

**CM13.3. Draft AlburyCity Draft Four Year Delivery Program 2022-2026, Draft 2022/23 Operational Plan and Draft Long Term Financial Plan**

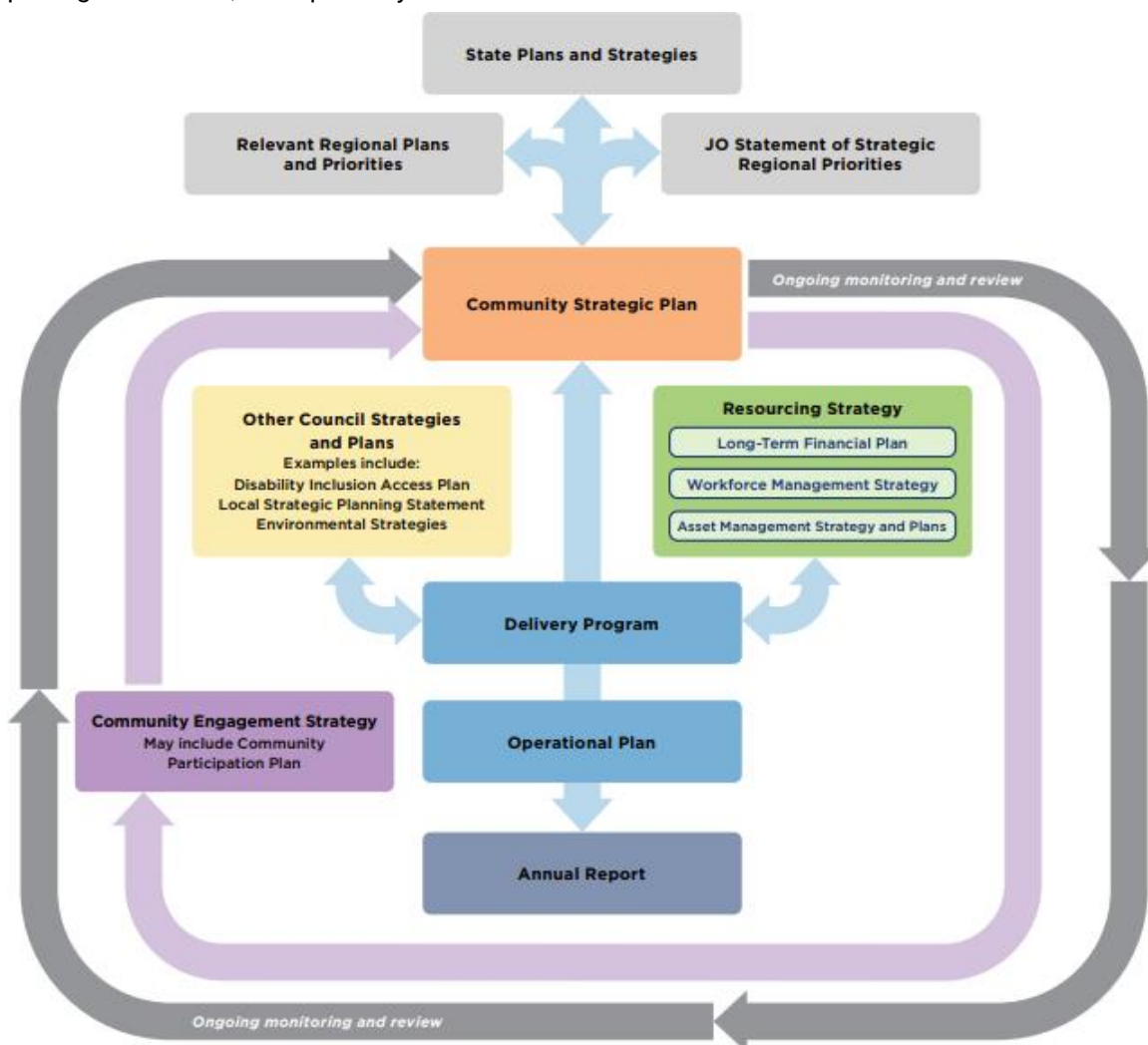
<b>DATE</b>	13 April 2022	<b>FIL REFERENCE</b>	FIL22/00921
<b>CONFIDENTIAL</b>	No		
<b>FURTHER ENQUIRIES</b>	Justin Finlayson Strategy & Performance	<b>PHONE</b>	6023 8153

