



BUSINESS PAPER

EXTRAORDINARY MEETING OF COUNCIL

To be held on

Wednesday, 16 May 2018
4:30pm

at

Council Chambers

Members

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

AGENDA

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Item: 6.1 **Ref:** AINT/2018/07989
Title: FOR DECISION: Adoption of Draft Three Year Delivery Program 2018 - 2021, Operational Plan 2018-19 and Resourcing Strategy
Container: ARC17/1962
Author: Peter Wilson, Acting Program Leader Governance, Risk and Legal
Attachments:
1. Draft Delivery Program 2018-2021
2. Draft Operational Plan 2018-2019
3. Draft Resourcing Strategy 2018

RECOMMENDATION:

- a) That the Draft Three Year Delivery Program 2018-2021 and Operational Plan 2018-2019 be endorsed;
- b) That the Draft Operational Budget 2018-2019, as detailed in the Draft Resourcing Strategy, be endorsed;
- c) That the Draft Resourcing Strategy, incorporating the Long Term Financial Plan, Workforce Management Plan and Asset Management Plan be endorsed;
- e) That the Draft Plans prepared under the Integrated Planning and Reporting (IP&R) Framework be placed on public exhibition from Friday 18 May to Monday 18 June; and
- f) That following the exhibition period (not less than 28 days), a report be presented to Council on 27 June 2018, which outlines community submissions, along with the final IP&R Plans.

Background

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.

Key Issues and Risks

The Integrated Planning & Reporting (IP&R) suite of documents must be adopted by 30 June 2018 in line with the statutory requirements.

The Community Strategic Plan (CSP) captures the long term aspirations of our community. It's a blueprint for the future and tells us what is important to the community, where we should allocate Council resources and is a guide for decision making about issues that will impact the region.

The CSP is however a community plan and therefore the entire community, including all levels of government and the business sector are expected to play a role in implementing the strategic directions.

Council's CSP has been on public exhibition up until 30 April 2018. A report on the review and update of the CSP 2017-2027, including the consideration of the submissions received will be submitted to the 23 May Ordinary Meeting.

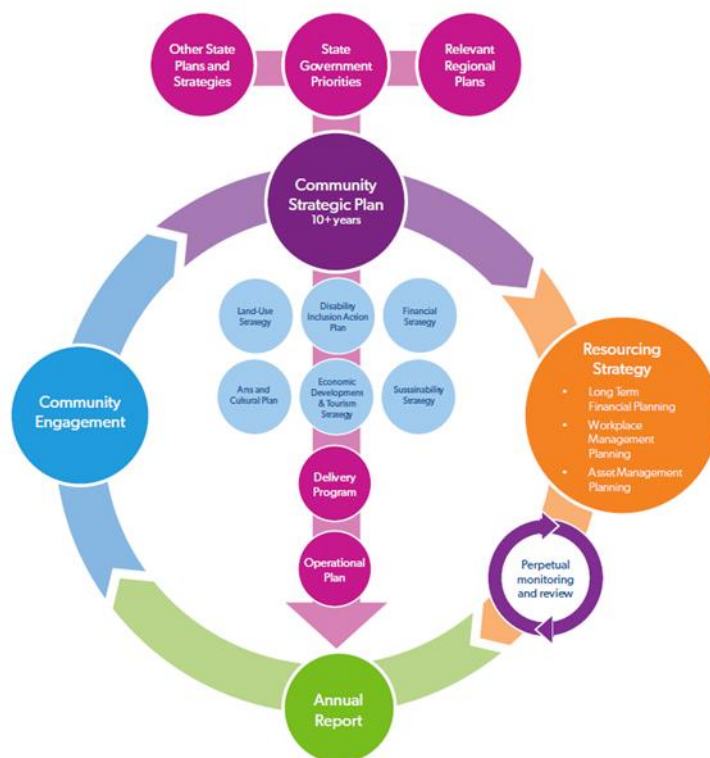
The submissions received in response to the public exhibition of the CSP included suggestions on a range of performance measures (metrics), and these will be evaluated by Council in conjunction with the development of our Performance Measurement Framework over the next year. Only minor amendments will therefore be required based on the submissions received.

