
Report of the General Manager - 23 May 2017

ITEM 6.1 **Draft 2017-18 Operational Plan, Budget and Schedule of Fees and Charges**

AUTHOR **City Future**

ISSUE

This report seeks Council's endorsement to exhibit the draft 2017-18 Operational Plan, including draft 2017-18 Budget (and accompanying financial statements), and the draft 2017-18 Schedule of Fees and Charges.

Separately, the report also seeks endorsement to exhibit changes to the 'Section 94A Development Contributions Plan – Bankstown' and the 'Canterbury Development Contributions Plan 2013' and the proposed 'Rates and Charges Debt Recovery and Hardship Assistance Policy' for the city.

RECOMMENDATION That -

1. Council note the introduction of the NSW Government's Fire and Emergency Services Levy and calls on the State Government to better inform the community on its impact and Council's role in administering the levy on households.
2. In accordance with Section 405 of the *Local Government Act 1993*, the draft Operational Plan 2017-18, including the draft 2017-18 Budget and draft 2017-18 Schedule of Fees and Charges – Attachment A to the Report – be placed on public exhibition.
3. The proposed Rating and Annual Charges for 2017-18 as outlined in Annexures F and G (forming part of Attachment A to this report) be adopted. The proposal is based on the following.

For areas covered by the former City of Bankstown

- (i) Council's ordinary and special (CBD Infrastructure Improvement) rates for 2017-18 making provision for an ad valorem structure and an increase to Council's general income equivalent to the percentage of 1.5%, as specified by the Independent Pricing & Regulatory Tribunal (IPART).
- (ii) A Minimum Ordinary Residential Rate of \$590.85 in respect of each separate parcel of rateable land in the City categorised as Residential land.
- (iii) A Minimum Ordinary Business Rate of \$722.50 for each parcel of rateable land in the City categorised as Business.

- (iv) Annual charges from Domestic Waste collection be set at \$485.00 for all Residential properties.
- (v) The maximum mandatory pensioner rebate of \$250.00 per annum. In addition Council continue to provide a further voluntary rebate, which equates to \$40.00 per annum in accordance with Council's 'Rates and Charges Debt Recovery and Hardship Assistance Policy'.
- (vi) Annual Charges for Stormwater Management Services as follows:
- **Residential Properties**
 - Annual Residential Charge of \$25.00 per property.
 - Annual Residential Strata Charge of \$12.50 per property.
 - **Business Properties**
 - Annual Charge of \$25.00 per property plus an additional \$25.00 for each 350 square metres or part of 350 square metres by which the area of the parcel of land exceeds 350 square metres.
 - **Mixed Development**
 - Adopt the dominant Rating category as applied to the parcel of land as determined by the Valuer General and apply to each relevant property.
 - In the event that a mixed development is 50% residential and 50% business, Council will apply a residential charge.
 - **Exemptions**

In addition to the exemptions stipulated in the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*, the following exemptions will also apply in managing the service:

 - Council-owned land;
 - Bowling and Golf Clubs - where the dominant use is open space;
 - Properties zoned:
 - Open space 6(a);
 - Private Recreation 6(b); and
 - Rural
- (vii) A maximum rate of interest on overdue rates and charges as specified by the Minister for Local Government.

For areas covered by the former City of Canterbury

- (viii) Council's ordinary rates for 2017-18 making provision for an ad valorem structure and an increase to Council's general income equivalent to the percentage of 1.5%, as specified by the Independent Pricing & Regulatory Tribunal (IPART).

- (ix) A Minimum Ordinary Residential Rate of \$662.35 in respect of each separate parcel of rateable land in the City categorised as Residential land.
 - (x) A Minimum Ordinary Business Rate of \$662.35 for each parcel of rateable land in the City categorised as Business.
 - (xi) Annual charges from Domestic Waste collection be set at \$420.00 for all Residential and Business properties.
 - (xii) The maximum mandatory pensioner rebate of \$250.00 per annum. In addition Council to provide a further voluntary rebate, which equates to \$40.00 per annum in accordance with Council's 'Rates and Charges Debt Recovery and Hardship Assistance Policy'.
 - (xiii) Annual Charges for Stormwater Management Services as follows:
 - **Residential Properties**
 - Annual Residential Charge of \$25.00 per property.
 - Annual Residential Strata Charge of \$12.50 per property.
 - **Business Properties**
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 - Bowling and Golf Clubs - where the dominant use is open space;
 - Properties zoned:
 - Open space 6(a);
 - Private Recreation 6(b); and
 - Rural
 - (vii) A maximum rate of interest on overdue rates and charges as specified by the Minister for Local Government.
4. A further report be submitted to Council at the conclusion of the exhibition period.
5. The Section 94A Development Contributions Plan – Bankstown (Amendment No. 4) (Attachment B) and the Canterbury Development Contributions Plan 2013 (Amendment No. 1) (Attachment C) be placed on public exhibition.