**Purpose of Report**

This report presents AlburyCity’s draft Four Year Delivery Program 2022-2026, draft 2022/23 Operational Plan and draft Long-Term Financial Plan for consideration.

**Background**

AlburyCity develops plans in accordance with the Local Government Integrated Planning and Reporting Framework, as required by the *Local Government Act 1993*.



A key focus for AlburyCity is delivering quality services, maintaining and improving infrastructure, and delivering on the Community Strategic Plan Albury 2050 vision; *A nationally significant regional city that is vibrant, diverse, innovative and connected and inspired by its culture, environment and location on the Murray River*, which is underpinned by the following themes:

- A Growing Sustainable Economy;
- An Enhanced Natural Environment;
- A Caring Community; and
- A Leading Community.

As a can-do collaborative organisation, we will continue to innovate and be dynamic, empowering progress through serving with excellence and taking care of our place. The AlburyCity Our Future Strategy 2031 and business improvement focus encourages our people to live and breathe our values and vision to ensure AlburyCity is vibrant, rewarding and community focused.

We will ensure that people are at the heart of innovation and our community at the forefront of our interactions, constantly challenging the status quo and seeking innovative ways to deliver services that meet community expectations. We remain committed to continuous improvement and achieving value for money with every dollar spent, to achieve financial sustainability.

AlburyCity's draft budget has been prepared with the following principles in mind:

- focus on strategic priorities including Albury 2050;
- aim to achieve at least break-even operating results;
- continue to identify efficiencies and savings;
- optimise grant funding opportunities;
- continue to plan for the renewal of assets;
- capital works program to be part funded by borrowings;
- plan to deliver projects on time and within budget; and
- the ongoing impact of the COVID-19 pandemic on business operations.

## **Issues**

### Draft Four Year Delivery Program 2022-2026

The AlburyCity Four Year Delivery Program 2022-2026 (refer Attachment 1) details the principal activities that will be undertaken by AlburyCity covering the full range of Council functions and operations (including implementing the strategies set out in the Community Strategic Plan Albury 2050).

### Draft 2022/23 Operational Plan

The AlburyCity draft 2022/23 Operational Plan details new projects (New Initiatives) and other actions utilising internal resources for the 2022/23 financial year that will help progress Four Year Delivery Program actions and work towards the communities' aspirations as outlined in the Community Strategic Plan Albury 2050.

Proposed AlburyCity New Initiatives

The Four-Year Delivery Program and Operational Plan incorporate proposed AlburyCity New Initiatives for the four-year period 2022-2026 (refer Attachment 2).

Proposed 2022/23 Operating New Initiatives total \$3.4 million including:

\$300,000 Server and Storage infrastructure end of life renewal  
\$200,000 Integrated Water Cycle Management Plan (IWCM) and Strategic Business Plan  
\$150,000 Thurgoona Wirlinga Precinct Structure Plan Review  
\$150,000 Biodiversity Certification - Biodiversity Offset Surveys (BOS)  
\$105,000 Water Mains Cleaning Program  
\$104,000 Onsite Sewer Management Framework and Implementation  
\$100,000 Retail Action Plan Implementation  
\$100,000 Building - MAMA External Facade Painting  
\$100,000 Implementation of the Reconciliation Action Plan  
\$100,000 Health Precinct Masterplan  
\$100,000 Accessibility Improvements to meet Disability Discrimination Act (DDA) Requirements  
\$100,000 Placemaking Initiatives  
\$100,000 Sustainability - Community Energy Fund  
\$100,000 AlburyCity - Land Management Assistance Program  
\$100,000 Albury Environmental Lands - Strategies, Management and Use  
\$1.5 million Other New Initiatives

