - (i) Operating income of \$674.2M, operating expenditure before depreciation of \$559.2M for an Operating Result of \$115.0M, and a Net Surplus of \$96.0M after allowing for interest, depreciation and capital contributions;
 - (ii) Capital Works expenditure of \$203.4M and a capital works contingency of \$8.0M;
 - (iii) Plant and Assets net expenditure of \$14.0M
 - (iv) Capital Works (Technology and Digital Services) of \$19.7M; and
 - (v) Net Property Acquisitions of \$189.5M;

- (C) Council endorse Domestic Waste Management Charges, Stormwater Charges and User Fees and Charges discussed within the subject report and included within the draft Operational Plan 2023/24;
- (D) ***Council endorse the establishment of an Affordable and Diverse Housing Coordinator to be funded in 2023/24 by the transfer of up to \$200,000 from the 2023/24 General Contingency Fund; and***
- (E) ***authority be delegated to the Chief Executive Officer to undertake minor editorial corrections prior to the exhibition of the Integrated Planning and Reporting documents.***

Purpose

This memo is for the information of the Lord Mayor and Councillors.

Background

At the meeting of the Corporate, Finance, Properties and Tenders Committee on 8 May 2023, the Committee sought further information in relation to:

- affordable housing including Council's past and ongoing work, information about the Affordable and Diverse Housing Fund and the status of funded projects, and amounts levied under the Affordable Housing Levy;
- smaller capital works program including minor parks upgrades;
- community properties income, the accounting treatment within the budget; and
- details around cash and investments, restrictions, and funding availability for new initiatives.

Affordable Housing

Housing targets are set by the NSW Government. Councils are required to prepare Local Housing Strategies that respond to these targets.

Sustainable Sydney 2030-2050 Continuing the Vision adopts the targets set by the local housing strategy for at least 156,000 private dwellings and 17,500 non-private dwellings by 2036 with 7.5 per cent to be social housing and 7.5 per cent affordable housing.

Delivering this housing is incumbent on all parties to contribute across the housing spectrum and supply chain, including local and state government, private developers and community housing providers.

As of 30 June 2022, there are 1,427 built affordable housing units in the local area, 631 dwellings in the development pipeline and a further 701 that we expect to be built in the future. Of these:

- (a) 1,376 affordable dwellings (built, pipeline and expected) have resulted from the City's levies;
- (b) 228 affordable dwellings (built, pipeline and expected) have been assisted by the City's subsidised land sales; and
- (c) 483 diverse dwellings (built, pipeline and expected) have been assisted by the City's Affordable and Diverse Housing Fund;
- (d) a further 672 dwellings (built, pipeline and expected) are provided by other means.

The City's expanded levy scheme, which has covered all of the local government area since July 2021, is expected to deliver 1,950 affordable dwellings.

If considered all together the built, pipeline, expected and projected affordable housing dwellings will equal 4,709 affordable rental dwellings and affordable diverse dwellings to 2036. This equates to 39 per cent of the 12,000 affordable dwellings target for 2036, or about 2.9 percent of all forecast dwellings.

The City supports the delivery of affordable housing through the levies it collects, land discounts for community housing providers, its planning powers and grants to non-governmental organisations.

Affordable Housing Levy

Up to 30 June 2022, the City's levy has enabled the collection of \$377.8 million under the various affordable housing programs operating across parts of the council area. About \$11 million has been collected in 2022/23.

In July 2021 the levy was expanded to cover all of the Local Government Area that is subject to Sydney Local Environmental Plan 2012. The levy is expected to deliver a further 1,950 affordable dwellings.

Affordable Housing through Discounted Land

The City has subsidised land sales for the provision of social and affordable housing by \$19.2 million. This includes sites at:

- Portman Avenue, Zetland – South Sydney Hospital site (104 built affordable dwellings)
- 11 Gibbons Street, Redfern (122 affordable and 40 social built dwellings)
- 338 Botany Road, Alexandria (106 pipeline affordable dwellings); and
- 330 Botany Road, Alexandria (275 pipeline affordable dwellings).

Affordable Housing through the Planning Framework

Innovative planning controls have been introduced to increase the supply of affordable housing.

The City introduced planning controls that permits affordable rental housing on certain land where other residential development is not permitted. This keeps land values low for community housing providers and government who are seeking land to develop affordable rental housing. This has assisted the provision of 381 affordable dwellings in the pipeline so far.

The Botany Road Precinct planning proposal introduced floor space and height incentives to make it easier for community housing providers to develop sites for affordable housing. Initially, this will assist about 50 additional affordable housing units on a City West Housing site.

