

Item 3.

Public Exhibition - Integrated Planning and Reporting Program and Budget 2022/23

File No: X084366

Summary

The Integrated Planning and Reporting framework for NSW local government 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 financially sustainable over the long term.

Following the delayed local government elections last year, Council is required to review its suite of Integrated Planning and Reporting documents before 30 June 2022 to ensure that the revised plans reflect the intentions of the current Council. In August 2018, Council resolved that work would begin on the development of Sustainable Sydney 2050, representing an evolution of Sustainable Sydney 2030 and incorporating the Resilient Sydney Strategy, new research and technical advice and underpinned with a comprehensive engagement program.

An update was provided to Council in December 2019 on the implementation of the community engagement program and the research program. Since commencing this work the pandemic has had a significant impact on our city, our communities and the economy and we checked in with the community in May 2020 through a survey of residents and businesses on the impacts of the pandemic.

A vision for the city in the three decades to 2050 has been developed and is currently on public exhibition together with the Community Strategic Plan - Delivering Sustainable Sydney 2030–2050.

The draft Delivery Program 2022 to 2026 identifies the specific activities, projects and resources required to progress the goals and targets within the Community Strategic Plan. The Delivery Program proposes the key four year outcomes that align to the objectives of the ten strategic directions of the Community Strategic Plan and integrates these within the City's long term strategic framework.

The draft Operational Plan 2022/23 provides an annual instalment of the Delivery Program and identifies the specific plans and activities to be undertaken during the forthcoming year to achieve the deliverable outcomes. It also contains the draft Operating Budget, Capital Budget and the Revenue Policy including the proposed rates, waste and stormwater charges along with the other proposed user fees and charges for the year.

The draft Resourcing Strategy (2022) supports the activities outlined in the Delivery Program, comprising a Long Term Financial Plan, a People (Workforce) Strategy, an Asset Management Plan and an Information and Technology Strategy. A revised Community Engagement Strategy is also included within the Resourcing Strategy, articulating the City's objectives and approach to community engagement. The Resourcing Strategy demonstrates the City's commitment and capacity to deliver the strategic outcomes in a planned manner to ensure the long term sustainability of the Council.

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 aimed 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. A recommendation to set footway dining fees at zero and extend the associated temporary outdoor dining guidelines for the coming financial year is included in this report. This initiative has proved to be a highly effective support mechanism for the City's food and beverage sector.

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.

It is worth noting that the City, like all councils in NSW, faces mounting financial pressures. This has been further exacerbated by the general rates increase of only 0.7 per cent for 2022/23 which under the rate peg system is approved by the Minister for Local Government, on the recommendation of the Independent Pricing and Regulatory Tribunal (IPART). The City of Sydney also received a population factor increase of 0.7 per cent, resulting in a total rate peg increase for 2022/23 of just 1.4 per cent. Business and residential rates represent the largest source of income for the City, and unfortunately this level of increase does not reflect the City's experience of rising labour, materials, contracts, service and construction costs. Inflation for the twelve month period (to March 2022) was 5.1 per cent (Sydney 4.4 per cent), as per the ABS's Consumer Price Index (CPI).

The Minister for Local Government, responding to NSW councils' concerns over the level of the rate peg, and its underlying calculation, announced an additional special rates variation (ASV) mechanism for the 2022/23 financial year on 7 March 2022 to support councils that had budgeted for a higher rates increase in their long term financial plans. Councils that are able to demonstrate the need for a rates increase greater than the underlying 0.7 per cent, to meet the obligations they set within their adopted 2021/22 Integrated Planning and Reporting (IPR) documentation, may be granted a one year increase to a maximum 2.5 per cent (including any population adjustment) for the 2022/23 year, or as a permanent increase to their rate base depending on their demonstrated need over the next 5 years.

Council resolved in April 2022 to apply to IPART for a permanent ASV increase of 2.5 per cent for the 2022/23, and future financial years, which if successful will align with the level of rates income included within the City's adopted LTFP (2021). The final determination on the ASV is not due from IPART until June 2022.