Proposed 2022/23 Capital New Initiatives of \$57 million in support of the continuation of essential services and infrastructure for the community, include:

- \$14.8 million Recreation projects including:
  - \$6 million Murray River Experience – Albury Riverside Precinct
  - \$4.5 million Alexandra Park Master Plan Sports field (Ian Barker) Reconstruction
  - \$2 million Lauren Jackson Sports Centre – Major Upgrade (Stage 1) (subject to grant funding)
  - \$1.1 million Ernest Grant Park Play Space
  - \$551,000 Building - Melrose Park Sports Pavilion
  - \$500,000 Sarvaas Park Building Upgrade
  - \$150,000 in other projects
- \$10.4 million Water and Wastewater projects including:
  - \$2 million Annual Water Main Replacement/Renewal Program
  - \$850,000 Lindesfarne Sewer Capacity and Conveyance Upgrade
  - \$515,000 Water Supply Projects - equipment replacement
  - \$500,000 Annual Sewer Rehabilitation Program
  - \$500,000 Water Filtration Plant A and B - Upgrade electrical control systems
  - \$500,000 Murray River Experience - Wonga Wetlands Visitor Education and Experience Centre
  - \$460,000 Water Supply Energy Efficiency Strategy Implementation

- \$375,000 Sewer Projects - equipment replacements
- \$4.7 million in other projects
  
- \$8.1 million Roads, Bridges and Footpath projects including:
  - \$3 million Road and Drain Rehabilitation
  - \$1.5 million Mudge Street (Centaur to Tip Road)
  - \$1 million Thurgoona Link Roads
  - \$650,000 Keene Street (Borella to North)
  - \$600,000 Footpath/Bike path Construction Program
  - \$500,000 Garden Street (Dean to Paine)
  - \$300,000 Albury CBD Bike Loop
  - \$550,000 in other projects
  
- \$5.6 million Environmental Protection including:
  - \$5 million Albury Waste Management Centre - Material Recovery Facility
  - \$200,000 Albury Waste Management Centre - Concrete Crushing Unit
  - \$400,000 in other projects
  
- \$3.4 million Building upgrades including:
  - \$500,000 Albury Entertainment Centre – Convention Wing Expansion (design)
  - \$500,000 Public Toilet Strategy Priorities
  - \$500,000 Emergency Management Centre Stage Two (SVR Design)
  - \$550,000 Administration Building Upgrade Program
  - \$1.3 million in other projects
  
- \$3.1 million Arts & History including:
  - \$1.4 million Historic Pumphouse Remediation
  - \$1 million Pumphouse Creative Enterprise
  - \$295,000 Riverside Precinct Public Artwork and installation
  - \$405,000 in other projects
  
- \$2.8 million Albury Airport upgrades including:
  - \$1 million Albury Airport - Extension of Taxiway C Stage 2 (Turning Node)
  - \$760,000 Albury Airport - Northern Apron Resurfacing
  - \$700,000 Albury Airport - Reshape and Strengthen Taxiway Bravo
  - \$340,000 in other projects
  
- \$1.2 million Flood Prevention & Drainage including:
  - \$300,000 Nexus Stormwater Basin and Drainage Line
  - \$250,000 Flood prevention measures
  - \$250,000 Thurgoona Wirlinga Drainage Strategy
  - \$250,000 South Albury Levee - Australia Park
  - \$155,000 in other projects
  
- \$7.2 million Other projects including:
  - \$2 million Fleet Replacement Program
  - \$932,000 AlburyCity Community Fund
  - \$500,000 Human Resources Information System

- \$500,000 Wagirra Trail Ongoing Construction
- \$400,000 Strategic Land Acquisition
- \$2.9 million in other projects

#### Ordinary and Special Rates

The proposed ordinary rate revenue for the 2022/23 financial year includes an overall 2% increase in yield, which is in line with the AlburyCity rate peg, set by the Independent Pricing and Regulatory Tribunal (IPART) and AlburyCity Additional Special Variation application. The base amount for each rating category has been held unchanged for each rating category.