The Delivery Program (DP) and Operational Plan (OP) provide detail of how the community aspirations in the CSP are systematically translated into actions that lie within the responsibility and resourcing (time, money, assets and people) capacity of Council.

The Long Term Financial Plan (LTFP) ensures that Council is a financially viable, adequately funded and sustainable organisation. The Workforce Management Plan (WMP) ensures Council has the skills and resources available to achieve the CSP goals. The Asset Management Strategy and Plans (AMPs) demonstrates how Council manages assets using a lifecycle approach to support services provided to the community.

The IP&R Framework is built on a quadruple bottom line (QBL), that is, the pillars of sustainability of economy, social, environmental and civic leadership. The plans reinforce the imperative of the integration of sustainability into Council's core business as outlined in the DP and OP.

The framework is summarised in the following diagram:



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 (WPM) [4 Year Plan] and Asset Management Strategy and Plans (AMPs) [10 Year Plan]

The first DP for the newly elected Armidale Regional Council will be for a three year period (1 July 2018 to 30 June 2021) in accordance with the Local Government (Council Amalgamations) Proclamation 2016. It is a statement of commitment to the community for the newly elected Council for their term of office.

The Draft DP 2018 – 2021 sets out Council's proposed course of action over the next three years. It details the broad goals and principal activities that Council will pursue in addressing the CSP objectives and strategies.

The Draft OP 2018-2019 details the works and services that Council will undertake during the coming year. The Budget 2018-2019 is incorporated into the Resourcing Strategy and details the proposed revenue and resourcing allocations to support Council's activities.

The Revenue Policy Parts A and B were endorsed by Council on 26 April 2018 and placed on public exhibition on 30 April 2018.

The Auditor-General's (AO) report to parliament on 'Council reporting on service delivery' states that NSW local government councils' could do more to demonstrate how well they are delivering services in their reports to the public.

The AO recommended that the Office of Local Government should, by mid-2018:

1. Issue additional guidance on good practice in Council reporting, with specific information on:
 - a) reporting on performance against targets
 - b) reporting on performance against outcomes
 - c) assessing and reporting on efficiency and cost effectiveness
 - d) reporting performance over time
 - e) clearer integration of all reports and plans that are required by the Framework, particularly the role of End of Term Reporting
 - f) defining reporting terms to encourage consistency.
2. Commence work to consolidate the information reported by individual councils to NSW Government agencies as part of their compliance requirements.
3. Progress work on the development of a Performance Measurement Framework (PMF), and associated performance indicators that can be used by councils and the NSW Government in sector-wide performance reporting.
4. Assist rural councils to develop their reporting capability.

Council will appropriately respond to the above as required by the Office of Local Government.

The embedding of the PMF into the suite of IP&R documents, will ensure that Council is measuring and reporting on our performance in a consistent way to promote transparency and accountability to residents and ratepayers as to how public money is spent, the quality of council services and the outcomes achieved and how these related to the community's vision and aspirations and council's strategic objectives.

Integrated Planning and Reporting Framework

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

The DP and OP have to be consulted on and reviewed every year. After each local government election, Council is required to review its CSP.

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 18 May to 18 June 2018.

The Community Engagement Plan will involve widespread promotion through advertisements, media releases, e-newsletters, Engagement HQ online hub and social media. Hard copies can be viewed at the Armidale and Guyra offices. A Community Reference Group meeting is to be held on Tuesday 29 May 2018 in Armidale.

All submissions received during the exhibition period will be reported to Council at its meeting to be held on 27 June 2018. Council is required to adopt the DP and OP, Operational Budget, Resourcing Strategy and Revenue Policy by 30 June 2018.

Financial Implications

The DP and OP outline a range of projects, programs and activities to be completed over the next three years. The DP and OP are underpinned by the Resourcing Strategy, which ensures Council is positioned to achieve the objectives it has set.

A statement on the 2018-2019 Fees and Charges is detailed in a separate Revenue Policy (Part A) document. The Revenue Policy (Part B) provides statements on the 2018-2019 Ordinary Rates and Annual Charges. The submissions received on the Revenue Policy will be reported to the 27 June 2018 Council meeting.

The Draft Budget as presented represents total consolidated expenditure of \$97 million in 2018-2019.

