



BUSINESS PAPER

EXTRAORDINARY MEETING OF COUNCIL

To be held on

Monday, 1 June 2020
3.00pm

at

Audio Visual

Members

Councillor Simon Murray (Mayor)
Councillor Libby Martin (Deputy Mayor)
Councillor Peter Bailey
Councillor Jon Galletly
Councillor Diane Gray
Councillor Andrew Murat
Councillor Debra O'Brien
Councillor Margaret O'Connor
Councillor Dorothy Robinson
Councillor Ian Tiley
Councillor Bradley Widders

AGENDA

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Item:	9.1	Ref: AINT/2020/13784
Title:	FOR DECISION: Integrated Planning and Reporting - 2020-2021 Operational Plan, Budget, Resourcing Strategy and Fees and Charges Container: ARC17/1962	
Author:	Renata Davis, Principal Advisor - Corporate Planning	
Attachments:	<ol style="list-style-type: none">1. Draft Operational Plan 2020-20212. Draft Resourcing Strategy 2020-20213. Draft Revenue Policy 2020-20214. Draft Fees and Charges 2020-20215. 2020-21 Operational Plan & Budget Communications Plan	

RECOMMENDATION:

RECOMMENDATION:

- (a) That Council endorse the following draft documents for public exhibition for a minimum period of 28 days pursuant to the requirements of the Local Government Act 1993:
- a. Draft Operational Plan 2020-2021;
 - b. Draft Resourcing Strategy, incorporating the Long Term Financial Plan, Workforce Management Plan and Asset Management Plan;
 - c. Draft Budget 2020-2021 including the operational and capital budget, contained in the draft Resourcing Strategy;
 - d. Draft Revenue Policy 2020-2021; and
 - e. Draft Fees and Charges 2020-2021.
- (b) That the Draft Plans (a. – e. above) prepared under the Integrated Planning and Reporting (IP&R) Framework be placed on public exhibition from Monday, 8 June 2020 to Monday, 6 July 2020;
- (c) That following the exhibition period, a report be presented to Council, which outlines community submissions, along with the final IP&R documents; and
- (d) That Council note the accompanying communications plan outlining the proposed engagement for the period of exhibition.

Context

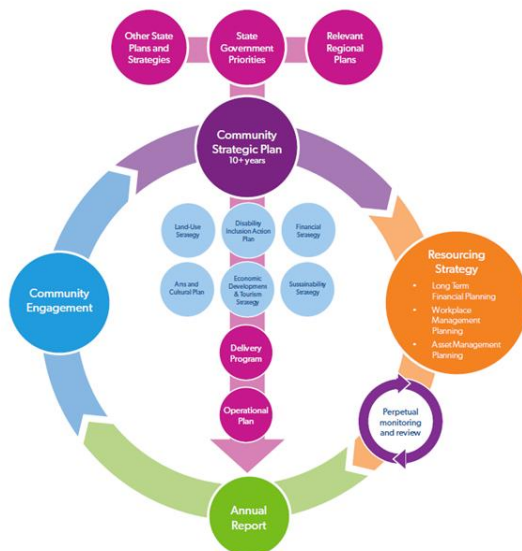
Council must comply with the requirements of the Integrated Planning and Reporting (IP&R) Framework, as required by the NSW Local Government Act 1993, and NSW Local Government (General) Regulation 2005.

The IP&R Framework is built on a quadruple bottom line, that is, the pillars of sustainability of economy, social, environmental and civic leadership. The framework requires the development, implementation and review of the following planning components:

- A Community Strategic Plan (covering a timeframe of at least 10 years);
- A Delivery Program (4 Year Plan aligned with the term of each council);
- An Operational Plan and Budget (1 Year Plan);
- A Resourcing Strategy – comprising the Long Term Financial Plan (10 Year Plan),

Workforce Management Plan (4 Year Plan) and Asset Management Strategy and Plans (10 Year Plan)

The framework is summarised in the following diagram:



In compliance with the legislation, the following suite of documents must be placed on public exhibition for no less than 28 days before being adopted by Council 31 July 2020 (extended by one month due to COVID-19):

- 2020/21 Draft Operational Plan
- 2020/21 Budget
- Resourcing Strategy including a reviewed Long-Term Financial Plan (LTFP)
- 2020/21 Draft Revenue Policy and 2020/21 Fees and Charges schedule.