The average residential rate for the 2022/23 financial year will be \$1,413, being an increase of \$31 or 2.3%. When all rates, water, sewer and waste management charges are combined, the average residential property impact is an increase of \$51 or 98 cents per week, representing an overall average increase of 1.8%.

The Statement of Revenue Policy (Attachment 4) provides an overview of Council's income from continuing operations, including rates, fees and charges, borrowings and proceeds from the sale of assets. Maps have also been prepared that show the location of the different rating categories (Attachment 5).

#### Waste Management Charges

The Domestic Waste Management Charge is proposed to increase by \$20, or 8% in 2022/23, from \$250 to \$270 per annum. Charges for domestic waste services have remained the same for the past six years. The proposed increase reflects changes in contract collection and processing costs for the various services offered.

The Domestic Waste Management Charge is apportioned to every household and in some cases small businesses that are serviced by AlburyCity's current waste contractor. Charges are apportioned to cover the costs for refuse, recycling, and organics services. In addition, these charges include costs associated with assorted options available to residents, that is, upsizing or downsizing bins, and peripheral services which include access to the Albury Waste Management Centre for free drop off recycling and the voucher program.

The domestic waste cash reserve has supported the domestic waste charge over several years by providing a subsidy. This will continue in 2022/23 with a small subsidy per household. A rebate of \$40 was previously provided to ratepayers in 2020/21 as part of AlburyCity's initial response to COVID-19.

#### Water and Sewer Pricing

No increases are proposed regarding water and sewer charges for 2022/23.

The draft 2022/23 Water and Sewer Pricing structure (refer Attachment 6) has been prepared in accordance with the NSW Government's best practice guidelines.

AlburyCity has a relatively low level of water and sewer pricing compared to other NSW water/sewer authorities. For example, in the most recent NSW Water Supply and Sewerage Performance Monitoring Report ranked AlburyCity as the 14th lowest typical residential water and sewer bill in NSW.

#### Fees and Charges

Proposed fees and charges for the 2022/23 financial year are further detailed in Attachment 7.

#### Draft 2022/23 Operating Result

AlburyCity's ability to finance new programs is determined by available cash generated from operations and borrowing capacity. Operating results in all funds generate positive cash returns and these funds can be applied to fund capital new initiatives.

Overall, the draft 2022/23 budget result is a deficit of \$7 million, which is \$4.3 million more than the prior year adopted Budget deficit. This overall variance is mainly due to an increase in employee costs as a result of functional reviews, as well as additional New Initiatives for the 2022/23 financial year and increased depreciation expense.

<b>Fund</b>	<b>Adopted 2021/22 Operating Budget \$'000</b>	<b>December Quarter Budget Review Forecast \$'000</b>	<b>Draft 2022/23 Operating Budget \$'000</b>	<b>Variance to Adopted Budget \$'000</b>
General	8,737	14,382	14,227	5,490
Water	(163)	(1,012)	(1,151)	(988)
Sewer	(5,808)	(5,789)	(5,986)	(178)
<b>Total</b>	<b>2,766</b>	<b>7,581</b>	<b>7,090</b>	<b>4,324</b>

(Surplus)/Deficit

The draft 2022/23 General Fund operating budget deficit of \$14.2 million is mainly due to the following items:

#### Ongoing variances:

- \$5.5 million depreciation expense, non-cash increase, due to the increasing cost to renew road and building infrastructure, changes to accounting standards and increasing asset portfolio.
- \$3 million additional net operating employee costs as a result of functional reviews. The expanded workforce will address resourcing gaps and enable AlburyCity to meet unfilled service demand and compliance activities.
- \$948,000 Employee costs; 2% award increase and 0.5% superannuation guarantee increase.