6. Council's proposed 'Rates and Charges Debt Recovery and Hardship Assistance Policy' (Attachment D) be exhibited for public comment and subsequently reported, following its exhibition.

BACKGROUND

The Operational Plan shows how the City of Canterbury Bankstown Council sets out its role and commitment to the community and the contribution it will make towards implementing the Vision for the City's future. It sets out the principal activities Canterbury Bankstown Council will undertake, the financial resources to be allocated and the projects to be completed during the 2017-18 financial year.

It includes a breakdown of Council's operating budgets and planned expenditure, as well as other financial information, and Council's Revenue Policy, Pricing Policy and Schedule of Fees and Charges.

The plan is the first combined Operational Plan for the City since the State Government announced the amalgamation of the former Canterbury and Bankstown Local Government Areas on 12 May 2016.

The aim of this Operational Plan is to maintain and improve services, delivering on infrastructure needs, and to deliver tangible benefits from the new Council structure placing the Council in the best possible position to hand over to the newly elected Councillors in September 2017.

REPORT

The 2017-18 Operational Plan includes measures to tackle and absorb the broader economic environment and ensure that Council is ready to respond to issues, such as:

- Expected growth in housing and its impact on our service and infrastructure needs;
- Enforcement of required regulatory and compliance standards expected by our community;
- Protecting our natural environment from the impacts of urbanisation;
- Building confidence in our City by identifying relevant opportunities to support our local economy and attract investment; and
- Taking a positive and leading role in responding to the reforms set out by the NSW Government.

Operational Plan Highlights

During 2017-18, Council will expend over \$290M on essential services and \$64M on improving assets. This includes \$30.1M for roads, footpaths and drainage; \$13.2M on parks and community buildings; and \$6.2M for upgrades to town centres.

While still undertaking ongoing council operations, this year's Operational Plan also features:

- Preparation of the first suite of Integrated Planning and Reporting documents for the new City;
- Support for the 2017 Local Government elections;
- Investing over \$5 million at major sporting facilities across the City including Jensen Park, Belmore Sportsground and Waterworth Park;
- Invigoration and improved accessibility at Wiley Park;
- \$6.2M to revitalise the Canterbury town centre; and
- Preparation of important strategies for The Crest of Bankstown, leisure and aquatics facilities, sports facilities, Compass Centre redevelopment and the Kelso Waste Management Facility.

Financial Management

As noted in the report of 22 November 2016, both former Council's financial performance and position at the day of amalgamation was considered sound and stable to support the future planning for our new City.

Notwithstanding the challenges that our sector faces, Council's strategy ensures we are well placed to continue to deliver on our commitment to slow expense-growth, accelerate spending on infrastructure and be debt free by 2018. A considered approach, which will contribute to securing our City's future.

Council's strategy includes measures to tackle and absorb the broader economic environment and ensure we are ready to respond to issues, such as:

- the expected growth in housing and its impact on our service and infrastructure needs
- Revitalising and re-investing in our CBD, Town Centres, Libraries and recreational facilities
- Enforcement of required regulatory and compliance standards expected of our community
- Preserving our fragile natural environment
- Building confidence in our City by identifying relevant opportunities to support our local economy and attract investment, and
- Taking a positive and leading role in responding to the reforms set out by the NSW Government.

Financial Framework and Objectives

Council's financial approach provides the required framework for managing its objectives and financial decision making. This focuses on continuing to ensure that the financial parameters, principles and objectives applied in developing the budget achieve a balance between financial stability, asset maintenance, construction and the provision of services to our community.

The principal financial objectives are to:

- Provide adequate investment in recurrent operational and asset replacement programs/projects;
- Incorporate all necessary governance and administrative costs required in delivering Council's objectives;

- Manage cash restrictions based on agreed policies and statutory requirements;
- Meet the cost of accrued liabilities such as loan repayments and employee entitlements, as they fall due; and
- Develop a financial plan aimed at maintaining a sound financial position.

Council's financial goals continue to include:

- Maintaining an adequate level of unrestricted working funds and liquidity levels to preserve our sound financial position;
- Increase non rates revenue through investing in income generating activities, effective pricing and property management;
- Providing affordable services through productivity and efficiency improvements which will also include a continued assessment of core/non-core services being provided to the community; and
- Achieving an optimum balance in satisfying our financial objectives and other planned activity outcomes.

The budget is premised on a number of elements, including:

- No increase in rates above that approved by IPART;
- Unless known, the growth in other revenues and operational costs have been increased to reflect Council's pricing principles outlined in the former Council's Long Term Financial Strategies;
- Eliminate recurrent loan borrowing programs for asset replacement purposes;
- Redirect savings in debt servicing costs towards asset replacement purposes; and
- Maintain strategic indicators and cash restrictions at acceptable levels.

