



BUSINESS PAPER

ORDINARY MEETING OF COUNCIL

To be held on

Wednesday, 26 May 2021
4pm

at

Armidale Council Chambers

Members

Councillor Ian Tiley (Mayor)
Councillor Debra O'Brien (Deputy Mayor)
Councillor Peter Bailey
Councillor Jon Galletly
Councillor Andrew Murat
Councillor Margaret O'Connor
Councillor Dorothy Robinson

SUPPLEMENTARY AGENDA

INDEX

8	Leadership for the Region	
8.8	Public Exhibition of Integrated Planning and Reporting - Draft Operational Plan and Budget for 2021-2022	3

Item:	8.8	Ref: AINT/2021/14171
Title:	Public Exhibition of Integrated Planning and Reporting - Draft Operational Plan and Budget for 2021-2022 Container: ARC20/4344	
Responsible Officer	Acting Director Organisational and Corporate Services	
Author:	Renata Davis, Principal Advisor - Corporate Planning	
Attachments:	1. Draft Operational Plan and Budget 2021-2022 2. Draft Revenue Policy 2021-2022 3. Special Rate Variation - IPART Instrument Notification 4. Deferred and Deleted Budget Items	

1. Purpose

The purpose of this report is to endorse, for public exhibition, the draft documents required to be prepared under the Integrated Planning and Reporting Framework that detail the proposed activities and budget for the 2021-2022 financial year. The draft documents recommended for adoption include:

- Draft Operational Plan and Budget 2021-2022 (including the operational and capital budget)
- Draft Revenue Policy 2021-2022
- Draft Fees and Charges 2021-2022

All public submissions received will be tabled and considered as part of the final Integrated Planning and Reporting documents that must be adopted by 30 June 2021.

2. OFFICERS' RECOMMENDATION:

That Council:

- a) Approve the inclusion of the 10.5% permanent Special Rate Variation determined by IPART in the Draft Operational Plan and Budget 2021-2022 and associated documents;
- b) Endorse the following draft documents for public exhibition for a minimum period of 28 days pursuant to the requirements of the NSW *Local Government Act 1993*:
 1. Draft Operational Plan and Budget 2021-2022;
 2. Draft Revenue Policy 2021-2022; and
 3. Draft Fees and Charges 2021-2022.
- c) Note that the community engagement will also cover the proposed four year rates harmonisation implementation framework effective 1 July 2021;
- d) Note that the Draft Operational Plan and Budget 2021-2022 public exhibition period will run from Friday, 28 May to Thursday, 24 June 2021; and
- e) Following the exhibition period a report be presented to Council, which outlines community submissions received, along with the final 2021-2022 Integrated Planning and Reporting documents.

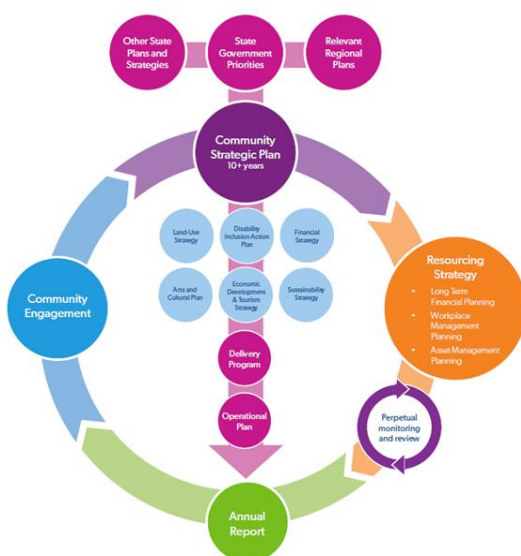
3. Background

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

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:



4. Discussion

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 30 June 2021:

- Draft Operational Plan and Budget 2021-2022 (including the operational and capital budget)
- Draft Revenue Policy 2021-2022
- Draft Fees and Charges 2021-2022

Copies of the above documents are annexed to this report.

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

Date	Action
26 May 2021	Draft documents considered by Council for public exhibition
28 May 2021	Commencement of public exhibition of documents

24 June 2021	Closing date for public submissions
24 June – 28 June 2021	Consideration of public submissions and finalisation of documents
Prior to 30 June 2021 (Date TBC)	Council consideration and adoption of final documents

Draft Operational Plan and Budget 2021-2022

The Draft Operational Plan and Budget 2021-2022 details the works and services that Council intends to undertake during the next financial year. The actions contained in the Plan have been compiled following extensive discussions and workshops with Council staff and Councillors and have been rigorously tested and balanced against the principal activities of the Delivery Program 2018-2022 and the goals and strategies of the Community Strategic Plan 2017-2027. The additional burden on resources of events such as COVID-19 has also been taken into consideration and has placed some constraints on Council's planned delivery of projects and services.

The 2021-2022 Draft Budget is incorporated into the Operational Plan and details the proposed revenue and resourcing allocations to support Council's operational and capital activities.

