Ensuring Good Governance

Item: 09.09

Subject: REFORM OF LOCAL GOVERNMENT - FIT FOR THE FUTURE SUBMISSION TO THE NSW GOVERNMENT

Presented by: General Manager, Craig Swift-McNair

Alignment with Delivery Program

1.1.1 Use a variety of tools to engage with the community in a manner that is transparent, effective, relevant and inclusive.

RECOMMENDATION

That Council:

1. **Endorse the Port Macquarie-Hastings Council Fit for the Future submission to the NSW State Government based on Scenario 2c.**
2. **Note that a detailed community engagement process is currently in the planning phase for implementation between August 2015 & February 2016 that will comprehensively deal with the issues of ensuring Council is delivering agreed services at the agreed levels and at best value in order for Council to become financially sustainable into the future.**

Executive Summary

The purpose of this report is to present options and information to Councillors for consideration in meeting the NSW Government Fit for the Future (FFF) local government reform initiative.

The FFF submission and related Improvement Action Plan (IAP) included in this report are Council's response to the directive from the NSW State Government that all Council's must respond to their FFF reform package. All Council's have been asked to demonstrate how they will meet or show improvement in seven (7) financial ratios within a five (5) year timeframe. It is in this context that the FFF submission (including the IAP) as included in this report has been developed.

Council noted at its February 2015 meeting that the NSW Government has requested (as part of its response to the Independent Panel's Report "Revitalising Local Government - October 2013"), all local government submit a FFF proposal. The NSW Government envisages that FFF Councils will be smarter, sustainable and strategic and have community assets that are well planned and maintained, have right services, right people and right place, be efficient, focussed and community leaders.

The FFF process requires each Council to undertake a self assessment against four overarching criteria as follows:

- Scale and capacity;
- Sustainability;
- Infrastructure and service management and

- Efficiency.

Once this self assessment is completed, there is a requirement to make a submission detailing how, if not already FFF, Council will become FFF, through the development of an IAP. This plan is to outline how FFF status will be progressed during the period 2016- 2017 to 2019 - 2020 and beyond. In order to be determined FFF, Council's must detail how they are going to meet or make improvements in seven (7) financial ratios within a five (5) year period.

Council's submission must be lodged for assessment with the Independent Regulatory & Pricing Tribunal (IPART) no later than 30 June 2015. On 16 October 2015, the IPART are due to report their recommendations to the NSW Government, who will make the final decision on which Councils are deemed FFF or not. A copy of Council's draft submission is attached to this report and is titled *Draft FFF Submission - Port Macquarie-Hastings Council.*

As advised to the February 2015 Council meeting, an internal project has been undertaken to assess what strategies and actions could be undertaken to improve performance to meet the FFF standard against those criteria where a gap exists. External expert advice was sought on asset infrastructure and financial modelling to assist with this work. Engagement with the Councillors, staff and the Community Reference Group (CRG) was undertaken to ensure that the proposed strategies were consistent with community expectations.

Giving recognition to the capacity to pay of the local community and balancing the high expectations of service delivery expected by the community, an IAP has been developed. The process undertaken in developing the IAP involved looking at a range of revenue raising options that could be implemented, including rigorous ongoing financial monitoring, decreases in expenditure in certain areas of the organisation and reviewing service level expectations with the community. Once these actions had been considered and quantified, focus turned to the gap that still remained in Council becoming FFF. The FFF submission as included with this report recommends filling the remaining gap by increasing revenue via Special Rate Variations (SRV's) staged over a number of years.

Notwithstanding the development of the IAP, it will still not necessarily be possible for Council to achieve the FFF benchmarks within the nominated timeframes, though substantial improvements will be made based on the scenario being put forward in this report. Realistically, and in the context of the capacity to pay, achievement of all of the FFF benchmarks will take up to ten years to achieve, however four (4) of the seven (7) ratios will be met by 2019-2020, with the other ratios showing a substantial improvement by 2019-2020 as required by the IPART methodology.

Council staff considered a number of different scenarios as outlined throughout this report and as per the attachment titled *Financial Modelling Scenarios Summary*. The recommended scenario, being 2c was selected on the basis that it met the majority of benchmarks by 2019-2020, though it is acknowledged by staff that it is the scenario with one of the highest costs to the community. The attachment titled *FFF Financial Modelling Journey* summarises the steps involved through the modelling process, and references the attachment titled *Financial Modelling Scenarios Summary* where relevant.

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It should be noted that PMHC had already embarked on a pathway to improve its service delivery, its financial situation and its asset backlog prior to the FFF process being announced. At the 16 May 2012 Extraordinary Council meeting a report was tabled titled 'Financial Sustainability Review'. A copy of that report is attached to this report for information. The May 2012 report detailed a series of actions that were then underway in relation to the organisation becoming more financially sustainable, plus the report detailed previous actions taken by the organisation to reduce operational expenditure.

Following these previous initiatives and the work undertaken over the past twelve (12) months, it is evident that there are no quick and easy solutions to future financial sustainability. A steadfast and committed approach to reform and business improvement is already underway as highlighted by the independent assessment made by the AEC Group of Council's FFF submission. The AEC Group were engaged to offer independent advice on the financial modelling and assumptions made as part of the FFF process.

