

## **Public Exhibition - Integrated Planning and Reporting Program and Budget 2021/22**

**File No: X025796**

### **Summary**

Sustainable Sydney 2030 guides the development and planning for the City of Sydney local government area. 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 in 2017 following the local government elections. The draft Operational Plan 2021/22 provides the last annual instalment of the 2017-2021 Delivery Program, which was extended one year to align with the deferral of the council elections.

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 (2021) 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 continued commitment and capacity to deliver the Sustainable Sydney 2030 strategic outcomes in a planned and sustainable manner.

Unfortunately the Covid-19 pandemic continues to impact the City, its community and economy. Council responded quickly by implementing a range of support measures to assist the community and businesses as part of its Community Recovery Plan. The plan aims to rebuild and strengthen the resilience, equity and sustainability of the community and its economy as the crisis eases, with a range of measures including additional community grants, creative initiatives, parking flexibility, fee waivers, rent relief for eligible commercial tenants and support for ratepayers experiencing financial hardship.

The financial impacts arising from the pandemic and our community recovery plan have seen the City experience a significant reduction to its operating cash flows. The City therefore also resolved to implement a Financial Recovery Plan that would enable us over time, to restore our financial position in line with our financial plans, which is essential to provide the services, facilities, infrastructure and new works required by our community.

This report recommends that the current 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 2021/22 as shown at Attachment A to the subject report; and
  - (ii) the draft Resourcing Strategy 2021 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 2021/22 and draft Resourcing Strategy 2021 including:
  - (i) Operating income before interest and capital grants of \$624.5M, operating expenditure before depreciation of \$514.5M, for an Operating Surplus of \$110.0M and a Net Surplus of \$27.3M after allowing for interest, depreciation and capital contributions;
  - (ii) Capital Works expenditure of \$236.3M, including a capital contingency of \$8.0M;
  - (iii) Plant and Assets net expenditure of \$9.2M;
  - (iv) Information Technology Capital Works of \$18.3M; and
  - (v) Net Property acquisitions of \$131.9M; 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 2021/22.

## Attachments

**Attachment A.** Draft Operational Plan 2021/22

**Attachment B.** Draft Resourcing Strategy 2021

## 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 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 in 2017 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 2021/22 Operational Plan in line with recent Council adopted strategies and priorities. The Delivery Program has been extended for one more year due to the deferral of the council elections.
6. The draft Operational Plan 2021/22 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 (2021) includes an updated 10-year Long-Term Financial Plan and updated 10-year Asset Management Plan, updated Workforce Strategy, Community Engagement Strategy and the current 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 Covid-19 pandemic is an unprecedented public health crisis with an associated economic crisis as a result. The financial downturn resulting from the pandemic has significantly impacted our city's economy, particularly sectors such as accommodation and food services, education services, retail trade, arts and recreation services, construction and professional services.

10. In response, Council implemented a Community Recovery Plan with a range of support measures to assist the community and businesses across the City. The plan aims to rebuild and strengthen the resilience, equity and sustainability of the community and its economy as the crisis eases, and included measures like rent relief for eligible commercial tenants, additional funding of community initiatives, the waiving of certain fees and charges and the fast tracking of capital works.
11. The pandemic and response resulted in the City experiencing a significant and ongoing impact to its operating cash flows. The initial forecasts estimated net revenue reductions in the order of \$80 million for the fourth quarter of 2019/20 and first quarter of 2020/21, together with additional grants and supplier support, for a net loss of \$95 million. At this stage, the lingering impact of the pandemic is estimated to have increased these losses to around \$120 million.
12. The City's financial losses from this crisis over the past year include additional operational costs due to increased cleansing and maintenance regimes, and major losses in revenue as the local community and wider economy were impacted. Parking related revenues and commercial property income, two of the City's important revenue sources were particularly affected. While parking related income has almost returned to pre pandemic levels, commercial property income is subdued and forecast to remain so over the next few years. The temporary closures and patronage limitations on our community facilities including venues, pools and recreation centres, have generally ceased, but a lingering reduction in worker and visitor numbers also continues to challenge their financial performance.
13. In adopting its Community Recovery Plan, the City also resolved to implement a Financial Recovery Plan to address these losses and enable us over time, to restore our financial position in line with our long term financial plan. As the long term plan includes all current and future cashflow estimates, in order to provide the services, facilities, infrastructure and new works required by our community, this recovery is critical to ensure the City's long term financial sustainability.
14. The Long Term Financial Plan includes a "base case" version reflecting the City's best estimate of revenue and expenditure as the economy recovers from the pandemic. However, given the operational uncertainty caused by the pandemic, two additional scenarios have also been financially modelled and shown in additional schedules to model slower rates of recovery for commercial property and advertising income over the 10 year plan. All scenarios assume that the City returns to 'business as usual' in the latter years of the plan.
15. 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 (including land) and infrastructure valued at over \$13.9 billion.
16. 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 (or better) 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.