The 2020/21 Draft Operational Plan details the priority and non-routine works and services that Council will undertake during the coming year. The actions contained in the Plan have been rigorously tested and balanced against the principal activities of the Delivery Program 2018-2021 and the goals and strategies of the Community Strategic Plan 2017-2027, as well as the resources, requirements and functions of the organisation. The additional burden on resources of events such as drought, bushfire and COVID-19 has also been taken into consideration and has placed some constraints on Council's planned delivery of projects and services.

The 2020/21 Budget is incorporated into the Resourcing Strategy and details the proposed revenue and resourcing allocations to support Council's operational and capital activities. It is accompanied by an updated Long-Term Financial Plan ensures that Council is a financially viable, adequately funded and sustainable organisation. Under the legislation, the LTFP must be updated annually as part of the development of the Operational Plan.

Armidale Regional Council has also included the Draft 2020/21 Revenue Policy and Draft 2020/21 Fees and Charges, as stipulated by the legislation.

This suite of documents give an overall picture of Council's projected activities, expenditure and revenue for the 2020/21 Financial Year, and their impact on the longer-term viability and development of the organisation.

Purpose

The purpose of this report is to endorse the various draft Plans, required to be prepared under the Integrated Planning and Reporting (IP&R) Framework, for public exhibition.

All submissions received will be tabled and considered as part of the final documents which must be adopted by 31 July 2020.

The proposed timetable for submissions and adoption of the documents is:

Date	Action
1 June 2020	Draft documents considered by Council for public exhibition
8 June 2020	Commencement of public exhibition of documents
6 July 2020	Closing date for public submissions
7 July – 15 July 2020	Consideration of public submissions and finalisation of documents
Date TBC – July 2020	Council consideration and adoption of final documents

Impact

Link to the Community Strategic Plan and Delivery Program

Community Strategic Plan – Leadership for the Region

- L2 – Council exceeds community expectations when managing its budget and operations
- L2.3 – Council's strategic planning documents are integrated in a way which delivers community outcomes while effectively managing budgets, asset management and workforce planning
- L2.3.1 – Develop and review Integrated Planning and Reporting Framework in line with statutory requirements

Stakeholder Engagement

Under the provisions of the Act, the IP&R suite of documents must be exhibited for public comment for a period of 28 days. The public exhibition period will be Monday, 8 June to Monday, 6 July 2020.

Public consultation outlined in the Communications & Engagement Plan comprises widespread promotion through advertisements, media releases, e-newsletters, the Your Say Armidale online hub, radio and social media. Hard copies can be viewed at the Armidale and Guyra offices.

All submissions received during the exhibition period will be reported to Council.

Financial Implications

The Operational Plan outlines a range of projects, programs and activities to be completed over the 2020/21 Financial Year. It outlines specific activities budgeted for in the draft 2020/21 budget, and is underpinned by the Resourcing Strategy, which ensures Council is positioned to achieve the objectives it has set and includes the budget.

A statement on the 2020/21 Fees and Charges is detailed in a separate Revenue Policy (Part A) document. The Revenue Policy (Part B) details the 2020/21 Rates and Annual Charges.

Draft 2020/21 Budget

Council's 2020/21 budget has been developed in accordance with the Financial Policy and Strategy 2017-2021, which advocates for a financially sustainable position. Financial sustainability is measured through Council's financial results including the performance against key benchmarks developed by the NSW Office of Local Government.

Over the last 2 financial years Council has improved on previous reported results in key areas of financial sustainability including operating performance results and cash results.

This was necessitated by budget forecasts for significant operating deficits and very low levels of cash reserves. The 2018/19 financial year saw actual reported results increase positively across all key performance indicators and the 2019/20 financial year was on a similar trajectory if not for the impacts outlined below.

The 2019/20 financial year is noted as being highly unusual with the combined impacts of drought, fire, flood and pandemic in one financial period.

From a budgetary perspective, the 2019/20 financial year has been significantly impacted by two key events:

1. Ongoing severe drought conditions have negatively impacted Council's Water Fund by almost \$6 million. This includes around \$3.2 million in net costs associated with drought response, communications, rebate programs and bore drilling and around a \$2.5 million reduction in revenue from water usage charges resulting from decreased water usage.
2. The impact of COVID-19 shutdowns has had a negative impact on the local economy and also Council's General Fund budget outlook. The impact on the 2019/20 budget is estimated to result in a loss of revenue in the order of \$700,000 predominantly relating to airport user charges and decreased rent and lease income. The impact on the 2020/21 budget is forecast to be a loss of revenue of \$825,000 although could be much higher due to the flow on impacts to the local economy that may take some time to realise.

The region also experienced bushfires and flooding leading to additional negative budgetary and cash impacts.

