

EXTRAORDINARY MEETING OF THE COUNCIL

May 3, 2023

ITEM 1BROKEN HILL CITY COUNCIL REPORT NO. 92/23

SUBJECT: DRAFT DELIVERY PROGRAM 2022-2026 INCORPORATING DRAFT OPERATIONAL PLAN 2023/2024, INCLUSIVE OF THE STATEMENT OF REVENUE POLICY AND DRAFT SCHEDULE OF FEES AND CHARGES 2023/2024 D23/17744

Recommendation

1. That Broken Hill City Council Report No. 92/23 dated May 3, 2023, be received.
2. That Council endorse the Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2023/2024, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2023/2024 for the purpose of public exhibition for community comment for a 28-day period.
3. That Council receives a further report at the conclusion of the exhibition period, outlining submissions received and any recommendation for changes arising, with a view to adopting the Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2023/2024, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2023/2024 for implementation on 1 July 2023.

Executive Summary:

The purpose of this report is to recommend to Council to endorse the Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2023/2024, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2023/2024 developed in accordance with Sections 404 and 405 of the *Local Government Act 1993*, for the purpose of public exhibition for community comment for a 28-day period.

A further report, at the completion of the exhibition period, will be presented to Council outlining submissions received and any recommended changes arising, to allow Council to consider community feedback prior to the combined Delivery Program and Operational Plan being adopted by Council.

In accordance with the *Local Government Act 1993* and the Integrated Planning and Reporting Guidelines, Council is required to prepare several documents to facilitate the integration of long-term planning and implementation of Council activities. Core documents include the Community Strategic Plan, the Resourcing Strategy, the 4-year Delivery Program and the annual Operational Plan.

The Delivery Program is designed as the single point of reference for all principal activities undertaken by Council during its term of office. All plans, functions, projects, activities and funding allocations must be directly linked to this Program. Supporting the Delivery Program is the annual Operational Plan, which identifies the projects and actions that will be undertaken during the year, to achieve the commitments made in the Delivery Program.

Report:

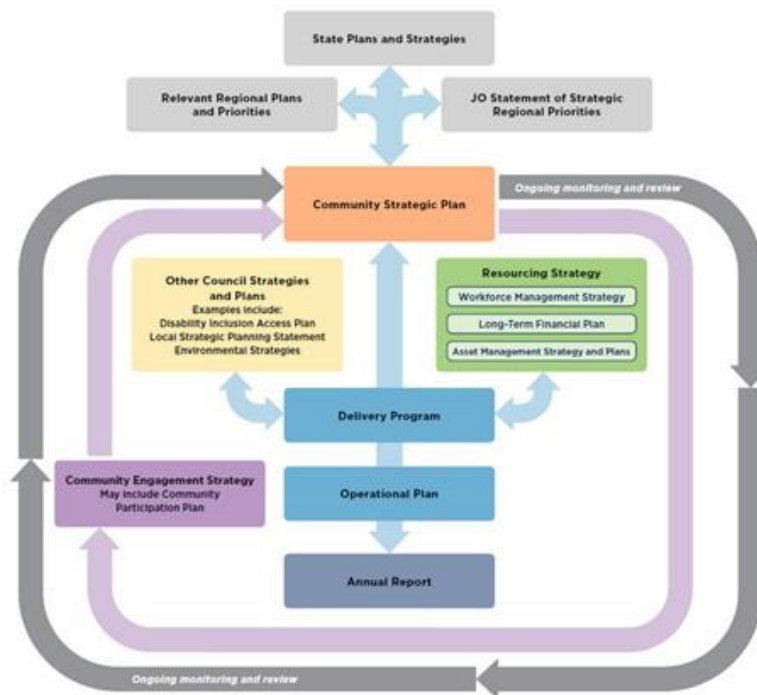
The Delivery Program directly addresses the objectives endorsed in the Community Strategic Plan and the activities Council will undertake to perform all its functions, with specific strategies identified for each under the Community Strategic Plan themes Our Community, Our Economy, Our Environment and Our Leadership.

Where Council has not been identified in the Community Strategic Plan as either having lead or support responsibility, the Delivery Program acknowledges that Council plays an important role in lobbying, advocating and supporting the organisations responsible for the implementation of the Objectives.

The Council’s role in delivering various services and programs, as outlined in the Delivery Program, will need to be reviewed on an ongoing basis and may therefore be subject to change over the life of the Delivery Program.

The Delivery Program has been used to inform the development of the remaining documents under the Integrated Planning and Reporting Framework being the Resourcing Strategy, which includes the Long-Term Financial Plan, Workforce Management Plan, Asset Management Strategy and Plans and Operational Plan.

