

**ITEM 3. DRAFT CORPORATE PLAN 2010-2013 AND DRAFT BUDGET
2009/10**

FILE NO: SO63999

SUMMARY

Council approved the Sustainable Sydney 2030 vision on the 30 June 2008 to guide the development of the City of Sydney for the next 20 years and beyond. A revised structure for the 2010-2013 Corporate Plan has been developed to integrate the City's corporate planning and budgets with the vision and guide implementation of its major strategic directions.

The draft 2010-2013 Corporate Plan sets out specific activities, projects and resources over the next four years to undertake the goals and targets within Sustainable Sydney 2030. The functions, services and projects within the proposed Corporate Plan have also been aligned with each objective, for each of the strategic directions, to integrate these services within the new strategic framework.

Although the current global economic crisis presents particular financial pressures, the Corporate Plan and proposed budget enables the City to deliver its services and programs generally at 2008/09 levels or better and maintain its strong financial capacity. In doing so, this budget will enable the City to continue to provide a valuable economic stimulus to the local economy.

This report recommends that the Draft Corporate Plan 2010-2013, inclusive of the Draft Operating and Capital Budgets and Draft Schedule Fees and Charges for 2009/10, be approved for public exhibition for 28 days in accordance with the requirements of the Local Government Act (1993).

RECOMMENDATION

It is resolved that Council:

- (A) approve the Draft Corporate Plan 2010-2013, as shown at Attachment A to the subject report, for public exhibition for a 28 day period;
- (B) approve the Draft 2009/10 Budgets for inclusion in Council's Draft Corporate Plan, including:
 - (i) operating income of \$412.9M, operating expenditure before depreciation and financing of \$322.6M and a net surplus of \$50.2M after depreciation, financing and capital contributions;
 - (ii) capital works expenditure of \$135.4M;
 - (iii) plant and assets expenditure of \$15.3M;
 - (iv) property acquisitions and divestments of \$25.2M;
- (C) approve the inclusion of the proposed rating structure, discussed within this report, in Council's Draft Corporate Plan; and

- (D) approve the Draft Schedule of Fees and Charges for inclusion in Council's Draft Corporate Plan.

ATTACHMENTS

Attachment A: Draft Corporate Plan 2010-2013

BACKGROUND

1. Council approved the Sustainable Sydney 2030 vision on the 30 June 2008 to guide the development of the City of Sydney for the next 20 years and beyond. A revised structure for the 2010-2013 Corporate Plan has been developed to integrate the City's corporate planning and budgets with the vision and guide implementation of its major strategic directions.
2. The ten strategic directions in Sustainable Sydney 2030 are:
 - A Globally Competitive and Innovative City
 - A Leading Environmental Performer
 - Integrated Transport for a Connected City
 - A City for Walking and Cycling
 - A Lively, Engaging City Centre
 - Vibrant Local Communities and Economies
 - A Cultural and Creative City
 - Housing for a Diverse Population
 - Sustainable Development, Renewal and Design
 - Implementation through Effective Governance and partnerships
3. The draft 2010-2013 Corporate Plan sets out specific activities, projects and resources over the next four years to undertake the goals and targets within Sustainable Sydney 2030. The functions, services and projects within the proposed Corporate Plan have also been aligned with each objective, within the strategic directions, to integrate these services within the new strategic framework.
4. **GREEN:** In line with the 2030 vision's commitment for the City to be an environmental leader, particularly in reducing greenhouse gas emissions, the Draft Corporate Plan establishes major programs and projects such as a trial of public domain LED lighting, investigation of an Alternative Waste Treatment facility, Green Infrastructure Plans including co- and tri-generation, and ESD building retrofit programs for the City's properties.
5. **GLOBAL:** The Draft Corporate Plan has been developed within the context of the challenging global economic crisis with a commitment to maintain Sydney as a premier business and tourism centre. The new City Plan (Local Environment Plan and Development Control Plan) will be completed for Council review and public consultation, guiding Sydney's growth and promoting quality design. Major events such as New Years Eve and Chinese New Year will continue stimulating the economy and positioning Sydney as a vibrant and innovative city. Programs such as laneways activation support businesses, with local activity hubs and business precinct support to achieve vibrant local communities and economies.
6. **CONNECTED:** This Draft Corporate Plan provides for continued work to transform Sydney into a city for cycling and walking. The Plan continues the City's support to build vibrant local communities through our community facilities and programs, including continued implementation of our Local Action Plans, to improve community capacity, supporting local events, promote liveability, and ensure Sydney remains a diverse and inclusive city.