2017-18 Planned Budget

Council's focus for the forthcoming financial year continues to be about improving its services, delivering on infrastructure, building on our strong cash reserve position and becoming debt free.

As is the case each year, Council has assessed the various broader economic elements, service expectations and revenue projections in formulating Council's 2017-18 Budget.

The framework applied in setting Council's budget is as follows:

Revenue Policy

Where evident, revenue budgets have been adjusted to reflect known issues, while others are largely estimated around current year trends. Council has also incorporated a number of industry specific factors, where applicable (see below).

General Rates and Annual Charges

On the 29 March 2017, the NSW Parliament passed the Local Government Amendment (Rates – Merged Council Areas) Bill 2017 providing rate protection for residents of NSW Merged Councils. The Bill has affectively frozen rates on their current paths for a period of 4 years, this obligation continues until 30 June 2020.

That said, Council will maintain the both former Council's rate structure whereby rate assessments are based entirely upon property valuations (ad valorem) but with minimum rates applying where appropriate.

Council's 2017-18 Budget incorporates a permissible rate increase of 1.5%. The increase together with an anticipated staged growth of around 800 dwellings throughout the year will generate an additional \$2.8M in Rates Revenue.

Rate income raised as a result of the Special Rate Variations for the former City of Canterbury will continue to be allocated on renewing assets within the former City of Canterbury area.

Annexures F and G of Attachment A summarises the rate in the dollar and minimum charges for each category.

Minimum Rates

Proposed minimum rates reflect a 1.5% increase to that levied throughout 2016-17.

Special Rates – Bankstown CBD Town Centre

Council's special rate in respect of the Bankstown CBD Town Centre has similarly been increased by 1.5%. Any expenditure will reflect projects and priorities based within the CBD.

Pensioner Rates

Approximately 22,300 pensioner ratepayers qualify for Council's voluntary rate rebate and the State Government's mandatory rate rebate, which are granted to persons in receipt of the pensioner concession cards. The maximum mandatory rebate, which is 55% funded by the State, is \$250.00 per annum.

In accordance with Council's proposed rates and charges, debt recovery and hardship assistance policy, Council provides an additional voluntary rebate, which equates to \$40.00 per annum. This rebate will now also be granted to all eligible Pensioners of the former Canterbury Council area.

The total rebate will cost Council approximately \$6.5M in net terms for 2017-18 of which approximately \$0.9M is Council's discretionary concession.

Domestic Waste Fee

The impact of tipping fees and other non-discretionary industry costs will require Council to increase the Domestic Waste Levy for the forthcoming financial year (see below). Currently there are different waste services being provided to the residents of the former Canterbury and Bankstown Councils. These services will be harmonised once the existing contracts expire in 2019-20.

That said, Council's policy will be to grandfather the former Councils' 2016-17 fees and apply a proportional increase, reflective of the increased cost of operations.

Proposed fees for 2017-18 are as follows:

- The former City of Bankstown: \$485.00; and
- The former City of Canterbury: \$420.00.

Notwithstanding the increase, Council's proposed rates are still considered reasonable when compared to other councils who provide a similar/comparable three bin service.

Annexure E of Attachment A provides the financial details relating to the service.

Stormwater Levy

The City of Canterbury Bankstown Council is the principal authority responsible for the local management of stormwater. On behalf of the public, Council:

- Maintains stormwater drainage pipes;
- Implements essential flood mitigation measures to protect life, property and infrastructure;
- Conserves the natural waterways of the City;
- Harvests and reuses stormwater to reduce potable water use;
- Protects water quality in our creeks and rivers by installing water sensitive urban design features and pollution control devices; and
- Protects riparian bushland and other natural assets from the impacts of urban runoff.

In recognition of Councils' key role in stormwater management, the NSW Government made amendments to the *Local Government Act 1993* (amended October 2005) and the *Local Government (General) Regulation 2005* (amended April 2006) to allow councils the option of levying a stormwater management service charge. The charge was introduced to help council to cover some or all of the costs of providing new or additional stormwater management services to eligible land, above and beyond those that council could provide with their own funds.

The implementation of the charge recognises that increasing urbanisation has resulted (and continues to result) in a significant increase in impervious surfaces and has significantly increased the volume of stormwater (and therefore pollutant loads) flowing into urban waterways and urban drainage systems. These pressures have increased the costs of stormwater management for local councils.

In accordance with Section 496A of the *Local Government Act 1993* and *Local Government (General) Regulation 2005*, Council proposes to levy an annual Stormwater Charge on eligible properties within the City of Canterbury Bankstown effectively extending the levy across the whole City.

In managing the annual charge the following structure will be applied:

- Residential Properties
Annual Residential Charge of \$25.00 per property.
Annual Residential Strata Charge of \$12.50 per property.

