

## **Integrated Planning and Reporting Program and Budget 2018/19 - Public Exhibition**

**File No: X011846**

### **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.

Council reviewed and adopted a revised suite of Integrated Planning and Reporting documents last year following the local government elections. That suite of documents included the Sustainable Sydney 2030 Community Strategic Plan and the 2017-2021 Delivery Program.

The draft Operational Plan 2018/19 provides an annual instalment of the 2017-2021 Delivery Program, and identifies the specific plans and activities to be undertaken during the forthcoming year to progress the community's desired outcomes.

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 (2018) supports the activities outlined in the Delivery Program, comprising a Long Term Financial Plan, Community Engagement Strategy, a Workforce Strategy, an Asset Management Plan and an Information and Technology Strategic Plan. The Resourcing Strategy demonstrates the City's commitment and capacity to deliver the Sustainable Sydney 2030 strategic outcomes in a planned and sustainable manner.

It is worth noting that the City, like all councils in NSW, faces mounting financial pressures to do more with less every year. The general rate increase of 2.3 per cent for 2018/19 approved by the Minister for Local Government, on IPART's recommendation, does not adequately reflect the City's own experience of rising labour, materials, contracts and service costs. The City however has access to a diversified property portfolio and other income sources, to alleviate the burden on the ratepayer and enable it to plan for its long term financial sustainability.

The City's population continues to grow in terms of residents, workers and visitors, with over 1.2 million people now accessing the City's services daily, and the City continues to develop new facilities to service its community. In addition, there is ongoing dialogue between the Department of Planning and Property NSW in regards to the potential transfer of a number of open spaces and public domain assets in Pymont and from Place Management NSW (the former Sydney Harbour Foreshore Authority) to the City, along with the associated maintenance services.

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 Operational Plan 2018/19 as shown at Attachment A to the subject report; and
  - (ii) the draft Resourcing Strategy 2018 as shown as Attachment B to the subject report;
- (B) endorse the draft Operating and Capital Budget, and future years' forward estimates, as reflected in the draft Operational Plan 2018/19 and draft Resourcing Strategy 2018 including:
  - (i) operating income of \$595.9M, operating expenditure before depreciation of \$231.7M for an Operating Result of \$125.6M, and a Net Surplus of \$62.1M after allowing for interest, depreciation and capital contributions;
  - (ii) Capital Works expenditure of \$274.2M and a contingency of \$5.0M;
  - (iii) Plant and Assets net expenditure of \$26.2M; and
  - (iv) Net Property Divestments of \$55.2M; and
- (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 2018/19.

## Attachments

**Attachment A.** Draft Operational Plan 2018/19

**Attachment B.** Draft Resourcing Strategy 2018

## 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 reviewed and adopted a revised suite of Integrated Planning and Reporting documents last year following the local government elections to ensure the plans reflected the intentions of the current Council.
5. Staff have reviewed the progress of the current Operational Plan together with the objectives of the Delivery Program 2017-2021 to develop the projects and programs for the draft 2018/19 Operational Plan in line with recent Council adopted strategies and priorities.
6. The draft Operational Plan 2018/19 identifies the actions and activities planned for the next financial year, together with a range of indicators that will measure progress towards delivery of the City's outcomes. The draft Operational Plan also incorporates the City's proposed revenue policy for rates and annual charges, the fees and charges schedule, and other relevant budgetary information.
7. The draft Resourcing Strategy 2018 includes an updated 10 year Long Term Financial Plan and updated 10 year Asset Management Plan, updated statistics in the previously adopted four year Workforce Strategy, Community Engagement Strategy and a four year Information and Technology Strategic Plan.
8. 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.
9. 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 which was adopted in 2008. The City is responsible for the care and control of assets and infrastructure valued at almost \$11.6 billion in physical assets (including land).