This document is accompanied by an updated Long Term Financial Plan. Under the legislation, the Long Term Financial Plan must be updated annually as part of the development of the Operational Plan.

The actions in the Draft Operational Plan and Budget 2021-2022 have been aligned to the parameters set by Council's Special Rate Variation application to 'Maintain Services' and in response to community feedback received during that process.

Draft Revenue Policy 2021-2022 and Draft Fees and Charges 2021-2022

Under separate cover, Council has included the Draft Revenue Policy 2021-2022 and Draft Fees and Charges 2021-2022, as required by the legislation. These documents outline the rates, charges and fees necessary to raise the funding required to support the budget position and funding of proposed activities outlined in the Operational Plan.

Special Rate Variation

In early 2021 Council applied for a Special Rate Variation (SV) from the NSW Independent Pricing & Regulatory Tribunal (IPART) of a permanent 8.5% plus 2.0% rate peg (total 10.5%) commencing in 2021-2022. This SV would make permanent a previous seven year temporary rate increase due to expire 30 June 2021. This funding is critical for Council to continue a program of asset renewal works to manage existing assets across the region.

On 17 May 2021 IPART announced that it approved Council's SV application in full.

The Draft Operational Plan and Budget 2021-2022 reflects the Council's requirement to maintain service levels to reflect the SV determination.

A copy of IPART's SV determination is annexed to this report.

Rates Harmonisation

Since amalgamation of Armidale Dumaresq and Guyra Shire Councils in 2016 Council has been required to maintain two rating systems for the local government area. This was due to a four year rate freeze imposed by the NSW Government. This meant that Council could not adjust rates beyond the rate peg in the first four years after amalgamation which saw different rates being paid in the former local government areas.

Ultimately Council must maintain one consistent rating structure to ensure a fairer and more equitable system across all rating categories within the Armidale Regional Local Government Area. This will take effect from 1 July 2021 and will only affect general rates.

Revised legislation effected under the *Local Government Amendment (Rates) Bill 2021* means that the harmonisation process can be undertaken gradually with provision made of up to 8 years. Council has determined that a 4 year harmonisation timeframe is reasonable and intends to implement this in 2021-2022.

5. Implications

5.1. Strategic and Policy Implications

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

5.2. Risk

Key risks to the Draft Operational Plan and Budget 2021-2022 include:

Maintaining Service Levels

A focus has been made on getting back to basics and not increasing service levels. This focus is in line with the community feedback received from the Special Rate Variation consultation process where the majority view was for Council to continue to deliver existing services within current funding levels. This will only be possible with tight financial controls in place and prioritising decision-making to ensure positive financial outcomes are achieved for Council at all times.

Council will be required to ensure all decisions are supported by an approved budget or a funding source can be identified that does not detrimentally impact the organisation's financial position.

External Events

Council has been managing the combined impacts of drought, fire, flood and pandemic. These events have negatively impacted Council's actual and forecast results over 2019-2020, 2020-2021 and 2021-2022 financial years. Risks remain that actual performance could be more negatively impacted than estimated from some of these events. The ongoing financial impacts from COVID-19 are particularly difficult to predict.

Organisational Capacity

Council has been successful in securing a high number of grants and this will lead to the delivery of key projects in the region. However, resourcing is also being impacted by significant natural disaster recovery works being undertaken on Kempsey Road, the ongoing delivery of existing projects and significant Council-managed contract works being undertaken on State Roads. Council's 2021-2022 Capital Budget is currently estimated at \$65 million and there is no capacity to take on additional projects without something being taken off the list. While it is possible to

contract out works, projects still need to be overseen or managed by Council staff to ensure that there is accountability and delivery of quality projects using public funds, regardless of their source.

The significant size of the capital program in addition to other major programs underway will have direct resourcing impacts on many areas of the organisation.

5.3. Sustainability

The Draft Operational Plan and Budget 2021-2022 has been prepared using the Principles of Sound Financial Management as outlined under Section 8B of the Act.

Section 8B of the Act provides that Council spending should be responsible and sustainable, aligning general revenue and expenses. Council has forecast a 'balanced' budget position for the General Fund in the 2021-2022 Draft Budget to ensure that the Council's unrestricted cash position is preserved and does not deteriorate.

Section 223 of the Act states that the role of Council is to:

to determine and adopt a rating and revenue policy and operational plans that support the optimal allocation of the council's resources to implement the strategic plans (including the community strategic plan) of the council and for the benefit of the local area

Council's 2021-2022 Draft 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.

Additionally, Council is operating under a Performance Improvement Order issued by the Minister for Local Government and this requires Council to:

- Adopt surplus budgets that ensure financial sustainability over the long term;
- Adopt a Reserves policy that ensures a minimum of \$4-5m is available as unrestricted cash to fund working capital requirements before setting aside funds as Internal Restrictions; and
- Ensure adequate resources are provided to improve financial ratios.

Over the last 3 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.