- *Business Properties*
Annual Charge of \$25.00 per property plus an additional \$25 for each 350 square metres or part of 350 square metres by which the area of the parcel of land exceeds 350 square metres.
- *Mixed Development*
Adopt the dominant Rating category as applied to the parcel of land as determined by the Valuer General and apply to each relevant property. In the event that a mixed development is 50% residential and 50% business, Council will apply a residential charge.
- *Exemptions*
In addition to the exemptions stipulated in the Local Government Act 1993 and the Local Government (General) Regulation 2005, the following exemptions will also apply in managing the service:
 - Council-owned land
 - Bowling and Golf Clubs - where the dominant use is open space
 - Properties zoned
 - Open space 6(a)
 - Private Recreation 6(b);
 - Rural.

Annexure H of Attachment A provides details of the proposed Stormwater Levy funded projects for 2017-18.

Rates and Charges Debt Recovery and Hardship Assistance Policy

In ensuring both transparency and equity, Council has developed a policy which provides clarity as to how it proposes to manage the processing and collection of its rating and annual charges income.

Whilst the process of managing Council rates is highly regulated, its policy and supporting operational guidelines ensures that its adopted Revenue Policy be appropriately reflected and managed consistently across the local government area for all Ratepayers.

Separately, it should be noted that the former Canterbury Council's provision to provide a discount with respect to properties listed as "heritage items" under the Canterbury Local Environmental Plan has been deleted. The Local Government Act 1993, does not make any provision whereby a council can enable the making of a differential rate for specific items such as heritage listed properties.

That said, Council is proposing other incentives for eligible ratepayers. This report will separately be considered by Council at this meeting.

Above all, the Policy demonstrates good governance and clarity for Ratepayers as to Council's approach around its decision-making when processing its most critical income stream.

The draft Policy will similarly be exhibited for public comment and subsequent reporting to Council, following its exhibition.

The draft Policy is attached (Attachment D) for Council's consideration.

Fire and Emergency Services Levy

From 1 July 2017, the NSW Emergency Services Levy (previously payable as part of insurance policies) is replaced by the Fire and Emergency Services Levy. This State Government Levy will now be administered by all NSW councils and payable as part of the council rates process. This change has been made to:

- Ensure that all property owners (not just those that are insured) support our fire and emergency services and volunteer; and
- Increase insurance levels across the state by making insurance against fire, floods, storms and other natural disasters more affordable

Revenue raised from the Levy will go to the State Emergency Service, Rural Fire Service and Fire and Rescue NSW. The reform will be budget neutral resulting in no change to funding to these agencies.

That said, the NSW Government have done little to inform our community as to the likely impact the levy will have on their household. Separately, the administration of this levy through Council rate notices will have a significant impact in that it will be perceived to be an increase to annual rates and requiring dedicating resources to manage the community concerns.

Other Fees and Charges

A review has been carried out to harmonise the fees and charges of the two former Councils and ensure they appropriately reflect true costs of services and community service obligations, where appropriate. The general principle being applied is that fees should reflect true costs less the amount Council is willing to subsidise as a community service obligation. In general, it is proposed to increase the 2017-18 fees and charges by 2.5%, subject to rounding where required.

Details of each charge are attached in Section 6 of Attachment A.

Loan Borrowings

Council's long-term financial strategy reflects a budgeting model whereby General Fund Revenue is generated to maintain our infrastructure asset replacement program and that loans will only be acquired to support certain community self-funding initiatives that Council endorses.

There are no new borrowings proposed in the 2017-18 budget. Further, this budget factors in loan repayments of \$0.9M which will result in the new Council having no loans as at 30 June 2018.

Interest Income

Council will continue to carefully manage its investment portfolio having regard to prevailing market conditions, industry benchmarks and allowable investment opportunities, as they arise.

Having regard to Council's current investments and market expectations, Council's budget includes a weighted average return of around 3.0% per annum.

Costing Parameters and Assumptions

Inflation

Inflation expectations are as per the Reserve Bank of Australia (RBA) target, which is set at a rate of 2-3%.

As a guide, Council's costs have been adjusted by 2% (being the lower end of the RBA inflation target) to accommodate and /or reflect relevant escalation in proposed budgets for the 2017-18 financial year, particularly those of a contractual nature.

Employee Costs

Council's employee costs in the 2017-18 Budget include an estimated award increase of 2.8%. Council's full time equivalent employee numbers (organisational structure) for the 2017-18 financial year is set at 1,358, which allows for an increase of 10 fulltime equivalents relating to the operation of the Morris lemma Indoor Sports Centre (MIISC) and the Bankstown Library and Knowledge Centre (BLaKC), services which were previously carried out by external providers.

Interest Expense

In terms of Loan Borrowings, all loans are for a fixed rate and duration and as such the cost of servicing the debt is known and accordingly factored into relevant annual budgets. Council expects to finalise its existing loan liability in 2017-18.

Depreciation Expense

Council's operating expenses include an amount for Depreciation Expense, a non-cash item which aims to broadly account for the level of use/consumption of assets on an annual basis. An amount of \$49.2M has been reflected in Council's 2017-18 Budget to reflect this cost. Council will be assessing this as part of preparing its new Asset Management Strategy for the new Council.