17. 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 Digital Strategy.
18. The City's Workforce Strategy has been updated, is now referred to as the People Strategy, and 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.

## **Key Implications**

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

19. 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**

20. The proposed budget for 2021/22 provides for all full-time equivalent (FTE) staff, along with the significant number of additional jobs the City supports through the provision of contracts that underpin a range of externally provided projects and services.
21. These positions are required to ensure the ongoing operation of the City, and to advance the outcomes determined within Sustainable Sydney 2030. City staff continue to revise functional operations to determine where opportunities arise to improve effectiveness and efficiency of service delivery to ensure the organisation as a whole remains financially sustainable.

### **Social / Cultural / Community**

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

## **Financial Implications**

23. The proposed 2021/22 budget projects an operating surplus, prior to interest income, depreciation, capital project related costs and capital contributions, of \$110.0M.
24. Operating Income is budgeted at \$624.5M, with key components described in this report, and full detail provided in the Operational Plan and the Long-Term Financial Plan.
25. The Independent Pricing and Regulatory Tribunal (IPART) has recommended to the NSW Minister for Local Government that council's general income may increase by a maximum 2.0 per cent rate in 2021/22, 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 and includes an adjustment of 0.2% for the costs of the 2021 local government elections.

26. As noted in previous years, the rate peg does not adequately reflect the City's own experience of rising labour, materials and service costs. The City's own sources of income, including commercial property rentals, are therefore vital to enable our continued provision of quality services, facilities and infrastructure, and underpin our long term financial sustainability.
27. The City continues to review its rating models each year to improve the fair and equitable distribution of the rates burden for all of our ratepayers. In a high density local government area, that has experienced significant population increase and NSW Government forecast ongoing increases, the City is investigating the best way to equitably align its rating structure to service this growth.
28. High density apartment living places increasing demands on the City's services, facilities and infrastructure, without a commensurate growth in income to provide appropriate financial support to offset the rising costs of servicing our growing community. It is worth noting that IPART are currently conducting a review to recommend a rate peg methodology that may allow councils rate income to be varied annually to take into account population growth.
29. The Rates and Annual Charges for 2021/22 are budgeted to be \$378.2M, of which ordinary rates are \$318.6M. Rates and Annual Charges include the following key elements:
  - (a) a general 2.0 per cent rate increase;
  - (b) the rates will be based upon the 2019 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 2021/22 (Attachment A).

- (f) the proposed rates for the 2021/22 rating year are:

<i>Category / Subcategory</i>	<i>Minimum Rate (\$)</i>	<i>Ad valorem (rate in Dollar)</i>
<i>Residential - Ordinary Rate</i>	\$598.55	0.00116210
<i>Business - Ordinary Rate</i>	\$765.95	0.00372249
<i>Business subcategory - CBD Rate</i>	\$765.95	0.00737528

- (g) the Local Government Act 1993 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 not proposed to increase in 2021/22. More efficient work practices and lower than anticipated processing costs have helped to control costs. The City is maintaining its commitment to increased waste education and to provide funding for investigation into a long-term solution for the treatment of non-recyclable waste, to minimise the use of landfill;
- (i) Annual charges include a stormwater charge as allowed by the Office of Local Government. The charges remain at \$25 per residential property, \$12.50 per residential strata unit, and a pro rata rate of \$25 for every 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.