#### Short term variances:

- \$1.6 million additional operating New Initiatives for 2022/23
- \$1.2 million continuing COVID impacts, including Albury Airport and Albury Entertainment Centre operating income.

Further 2022/23 budget analysis can be found in Attachment 8. Draft budget results by service cluster and team are provided in Attachment 9.

#### Budget savings target

It is also important to note that to achieve the 2022/23 General Fund operating deficit, operating budget savings of \$4 million are budgeted to be achieved, which is in line with the prior year adopted budget.

#### Australian Government Financial Assistance Grants

Financial Assistance Grants from the Australian Government are a vital part of AlburyCity's revenue base as they represent \$6.7 million or 80% of the operating grants received by AlburyCity from other levels of government. Council continues to highlight the importance and the positive impact of Financial Assistance Grants to AlburyCity.

#### Financial Assistance provided by AlburyCity

As considered earlier in this Council Meeting agenda, financial assistance of \$3.96 million is proposed to be provided by AlburyCity during the 2022/23 financial year as detailed in Attachment 10 in support of Council's objectives and the objectives of the Community Strategic Plan Albury 2050.

In addition, it is proposed that AlburyCity allocate funding of \$932,000 as part of the AlburyCity Community Fund in 2022/23 in response to requests from organisations to further develop community facilities. It is also proposed that some of the applications seeking funding for capital investment in existing Council assets or planning for their future development, totalling \$415,000, is best provided for via the New Initiatives budget rather than from the Community Fund. If supported by Council, these will be included in the exhibited draft Operational Plan and associated New Initiatives budget.

#### Long-Term Financial Plan

The Long-Term Financial Plan 2022-2032 projections are available in Attachment 12, which demonstrate that an ongoing focus is required for the General Fund to achieve a sustainable operating result. Further analysis of the budget projections can be found in Attachment 8. An additional scenario has been included as Attachment 13 which does not include the proposed Additional Special Variation to the AlburyCity rate peg of 0.9% for the 2022/23 financial year in the event it is not approved by IPART.

It is proposed that the practice of part-funding capital New Initiatives with borrowings continue. The use of borrowings carries part of the cost to the future users of the asset. Borrowings are long-term loans repayable by instalments and secured against Council revenue. Council's projected loan program is detailed in Attachment 11.

New General Fund loans of \$22.2 million are proposed for the 2022/23 financial year. These new General Fund loans will result in a manageable Debt Service Ratio of 7%, which is less than the Fit for the Future benchmark of 20%. No new loans are proposed for the Water Fund or Sewer Fund.

### **Risk**

- **Business Risk** – Ongoing work is required to achieve and maintain a sustainable surplus result within each fund to deliver required services and infrastructure improvements. We will need to continue to maintain a focus on sustainability and manage community expectations so that we have the capacity to deliver over the longer term.
- **Corporate Risk** – Council continues to be proactive in managing its budget as part of its Business Improvement Program while working to maintain and improve the infrastructure within AlburyCity.
- **WHS and Public Risk** – No risks identified.
- **Environmental Risk** – The Operational Plan and Four-Year Delivery Program detail how AlburyCity is working towards the achievement of an enhanced environment as detailed in the Community Strategic Plan Albury 2050.
- **Delivery Program Risk** – The Delivery Program is dependent upon quality planning to enable successful delivery. The changing economic environment will also need to be monitored with respect to increasing input costs and availability of resources.

### **Community Engagement**

Public notice will be given in the Border Mail, on Saturday 30 April 2022, of the Council's decision to adopt the draft Four Year Delivery Program, Operational Plan, and Long-Term Financial Plan. A half-page feature will also be published on Saturday 30 April 2022.