The following diagram outlines the Integrated Planning and Reporting Framework and the links between the Community Strategic Plan and Council’s Delivery Program and Operational Plan.



The Draft Delivery Program 2022-2026 Strategies were adopted by Council in June 2022 and reviewed by the Executive Leadership Team in February 2023. From this review, the wording for Delivery Program Strategy 3.3.2 Implement actions from Tree Management Plan located on page 49, was changed to 3.3.2 Increase canopy cover within the City.

Following the Delivery Program review, the Draft Operational Plan 2023/2024 Actions were prepared by the Executive Leadership Team and Senior Management Team in March 2023.

The draft Operational Plan identifies the projects and activities that will be delivered during the year to achieve the commitments made in the Delivery Program, based on the outcomes outlined within the Community Strategic Plan.

The Draft Operational Plan 2023/2024 has been prepared within the context of the following parameters:

- Developed in accordance with the revised Long Term Financial Plan and carrying out associated financial strategies to achieve desired business objectives.
- Capital projects budgeted at \$9.9m inclusive of expected capital grants.
- Without capital grants, capital projects are budgeted at \$14.1m
- Total rate revenue increase of 3.7%.

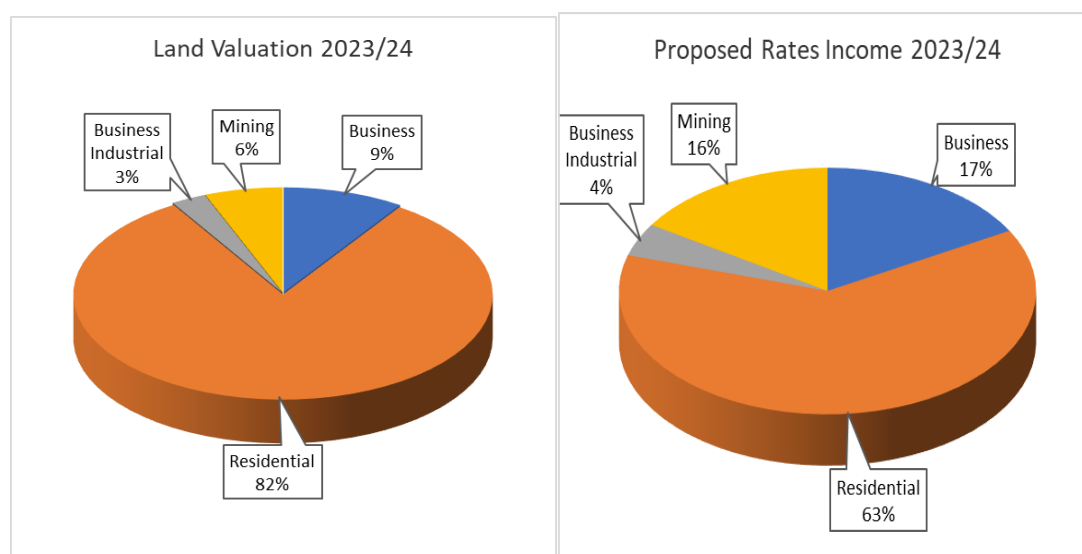
PROPOSED 2023/2024 RATING STRATEGY

For 2023/24 rates have been modelled using property values base date 1/7/22 as determined by the NSW Valuer General and the rate peg increase of 3.7% as determined by IPART. Being a revaluation year, while overall rating revenue only increases by 3.7%, individual ratepayers will experience varying movements with their rates depending on the movement of the value of their property relative to other properties in the same category.

The tables below show the proposed base rate and ad valorem for each category and also the percentage of rates income contributed by each category to the overall rates revenue pool.

The rating structure stays the same as in 2022/23 and results in the below:

Rating Category	Land Value 2023/24	Total Property Count	2023/24 Financial Year					% of Total Income	% of Base Rate Income
			Base Rate	Base Rate Income	Ad-Valorem	Ad-Valorem Income	Total Income		
Business	\$38,064,320	540	\$825	\$445,500	0.06635860	\$2,525,895	\$2,971,395	16.76%	15.00%
Business Industrial	\$11,101,000	71	\$1,614	\$114,594	0.05851092	\$649,530	\$764,124	4.31%	15.00%
Residential	\$331,894,870	9440	\$577	\$5,446,880	0.01705478	\$5,660,394	\$11,107,274	62.65%	49.00%
Residential 1(a)	\$827,610	11	\$395	\$4,345	0.00546096	\$4,520	\$8,865	0.05%	49.00%
Residential Rural	\$1,549,000	11	\$553	\$6,083	0.00408480	\$6,327	\$12,410	0.07%	49.00%
Farmland	\$0	0	\$0	\$0	0.00000000	\$0	\$0	0.00%	0.00%
Mining	\$24,600,000	2	\$0	\$0	0.11531114	\$2,836,654	\$2,836,654	16.00%	0.00%
MD Business	\$237,531	6	\$825	\$4,546	0.06635860	\$15,762	\$21,275	0.12%	21.37%
MD Residual	\$236,669	5	\$544	\$2,987	0.01734522	\$4,105	\$7,092	0.04%	42.11%
Totals	\$408,511,000	10,086		\$6,024,934		\$11,703,187	\$17,729,088	100.0%	