5.4. Financial

Budget Area:	2021-2022 Draft Budget						
Funding Source:	General Fund, Water Fund, Sewer Fund						
Budget Ref: (PN)	Description	Approved Budget	Actual	Committed	Proposed	Total Forecast Expenditure	Remaining Budget
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

2021-2022 Draft Budget

For the 2021-2022 financial year, an extensive process has been undertaken in order to deliver a budget that attempts to strike a balance between remaining fiscally responsible and meeting

standards of service delivery that ensure public services and infrastructure are maintained at acceptable levels. This has proved to be a difficult challenge due to the negative financial impacts experienced from COVID-19, bushfire, flood and drought. While the circumstances of some of these events are now past, ongoing negative financial impacts are still being felt by the organisation. COVID-19 currently presents the most difficult ongoing challenge to manage from a financial perspective with ongoing revenue losses from COVID-19 expected to continue beyond 2021-2022.

Council is also operating under a Performance Improvement Order issued by the Minister for Local Government and this requires Council to strive to reach financial targets that will assist the organisation to achieve an improved financial position. This, in turn, will lead to better outcomes for the community through improved financial management, asset management and governance standard outcomes. All of these areas are critical to enable Council to become a high performing organisation.

Due to the above, Council has prioritised funding in the 2021-2022 Draft Budget towards improving governance standards, financial sustainability and asset management with a focus on getting back to basics. This is in line with the community feedback received from the Special Rate Variation consultation process where the majority view was for Council to continue to deliver existing services within current funding levels and “live within its means”.

The 2021-2022 Draft Budget includes a consolidated operating surplus of \$1 million with the following fund results:

Fund	Operating Result
General Fund	\$100,121
Water Fund	\$690,566
Sewer Fund	\$242,099
Consolidated	\$1,032,786

The 2021-2022 Capital Budget includes approximately \$65 million worth of infrastructure projects including scheduled and ongoing asset renewal investment.

Council was successful in obtaining approval from IPART to continue with the temporary Special Rate Variation on a permanent basis from 2021-2022. This will provide \$1.5 million in funding annually for asset renewals including roads, footpaths, kerb and gutter, community facilities and buildings.

Summary of funding sources for the Capital Budget:

Description	Budget	Grant/Externally Restricted Funding	Council/Internally Restricted Funding
General Fund	\$42,443,686	\$33,547,244	\$8,896,442
Water Fund	\$20,550,993	\$8,001,335	\$12,549,659
Sewer Fund	\$2,280,000	\$150,000	\$2,130,000
Consolidated	\$65,274,679	\$41,698,579	\$23,576,100

Council is forecasting an unrestricted cash position of around \$3.4 million by 30 June 2022. 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 2021-2022 Draft 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, at this time Council would have to decrease service levels in order to this. Given the other significant budget challenges faced and the requirement to focus on rebuilding the organisation's core standards and invest appropriately in asset renewal, it has not been possible to build in an increase in unrestricted cash to the 2021-2022 Draft Budget; however, this will remain a focus for future budget review processes.

There are a number of items, such as grants applied for where Council has not been advised the outcome, that have not been included in the 2021-2022 Draft Budget, due to the lack of certainty around the timing, funding and/or probability of completion. These may be introduced through the budget review process when they reach a point of clarity and funding is available that enables their inclusion.

In an effort to ensure that costs are transparent, all projects are presented in the Draft Operational Plan and Budget 2021-2022 with either a budget amount, or a reference to the associated budget number (full list provided in the budget section).

There is a large number of projects, particularly related to the Capital Program, that are grant funded. These grant projects are identified in the Draft Operational Plan and Budget 2021-2022, along with the financial contribution component (if any) of Council.

It was not possible to fund a number of initiatives and budget requests proposed by Council staff, Councillors and the community in the Draft Operational Plan and Budget 2021-2022. A list of these excluded items is annexed to this report *Deferred and Deleted Budget Items*.

6. Consultation and Communication

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 Friday, 28 May to Thursday, 24 June 2021.

Council is also required to consult the community on the proposed four year rates harmonisation implementation framework effective 1 July 2021. The *Local Government Amendment (Rates) Bill 2021* requires that Council pass a resolution to implement the rates harmonisation framework but only after a consultation process has been undertaken, which may be combined with the adoption of an operational plan.

Public consultation will comprise widespread promotion through advertisements, media releases, e-newsletters, the Your Say Armidale online hub, webinars, face-to-face sessions, radio and social media. Hard copies of the documents can be viewed at the Armidale and Guyra offices.

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

7. Conclusion

This report recommends that Council endorse the following draft draft documents for public exhibition for a minimum period of 28 days pursuant to the requirements of the Act:

1. Draft Operational Plan and Budget 2021-2022;
2. Draft Revenue Policy 2021-2022; and
3. Draft Fees and Charges 2021-2022.

And recommends that the public exhibition period run from Friday, 28 May to Thursday, 24 June 2021.