The main financial schedules presented as part of the Long Term Financial Plan within the Resourcing Strategy, are based on the City being granted a permanent increase of 2.5 per cent. Additional financial schedules are also presented including alternate scenarios showing the impact of a one year temporary increase of 2.5 per cent for 2022/23, foregoing the compounding effect of a permanent increase, and a further scenario should the application be rejected altogether leaving the approved rate increase at 1.4 per cent, as initially determined by IPART.

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:

- (A) Council endorse the suite of Integrated Planning and Reporting documents for public exhibition for a period of 28 days, including:
 - (i) the draft Delivery Program 2022 - 2026 as shown at Attachment A to the subject report;
 - (ii) the draft Operational Plan 2022/23 as shown at Attachment B to the subject report; and
 - (iii) the draft Resourcing Strategy 2022 as shown at Attachment C to the subject report;
- (B) Council endorse the draft Operating and Capital Budget, and future years' forward estimates, as reflected in the Operational Plan 2022/2023 and draft Resourcing Strategy (2022) including:
 - (i) Operating income of \$651.1M, operating expenditure before depreciation of \$530.1M for an Operating Result of \$121.0M, and a Net Surplus of \$77.1M after allowing for interest, depreciation and capital contributions;
 - (ii) Capital Works expenditure of \$202.1M and a capital works contingency of \$10.0M;
 - (iii) Plant and Assets net expenditure of \$19.9M including Information Technology Capital Works of \$7.0M; and
 - (iv) Net Property Acquisitions of \$147.8M;
- (C) Council note that the main financial schedules presented as part of the Long Term Financial Plan (LTFP), included in the Resourcing Strategy, assume that the Independent Pricing and Regulatory Tribunal (IPART) will grant the City a permanent general rates increase of 2.5 per cent for 2022/23 and future years;
- (D) Council note that the additional financial schedules presented in the Long Term Financial Plan include an alternate scenario showing the impact of an temporary one year increase of 2.5 per cent just for 2022/23, and a further alternate scenario showing the impact of no increase above the 1.4 per cent increase initially determined by the Independent Pricing and Regulatory Tribunal (IPART) for 2022/23;
- (E) Council note that all fees associated with footway dining are proposed to be set at zero dollars for the 2022/23 financial year;
- (F) authority be delegated to the Chief Executive Officer to extend the temporary provisions of the Outdoor Dining Guidelines, noting a full update to the Outdoor Dining Policy, Outdoor Dining Guidelines and Display of Goods on the Footway Local Approvals Policy will be reported for public exhibition;

- (G) authority be delegated to the Chief Executive Officer to extend existing footway approvals to cover the notification and assessment period where the operator has lodged a new footway application prior to 30 June 2022; and
- (H) 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 2022/23.