For the 2020/21 financial year, an extensive process has been undertaken in order to deliver a budget that attempts to mitigate these impacts as far as possible without cuts to services. While holding or reducing expenditure has occurred where possible, there has also been provision made around economic recovery including providing funding and support for business stimulus. A key initiative will be the facilitation of the business ecosystem with the Council as a centralised coordinator of investment promotion and a one-shop service centre for investors and business operators. Council also plans to deliver a \$40 million capital program to assist with local investment and employment including finalisation of Stage 1 of the Airport Business Park.

Due to the above factors, a key focus of the development of the 2020/21 budget has been to minimise operating deficits across all funds and, where possible, redirect funding to economic recovery initiatives to assist with the response to COVID-19 impacts. The budget position will be supported with strategies to ensure that costs are tightly controlled and that financial management across the business is a key priority during a challenging economic period.

There will be a detrimental impact to Council's operating result and key performance indicators as a result of the current conditions and associated impacts on Council's budget with the operating performance ratio and the asset renewals ratio being most impacted.

The 2020/21 budget includes a consolidated operating deficit of \$2.1 million with the following fund operating surplus results:

General Fund	(\$1,240,000)
Water Fund	(\$610,000)
Sewer Fund	<u>(\$199,000)</u>
Consolidated	(\$2,049,000)

Council is forecasting an unrestricted cash position of around \$3 million by 30 June 2021. The unrestricted cash position is important as it is Council's main buffer for unexpected events, such as natural disasters. The level of unrestricted cash forecast in the 2020/21 budget would only cover Council's operational costs for around 3-4 weeks if a situation occurred where Council was unable to receive payments.

While it would be desirable to further improve the cash position beyond this from a financial risk perspective, Council recognises that it will be necessary to divert funding to the economic recovery associated with COVID-19 and, as a result, has increased funding to areas where economic recovery is a key focus as well as continuing to support a large capital program.

Draft 2020/21 Revenue Policy

For ordinary rates the rate peg issued by NSW Independent Pricing and Regulatory Tribunal (IPART) of 2.6% has been applied and the rates structure remains consistent with previous years under the extended rates path protection for new councils. This will continue to apply until 30 June 2021 after which ordinary rates will be harmonised.

New valuations were issued for the Armidale Regional Council region by the Valuer General in September 2019 and these will apply for rating in the 2020-21 financial year. This may result in individual ratepayers experiencing a rates decrease or increase depending on how their valuation may have changed compared to the overall movement in valuations. However, Council's overall ordinary rate income will not increase above the rate peg as a result.

In developing a budget that can be afforded but does not reduce Council's cash reserves to unacceptable levels, Council has reviewed annual and user charges for water, sewerage and waste.

In response to the impact of the drought, which has reduced Council's water supply reserve by almost \$6 million, a review of water pricing has occurred with prices now fully harmonised and set to reflect lower water usage levels and result in overall revenue that is similar to historical levels. This was necessary to ensure that the water supply reserve retains sufficient funding to maintain and renew aging water assets, many of which require maintenance and are in need of renewal or replacement.

Sewerage access charges have been harmonised in the 2020/21 financial year between the former Armidale Dumaresq and Guyra Shire council areas and a single commercial sewerage charging structure will be applied across both areas. These changes will result in overall revenue that is similar to historical levels.

Waste charges have also been harmonised in the 2020/21 financial year with key changes being:

- Harmonisation of rural waste management charges;
- Applying the Waterfall Way Regional Landfill Levy to all properties; and
- Introducing a new Waterfall Way Regional Landfill Operation Charge to all properties.

These changes were deemed necessary to reflect the utilisation of the Waterfall Way Regional Landfill by all ratepayers and to cover the increased operational costs that will result from activation of the landfill early in the 2020/21 financial year.

COVID-19 Hardship Policy

Council has received approximately 20 hardship requests as a direct result of COVID-19 shutdowns having an impact on residential and business ratepayers. At this stage, the impact is not expected to be significant in terms of the ability for ratepayers to keep up with payments; however, this is being closely monitored for any change. Lease waivers have been issued to all non-profit organisations as per the interim hardship policy endorsed by Council 22 April 2020.

The NSW Government has also mandated a 0% interest charge on overdue rates and charges from 1 July 2020 to 31 December 2020. This will apply across the board for the duration of this period.

Summary

The Draft Plans will be placed on public exhibition and following the exhibition period (not less than 28 days), a report will be presented to Council, which outlines community submissions, along with the final Plans.