The City also uses planning agreements for affordable rental housing outcomes when changes are being made to planning controls, for example in Harold Park when it was rezoned in 2009, Bay Street, Glebe in 2014 and the draft agreement for the provision of affordable housing unit on-site at 923-935 Bourke Street, Waterloo.

The City has secured an additional 102 affordable dwellings through voluntary planning agreements. These dwellings are over and above the required affordable housing contribution.

Affordable and Diverse Housing Fund including Status of Projects

Of the \$10.3 million set aside for the Affordable and Diverse Housing Fund, just \$95,000 remains unallocated. Approximately \$4.1 million is committed from the fund but is not yet paid.

Projects delivered to date are:

- 118-120 Darlinghurst Road, Darlinghurst – HammondCare – aged care for at risk women (56 built diverse dwellings). The City provided \$1.5 million in cash funding.
- 26-30 City Road, Chippendale – St George Community Housing – youth housing and boarding rooms (73 built diverse dwellings). The City provided \$3 million in cash funding.
- 348A Bourke Street, Surry Hills – Wesley Mission – refuge housing (44 built diverse dwellings). The City provided \$1 million in cash funding.
- Alternative Housing Ideas Challenge – a non-bricks and mortar project which sought proposals from local and international participants for new and innovative housing options. The City provided \$350,000 in cash funding.
- Aboriginal housing support officer to St George Community Housing, Bridge Housing and City West Housing – a non-bricks and mortar project employing Aboriginal Affordable Housing Engagement Coordinators to increase access to affordable housing opportunities for Aboriginal and Torres Strait Islander communities. The City provided \$345,000 in cash funding.
- Housing for All Australians economic study – a non-bricks and mortar research project, for which the City provided \$10,000 in cash funding.

Funding is allocated but remains unpaid for following projects:

- UTS – Indigenous student housing (275 expected diverse dwellings). \$1 million approved by Council in March 2020. The grant agreement and related covenant is currently with UTS for signing.
- RJ Williams Building – Wesley Mission (74 expected diverse dwellings). \$3 million approved by Council in December 2020. An application to modify the original development approval is under assessment by the City.

In addition to those projects funded through the Affordable and Diverse Housing Fund, the City has also supported the following project through an ad hoc Community Services grant:

- Women’s Community Shelters - \$118,450 cash funding approved by Council in October 2021 to unlock under-utilised student accommodation to provide single women at risk of homelessness with affordable housing and support.

Information about the Affordable and Diverse Housing Fund and how to apply

The City’s Affordable and Diverse Housing Fund promotes the development of a wide range of affordable and diverse rental housing in our Local Government Area, by community housing providers, not-for-profit and for-profit organisations. It seeks to overcome financial barriers to affordable and diverse housing development.

The fund’s priority is to leverage private finance for affordable rental housing.

Funds can be used for:

- acquiring land owned by third parties
- acquiring land owned by the City of Sydney
- design and construction
- associated development costs.

Further information about the fund, including eligibility, assessment criteria and how to apply can be found on the City’s website at: <https://www.cityofsydney.nsw.gov.au/community-support-funding/affordable-diverse-housing-fund>

Affordable and Diverse Housing Coordinator

To support the continued delivery, facilitation and advocacy for more affordable and diverse housing in the council area, this memorandum recommends Council support the establishment of an Affordable and Diverse Housing Coordinator. Funding for the position for the 2023/24 financial year will be drawn from General Contingency and will then be accommodated within future year budgets.

Key Examples of Projects within the 10-year Capital Works Program

The Long Term Financial Plan, includes a 10-year capital works program, that references over 300 individual projects and provisional sums within the outer years.

The programs are categorised as either asset enhancement or asset renewal, and a sample of some of the key projects are provided below, along with their budget (noting that smaller projects are generally fully funded in the coming year whereas the funding for larger scale projects tends to span multiple years). It also worth noting that planned program works can be subject to change in the year due to reprioritisation, environmental, supply, external approvals or other factors.