Attachments

Attachment A. Delivery Program 2022-2026

Attachment B. Operational Plan 2022/23

Attachment C. Resourcing Strategy 2022

Background

1. In October 2009, the NSW Government enacted the Local Government (Planning and Reporting) Amendment Act 2009, which set a new framework to integrate the various statutory planning and reporting processes as required by the Local Government Act 1993 and the Environmental Planning and Assessment Act 1979.
2. The Integrated Planning and Reporting framework requires a number of strategic planning and resourcing documents, with alignment to the term of the elected council. The requirements include a long term Community Strategic Plan (at least 10 years), a Delivery Program for the term of the council (generally 4 years), and a detailed Operational Plan that will set out council's projects and activities for the coming 12 months.
3. These documents are all underpinned by a Resourcing Strategy including a long term financial plan, an asset management plan, workforce strategy and an information and communication technology strategy, to demonstrate that councils have adequate resources to achieve the planned outcomes while ensuring the council's long term sustainability for its community and stakeholders.
4. As a result of the local government elections last year, Council is required to review its suite of Integrated Planning and Reporting documents before 30 June 2022 to ensure that the plans reflect the intentions of the current Council. Council may endorse or amend the existing plan, or develop and endorse an entirely new community strategic plan, as appropriate, to ensure that the area has a community strategic plan for the next 10 years. Council's achievements against its plans are then recognised in an end of term report that is prepared at the conclusion of the current electoral cycle.
5. Staff have reviewed the full suite of Integrated Planning and Reporting documents with the purpose of reflecting current progress on major strategies and projects, clarifying outcomes and objectives in line with recent Council adopted strategies and consideration of the Federal Government's commitments, such as the Paris Agreement and Sustainable Development Goals, and the most recent NSW Government plans and strategies.
6. In August 2018, Council resolved that work would begin on the development of Sustainable Sydney 2030-2050 Continuing the Vision. It was to be an evolution of Sustainable Sydney 2030 that incorporated the Resilient Sydney Strategy, included new research and technical advice, and was to be underpinned by a comprehensive engagement program that included all those who have an interest in our city.
7. An update was provided to Council in December 2019 on the implementation of the community engagement program and the research program. A summary of the activities undertaken, and the key findings were presented at that time.
8. During 2020, work was put on hold after the outbreak of the pandemic and the uncertainty of its impact on the city, and the City of Sydney finances.
9. The vision for the city in the three decades to 2050 was developed. It builds on the work undertaken thus far to realise Sustainable Sydney 2030, responds to relevant global trends and policy frameworks, encapsulates our communities' values and aspirations and is underpinned by research and analysis of data. It is encapsulated in *Sustainable Sydney 2030-2050 Continuing the Vision*.

10. The draft Delivery Program 2022-2026 integrates the City's corporate planning and budgets with the draft Community Strategic Plan and guides the implementation of its major strategic directions. The Delivery Program incorporates all of the elements required under the legislation, and reflects the Council's planned outcomes and projects. The four year Delivery Program will be revised after the next scheduled council election in September 2024 together with a review of the Community Strategic Plan.
11. The draft Operational Plan 2022/23 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.
12. 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.
13. 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.
14. 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.
15. The City's financial losses from this crisis over the past two years 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 financial performance of our community facilities including venues, pools and recreation centres, have generally decreased significantly, following the temporary closures and patronage limitations caused by the pandemic further impacted by a lingering reduction in worker and visitor numbers.
16. 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.

17. 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 and includes the assumption that IPART will approve the City's application for a special rates variation (ASV) to increase our general rates income by 2.5 per cent for 2022/23 and into future years.
18. However, given the uncertainty over the final approval (to be announced in June 2022), two alternate scenarios are included in the financial schedules. Alternate scenario 1a shows the impact of a temporary one year increase of 2.5 per cent for 2022/23 (1.1 per cent added to the already approved 1.4 per cent), foregoing the compounding effect of a permanent increase (the base case). Alternate scenario 1b shows the impact of no additional increase with rates only increasing by the 1.4 per cent for 2022/23, as per IPART's initial determination. Scenario 2 has also been included in the additional schedules to model slower rates of recovery for commercial property, venue hire and advertising income over the 10 year plan while assuming the 'permanent' ASV is approved. All scenarios assume that the City's other income sources return to 'business as usual' in the latter years of the plan.
19. The City's 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 \$12.1 billion.
20. 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.
21. The City's Workforce Strategy referred to as the People Strategy, has been updated to reflect the key workforce issues impacting the City and outlines the strategic directions for our workforce development.
22. The Information and Technology Strategy has been updated and outlines the major information and technology initiatives and goals, including themes from the City's now retired Digital Strategy.
23. The City's Community Engagement Strategy has been revised to align with the Office of Local Government guidelines. It reflects insights gathered through the extensive community engagement undertaken for the Community Strategic Plan and evaluation of our current practices.
24. The revised Community Engagement Strategy incorporates the Community Participation Plan required by the Environmental Planning and Assessment Act. This means that the City's guiding documents on consultation and engagement are now available to the community in one place. The relevant sections constituting the Community Participation Plan, including notification requirements, are clearly identified in the Strategy. Some small changes have been made to improve readability and clarity.