It fundamentally funds existing services at existing service levels, delivers a \$40.8 million Capital Works Program and finances a range of new initiatives including:

- ✓ Establishment of Mayoral Discretionary Fund
- ✓ Creation of a Grants and Sponsorships Officer position for 12 months
- ✓ Provision of traffic and transport assistance resources
- ✓ Allocation towards Armidale hospital traffic study, on the basis that State Government will provide additional financial assistance
- ✓ Pilot incentive program for wood heaters
- ✓ Employment of Sustainability Officer
- ✓ Implementation of customer service initiatives
- ✓ Implementation of Greenprint program
- ✓ Delivery of sustainability education
- ✓ Affordable housing initiatives
- ✓ Council's contribution towards Saumarez infrastructure upgrade

- ✓ Implementation of Local Community Funding Program for local priorities (allocation of \$5,000 each to seven Local Area committees)
- ✓ Implementation of Arts and Culture Strategy actions
- ✓ Implementation of Black Gully Flying Fox Management Plan

The general property rates have been increased by the rate peg limit of 2.5% and Council's fees and charges have been increased generally in accordance with CPI increases, or to a level that matches the service cost.

The budget, in particular the capital budget, incorporates significant expenditures associated with grant funding and merger funding provided by the State Government.

Council has recognised the need to continue to give priority and attention to ongoing financial sustainability, including the matching of the Delivery Program commitments against resourcing availability, particularly in the medium to longer term.

As part of Council's current operations in every section a number of actions and plans have been formulated to ensure existing levels of front line services are maintained.

Council's 2018-2019 budget recognises that changes need to happen, within the current service levels, in order to align with the sustainability criteria for Fit for the Future. The Financial Plan developed will, over the next 5 years, strengthen the financial viability of Armidale Regional Council.

The LTFP shows that strategies are available to Council that will improve its operating result after depreciation every year over the next 6 years. Council will work with the community and stakeholders to bring about the necessary changes to operations and service delivery to achieve these goals.

Between 2018 and 2028 Council's financial position and capital asset renewal rates will improve, to the point where it is currently planned to meet the NSW Government's financial indicators in 2025/26 (Refer page 37 of the Resourcing Strategy). In pursuing this, Council will need to develop and implement strategies aimed at improving overall financial performance, particularly looking at the operating performance ratio and asset renewal ratio going forward.

General Fund	2018-19	2019-20	2020-21	2021-22
Operating Income	49,391	51,091	53,039	53,582
Operating Expenditure	40,688	39,763	41,263	41,721
Operating Result Before Depreciation	8,703	11,328	11,776	11,861
Depreciation Expense	12,161	12,404	12,652	12,905
Operating Result	(3,458)	(1,076)	(876)	(1,044)
Capital Income Including Transfer From Reserves	14,036	5,794	5,179	6,098
Capital Expense Including Loan Repayment	20,007	18,637	15,382	16,232
Loan Repayments	2,732	2,575	2,589	2,733
Net Cash Budget Result	0	(4,090)	(1,016)	(1,006)

Water Fund	2018-19	2019-20	2020-21	2021-22
Operating Income	11,022	11,332	12,419	12,781
Operating Expenditure	8,178	8,333	8,852	9,084
Operating Result Before Depreciation	2,844	2,999	3,567	3,697
Depreciation Expense	3,052	3,113	3,175	3,239
Operating Result	(208)	(114)	392	458
Capital Income Including Transfer From Reserves	13,100	600	606	612
Capital Expense Including Loan Repayment	21,229	3,591	4,200	3,200
Loan Repayments	252	185	197	212
Net Cash Budget Result	(5,537)	(177)	(224)	897

Sewer Fund	2018-19	2019-20	2020-21	2021-22
Operating Income	6,809	6,996	7,746	7,970
Operating Expenditure	5,378	5,569	6,030	6,203
Operating Result Before Depreciation	1,431	1,427	1,716	1,767
Depreciation Expense	1,593	1,625	1,657	1,691
Operating Result	(162)	(198)	59	76
Capital Income Including Transfer From Reserves	3,500	500	886	1,470
Capital Expense Including Loan Repayment	3,194	3,500	3,000	3,200
Loan Repayments	0	0	0	0
Net Cash Budget Result	1,737	(1,573)	(398)	37

The budget is a balanced budget in General Fund, meaning that all income has been allocated to a program or service. In the Water Fund and Sewer Fund there is a small increase in cash.