		Rates Modelling Scenarios 2023/24			
		Last Year	2023/24	Change \$	Change %
Residential	High	\$ 7,440	\$ 6,256	-\$ 1,184	-16%
	Median	\$ 961	\$ 1,078	\$ 118	12%
	Low	\$ 550	\$ 589	\$ 39	7%
	Average	\$ 1,122	\$ 1,176	\$ 54	5%
Business	High	\$ 192,440	\$ 140,842	-\$ 51,599	-27%
	Median	\$ 3,529	\$ 3,941	\$ 411	12%
	Low	\$ 813	\$ 860	\$ 47	6%
	Average	\$ 5,237	\$ 5,503	\$ 266	5%
Industrial	High	\$ 52,377	\$ 54,566	\$ 2,190	4%
	Median	\$ 7,895	\$ 8,752	\$ 858	11%
	Low	\$ 1,540	\$ 3,200	\$ 1,660	108%
	Average	\$ 9,916	\$ 10,861	\$ 945	10%
Mining	High	\$ 2,391,081	\$ 2,467,658	\$ 76,578	3%
	Median	\$ 1,353,442	\$ 1,418,327	\$ 64,885	5%
	Low	\$ 315,803	\$ 368,996	\$ 53,193	17%
	Average	\$ 1,353,442	\$ 1,418,327	\$ 64,885	5%
Rural	High	\$ 2,282	\$ 1,827	-\$ 455	-20%
	Median	\$ 987	\$ 1,084	\$ 97	10%
	Low	\$ 559	\$ 598	\$ 39	7%
	Average	\$ 1,065	\$ 1,131	\$ 66	6%
1A	High	\$ 1,626	\$ 1,536	-\$ 89	-6%
	Median	\$ 546	\$ 643	\$ 97	18%
	Low	\$ 439	\$ 442	\$ 3	1%
	Average	\$ 769	\$ 806	\$ 37	5%

2023/2024 BUDGET

The Draft Operational Plan 2023/2024 includes the 2023/2024 budget, in the form of the Revenue Policy.

The 2023/2024 budget has been developed in accordance with the Long Term Financial Plan, adopting efficiency measures to ensure continuous improvements towards becoming financially sustainable, adjusting budgetary forecasts and expectations in the current financial climate.

Budget Scenarios

PROPOSED BUDGET (Balanced Scenario)

The 2023/24 Operational Plan and Budget has been built around the Balanced Scenario of the Long Term Financial Plan.

The proposed budget takes into account the current operating environment including the ongoing effects of the COVID-19 pandemic and the Ukraine war, and the inflationary conditions that currently exist with sharp price increases being experienced for materials such as fuel, bitumen, steel, concrete and timber.

At the time of writing the report the assumptions are based on best estimates however, due to the uncertain economic and policy environment we are currently working with, it is expected that further adjustments (immaterial) will be made prior to final adoption of the Operational Plan.

The proposed budget takes a pro-active approach to these circumstances to try and mitigate the impacts to Council's operations, service delivery, capital renewals and impact to the local economy.

Whilst Council has limited control over what revenue it receives beyond the application of the rate peg, it can control its expenditure. Operational expenditure has been reduced as best it can, in order to deliver a break even budget and achieve key financial ratios. Details of Council's expected operational income and expenditure can be found in the attached Delivery Program and Operational Plan.

With expenditure having been controlled as much as possible over the preceding 3 years, particularly as a response to the ongoing COVID-19 pandemic, the main point of difference

from the proposed scenario (Balanced) and the alternate options for Council, is the effect on the budget if the rate peg for the 2025 financial year was to be decreased to 2.5% from 2025 onwards in scenario 2, or in scenario 3, the combined effect of both the rate peg decreasing to 2.5% and also inflation remaining at a high rate of 5% for 2025-27.