Capital Programs Asset Enhancement Bicycle Related Works	2023/24 Budget (\$M)	Total Project Budget (\$M)
Oxford street west and Liverpool Street Cycleway	6.6	11.6
City South Bike network link - Kelly & Mary Ann	1.8	3.5
Castlereagh Street Cycleway - North	12.0	22.4
Primrose Avenue Quietway	0.3	4.4
City South Bike Network Link – Ultimo Rd and Campbell St	0.3	3.7
Phillip Street to College St bike network link	0.3	2.5

Capital Program Asset Enhancement Open Space and Parks	2023/24 Budget (\$M)	Total Project Budget (\$M)
Wimbo Park, Surry Hills	4.4	9.9
North Rosebery Park	4.3	8.4
Synthetic Sports Field Installations - Perry Park	5.4	13.5
Sydney Park Impact Mitigation Works	2.1	5.2

Capital Program Asset Enhancement Open Space and Parks	2023/24 Budget (\$M)	Total Project Budget (\$M)
Synthetic Sports Field - Crescent Park	3.9	5.0
Gunyama Park Stage 2 & George Julius Avenue North	1.0	18.4

Capital Program Asset Renewal Open Space and Parks	2023/24 Budget (\$M)	Total Project Budget (\$M)
Open Space Renewal - Clyne Reserve	0.3	1.2
Open Space Renewal - Hyde Park Lighting	1.2	21.3
Parks General - James Watkinson Reserve,	1.8	2.0
Parks General - Harry Noble Reserve,	1.6	4.4
Shade Sails - Edgely Street Reserve,	0.7	0.8
Open Space Renewal - Woolloomooloo Playground	1.5	1.9
Open Space Renewal - Arthur Street Reserve, Surry Hills	0.8	0.9
Open Space Renewal - Douglas Street People's Park, Redfern	0.5	0.7
Open Space Renewal - Avona Avenue Streetscape, Glebe	0.5	0.6
Open Space Renewal - Wattle Lane Park Playground, Ultimo	1.1	1.2
Open Space Renewal - Prince Alfred Park Meadows Pathways	0.6	1.0

Capital Programs Asset Enhancement Public Domain	2023/24 Budget (\$M)	Total Project Budget (\$M)
Green Square to Ashmore Connection	8.6	34.9
Crown Street Public Domain	6.9	36.6
Pemulwuy Precinct Public Domain Improvements	0.6	5.0
Loftus St, Reiby Pl & Customs House Lane Upgrade	3.0	8.0
George Street North Pedestrianisation (Hunter to Alfred Sts)	8.0	30.0

Capital Program Asset Renewal Public Domain	2023/24 Budget (\$M)
PCTC's	
Terry St. Shared Zone	0.7
St. Johns Road (Phase 2) – Safety improvements	0.7
Glebe Point Road – raised pedestrian crossings	0.6
Springfield Lane – Shared Zone	0.3
LPCTC Committee – Improvement Works	
Wentworth Park Road – pedestrian safety improvements	1.5
Roslyn Gardens – raised pedestrian crossings (x2)	1.0
Murray St – raised pedestrian crossing	0.5

Capital Program Asset Renewal Infrastructure - Roads Bridges and Footways	2023/24 Budget (\$M)
Road Renewal	
Elizabeth Street, Surry Hills -Between Campbell St to Blackburn St	0.1
Clarence Street, Sydney -From Druitt Street to Market Street intersection and from King Street to Jamison Street intersection	0.6
Rothschild Avenue, Rosebery - Intersection at Queen Street and Rothschild Avenue	0.03
Mary Street, Surry Hills – From Campbell Street to Reservoir Street	0.04
Arundel Street Forest Lodge - From Sparkes St to Short St	0.04
Footway Renewal	
Adelaide Street Surry Hills -From Steel St to Riley St (South Side)	0.04
Dawson Street, Surry Hills - From Elizabeth St to Clisdell St (South Side)	0.02
Crown Street, Darlinghurst -Burton Street to Liverpool Street, east side	0.06
Nelson Lane, Redfern - East of Union Street to park	0.1
Rowley Street, Eveleigh - From Station PI to Alexander St (North side)	0.1
Paver In-Fill Program	
Sussex Street, Sydney – From Market Street to Darling Park (West side)	0.5
Clarence Street, Sydney- From Clarence Street, between King and Market Street	0.2
Clarence Street, Sydney – From Clarence St to between Barrack and King St, (East side)	0.6
Sussex Street, Haymarket - At Intersection of Sussex and Goulburn St	1.0

Capital Programs Asset Enhancement Properties - Community, Cultural and Recreational	2023/24 Budget (\$M)	Total Project Budget (\$M)
Green Square Public School and Community Spaces	8.7	24.7
George Street - Lend Lease Circular Quay VPA	2.3	8.8
Pyrmont Community Centre Upgrade	4.4	7.7
Town Hall Projection Lighting on front facade	1.2	1.2