Outlined below is a more comprehensive assessment of Council's overall 2017-18 Budget.

2017-18 BUDGET RESULT

In terms of Council's overall financial forecast, the following is the expected operating result for the forthcoming financial year:

Description	2017-18 Original \$,000	2016-17 Original \$,000	Difference \$,000
Operating Revenues	286,610	274,515	12,095
Operating Expenses	290,112	276,523	13,589
Net Operating Result Before Capital Grants and Contributions	(3,502)	(2,008)	(1,494)
Capital Grants/ Contributions	15,682	16,263	(581)
Total Operating Result	12,180	14,255	(2,075)

The 2017-18 Budget is assessed against the 2016-17 Original Budget given that it provides a comparable base to assess the broader movement between financial years.

Council's Net Operating Result Before Capital Grants and Contributions is estimated to be negative \$3.5M. Once capital grants and contributions are added, Council's projected Operating Result for the year is expected to be \$12.2M.

The following section provides a break-up of both the Revenue and Operating Budgets proposed for the forthcoming financial year.

Revenue Budget

Council's Revenue Budget (excluding capital grants and contributions) is expected to be \$286.6M, an increase of \$12.1M (4.4%) to that originally planned for 2016-17. A break-up by income category is as follows:

Category	2017-18 \$,000	2016-17 \$,000	Variance \$,000
Rates / Domestic	216,705	206,968	9,737
Charges / Fees	22,741	21,864	877
Interest	7,700	5,146	2,554
Grants – Operating	22,833	23,979	(1,146)
Other	16,631	16,558	73
Total	286,610	274,515	12,095

The total variation, which amounts to \$11.7M, is a result of the following movements:

Component	Variance \$
Rating Revenue	\$2.6M
Domestic Waste	\$6.3M
Stormwater Levy	\$1.0M
Operating Grants	(\$1.1M)
Interest Income	\$2.6M
Other Fees and Revenues	\$0.7M
Total	\$12.1M

The Revenue projections for 2017-18 have been set to reflect known elements and/or current year trends. An explanation of the major variations is as follows:

- Council has factored in the approved 1.5% rate-pegging limit to its rating revenue budget, which will result in further revenue of approximately \$2.8M based on current estimates;
- Council’s annual Domestic Waste Levy for residential properties will increase by \$35 per annum which reflects a general increase in the cost of providing the service and the longer term costs associated with replacing plant, bins and rehabilitating various waste facilities;
- The draft budget has factored the Stormwater Levy being applied across the whole city, which will raise an additional \$1.0M of funds for stormwater projects across the LGA;
- Operating Grants, including the Financial Assistance Grant, are included where the grant has been confirmed and the level of funding can be reliably calculated, and additional grant funds will be reported during the year as part of the quarterly budget reviews.
- Council’s level of interest income is expected to increase by around \$2.5M, which is a reflection expected market conditions and the estimated level of cash on hand throughout the year; and
- The increase in “Other Fees and Revenues” reflects the inclusion of the MIISC and the BLaKC whose operations were previously outsourced.

In terms of specific purpose capital grants and contributions, Council expects to receive approximately \$15.7M of funds for various capital outcomes throughout 2017-18. A summary of those contributions is as follows:

Type	Amount \$
Roadworks/Traffic – Various	2.1M
Section 94 and 94A Contributions	13.0M
Other	0.6M
Total	15.7M

Council's Budgeted Income Statement, which outlines the various revenue categories is attached (Annexure A of Attachment A).

Operating Expenses (OPEX)

Similarly, an assessment of Council's proposed operating expenditure budget is analysed to ensure that allocations are comparable to current trends.

Council's Operating Expenditure Budget is expected to be \$290.1M, an increase of \$13.6M (4.5%) to that adopted for 2016-17.

A break-up of each operating expenditure category is as follows:

Category	2017-18 \$,000	2016-17 \$,000	Variance \$,000
Employee Costs	126,488	122,079	4,409
Borrowing Cost Expense	45	135	(90)
Depreciation	49,235	47,320	1,915
Materials & Contract	50,347	57,427	(7,080)
Other Expenses	63,997	49,562	14,435
Total	290,112	276,523	13,589

A summary of the major variations by category is as follows.

Employee Costs

A comprehensive planning process has been carried out to ensure that the Employee Costs budget accurately reflects required resources in managing Council's operations.

Council's full time equivalent (FTE) employee numbers (organisational structure) for the 2017-18 financial year is set at 1,358 which includes an additional 10 FTE's for MIISC and BLaKC whose operations will be conducted using Council's staff.

The budgeted increase in employee costs of \$4.4M is largely attributable to the Local Government Award Increase of an estimated 2.8% and its broader impact on employee entitlements (e.g. superannuation).