30. A full schedule of the user fees and charges proposed for the year is included within the draft Operational Plan 2021/22. 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. A 'Covid-19' category continues to be included to allow the waiver or reduction of fees and charges in appropriate circumstances in response to the current situation.
31. In accordance with the City's long established budget parameters, fees have generally been increased to accommodate the higher cost of service provision based on the projected Consumer Price Index (CPI) for the next year.
32. Interest income is budgeted to be \$2.4M, reflecting the expected opening cash balances, continued record low interest rates and the anticipated cash utilisation for the planned capital program and property acquisitions.
33. Capital Grants and Contributions are projected to contribute \$37.5M in line with the long-term forecast in major development activity within the local government area for 2021/22.
34. Total Operating Expenditure is budgeted at \$514.5M, with a number of key components as described below, and further detail provided within the Long-Term Financial Plan.
35. Salary and Wages related expenditure totals \$247.6M, 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.
36. The vast majority of the City's \$266.9M 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.
37. As the impact of the Covid-19 pandemic continues to unfold, the overall budget will be assessed and may need further revision in response. In accordance with its Financial Recovery Plan, the City also continues to review its operations in a bid to identify further efficiencies and savings opportunities to respond to the impact on its income and evolving needs of the community.
38. Further details on all operational expenditure items and underlying cost assumptions are provided in the attached Long-Term Financial Plan.
39. For 2021/22 operational contingencies of \$7.0M are proposed. These provisions cater for unforeseen circumstances and events that arise after the adoption of the budget. The CEO contingency for this year is again higher than the usual provision, reflecting the ongoing uncertain operating environment. The utilisation of these contingent provisions are reported back to Council in every quarterly review of the City's financial and operational performance. For 2021/22 the contingencies include:
  - (a) General Contingency of \$2.5M; and
  - (b) CEO Contingency of \$4.5M.



40. 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.
41. The proposed Capital Works program for 2021/22 totals \$236.3M, and comprises asset enhancement programs of \$146.9M and rolling capital renewal programs of \$89.4M. These are set out in the Long Term Plan financial schedules.
42. The proposed Capital Works program will see a continuation of the large scale urbanised renewal of Green Square and the ongoing delivery of many major projects. The program prepared 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.
43. The asset enhancement programs for the 2021/22 financial year include;
  - (a) Bicycle Related works expenditure will amount to \$19.6M and incorporate significant work on the College and Liverpool Street Cycleway costing \$8.5M, Erskineville and Alexandria Cycleway Links costing \$5.0M and Pitt Street Cycleway costing \$1.8M in 2020/21;
  - (b) Green Infrastructure projects of \$6.0M which includes allocations for additional solar panels on City properties and water saving projects;
  - (c) Works for Open Space and Parks of \$21.6M which includes \$9.1M for the Drying Green at Green Square, \$2.8M for Alexandria Park sports field works, \$2.3M for Wimbo Park in Surry Hills and \$2.1M for Perry Park Revitalisation;
  - (d) Property improvement projects across the community and commercial portfolios of \$14.2M;
  - (e) Public Art projects of \$4.4M which includes new public art at Green Square and the Eora Journey - Monument for the Eora;
  - (f) Public Domain asset enhancement works of \$65.7M which includes amounts of \$27.5M for George Street South Pedestrianisation works, \$8.9M for the widening of McDonald Street as part of the development of Ashmore Estate, \$6.6M for the improvements to Macleay Street at Kings Cross and \$6.1M for the Green Square to Ashmore Connection works; and
  - (g) Stormwater Drainage expenditure of \$15.2M the includes \$12.8M for drainage works on Joynton Street, Green Square.
44. The Long-Term Financial Plan also includes funding provisions for the City's rolling asset 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 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.
45. The draft Plant and Assets budget provides for acquisitions of \$9.7M with disposal proceeds of \$0.5M, resulting in a net cost of \$9.2M. The Plant and Asset budget includes the annual vehicle and plant replacement program (\$4.2M), Library Books and Resources (\$0.9M), Information Technology Equipment replacement (\$2.0M), Equipment and Furniture and Fittings purchases (\$2.0M).

46. The proposed budget also includes funds for the ongoing development and delivery of the Information Services Project Portfolio of \$18.3M, as we continue to improve our digital service offering to our community in line with the Information & Technology Strategic Plan.
47. The draft budget also includes a Capital Contingency of \$8.0M for unknown circumstances that may arise after adoption of the budget.

### **Reserves**

48. 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 Green Square, and Green Infrastructure (energy, stormwater and waste).
49. The Long-Term Financial Plan cash restrictions are not designed to set aside amounts covering all future capital works, rather the restrictions are intended to meet specifically identified Council commitments.
50. 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**

51. Local Government Act 1993. Section 8C sets out the integrated planning and reporting principles that apply to councils. Section 406 requires council to comply with the integrated planning and reporting guidelines established by the Executive 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**

52. 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.
53. 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 1993 requires the draft budget, and revenue pricing policy for rates, annual charges and fees be incorporated within that exhibition and consultation process.

## **Options**

54. 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 28 June 2021.

## **Public Consultation**

55. 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.
56. 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.
57. Council is required to exhibit to the community, for a period not less than 28 days, the draft Operational Plan 2021/22, including its revenue policy and budgets. The City elects to exhibit the draft Resourcing Strategy at the same time even though it is not a legislative requirement.

## **BILL CARTER**

Chief Financial Officer