Key Implications

Strategic Alignment - Sustainable Sydney 2030

25. *Sustainable Sydney 2030-2050 Continuing the Vision* is the evolution of Sustainable Sydney 2030. It is the continuing vision for the sustainable development of the city over the next three decades. It will be implemented via the Community Strategic Plan Delivering Sustainable Sydney 2030-2050 from financial year 2022/23.
26. The attached strategic documents meet the needs of our diverse community and are based on the significant engagement program conducted over recent years.

Organisational Impact

27. The Community Strategic Plan, Delivery Program, Operational Plan and Resourcing Strategy will be implemented from the 2022/23 financial year. The organisation's resources will be aligned to the priorities identified for the ten plus year, four year and one year periods of those plans.
28. The proposed budget for 2022/23 provides for all approved full-time equivalent (FTE) positions, along with the significant additional employment that the City supports through the provision of contracts to underpin a range of externally provided projects and services.
29. These positions are required to ensure the ongoing operation of the City, and to advance the outcomes determined within the community strategic plan. 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

30. The Community Strategic Plan represents the communities' aspirations for the future of the city, aims to achieve an equitable and inclusive city, where people can prosper and reach their full potential. It also aims to strengthen resilience in our community by making stronger the networks and connections that bind people and organisations together.
31. The Delivery Program and Operational Plan support the achievement of the desired social, cultural, and environmental outcomes contained within the Community Strategic Plan.
32. In response to the National Agreement on Closing the Gap, these plans bring together the City's response building on the existing City Stretch Reconciliation Action Plan and focuses on the priority reform areas and socioeconomic targets.

Financial Implications

33. The proposed 2022/23 budget projects an operating surplus, prior to interest income, depreciation, capital project related costs and capital contributions, of \$121.0M.
34. Operating Income is budgeted at \$651.1M, with key components described in this report, and full detail provided in the Operational Plan and the Long Term Financial Plan.

35. The Independent Pricing and Regulatory Tribunal (IPART) recommended to the NSW Minister for Local Government that NSW Council's general income may increase by a maximum 0.7 per cent rate in 2022/23, to reflect the growth in the Local Government Cost Index in 2020/21. This retrospective index measures the average change in prices of a fixed 'basket' of goods and services purchased by councils.
36. During 2022, IPART completed a review that recommended the rate peg methodology include a population factor to allow councils rate income to be varied annually to take into account population growth. For the 2022/23 year, the population growth factor is 0.7 per cent resulting in a currently allowed total rate peg increase for 2022/23 of just 1.4 per cent.
37. Business and residential rates represent the largest source of income for the City, and unfortunately this level of increase does not reflect the City's experience of rising labour, materials, contracts, service and construction costs. Inflation for the 12 month period (to March 2022) was 5.1 per cent (Sydney 4.4 per cent), as per the ABS's Consumer Price Index (CPI). The real growth of the City's own sources of income, including general rates, are critical to enable our continued provision of quality services, facilities and infrastructure, and underpin our long term financial sustainability.
38. The Minister for Local Government, responding to NSW councils concerns over the level of the rate peg, and its underlying calculation, announced an additional special rates variation (ASV) mechanism for the 2022/23 financial year on 7 March 2022 to support councils that had budgeted for a higher rates increase in their long term financial plans. Councils that are able to demonstrate the need for a rates increases greater than the underlying 0.7 per cent, to meet the obligations they set within their adopted 2021/22 Integrated Planning and Reporting (IPR) documentation may be granted a one year increase to a maximum 2.5 per cent (including any population adjustment) for the 2022/23 year, or as a permanent increase to their rate base depending on their demonstrated need over the next 5 years.
39. Council resolved in April 2022 to apply to IPART for a permanent ASV increase of 2.5 per cent for the 2022/23, and future financial years, which if successful will align with the level of rates income included within the City's adopted LTFP (2021). The final determination on the ASV is not due from IPART until June 2022, which will be after the budget has been on public exhibition and considered by Council's committee, but before the Council meeting to adopt the budget and the rates for 2022/23.
40. The main financial schedules presented as part of the Long Term Financial Plan within the Resourcing Strategy, are based on the City being granted a permanent increase of 2.5 per cent. Additional financial schedules are also presented including alternate scenarios showing the impact of a one year temporary increase of 2.5 per cent for 2022/23, foregoing the compounding effect of a permanent increase, and a further scenario should the application be rejected altogether leaving the approved rate increase at 1.4 per cent, as initially determined by IPART.
41. 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.