Material / Contracts and Other Expenses

Materials and Contracts and Other Expenses are expected to increase by around \$7.4M or 6.9% when compared to Council's adopted 2016-17 budget. The large variance between these two categories is due to a reclassification of expense categories since the 2016-17 was adopted. It should be noted that these amounts includes a provision of \$1.3M for Council elections which are expected to be held during the year.

Other Expenses which include items such as utility costs, insurance costs, tipping fees, banking fees and other statutory levies (e.g. EPA levy). Increases in these expenses are largely of a non-discretionary nature.

Council's position, although still considered sound, suggests that the impact of increasing non-discretionary costs (those largely imposed upon us by the State), will continue to grow at a rate far greater than planned inflation/CPI. This will have a significant impact on our longer term ability to absorb similar cost increases in the coming years and/or continue to preserve our current sound financial position.

Council's Budgeted Income Statement, which outlines the various OPEX categories is attached (Annexure A of Attachment A).

Capital Works (CAPEX)

Council continues to improve its approach to managing its infrastructure, with a rolling schedule of comprehensive condition assessments of infrastructure assets from year to year.

This allows Council to clearly determine the extent of funding required to restore or rationalise certain assets within the City. Although the management and financial impact requires a long-term commitment well beyond the 2017-18 budget, the identified framework provides Council with a level of confidence in determining an effective approach to formulate its long term planning.

In terms of 2017-18, Council's focus will largely be to ensure the timely replacement / maintenance of existing assets throughout the LGA.

That said, Council will also be carefully considering its long term asset management requirements, particularly addressing its backlog and broader long term initiatives for the LGA.

Council's total expenditure on assets throughout 2017-18 (excluding potential carryovers) is expected to be approximately \$63.8M.

A break-up of expenditure is as follows:

Project Area	Amount \$,000
Bridges	605
Buildings	2,405
Bus stops	215

Carparks	498
Drainage Conduits	2,567
Flood Mitigation Structures	130
Waste Management	175
Town Centres	6,250
Kerb and Gutter	1,210
Irrigation	760
Open Space	7,980
Other Structures	541
Park Furniture	70
Park Lighting	725
Park Signs	160
Pathways and Boardwalks	4,766
Recreational Equipment	510
Road Pavement	16,344
Traffic Management Devices	1,880
Water Courses	100
Water Quality Devices	1,780
Operational Assets	14,123
Total	63,794

As in previous years, the 2017-18 Budget is well balanced with a strong focus on asset maintenance/replacement, complemented with priority initiatives.

Of Council's capital budget, an amount of \$50.5M will be spent on replacing and/or restoring ageing infrastructure throughout the City.

Annexure I and J of Attachment A summarise Council capital works program for 2017-18.

Cash Reserves

A large component of Council's capital works program is reliant on the use of dedicated Reserve funds, held to fund future projects and/or initiatives throughout the city and the prudent management of its liabilities.

In addition, Council's Section 94 and 94A Contribution Reserves form an integral part of Council's capital works program.

In net terms, Council's level of Reserves, both those imposed by legislation or established by Council will total \$221.2M, a net increase of \$2.3M.

Notwithstanding a planned capital program of \$63.8M, asset replacement Reserves are estimated to increase by \$34.6M during 2017-18.

A summary of restrictions made and used can be found in Annexure D of Attachment A.

Liquidity and Performance Indicators

Based on the proposed 2017-18 Budget, Council's major financial indicators continue to meet accepted industry standards and convey a sound financial position.

Council's major financial indicators for the 2017-18 financial year are expected to be as follows:

Indicator	Target	2017-18
Unrestricted Current Ratio	>150%	436%
Debt Service Ratio	<10%	0.33%
Unrestricted Cash	>\$0	\$12.3M

Based on all the cash movements noted above, Council's budget reflects an increase in cash of \$2.3M, which accounts for both internal and external restricted funds expected to be received and utilised throughout 2017-18.

Council will continue to maintain a sound level of liquidity and reserves to manage any foreseen fluctuations and/or uncertainties that may eventuate. This together with other measures are demonstrated by Council's financial indicators, which with the exception of the operating performance ratio (to be reviewed as part of the new Council's Long Term Financial Plan) continue to meet and in some cases are estimated to exceed accepted industry levels.

Communication and Engagement

The draft 2017-18 Operational Plan (incorporating 2017-18 Budget and Schedule of Fees and Charges) will be exhibited for 28 days during an engagement program which includes:

- Advertisements in local papers including the Torch, The Express, and local language newspapers;
- Plans placed on the Haveyoursay online forum;
- Copies available in Council's libraries and Customer Service centres;
- Plans placed on the corporate website.

Submissions will be reported back to Council with a recommendations for any necessary changes.

Section 94/94A Plan updates

Development Contributions Plans are updated from time to time to reflect changes in legislation, as well as the changing rates of growth and community needs.