10. 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.
11. The Information and Technology Strategic Plan adopted in 2017 outlines the major information technology initiatives and goals that have been refreshed in line with the development of the City's draft Digital Strategy.
12. The City's Workforce Strategy 2015-2019, adopted in 2015, examines 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 2018 revised version to reflect current employee data and trends with a major review of the strategy to be completed during 2018/19.

## **Key Implications**

### **Strategic Alignment - Sustainable Sydney 2030 Vision**

13. 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**

14. The proposed budget for 2018/19 provides for a full time equivalent (FTE) staff of 1,943. The City supports a significant number of additional jobs through the provision of contracts that underpin a range of externally provided projects and services.
15. 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 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**

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

## **Budget Implications**

17. The proposed 2018/19 budget projects an operating result, prior to interest income, depreciation, capital project related costs and capital contributions, of \$125.6M. This surplus reflects the current approved Long Term Financial Plan surplus of \$113.9M, adjusted for the \$11.7M recovery of rates shortfall further outlined below.
18. Operating Income is budgeted at \$595.9M, with key components described in this report, and full detail provided in the Operational Plan and the Long Term Financial Plan.

19. The Independent Pricing and Regulatory Tribunal (IPART) has recommended to the NSW Local Government Minister that council's general income may increase by a maximum 2.3 per cent rate in 2018/19, to reflect the growth in the Local Government Cost Index. This index measures the average change in prices of a fixed 'basket' of goods and services purchased by councils, however, it should be noted that this does not adequately reflect the City's own experience of rising labour, materials and service costs.
20. The City's rates in 2018/19 are also adjusted for a one year increase to recover a shortfall of rates income experienced in 2017/18, following the outcome of a court decision in June 2017. This court decision required the City to amend the rating category for all development sites where construction of residential accommodation was underway, from business to residential rating category, properties which had previously been rated as business until an occupancy certificate was achieved. As the residential rating category attracts a significantly lower ad valorem (or rate in the dollar) charge, the late amendment resulted in an \$11.7M shortfall of rates income from over 100 properties in the 2017/18 financial year.
21. The Local Government Act 1993 allows the City to recover this shortfall through the once-off levy of an additional \$11.7M above the allowable rate cap increase within the 2018/19 financial year. This recovery has been apportioned across all of the City's three rate categories being Residential, Business CBD and Business Ordinary (ie outside the CBD). Note that the additional levy only impacts ratepayers who are not on the minimum rate, as the minimum rate cannot be increased by more than the Minister's approved general increase of 2.3 per cent.
22. It is worth noting that the City will continue to investigate its rating models during 2018/19, and invite community feedback, to consider options to improve the fair and equitable distribution of the rates burden for all of our ratepayers. In a high density local government area with a 4 per cent population increase in the twelve months to June 2017, NSW Government housing targets and steady increases forecast to continue, the City is looking closely at its rating path and the best way to equitably align its rating structure to service this growth. High volumes of apartment living put additional demands on the City's services, facilities and infrastructure, however the relatively low additional income that arises from the minimum rates attributable to these additional apartments fails to provide appropriate financial support to offset the rising costs of servicing our growing community.
23. The Rates and Annual Charges for 2018/19 are budgeted to be \$351.9M and include the following key elements:
  - (a) a general 2.3 per cent rate increase;
  - (b) the rates will be based upon the 2016 unimproved land valuations as supplied by the Valuer General of NSW;
  - (c) the 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;

*Residential - Ordinary Rate*

- (d) the City proposes to continue a single residential category of rateable land;

*Business - Ordinary Rate*

- (e) the City proposes to adopt a business ordinary rate, and a business sub-category rate for rateable land in the Central Business District as a centre of activity, as follows:

*Business – CBD (Central Business District) Rate*

The boundaries of the Business CBD sub-category is shown in the map contained within the draft Operational Plan 2018/19 (Attachment A).