The Federal and State Governments are preparing to release their own budgets which may or may not influence Councils estimates. The estimates for grants to fund existing or new projects are conservative. As Council aims to strengthen its operating position, reliance on grants is reduced.

Within the budget papers is a listing of all of the capital works that are being targeted in 2018-2019. The Capital Works Program provides for a significant investment of \$40,896,809. The following tables list the capital works program by fund.

General Fund

Capital works program totals \$17,116,945, which remains above the average works program.

	\$
Library Books	326,215
Regional Landfill Facilities/Buildings	250,000
Regional Landfill Weighbridge & Security	270,000
Long Swamp Rd Transfer Station	2,000,000

Long Swamp Rd Transportation	1,500,000
Long Swamp Rd 2nd Weighbridge & New Technology	200,000
Long Swamp Rd Resource Recovery Centre	250,000
Long Swamp Rd Leachate Management	150,000
Long Swamp Rd Civil Works	250,000
Long Swamp Rd City to Soil	416,000
Guyra Transfer Station	100,000
Ben Lomond Transfer Station	400,000
Airside works for Edwards and Fleet Helicopters	675,000
Upgrade Stormwater Drainage and Shand Drive to service R&M and RFS	1,232,000
Upgrade stormwater drainage and Shand Drive from Superair to petrol station	818,519
Repay Water Fund for NBN roll out to leased lots	44,150
Taxiway Access Construction R&M and Superair	100,000
Airport Infrastructure works located near Superair	200,000
Airport Apron	279,000
Airport Lights	50,000
Aquatic Centre Pumps and Filtration	100,000
Seating for Active parks	6,000
IT Capital Replacements	250,000
Fleet Replacement	2,967,900
Roads to Recovery Road Restoration	1,794,075
Causeways	50,000
Road Network Renewal	167,000
Regional Roads (council contribution towards Repair Program)	329,686
Gravel Re-sheeting	708,400
Urban Reseals	350,000
Road Network Rehab	400,000
Rural Reseals	293,000
Library Capital Replacements	61,215
Public Open Space Renewal	70,000
Property Maintenance Schedule	120,000

Water Fund

Capital works program totals \$20,706,400. Major capital investment is earmarked for the construction of the Guyra water mains pipeline from Malpas, which is dependent upon the receipt of grant funding.

	\$
Water Network Capital Projects	701,200
Guyra Dam	92,500
Malpas Dam	102,000
Puddledock Dam	5,000
Dumaresq Dam	5,027,000
Meters replacement	193,300
Small Size Service Lines Replacement	202,200
Water Main Replacements	900,000

Water Mains - New	12,560,000
Reservoir Cleaning and Ladder Replacements	66,000
Pump Station - Pump and Motor Replacements	186,000
Water Treatment Plant	671,200

Sewer Fund

Capital works program totals \$ 3,073,464 which equals the long term average.

	\$
Sewer Network Renewal	340,300
Sewer Mains Rehabilitation	2,039,564
Sewer Mains Manhole Rehabilitation	108,000
Sewer Pumping Stations	89,100
Sewer Treatment Plant	496,500

Fit for the Future - Financial Indicators

Under the merger guidelines, Council has until 2020/2021 to address the Fit for the Future indicators. It is anticipated that proactive financial strategies will result in Council meeting the targets by that date.

The Water, Sewer and Waste business units are all currently financially sustainable.

The following Key Performance Indicators (KPI's) are based on current financial planning and relate to the General Fund only.

- The operating performance ratio benchmark (to be an average of zero)

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
-6.84%	-7.00%	-2.11%	-1.66%	-1.95%

- Own source revenues to be greater than 60%

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
66.09%	72.19%	71.00%	70.60%	70.53%

- Unrestricted cash ratio greater than 1.5

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
1.84	1.48	1.52	1.87	1.66

- Capital Renewal should average 100% of depreciation over the longer term. In 2020 the Special Rate Variation comes off reducing Councils capital works linked to those funds.

2017/18	2018/19	2019/20	2020/21	2021/22
161.16%	43.86%	93.71%	89.10%	97.99%

Next Steps

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 on 27 June 2018, which outlines community submissions, along with the final Plans.