'Section 94A Development Contributions Plan – Bankstown' (Amendment No. 4)

The change to the Plan includes an updated works plan and accompanying maps (see Map 2, Appendix A and Table 1 and Table 2 in Appendix B of Attachment B).

'Canterbury Development Contributions Plan 2013'

The following are proposed amendments to this plan. They relate to administrative aspects rather than the works proposed in the plan. The proposed amendments are ordered by the relevant clause in the plan. A marked up version of the plan is attached (Attachment C).

Clause 1.2 Developments subject to contributions of levies

Development covered by Development Types F and G in the plan (town centre upgrade works and car parking) are now proposed to refer to non-residential development instead of commercial. This is to widen out the range of appropriate development types applicable to pay this type of contributions. In practice it has been found that the plan is too limiting in confining the development captured under these Development Types to commercial uses only.

A further proposed amendment is to Development Type H in this clause. A change to the wording of this clause is recommended to ensure that this development type covers all development not captured by Section 94, which is then subject to a Section 94A contribution.

Clause 1.3 Summary of contribution and levy rates

It is proposed to insert a new paragraph here making reference to the indexing of the plan, and that the most up to date indexed rates can be found on Council's website.

It is also proposed to add an advisory note drawing attention to the definition of "bedroom", so it is clear to applicants what the specific requirements are in this regard.

Clause 2.5.1 Development exempted from contributions under this Plan

Addition of this clause allows for Council to consider exempting the following types of development from paying contributions:

- Development associated with providing infrastructure funded by section 94A levies.
- Development that involves rebuilding or repair of damage resulting from declared natural disasters (such as flooding or bushfires) under the NSW State Emergency Management Plan.
- Applications submitted by Canterbury-Bankstown Council.
- Applications submitted on behalf of Canterbury-Bankstown Council for the provision of public infrastructure.

This is to remove inappropriate development currently where payment of contributions is required, and to ensure consistency with the Bankstown Plan. This is aligned with the Section 94A Development Contributions Plan – Bankstown.

Clause 2.17 Payment of Monetary Contributions required under this Plan

This clause currently requires for development involving building work that contributions are to be paid prior to the release of the first construction certificate involving floor space.

However, some developments may be subject to a Section 94A levy but not have any floor space as part of the proposal (e.g. a car parking facility). It is proposed therefore to add a further clause covering this issue.

It is also proposed to amend the requirement when contributions are to be paid for complying development *to prior to the commencement of works*. Currently in the plan it is prior to the issue of a complying development certificate. However Council can no longer require this due to legislative changes made to the Environmental Planning and Assessment Regulation 2000, in 2014. The proposed new wording in the plan reflects the amended Regulation.

Appendix B Cost Report for Calculation of Section 94A Levy

On 14 October 2016 the Minister for Planning issued a new Direction under section 94E of the Environmental Planning and Assessment Act, 1979. The effect of this new Direction was to revoke a previous direction relating to uses not subject to a Section 94A levy, and to instead place these exemptions into the clause 25J of the Environmental Planning and Assessment Regulation 2000.

The consequential outcome of this is that the Section 94A levy cost report in the plan, which is based on clause 25J of the Regulation, now requires amendment to properly reflect this clause. The exemptions include development such as disabled access, affordable housing (as a sole use), and water and energy saving measures.

CONCLUSION

Council's goal is to continue to maintain and improve services, delivering on infrastructure, and to deliver tangible benefits from the new Council structure. The projects and budget outlined in the draft 2017-18 Operational Plan preserves Council's sound financial position while aiming to balance community expectations in terms of operational and infrastructure outcomes.

The plan is the first combined Operational Plan for the City since the State Government announced the amalgamation of the former Canterbury and Bankstown Local Government Areas on 12 May 2016. The aim of this Operational Plan is to maintain and improve services and to deliver tangible benefits from the new Council structure and to place Council in the best possible position to hand over to a new elected Councillors in September 2017.

The draft 2017-18 Operational Plan incorporating 2017-18 Budget and Schedule of Fees and Charges and a revised Section 94A Development Contributions Plan – Bankstown and the Canterbury Development Contributions Plan 2013 are submitted for Council's consideration and approval for its release for public exhibition and comment.

POLICY IMPACT

This draft 2017-18 Operational Plan has been prepared in accordance with the Local Government Integrated Planning and Reporting Framework.

Once adopted, the revised Section 94A Development Contributions Plan – Bankstown and the revised Canterbury Development Contributions Plan 2013 will replace the existing relevant plans and will apply to all new development applications to the area identified in the plan once it is adopted by Council.

When adopted, the Rates and Charges Debt Recovery and Hardship Assistance Policy will supersede the previous policy adopted by the former Bankstown Council.

FINANCIAL IMPACT OF RECOMMENDATIONS

The draft 2016-17 Operational Plan sets out Council's draft Revenue Policy, Budget and Schedule of Fees and Charges for the 2017-18 financial year – Attachment A.