- (f) the proposed rates for the 2018/19 rating year are:

Category / Subcategory	Minimum Rate (\$)	Ad valorem (rate in Dollar)
Residential - Ordinary Rate	\$557.00	0.001305
Business - Ordinary Rate	\$712.70	0.004550
Business subcategory - CBD Rate	\$712.70	0.010560

- (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, with a further flat surcharge applied for each additional weekly collection. This pricing methodology makes provision for properties requiring more waste collection to contribute a higher charge to reflect the level of service received, which satisfies the intent of the legislation as well as Council's desire to improve residential waste management;
- (h) Domestic Waste Management Charges reflect the availability of the service, and the volume and collection frequency for general household waste. These charges are proposed to increase by an average of 3 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. 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) annual charges include a stormwater charge as allowed under the Local Government Act 1993. The charges remain at \$25 per residential property, \$12.50 per residential strata unit, and a pro rata rate of \$25 for every 350m<sup>2</sup> or part thereof for business properties. The funds raised from this charge are quarantined to improve the quality and quantity management of the City's stormwater network, over and above the existing works currently undertaken. Works envisioned include significant remediation where required, and the investigation and design of opportunities to enhance stormwater catchment for harvesting and re-use; and
  - (j) the City will continue its existing pensioner policy which provides all eligible pensioners a 100 per cent rebate on their rates, domestic waste and stormwater charges.
24. A full schedule of the user fees and charges proposed for the year is included within the draft Operational Plan 2018/19. 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.
25. In accordance with the City's long established budget parameters, the vast majority of fees have been increased to accommodate the higher cost of service provision based on the projected Consumer Price Index (CPI) for the next year. 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.
26. There are a number of new fees proposed for the 2018/19 year including:
- (a) fees for new facilities being established at Perry Park and at Green Square;
  - (b) fees for applications related to delegations from the NSW Heritage Council; and
  - (c) car share fees relating to the replacement of annual permits, a new operator applications fee, and to recoup associated parking space levy costs.
27. Interest income is budgeted to be \$13.1M, reflecting the expected opening cash balances, continued low interest rates and the anticipated cash utilisation for the planned capital program.
28. Capital Grants and Contributions are projected to contribute \$82.8M in line with the long term forecast in major development activity within the local government area for 2018/19.
29. Total Operating Expenditure is budgeted at \$470.2M, with a number of key components as described below, and greater detail provided within the Long Term Financial Plan.
30. Salary and Wages related expenditure totals \$238.6M, 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.

31. The proposed staffing full time equivalent (FTE) establishment is 1,943. There are a number of new positions that reflect new priorities as identified by Council. The net increase includes:
  - (a) Permanent positions for a new senior Aboriginal officer, 8.5 librarian and library support positions (including transforming 3.5 casual positions to permanent) to support the new Green Square library, and 2 additional waste education officers.
  - (b) Additional temporary positions including 4 waste resource recovery officers, 3 senior planners, 2 sustainability officers to assist with accelerated environmental actions, a project implementation officer to deliver the contingent staff management system, a program coordinator to plan for the new Greenland community facility and a senior research officer and project manager to assist with development of the revised Community Strategic Plan.
32. The vast majority of the City's \$231.7M non-salary related operational expenditure has not changed substantially, as it represents the ongoing business and service requirements of Council and its community, adjusted for relevant cost increases.
33. The 2018/19 draft budget includes additional funds for the investigation and removal of two monorail stations, which were left in situ after the monorail track was removed, with these costs to be recovered from the State. There are also additional funds to continue the City's accelerated environmental actions, to support the surveys and studies required to inform our new Local Environmental Plan, funding for a \$3M affordable housing grant and a \$0.5M co-contribution towards an Ausgrid grant to increase solar panels in the local government area. Funds for software licences for our new facilities and to support the City's mobile workforce have increased, as have insurance premiums, and we have budgeted to ensure appropriate security services for the City's properties. Further details on all of our operational expenditure items and underlying cost assumptions, are provided in the attached Long Term Financial Plan.
34. The draft budget also incorporates a review of the Community Strategic Plan which includes activities such as:
  - (a) assess and report on our progress and outcomes since adoption of Sustainable Sydney 2030;
  - (b) set out what we have planned to do next – over the next decade to 2030;
  - (c) undertake research and technical studies to understand the issues facing our city for the period 2030 – 2050; and
  - (d) engage with the community and stakeholders to understand their future aspirations and work with them to help shape the future direction of our city.
35. Appropriate operational contingencies of \$4.5M are proposed, consistent with long standing practice, to cater for unforeseen circumstances and events that arise after the adoption of the budget, including:
  - (a) General Contingency of \$3.5M; and
  - (b) CEO Contingency of \$1.0M.