7. The global economic crisis places particular financial pressure on Council to maintain the quality and service levels of its key projects, programs and its capital works program. A number of budget parameters and targets were set to ensure that the budget resourced the key outcomes sought by Council to ensuring the long term financial sustainability of the City, including:
 - (a) adopt the rate increase approved by the Minister for Local Government;
 - (b) limit general increases to fees and charges at CPI to match the increased costs of service delivery;
 - (c) reasonable assessment of potential declining revenues;
 - (d) targeting operational efficiencies of 1.5%;
 - (e) setting an operational surplus target of at least \$90.0M;
 - (f) maintain existing staff establishment;
 - (g) establishing a cap for combined capital expenditure of \$150.0M;and
 - (h) maintaining prudent financial reserves.
8. The proposed budget achieves all of these goals and enables the City to progress its commitments while maintaining a strong financial capacity to deliver its services and programs generally at 2008/09 levels or better. In doing so, and continuing to deliver an extensive capital works program, the City will provide a valuable economic stimulus to the local economy through the provision of direct and indirect employment and maintaining our general business operations.
9. Council is required to place the Draft Corporate Plan on public display for 28 days. The Local Government Act requires that the Draft budget and revenue pricing policy for rates and charges be incorporated as a part of that process.

KEY IMPLICATIONS

10. The proposed 2009/10 budget projects an operating surplus, prior to interest income, depreciation and capital contributions, of \$90.3M. This surplus exceeds the 2008/09 Budget (\$79.0M) reflecting an expenditure increase of 5.8% whilst income is projected to grow at 7.5%.
11. Notwithstanding the goal to limit expenditure, the increase of both expenditure and income have been impacted by 1.5% by inclusion of the gross aquatic income and expenditure for Andrew Boy Charlton Pool and the Cook and Phillip Park Pool arising from a change in contractual arrangements. Historically, these items were treated on a net basis.
12. Operating Income is budgeted at \$412.9M which is \$25.8M above the 2008/09 forecast and \$28.8M above the current budget.
13. The Minister for Local Government has approved a general rate increase of 3.5% which has been incorporated into the draft rates income estimate.
14. The Rates and Annual Charges will increase by \$9.7M against the 2008/09 forecast. The proposed 2009/10 rates include the following key elements:

- (a) The 2009/10 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.
- (b) This year's rates proposal sees a continuation of the process to align residential rates across the local government area to improve equity amongst ratepayers. The alignment of all minimum rates and ad valorem business rates (ex CBD) has already been achieved, with the final alignment of ad valorem residential rates targeted for the 2010/11 financial year.
- (c) The City proposes the following residential category and two sub-categories of rateable land:

Residential Rate - Ordinary Rate;

Residential Rate - Category 1A - (the CBD, Pyrmont and Glebe areas);

Residential Rate - Category 1B - (Green Square)

The same ad-valorem and minimum rates will apply to both sub-categories.

- (d) The City proposes the following business category and sub-category for rateable land, each of which is a centre of activity:

Business Rate – Ordinary Rate

Business Rate – CBD - (Central Business District)

The boundaries of each of the above sub-categories are shown in maps contained within the Draft Corporate Plan.

- (e) The proposed rates for the 2009/10 rating year are:

| Category | Minimum Rate | Ad valorem (Cents in Dollar) |
|--------------------------------|---------------------|-----------------------------------------|
| Residential Rate – Ordinary | \$446 | 0.2200 |
| Residential Rate – Category 1A | \$446 | 0.2405 |
| Residential Rate – Category 1B | \$446 | 0.2405 |
| Business Rate – Ordinary Rate | \$571 | 0.8953 |
| Business Rate – CBD | \$571 | 1.4866 |

- (f) Council is entitled to fully recover the cost of domestic waste management under State legislation. This budget proposes a pricing scheme formulated on a base domestic waste charge for each bin size whilst a further flat surcharge applies 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.