Separately, this report recommends an amendment to 'Section 94A Development Contributions Plan – Bankstown' (Attachment B) and the 'Canterbury Development Contributions Plan 2013' (Attachment C).

RECOMMENDATION That -

1. Council note the introduction of the NSW Government's Fire and Emergency Services Levy and calls on the State Government to better inform the community on its impact and Council's role in administering the levy on households.
2. In accordance with Section 405 of the *Local Government Act 1993*, the draft Operational Plan 2017-18, including the draft 2017-18 Budget and draft 2017-18 Schedule of Fees and Charges – Attachment A to the Report – be placed on public exhibition.
3. The proposed Rating and Annual Charges for 2017-18 as outlined in Annexures F and G (forming part of Attachment A to this report) be adopted. The proposal is based on the following.

For areas covered by the former City of Bankstown

- (i) Council's ordinary and special (CBD Infrastructure Improvement) rates for 2017-18 making provision for an ad valorem structure and an increase to Council's general income equivalent to the percentage of 1.5%, as specified by the Independent Pricing & Regulatory Tribunal (IPART).
- (ii) A Minimum Ordinary Residential Rate of \$590.85 in respect of each separate parcel of rateable land in the City categorised as Residential land.
- (iii) A Minimum Ordinary Business Rate of \$722.50 for each parcel of rateable land in the City categorised as Business.
- (iv) Annual charges from Domestic Waste collection be set at \$485.00 for all Residential properties.
- (v) The maximum mandatory pensioner rebate of \$250.00 per annum. In addition Council continue to provide a further voluntary rebate, which equates to \$40.00 per annum in accordance with Council's 'Rates and Charges Debt Recovery and Hardship Assistance Policy'.
- (vi) Annual Charges for Stormwater Management Services as follows:
 - **Residential Properties**
 - Annual Residential Charge of \$25.00 per property.
 - Annual Residential Strata Charge of \$12.50 per property.
 - **Business Properties**

- Annual Charge of \$25.00 per property plus an additional \$25.00 for each 350 square metres or part of 350 square metres by which the area of the parcel of land exceeds 350 square metres.

- **Mixed Development**

- Adopt the dominant Rating category as applied to the parcel of land as determined by the Valuer General and apply to each relevant property.
- In the event that a mixed development is 50% residential and 50% business, Council will apply a residential charge.

- **Exemptions**

In addition to the exemptions stipulated in the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*, the following exemptions will also apply in managing the service:

- Council-owned land;
- Bowling and Golf Clubs - where the dominant use is open space;
- Properties zoned:
 - Open space 6(a);
 - Private Recreation 6(b); and
 - Rural

- (vii) A maximum rate of interest on overdue rates and charges as specified by the Minister for Local Government.

For areas covered by the former City of Canterbury

- (viii) Council's ordinary rates for 2017-18 making provision for an ad valorem structure and an increase to Council's general income equivalent to the percentage of 1.5%, as specified by the Independent Pricing & Regulatory Tribunal (IPART).
- (ix) A Minimum Ordinary Residential Rate of \$662.35 in respect of each separate parcel of rateable land in the City categorised as Residential land.
- (x) A Minimum Ordinary Business Rate of \$662.35 for each parcel of rateable land in the City categorised as Business.
- (xi) Annual charges from Domestic Waste collection be set at \$420.00 for all Residential and Business properties.
- (xii) The maximum mandatory pensioner rebate of \$250.00 per annum. In addition Council to provide a further voluntary rebate, which equates to \$40.00 per annum in accordance with Council's 'Rates and Charges Debt Recovery and Hardship Assistance Policy'.
- (xiii) Annual Charges for Stormwater Management Services as follows:

- **Residential Properties**

- Annual Residential Charge of \$25.00 per property.
- Annual Residential Strata Charge of \$12.50 per property.

- **Business Properties**

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- Bowling and Golf Clubs - where the dominant use is open space;
- Properties zoned:
 - Open space 6(a);
 - Private Recreation 6(b); and
 - Rural

(vii) A maximum rate of interest on overdue rates and charges as specified by the Minister for Local Government.

4. A further report be submitted to Council at the conclusion of the exhibition period.
5. The Section 94A Development Contributions Plan – Bankstown (Amendment No. 4) (Attachment B) and the Canterbury Development Contributions Plan 2013 (Amendment No. 1) (Attachment C) be placed on public exhibition.
6. Council’s proposed ‘Rates and Charges Debt Recovery and Hardship Assistance Policy’ (Attachment D) be exhibited for public comment and subsequently reported, following its exhibition.

ATTACHMENTS

- A. 2017-18 Canterbury Bankstown Operational Plan
- B. Section 94A Development Contributions Plan - Bankstown
- C. Canterbury Development Contributions Plan 2013
- D. Rates and Charges Debt Recovery and Hardship Assistance Policy