

Item 2.

Integrated Planning and Reporting Program and Budget 2018/19 - Adoption

File No: X011846

Summary

Sustainable Sydney 2030 guides the development and planning for the City of Sydney, 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 suite of Integrated Planning and Reporting documents was endorsed by Council on 14 May 2018 to be placed on public exhibition for comment from 15 May to 12 June 2018, in accordance with the requirements of the Local Government Act. Three submissions were received and assessed through internal review. The issues raised in the submissions, together with the response and staff recommendations, are included in Attachment A.

The draft documents, including the annual budget and financial schedules as placed on exhibition, have been amended to recognise that the City's 2018/19 contribution to the light rail project will need to be increased to allow for the additional \$63.6M contribution that was deferred in 2017/18 pending independent certification that the project remains on track. Revised financial schedules as amended are detailed in Attachment B.

The City has also now developed an Asset Environmental Target schedule which details the planned movements in our carbon emissions, including the initiatives being implemented and the annual reductions targeted each year, to reduce our emissions by at least 44 per cent by 2021. This schedule has been incorporated into our Asset Management Plan within the City's Resourcing Strategy, as detailed at Attachment C.

This report recommends the adoption of the exhibited suite of the 2018 Integrated Planning and Reporting documents, including the 2018/19 budgets, incorporating the setting of the rates, subject to the changes in Attachment B, in accordance with the requirements of the Local Government Act (1993).

Recommendation

It is resolved that:

- (A) Council note the submissions received from the community and included in Attachment A to the subject report;
- (B) Council adopt the suite of the draft 2018 Integrated Planning and Reporting documents as endorsed by Council on 14 May 2018, subject to the amendments detailed in Attachments B and C to the subject report, incorporating:
 - (i) the Operational Plan 2018/19; and
 - (ii) the Resourcing Strategy 2018;
- (C) Council adopt the draft Operating and Capital Budget, and future years' forward estimates, reflected in the Operational Plan 2018/19 and Resourcing Strategy 2018, subject to the amendments detailed in Attachment B to the subject report. The 2018/19 budgets include:
 - (i) Operating income of \$595.8M, operating expenditure before depreciation and light rail contribution of \$470.2 for an Operating Result of \$125.6M, and a Net Operating Result of (\$0.6M) after allowing for interest income of \$14.0M, capital income contributions of \$82.8M, depreciation expense of \$109.4M, capital project costs of \$11.3M and light rail contributions to the State Government of \$102.2M;
 - (ii) Capital Works expenditure of \$337.8M, increased to reflect the revoked light rail contribution of \$63.6M, and a contingency of \$5.0M;
 - (iii) Plant and Assets net expenditure of \$26.2M; and
 - (iv) Net Property Divestments of \$55.2M;
- (D) Council adopt the proposed Rating structure and policies, Domestic Waste Management Charges, Stormwater Charges and User Fees and Charges; and
- (E) authority be delegated to the Chief Executive Officer to approve any minor editorial corrections prior to publication.

Attachments

- Attachment A.** Public Exhibition Submissions and Responses 2018
- Attachment B.** Integrated Planning and Reporting 2018/19 - Amended Financial Schedules
- Attachment C.** Asset Environmental Target Schedule - to be Included in the Asset Management Plan within the Resourcing Strategy

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. Council endorsed the draft Operational Plan 2018/19 and the draft Resourcing Strategy 2018 for public exhibition on 14 May 2018. The draft documents were placed on public exhibition on 15 May 2018. Public notices were placed in The Sydney Morning Herald, Southern, Inner West, Central and Wentworth Courier newspapers from 15 May onwards. The City's social media channels (Twitter and LinkedIn) also advised their respective followers of the exhibition period.
6. Hard copies of the documents were made available to the community at various City locations, including the One Stop Shop and Neighbourhood Service Centres. The Plans were also made available through the City's Sydneyyoursay.com.au website, which had 446 visits and 246 downloads of the documents.
7. The City received a total of three submissions directly by email. These submissions have been internally reviewed, with staff recommending that the exhibited content of the draft Plans remain unchanged from that exhibited in response to the submissions received.
8. The issue raised in the submissions, together with the responses and staff recommendations, are included in Attachment A.
9. It is worth noting that rollout of the National Disability Insurance Scheme (NDIS) continues across NSW and that the City's Meals on Wheels service will be registering as a service provider. The 2018/19 fees and charges incorporate a service provider fee of \$11.60 for clients assessed as eligible for Disability or Aged Care Funding Subsidy, but unfortunately, many of our clients (under 65 years old) are yet to be assessed. To support these people through the transition process, the City will not be charging this fee until they have been assessed.
10. There are ongoing negotiations with the City's current waste services provider in relation to the recently flagged changes to the cost of providing its recycling services. At this stage, the City is recommending that we do not change the proposed domestic waste management charges for 2018/19, as publicly exhibited.