- (g) Domestic Waste Management Charges (DWMC) reflect the availability of the service, and the volume and collection frequency for the general household waste. These charges are proposed to increase by an average of 8.5% reflecting increased State waste levies, including an extra \$1.2M to transfer approximately 50% of the City's domestic waste stream to the Jack's Gully Waste Management Facility at Camden. This will increase the amount of waste diverted from landfill to 52% (currently 29%).
 - (h) Council will also provide funding for investigations into the viability of establishing an Alternative Waste Treatment facility. This is an important initiative to supplement Council's existing efforts to promote and provide recycling and green waste services to assist in the reduction of the total amount of waste being directed to landfill.
 - (i) As for 2008/09, this year's annual charges include a stormwater charge as allowed by Department 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 that are 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.
 - (j) The City will continue its existing pensioner policy for 2009/10 which gives all eligible pensioners a 100% rebate on their rates, domestic waste and stormwater charges, at a total net cost to the City of \$2.1M.
15. Other significant items contributing to the Operating Income variance between the current forecast and the 2009/10 draft Budget are:
- (a) a reduction of \$1.3M for Building and Development Application and related fees reflecting a lower level of major development activity in some sectors of the LGA;
 - (b) increase in parking station income of \$1.5M to recover the 110% increase of the Parking Space Levy to be introduced by the State Government from 1 July 2009, and a full year's operation for the Kings Cross parking station;
 - (c) parking meter income increases by \$2.7M mainly from revised weekday tariffs for the CBD to keep parity with expected increases in off street commercial parking rates as a result of the increase in the Parking Space Levy;
 - (d) an increase in commercial property income of \$5.3M, predominantly due to an increase of ground rental income for the Queen Victoria Building upon completion of the major capital works program by the lessee. Following completion of this program, QVB capital expenditure which is a component of ground rental income drops to normal levels; and
 - (e) venue and facility income increases by \$1.5M to reflect a partial year of operations for the Sydney Town Hall as it re-opens after its refurbishment works are completed in late 2009. This item is also significantly impacted by the separate reporting of gross income for the Cook and Philip Park Pool and Andrew "Boy" Charlton Pool (\$4.5M).

16. A full schedule of the fees and charges proposed for the 2009/10 year is provided within the Corporate Plan 2010-2013. All fees have been set in accordance with Council'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.
17. In accordance with the established budget parameters, the vast majority of the fees have been increased to reflect the higher cost of service provision based on the projected CPI for the next year. Certain fees have been adjusted for specific market circumstances including child care fees and aquatic facility fees.
18. Interest income reduces by \$12.5M as a result of the substantial decrease in interest rates and to reflect cash utilisation for the planned capital program.
19. Capital Grants and Contributions are projected to decrease from forecast by \$4.0M to \$12.5M in line with a reduction in expected major development activity within the LGA for 2009/10.
20. Operating Expenditure is budgeted at \$322.6M which is \$27.2M above the current forecast and \$17.5M above the current year budget. Some of the major items contributing to this variance are:
 - (a) Salary and Wages related expenditure - an increase of \$12.7M above the current forecast and \$14.3M above the current budget. The increase reflects a provision to increase salary and wages by 3.0% and provide funds for a possible consolidated award.
 - (b) The salary and wages budget again provides for 100% of approved staffing establishment with an allowance for vacancies of \$2.5M reflecting the lower turnover levels over the last 12 months.
 - (c) An increase in superannuation expense of \$3.7M mainly as a result of the decline in investment values held by the Local Government Superannuation Defined Benefit Scheme impacted by the exposure to the global financial crisis. All contributing councils have been required to double their existing employee contributions for this Scheme which are forecast to continue for the next ten years.
 - (d) Consultancy services increase by \$2.2M, which includes a budget provision for major projects such as the CBD Metro, Town Hall Square Feasibility and the development of Green Infrastructure Plans.
 - (e) Government authority charges increase by \$3.4M on forecast comprising the increased State levies for tipping of \$2.5M and for parking space levies of \$0.8M for the City's parking spaces within the CBD arising from the NSW Government mini budget announced in November 2008.
 - (f) Property and utilities costs increase by \$3.3M as a result of the re-opening of the Sydney Town Hall, the opening of new facilities (such as Surry Hills Library and Community Centre, Paddington Reservoir Gardens, Water Police Site and Redfern Oval), additional charges for street lighting and the separate reporting of aquatic centre expenditure.