42. 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.
43. On the 11 April 2022, Council endorsed an application for the additional special rates variation to the Independent Pricing and Review Tribunal (IPART) and the application was submitted before the due date. A decision by IPART is expected after the Operational Plan is on exhibition and so it is prudent to exhibit the two rating structures for the 2022/23 financial year (shown below).
44. The Rates and Annual Charges for 2022/23 are budgeted to be \$387.5M, of which ordinary rates are \$321.1M. Rates and Annual Charges include the following key elements:
 - (a) a general 0.7 per cent rate increase;
 - (b) a population growth factor of 0.7 per cent;
 - (c) plus if the ASV noted above is approved,
 - (i) an additional special rate variation increase of 1.1 per cent for a total of 2.5 per cent;
 - (d) the rates will be based upon the 2019 unimproved land valuations as supplied by the Valuer General of NSW;
 - (e) 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;
 - (i) Residential - Ordinary Rate - the City proposes to continue a single residential category of rateable land;
 - (ii) Business - Ordinary Rate - the City proposes to adopt a business ordinary rate; and
 - (iii) Business – CBD (Central Business District) Rate - a business subcategory rate for rateable land in the Central Business District as a centre of activity, as shown in the map contained within the draft Operational Plan 2022/23;

(f) the proposed rates for the 2022/23 rating year are:

Option 1 - Additional special rate variation to 2.5 per cent

Category / Subcategory	Minimum Rate (\$)	Ad valorem (rate in Dollar)
Residential - Ordinary Rate	\$613.50	0.00119024
Business - Ordinary Rate	\$785.00	0.00381862
Business subcategory - CBD Rate	\$785.00	0.00755000

Option 2 - Rate peg including population growth factor to 1.4 per cent

Category / Subcategory	Minimum Rate (\$)	Ad valorem (rate in Dollar)
Residential - Ordinary Rate	\$606.90	0.00117837
Business - Ordinary Rate	\$776.65	0.00377163
Business subcategory - CBD Rate	\$776.65	0.00747100

45. 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.
46. 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 2022/23. 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 nonrecyclable waste, to minimise the use of landfill.

47. IPART is currently reviewing how councils cost and charge for domestic waste and the draft report proposes pricing principles to guide councils in calculating the appropriate level of waste charges. IPART also propose to publish an annual 'benchmark' waste peg which will provide a guide to councils and ratepayers on the level that waste charges should change each year. The 'benchmark' waste peg is proposed to be 1.1 per cent for the 2022/23 financial year. The City's submission supported transparency in the calculation of domestic waste charges but did not support a benchmark due to the significant differences in individual Council cost structures, its retrospective focus, the apparent failure to include waste education in the calculation of efficient waste costs and the narrow definition of domestic waste services. IPART's report is expected in the second half of the calendar year.
48. 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 350m² or part thereof for business properties. The funds raised from this charge are quarantined to improve the quality and quantity management of the City's stormwater network, over and above the existing works 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.
49. 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.
50. A full schedule of the user fees and charges proposed for the year is included within the draft Operational Plan 2022/23. 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.
51. In 2021/22, in response to the economic impact of the pandemic, and under the Local Government regulations which allowed for COVID fee waivers without advertising, the City waived all fees and charges associated with footway dining.
52. Local business continue to be impacted by the pandemic with staff shortages, rises in case numbers and inclement weather during peak trade periods of summer and beyond. There is ongoing need for outdoor dining to support businesses through this recovery phase. An evaluation survey of outdoor dining approval holders revealed that 91 per cent of respondents reported the outdoor dining to be beneficial or crucial to their business, 39 per cent of respondents estimated up to 20 per cent of their turnover could be attributed to outdoor dining, 74 per cent of respondents with on-street dining spaces believe the extra space led them to employ at least 1 additional staff member per week and 89 per cent of businesses that applied for outdoor dining since November 2020 were satisfied with the temporary provisions such as the fee waiver.
53. For 2022/23, in order to continue support for business and in activate the CBD, the City is proposing to set all such fees at zero dollars. The loss of revenue to the City off this initiative is in the order of \$2.5M in the coming financial year.