Capital Program Asset Renewal Property Assets	2023/24 Budget (\$M)	Total Project Budget (\$M)
Town Hall House, Façade Remediation	6.5	12.4
Sydney Town Hall External Works Stage 3	1.3	16.5
The Breezeway - Renovation	1.6	2.2
City Recital Hall Base Building Works	0.9	3.6
Sydney Park Brick Kilns - Renewal Works	0.9	16.0
Goulburn St Parking Station - Whole of structure remediation	1.0	26.0
Newtown Library - Facade Renewal	0.3	1.0
Andrew Boy Charlton Pool - Renewal	0.5	2.0
343 George St - Level 6-10 De-Fit and re-Use	4.0	4.8
343 George St - Level 6-10 Base Building Renewal	0.5	21.3
Customs House - Interior Renewal (Ground Floor)	0.6	0.6

Community Properties Income – an explanation of the accounting treatment

The City is required to account for all income and expenditure in accordance with Australian Accounting Standards.

Our accounting approach for tenancies under the City's Accommodation Grants Program (AGP) is to fully recognise the gross value of the income, being the equivalent commercial rate of rent for these properties, as a source of non-cash income. This income is largely offset by a corresponding amount of expenditure, which is recognised as the value the City provides these tenants as a non-cash (or "in-kind") grant.

The 2023/24 budget includes gross community property income of \$12.6 million offset by Accommodation Grants Program expenditure of \$9.6 million. The difference reflects the fact that not all tenants are given a 100 per cent subsidy, as some tenants pay a partial contribution towards the value of the accommodation.

Reporting of Cash Investments – Restricted and Unrestricted Cash Reserves

The City's Long Term Financial Plan (LTFP) is designed to ensure the City remains financially sustainable over the short, medium and long term. It achieves this by budgeting and projecting all incoming and outgoing financial sources over the 10-year period, providing funds for a high standard of operational services to the community and maintenance of our assets, while planning to generate sufficient funding for an extensive program of capital works to renew and enhance our community's infrastructure and facility assets.

The financial modelling which informs the Long Term Financial Plan, recognises that there is a general alignment between operational incomes and expenses each year, but sufficient to generate operational and contribution funding surpluses, that are held as cash and investments to fund the capital works program and retain a prudent level of working capital to meet the City's commitments.

Within the City's cash and investments, there are a number of funds that are restricted to reflect external legislative or regulatory requirements, or internally as Council has resolved to set aside funds for specific purposes. These restrictions, and their current balances, are regularly reported to Council in the quarterly report, and referenced in total within the monthly investment report to Council.

External restrictions include funds that must be held in reserve for developer contributions yet to be spent, specific purpose grants, our domestic waste and stormwater management reserves. Internal restrictions include funds set aside for the supported accommodation, affordable and diverse housing, heritage conservation, performance bonds, workers compensation and public liability insurance reserves, employee leave liabilities and capital priorities including commercial property investments and the balance of Green Square infrastructure. (Details outlining the purpose of each restriction are set out the in the Long Term Financial Plan - pages 33/34 of the Resourcing Strategy).

The commercial property reserve is required for the City to further diversify its income base and continue to reduce the City's reliance on ratepayers to fund all of our operations, deliver our services and maintain our infrastructure. Investment decisions to acquire properties are subject to extensive business case analysis, and market tested, with prospective returns on investment tested against those available through cash investment market. As the Long Term Financial Plan is a balanced model, any projected expenditure on new properties is always balanced with new income from the new acquisitions factored into future year's income sources.

The balance of "unrestricted" cash and investment funds are not available for new initiatives. With the exception of the planned prudent level of working capital, these funds are committed to funding the City's ambitious capital works program, either projects already in train, or as future commitments to enhance or renew our infrastructure in line with our asset management plans. New initiatives therefore generally need to be funded by new or enhanced sources of income, operational savings, or a reprioritisation of existing programs.

Minor Editorial Changes

A number of minor editorial/administrative changes are still being refined within the suite of documents that were presented to the 8 May 2023 Corporate, Finance, Properties and Tenders Committee. It is recommended that authority be delegated to the Chief Executive Officer to correct minor editorial changes, before the documents are placed on public exhibition.

This includes the fee for the production of certificates under section 603 of the Local Government Act 1993. The fee is set by the Office of Local Government and was notified after the Committee papers were finalised. The approved fee for 2023/24 is determined to be \$95. This is an increase of \$5 from the 2022/23 fee.

Memo from Bill Carter, Chief Financial Officer

Prepared by: Bill Carter, Chief Financial Officer

Approved

P. M. Barone

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Chief Executive Officer