- (g) Project management costs increase by \$1.0M which include costs for additional extensions of the Living Colour program into William Street, project management costs for the Laneways and for local precinct economic and environmental projects.
 - (h) A saving of legal fees of \$1.1M against forecast, following the increase of internal resources which will provide improved value for money.
 - (i) A reduction of \$1.1M for the costs of undergrounding of electricity cables owned by Energy Australia scheduled for 2009/2010 which relates to the proposed capital works program.
 - (j) Operational contingencies remain at \$4.6M to cater for unforeseen circumstances and events that arise after the adoption of the budget and includes:
 - (i) General Contingency \$2.0M (including a notional amount of \$1.0M to expedite actions, projects or research arising from Sustainable Sydney 2030 projects requiring urgent action and not funded within the operational budget);
 - (ii) CEO Contingency of \$1.0M;
 - (iii) Building Maintenance Contingency of \$1.0M; and
 - (iv) Special Organisational Needs of \$0.6M.
 - (k) Depreciation is budgeted to increase by \$7.5M from the current forecast due to the planned capitalisation of assets arising from the completion of capital works projects.
21. The Capital Works Budget for 2009/10 is \$135.4M which will enable the commencement and completion of many key infrastructure projects and progress a number of Sustainable Sydney 2030 projects. The budget prepared is in line with the agreed long term financial parameters and represents the City's capacity to deliver the program each year.
22. The Draft Capital Works budget within the Draft Corporate Plan identifies each project and rolling program within the plan for 2009/10 and the three year forward estimates for the 2010/11, 2011/12 and 2012/13 years.
23. Major projects for the 2009/10 year include the completion of the Water Police site, Harris Street public domain upgrade, Rushcutters Bay Park upgrade and the refurbishment of Sydney Town Hall. There will be a number of new projects commenced including major works at Prince Alfred Park and Prince Alfred Park Pool, Chinatown public domain upgrade and Fitzroy Gardens. A number of cycleways projects will be commenced such as Bourke Street (Stage 1), College Street and Kent Street. There is also funding for 2009/10 and future years for rolling programs of Public Domain, Streetscapes, Parks, Pools, Trees and Bicycle related works.
24. The Draft Plant and Assets budget provides for acquisitions of \$17.0M with disposal proceeds of \$1.7M, resulting in a net cost of \$15.3M which includes the purchase of library books (\$0.9M), plant and vehicles (\$4.1M), and information technology systems and equipment (\$4.2M).

FINANCIAL IMPLICATIONS

25. The proposed 2009/10 Budgets, and the future years forward estimates, have been prepared in accordance with the agreed budget parameters and in line with the our long term financial plan to provide for the ongoing financial sustainability of Council.
26. Council has developed this budget with consideration for prudent financial management but still maintains a strong economic stimulus for the local economy through its services, capital works program and grants program despite difficult economic conditions.
27. The proposed operating and capital expenditure budgets are projected to reduce the City's total cash balance by \$62.0M, from a forecast of \$381.7M at 1 July 2009, down to \$319.7M by 30 June 2010 in line with the long term financial strategy.
28. The forecast future operating surpluses will continue to provide sufficient cash for the continuation of service enhancements and a substantial capital expenditure program.
29. Future capital expenditure programs, beyond the life of the Corporate Plan 2010-2013, will continue to be determined within the level of available funds to ensure that sufficient working capital and cash reserves are maintained to underpin Council's financial viability.

RELEVANT LEGISLATION

30. Sections 402-406 of the Local Government Act (1993) outlines the requirements that a council must undertake when preparing a draft management plan with respect to the council's activities for at least the next 3 years, and the council's revenue policy for the next year.

CRITICAL DATES / TIME FRAMES

31. Section 406 of the Local Government Act (1993) requires that before the end of each year, a council must adopt a management plan for the following year after it has been prepared and exhibited.

OPTIONS

32. 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 2009.

PUBLIC CONSULTATION

33. Council is required to exhibit to the community for a period not less than 28 days, the Draft Corporate Plan including its rates, and Fees and Charges. During this period, the community are invited to make comments and submissions regarding the plan and those received by Council within the exhibition period, must be considered by Council prior to final adoption of the Corporate Plan.

JOHN BARBELER

Director of Corporate Services

Bill Carter, Finance Manager