54. In November 2020, Council approved temporary changes to the Outdoor Dining Guidelines to support businesses operate during and recover from the effects of the pandemic. The temporary changes included fast tracked approvals, reduced notification times and more flexible and permissive requirements. They also allowed the reallocation of on-street parking bays for outdoor dining and reflected amendments stemming from the Liquor Amendment (Night-time Economy) Act 2020 that allows pubs, small bars and takeaway food and drink premises to use outdoor dining.
55. In July 2021, Council approved an extension to the temporary changes with additional changes to better manage on-street outdoor dining and temporarily allowing live performance in outdoor dining areas in Central Sydney consistent with special guidelines.
56. Footway approvals issued under the amended Outdoor Dining Guidelines are due to expire on 30 June 2022. To enable businesses to continue operating outdoor dining under the temporary provisions in line with the proposed funding extension for rental fee waivers, this report recommends Council delegate authority to the CEO to extend the application of the temporary provisions in line with the funding extension to 30 June 2023.
57. In order allow time for notification and assessment of renewals for approximately 250 footway applications expiring at the same time, this report also recommends Council delegate authority to the CEO to approve an extension to operators with existing footway approvals granted under the temporary provisions so they can continue operating while their extension application is notified and assessed. This extension will only apply to applications lodged prior to 30 June 2022. The City is undertaking a review of the Outdoor Dining Guidelines and Outdoor Dining Policy as required under section 165 (4) of the Local Government Act, which automatically revokes local policies 12 months after an election.
58. On 26 July 2021, Council resolved to delegate authority to the CEO to make further variations to the CBD Revitalisation Fund contract with the NSW Government that includes the Outdoor Dining Program. The NSW Government have agreed to vary the CBD Revitalisation Fund contract to continue the Outdoor Dining Program until 30 June 2023.
59. In accordance with the City's long established budget parameters, other fees have generally been increased to accommodate the higher cost of service provision based on the projected CPI for the next year. During the formulation of the budget, the forecast CPI was set at 3 per cent. On 27 April 2022 the Australian Bureau of Statistics published the CPI for the 12 months to 31 March 2022 at 5.1 per cent (4.4 per cent for Sydney).
60. The Revenue Policy sets out the categories whereby Council can waive or reduce fees for hardship, or any other category. This policy again includes provision for a category to waive or reduce fees, in order to facilitate recovery or revitalisation activities related to the Covid pandemic, in recognition of the ongoing uncertainty in our operating environment at this time. The policy for this year also includes a new category to waive or reduce fees for World Pride 2023 associated events – where an event or function is officially associated with World Pride 2023 and upon demonstration of community benefit.

61. Interest income is budgeted to be \$7.5M, reflecting the expected opening cash balances, continued record low interest rates and the anticipated cash utilisation for the planned capital program and property acquisitions.
62. Capital Grants and Contributions are projected at \$68.9M with \$42.2M linked to contributions for major development activity within the local government area for 2022/23. A further \$19.4M represents anticipated funding from the NSW Government to enable the delivery of bicycle lane related works.
63. The potential impacts of the proposed reform of Infrastructure Contributions by the NSW Government remain uncertain at this time. There has been no further information forthcoming from the Government as to whether these reforms will proceed following the conclusion of the public consultation process early in 2022. If these reforms are introduced, they have the potential to significantly impact the City's long term financial plan, and will therefore need to be assessed once the nature and quantum of any changes are finalised.
64. Total Operating Expenditure is budgeted at \$530.1M, with a number of key components as described below, and further detail provided within the Long Term Financial Plan.
65. Salary and Wages related expenditure totals \$256.2M, 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.
66. The vast majority of the City's \$273.9M 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.
67. 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.
68. Further details on all operational expenditure items and underlying cost assumptions are provided in the attached Long Term Financial Plan.
69. For 2022/23 operational contingencies of \$4.5M are proposed. These provisions cater for unforeseen circumstances and events that arise after the adoption of the budget. The utilisation of these contingent provisions are reported back to Council in every quarterly review of the City's financial and operational performance.
70. For 2022/23 the contingencies include:
 - (a) General Contingency of \$1.5M; and
 - (b) CEO Contingency of \$3.0M.
71. 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 10 year planning horizon.