The draft Four Year Delivery Program, Operational Plan, and Long-Term Financial Plan will be on public exhibition for 28 days. The draft plans will be promoted via a media release, news from AlburyCity, social media and will be available for viewing on AlburyCity's website, which will also include video commentary by the Mayor and CEO. A series of webinars will also support our community engagement.

Submissions received by Friday 27 May 2022, will be considered at a Meeting of Council to be held on Monday 27 June 2022.

### **Options**

1. Adopt the draft Four Year Delivery Program, draft Operational Plan and draft Long-Term Financial Plan, as presented in this report for public exhibition; or
2. Adopt the draft Four Year Delivery Program, Operational Plan, and draft Long-Term Financial Plan, with nominated changes prior to public exhibition.

The *Local Government Act 1993* requires that Council adopt the final version of these plans by 30 June each year.

## **Conclusion**

The draft Four Year Delivery Program 2022-2026, 2022/23 Operational Plan and Long-Term Financial Plan have been prepared for consideration.

A key focus for AlburyCity is on delivering quality services, maintaining and improving infrastructure, and delivering on the Community Strategic Plan Albury 2050 community vision; *A nationally significant regional city that is vibrant, diverse, innovative and connected, and inspired by its culture, environment and location on the Murray River.*

When all rates, water, sewer and waste management charges are combined, the average residential property impact is an increase of \$51, or 98 cents per week, representing an overall average increase of 1.8%.

An overall deficit is budgeted for the 2022/23 financial year, mainly due non-cash depreciation expense, additional employee costs, New Initiatives and continuing COVID-19 operational impacts.

Ongoing work is required to achieve and maintain a sustainable surplus result within the General Fund to deliver required services and infrastructure improvements. Council remains committed to continuous improvement and achieving value for money with every dollar spent. As a can-do collaborative organisation, we will continue to innovate and be dynamic, empowering progress through serving with excellence and taking care of our place.

The proposed Capital New Initiatives of \$57 million for the 2022/23 financial year will ensure the continuation of essential services and infrastructure for the community. It focuses on improving roads, footpaths, water quality and sewer networks, as well as continuing Council's future planning agenda to grow the city and provide quality services and facilities.

Submissions received during the public exhibition period regarding the draft Four Year Delivery Program, Operational Plan and Long-Term Financial Plan will be presented for consideration to a Meeting of Council to be held on Monday 27 June 2022.

## **Recommendation**

That Council:

- a. Adopts the draft Four Year Delivery Program 2022-2026, the draft 2022/23 Operational Plan, and the draft Long-Term Financial Plan;
- b. Places the draft plans on public exhibition for 28 days concluding on Friday 27 May 2022; and
- c. Considers any submissions received at a Meeting of Council to be held on Monday 27 June 2022, prior to final adoption of the plans.

**Attachments**

1. Draft Four Year Delivery Program 2022-2026 – DOC22/62050.
2. Draft 2022/23 Operational Plan – DOC22/74759.
3. Draft New Initiatives 2022-2026 Booklet – DOC22/71840.

Draft Statement of Revenue Policy

4. Statement of Revenue Policy – DOC22/74353.
5. Rate Category Maps – DOC22/74931.
6. Water and Sewer Pricing Schedule - DOC22/31658.
7. Draft Fees and Charges Schedule – DOC22/74823.

Draft Budget Additional Information

8. Draft 2022/23 Budget Analysis – DOC22/79009.
9. Operating Results Organisational Structure - Service Cluster and Team Level - DOC22/78918.
10. Draft Financial Assistance Schedule – DOC22/72442.
11. AlburyCity Borrowings Summary – DOC22/75730.

Draft Long-Term Financial Plan

12. Long-Term Financial Plan Scenario 1 – Base Scenario including Additional Special Variation – DOC22/75721.
13. Long-Term Financial Plan Scenario 2 – Rate Peg increase only - DOC22/75724.
14. Long-Term Financial Plan Scenario 2 – Additional savings target – DOC22/75726.