The proposed Balanced Scenario is the preferred option for Council to adopt as it continues the ongoing drive towards financial sustainability of the organisation whilst also providing economic stimulus to the City to retain and grow employment whilst also providing improvement to key community infrastructure for increased livability and attractiveness of the City.

Key Aspects of the proposed Balanced Scenario are:

- Sets the Council up to build from a break even budget in 2024 to surplus from 2025 onwards.
- Maintain Council's current permanent workforce.
- Ensure a healthy cash reserve to weather any unforeseen financial shocks (such as an International Financial Crisis)
- Ensure an appropriate rate of asset renewals is maintained so the City's infrastructure backlog is continually reduced.
- Meet all key financial & OLG benchmarks apart from the Operational Ratio for 2024

This budget is sensitive to several internal and external drivers including Council decisions, operational performance, the external economic environment and State and Federal Government decisions including changes to legislation. Within the Long Term Financial Plan, there are a number of examples that demonstrate some of Council's main sensitivities and outline the impact of various scenarios on Council's long-term financial position.

SCENARIO 2 – Decreased rate peg

This scenario follows the same assumptions as the 'Balanced Scenario' but assumes the 2024 rate peg of 3.7% is decreased to 2.5% from 2025 onwards

This model does not alter Council's breakeven point of 2024 however sees Council slip back into deficit in 2025 due to the combined effect of the additional cost of Council elections and inflation. If the assumptions of this model come to be, a deficit would be expected in 2025 approximately equal to the cost of the election.

Key Aspects of this Scenario

- Breakeven remains at 2024.
- Deficit in 2025
- Surplus from 2026 onwards

SCENARIO 3 – Continued High Inflation with Reduced Rate Peg

This scenario is based on the same expenditure assumptions in line with the previous two scenarios, however, Rates revenue is projected using the standard forecast 2.5% rate peg as advised by IPART but with inflation at 5% until 2027. As you will see below, this pushes Council's return to surplus back to 2028 and puts Council in a high-risk cash position for the immediate future.

Key Aspects to this Scenario

- Breakeven pushed back to 2028
- Borrowings remain the same.

- Some key financial ratios & OLG benchmarks will not be met in the short term.

The Balanced scenario Budget is achievable, responsible, affordable and significantly improves the financial position of Council; allowing Council to continue to meet the expectations of the community, maintain service levels and stimulates the local economy to assist in the economic recovery of businesses and retain and grow local employment

Consequently, the budgeted result for 2023/24 is breakeven, with a return to surplus in 2024/25.

Quarterly budget reviews will be undertaken to measure Council's financial performance against the financial projections contained within this Operational plan, as well as unexpected adjustments during the year. Any decisions impacting on Council's financial position for the year will be incorporated into these reviews.

CAPITAL PROJECTS

The total capital expenditure budget for 2023/2024 has been set at \$14.1m, inclusive of major capital projects with expected capital grants. The net cost to Council inclusive of these capital grants is: \$9.9m.

Projects reliant on capital funding will not proceed without this or will be subject to additional approval by Council.

Details in relation to specific capital items are included within the Operational Plan.

The level of capital expenditure will again be closely managed in 2023/2024 to ensure the objectives of the Long Term Financial Plan and Asset Management Plans are met. External funding of \$4.2 has been factored into this capital program; with the remaining \$9.9m to be funded from Council internally and externally restricted funds.

FEES AND CHARGES

Fees and Charges are included in the Operational Plan for the purposes of public consultation. Statutory fees are increased/decreased as per published government gazettes. Cost recovery fees are analysed accordingly to ensure costs are fully recoverable or the appropriate subsidy from Council is applied. Fees are analysed to ensure government competitive neutrality is achieved.

Community Engagement:

The Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2023/2024, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2023/2024 will be placed on public exhibition for 28 days for community comment.

Strategic Direction:

Key Direction:	4.	Our Leadership
Objective:	4.1	Openness and transparency in decision making
Strategy:	4.1.1	Support the organisation to operate within its legal framework

Relevant Legislation:

Local Government Act 1993

Local Government (General) Regulation 2021

Integrated Planning and Reporting Guidelines

Financial Implications:

Financial implications of the Delivery Program are outlined in Council's Long Term Financial Plan.

Included within the Draft Operational Plan 2023/2024 is the Statement of Revenue Policy, Annual Budget and the Draft Schedule of Fees and Charges 2023/2024.

Attachments

1. Draft Delivery Program 2022-2026 incorporating Operational Plan 2023-2024
[↓](#) inclusive of Statement of Revenue Policy and Draft Schedule of Fees and Charges 2023-2024

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