72. The proposed capital works program for 2022/23 totals \$202.1M, and comprises asset enhancement programs of \$111.7M and rolling capital renewal programs of \$90.4M. These are set out in the LTFP financial schedules which include a list of the forecast amount and timing for projects with budgets of greater than \$5.0M.
73. 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.
74. The asset enhancement programs for the 2022/23 financial year include:
- (a) bicycle related works expenditure will amount to \$21.8M and incorporate significant work on Pitt, King, College and Oxford streets;
 - (b) green infrastructure projects of \$2.1M which includes allocations for additional solar panels on City properties and water saving projects;
 - (c) works for open space and parks of \$16.4M which includes significant works on Wimbo Park, North Rosebery Park, Alexandria School and Park synthetic sports field and Sydney Park mitigation works;
 - (d) property improvement projects across the community and commercial portfolios of \$20.7M;
 - (e) public art projects of \$2.8M which includes the commencement of new public art in the Rocks at Yananurala - Tar-ra/Dawes Point (Patyegeerang) and Green Square;
 - (f) public domain asset enhancement works of \$36.6M which includes amounts for Crown Street upgrade works, George Street South Pedestrianisation and road works between Green Square and Ashmore estate in the southern part of the LGA; and
 - (g) stormwater drainage expenditure of \$9.3M which is largely allocated to Joynton Avenue drainage works.
75. 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.
76. The draft Plant and Assets budget provides for acquisitions of \$20.4 M with disposal proceeds of \$0.5M, resulting in a net cost of \$19.9M. The Plant and Asset budget includes the annual vehicle and plant replacement program (\$6.8M), library books and resources (\$0.8M), information technology equipment replacement (\$2.3M), equipment and furniture and fittings purchases (\$3.6M).
77. The proposed budget also includes funds for the ongoing development and delivery of the capital component of the information technology and digital services project portfolio of \$7.0M, as we continue to improve our digital service offering to our community in line with the Information & Technology Strategic Plan.

78. The draft budget also includes a Capital Contingency provision of \$10.0M for unknown circumstances that may arise after adoption of the budget.

Reserves

79. 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 strategic commitments such as the Supported Accommodation Affordable and Diverse Housing Fund, Green Square Infrastructure, and Green Infrastructure (energy, stormwater and waste).
80. The cash restrictions within the Long Term Financial Plan are intended to meet specifically identified Council commitments and are not designed to set aside amounts covering all future capital works.
81. 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

82. 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, the underlying delivery program and operational plans and strategies with respect to the council's activities.

Critical Dates / Time Frames

83. 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.
84. Section 406 of the Local Government Act 1993 requires that councils must establish a new delivery program after each ordinary election of councillors to cover the principal activities of the council for the 4-year period commencing on 1 July following the election.
85. Council is required to place the 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

86. 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 27 June 2022.

Public Consultation

87. 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 2050 Vision.
88. 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.
89. Council is required to exhibit to the community, for a period not less than 28 days, the draft Operational Plan 2022/23, including its revenue policy and budgets, draft Delivery Program. The City elects to exhibit the draft Resourcing Strategy at the same time even though it is not a legislative requirement.
90. The draft Community Strategic Plan has been placed on public exhibition for 42 days until 23 May 2022 and any relevant comments received during this period relating to the draft Delivery Program and draft Operational Plan will be assessed and incorporated into those documents accordingly.
91. During the exhibition of the Community Strategic Plan, specific engagement with local Aboriginal stakeholders and organisations on the Closing the Gap actions will take place with any feedback and contributions relevant for the Delivery Program and Operational Plan to be incorporated into those plans for consideration by Council in June.

BILL CARTER

Chief Financial Officer