36. It is worth noting that there is ongoing dialogue between the Department of Planning and Property NSW in regards to the potential transfer of a number of open spaces and public domain assets in Pyrmont and from Place Management NSW (the former Sydney Harbour Foreshore Authority) to the City, along with the associated maintenance services.
37. The City is working with the State to develop an understanding of the risks and full financial impact of accepting these assets on our resourcing and operational capacity, but at this stage the draft 2018/19 operating budget and 10 year Resourcing Strategy does not provide for these assets or services.
38. 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.
39. The proposed Capital Works program for 2018/19 totals \$279.2M, and comprises a program of major projects of \$159.2M, asset enhancements program of \$58.9M and rolling capital renewal programs of \$56.1M, with a provisional \$5.0M Capital Works contingency for unknown circumstances that may arise after adoption of the budget.
40. The proposed program will see a continuation of the large scale urbanised renewal of Green Square and the ongoing delivery of many major projects including another instalment of the City's contribution to the State Government's light rail project. The program is in line with the agreed long term financial parameters, representing the City's financial capacity to deliver the program each year, along with provisions for significant projects that may be delivered by third parties.
41. In addition to the Green Square works of \$110.1M and the Light Rail contribution of \$38.6M, major project expenditure for the 2018/19 year includes Green Infrastructure projects of \$5.6M and Johnstons Canal Master Plan and Harold Park works of \$2.4M. It also includes the extensive asset enhancement works for Open Space and Parks of \$13.3M, Public Art of \$11.9M, Stormwater Drainage of \$9.0M, and Bicycle Related works of \$7.6M.
42. The Long Term Financial Plan includes funding provisions for 2018/19 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. The City is required to ensure that it holds, upgrades and maintains its assets in an appropriate condition, to meet the community's expectations and ensure their sustainability over their useful lives.
43. The draft Plant and Assets budget provides for acquisitions of \$27.7M with disposal proceeds of \$1.5M, resulting in a net cost of \$26.2M. Together with the annual vehicle replacement program \$3.3M, Library Books \$1.5M, IT Equipment replacement \$1.8M, Furniture and Fittings \$0.4M, Equipment \$8.8M, the proposed budget also includes funds for the development and delivery of the Information Services Project Portfolio of \$10.5M.

## Reserves

44. 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).
45. In 2016, a new affordable housing reserve was created from the proceeds of the sale of land at Harold Park for \$10.4M. This has previously been reduced by \$1.5M as a result of a grant to Hammond Care for the delivery of an affordable housing project. The 2018/19 budget includes another grant of \$3.0M to assist in the development of an affordable housing project by St George Housing.
46. 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.
47. 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.
48. The Long Term Financial Plan plans for the City to continue to deliver quality services and facilities for its community, satisfy all of its commitments to the community, and remain financially sustainable over the long term.

## Relevant Legislation

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

## Critical Dates / Time Frames

50. 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 financial year.
51. 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**

52. 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 2018.

## **Public Consultation**

53. 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.
54. 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.
55. The City elects to exhibit the Draft Resourcing Strategy 2018 at the same time as the Draft Operational Plan 2018/19 even though it is not a legislative requirement.

## **BILL CARTER**

Chief Financial Officer