11. The City recently purchased a property in Huntley Street to provide four additional multi-purpose indoor courts for use by the community. Additional funds will be required within the Capital Works Program to commence design of this facility in 2018/19, and ultimate delivery. This work will be investigated and quantified in order to vote preliminary funds for design within the Quarter 4 report, to be presented to Council in August 2018.
12. There are also concerns over the preliminary capital estimates for the City's contribution to the Ashmore trunk drainage project. While additional funds are expected to be required to complete this complex project, at this stage the project design is still being reviewed and tested by both Sydney Water and our staff, to drive value for money outcomes. A separate report will be brought to Council when that investigation work is complete.
13. Minor amendments to correct administrative errors, improve clarity or in response to changing external factors, have been made to the Sustainable Sydney 2030 Community Strategic Plan, Delivery Plan responsibilities, Operational Plan deliverables, fees and charges, and the annual budget and long term financial plan financial statements. The only significant amendment relates to the need to revoke the City's 2017/18 light rail contribution of \$63.6M into 2018/19, pending independent certification that the light rail project is on track. The revised financial schedules are detailed in Attachment B.
14. The City has also now developed its Asset Environmental Target schedule which details the planned movements in our carbon emissions, including the initiatives being implemented and the annual reductions targeted each year, to reduce our emissions by at least 44 per cent by 2021. This schedule will be incorporated into our Asset Management Plan within the City's Resourcing Strategy as detailed at Attachment C.
15. This report recommends the adoption of the exhibited suite of Integrated Planning and Reporting (2018) documents including the 2018/19 budgets, incorporating the setting of the rates, in accordance with the requirements of the Local Government Act (1993), subject to the changes set out in Attachment B.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

16. The 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.
17. The proposed budget for 2018/19 provides for full time equivalent (FTE staff) of 1,943. 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.
18. These positions are required to ensure the ongoing operation of council, and to advance the outcomes determined within Sustainable Sydney 2030. City 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

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

Budget Implications

20. The proposed 2018/19 budget delivers an operating result, prior to interest income, depreciation, capital project related costs and capital contributions, of \$125.6M. This surplus is in line with the current approved Long Term Financial Plan, adjusted for the \$11.7M recovery of rates shortfall further outlined below.
21. The City's rates in 2018/19 are 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, for 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.
22. 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 (i.e. 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.
23. 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 four 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.
24. The proposed Capital Works program has been determined within the level of available funds to ensure that sufficient working capital is maintained for the City's long term financial sustainability.
25. The proposed operating and capital expenditure budgets are projected to reduce the City's cash reserves from the planned forecast of \$480.6M, at 1 July 2018, to \$451.2M by 30 June 2019 in line with the long term financial strategy. The utilisation of cash reflects funds being directed to the extensive capital works program.

26. Within the Resourcing Strategy (2018 Revision), the 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 outlines the financial strategies that will maintain sustainable operating surpluses to enable the delivery of the major capital works programs that provide enduring community benefits. It includes the various measures it will use to monitor the City's financial performance.
27. The plan incorporates the City's cash reserves, including all of the external restrictions required by legislation to quarantine funds raised for specific purposes, including developer contributions, security deposits, domestic waste and stormwater charges. It also incorporates internal restrictions where Council has resolved to set specific funding aside for employee leave entitlements, asset replacement, and significant Sustainable Sydney 2030 commitments, including Affordable and Diverse Housing Fund, City Centre Transformation, Green Square, and Green Infrastructure (energy, stormwater and waste).
28. 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.
29. A full schedule of the user fees and charges proposed for the 2018/19 year is included within the Operational Plan 2018/19. The proposed fees have been set in accordance with the City's pricing policy which requires consideration of a number of factors, including the cost of service provision, whether the goods or services are provided on a commercial basis, and the capacity of the user to pay.

Relevant Legislation

30. 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

31. Section 405 of the Local Government Act (1993) requires that Council 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.
32. 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

33. 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

34. The current 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.
35. The City continues to engage with the community when developing significant strategies, projects and policies. Feedback received through these engagement activities have been considered in developing the revised Operational Plan.
36. Council publicly exhibited the draft Resourcing Strategy and draft Operational Plan, including its revenue policy and budgets from 15 May 2018 to 12 June 2018.

During this period, the community were invited to make comments and submissions regarding the plans. The City utilised the Sydney Your Say community engagement platform to seek responses on all of the draft plans. All submissions received by Council have been considered and assessed against the draft planning documents. More details are provided in Attachment A.

BILL CARTER

Chief Financial Officer

Geoff Burton, Business Planning and Performance Manager

Bob Wallace, Manager Financial Planning and Reporting