Whilst Council is fully supportive of reform in local government, it remains concerned that the current funding model applicable to local government is broken and places unnecessary challenges on our community in dealing with the infrastructure and service management issues. Furthermore, the current cost shifting from other levels of Government adds to this community's financial burden to the order of approximately **$8.9 million** per annum, which is the estimated impact of cost shifting on the Port Macquarie-Hastings community for 2015-2016.

Against this backdrop, the current reviews of rating for NSW local government and Financial Assistance Grants (FAG's), presents even greater uncertainty, making it difficult to forecast future performance benchmarks and develop a robust IAP. The assumptions underpinning the proposed IAP include rigorous ongoing financial monitoring, decreases in expenditure in certain areas and reviewing service level expectations with the community. The IAP is based on the best information available, noting there are a number of implicit risks that are detailed later in this report.

It should also be noted at this time that the benefits available from the NSW Government to FFF Councils have only been outlined at a strategic level. For example, streamlined reporting arrangements, a streamlined Special Rate Variation (SRV) process and priority access to grants have all been proposed. However, there is very limited detail available as to the extent of this benefit and when it will apply to Council's deemed to be FFF.

Council does not propose to undertake any further consideration of the Joint Organisation approach at this stage until additional details on the proposed framework; governance model and costings have been made available by the NSW Government.

Discussion

<u>Background:</u>

In 2011, NSW Councils met with the NSW State Government at the Destination 2036 Summit to plan how local government would move forward to meet the challenges of

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the future. One of the actions agreed was that the State Government would appoint an independent expert panel to review local government.

The Independent Local Government Review Panel (the Panel), was appointed in April 2012 to review the governance models and other structural arrangements of local government in order to achieve the strategic directions set out in the Destination 2036 Action Plan.

The Panel provided its final report "Revitalising Local Government" in October 2013 which included a series of recommendations. In response, the NSW Government launched the Fit for the Future Reform program in October 2014. The objective of the reform program is to ensure the long term financial viability and strategic outcomes of local government while meeting the community's needs.

The NSW Government has directed all Councils to look at their current situation and consider the future needs of its community in the context of the Panel's recommendations. Such an assessment is to consider firstly whether it has sufficient scale and capacity to stand alone or consider a merger/amalgamation with other Councils; and secondly, develop a clear picture of how they are performing financially, in infrastructure management and service delivery and in efficiency, with a view to determining how to be FFF. For each of these criteria, performance measures with associated benchmarks were established. Achievement of a total of seven (7) benchmarks would demonstrate whether a Council was considered to be FFF.

Following this assessment, each Council, no later than 30 June 2015, is required to provide a proposal on how it will achieve a FFF status in accordance with the pre-determined FFF ratios over the timelines provided. This assessment is to use the specified ratios, self-assessment tools, template and guidelines as provided by the NSW Government. It is also to detail its approach to the Panel's recommendations regarding whether to undertake a merger, noting that this is not applicable to PMHC.

The Revitalising Local Government Report (2013) report had already emphasised that there is not a simple solution to the infrastructure backlog and asset service level deficiencies that many regional and metropolitan Councils face. It proposed a range of complementary strategies to provide a framework for future sustainability. In the Revitalising Local Government Report (Page 49), the independent panel made the following statement in relation to infrastructure backlogs:

*'The measured level of backlogs varies significantly from one part of NSW to another, reflecting differences in environmental conditions, demand pressures and the capacity of Councils to undertake necessary works. DLG reports that problems are most acute in the Far West, **Mid North Coast** (emphasis added), South East, Central West, Murray and Northern Rivers regions. Its audit also found that as a general rule those Councils facing the highest per capita cost of bringing assets back to a satisfactory standard (BTS) are amongst those with the weakest TCorp ratings of financial sustainability.*

On 27 April 2015 the IPART released its proposed methodology to assess FFF submissions and requested submissions by late May 2015 in order to finalise its approach by early June 2015. This timeframe did not allow Councils sufficient time to modify their approach if required to meet any proposed IPART methodology, nor to engage in detailed community engagement. PMHC supported the majority of the proposed methodology put forward by the IPART and provided a submission on this basis. A copy of the submission to IPART is attached to this report. It should be stated that the revised IPART methodology for assessing FFF submissions was released on Friday 5 June 2015, noting that there was very little change to the assessment methodology from the original published methodology.

In line with the overarching criteria as set by the NSW Government, the first step was to consider whether Council had sufficient scale and capacity to remain a stand-alone Council or contemplate a merger or amalgamation. The Revitalising Local Government Report recommended that PMHC remain as a stand-alone Council. This is supported by Council and the FFF submission has been developed accordingly.

In relation to the other three criteria, based on the 2013-2014 financial data and forecasted 2016-2017 financial data (noting that these were the financial years determined to be used by the OLG), Council meets three of the seven benchmarks. The main gaps relate to operating performance, infrastructure backlogs and renewal. This is a common issue for most regional Councils in NSW.

In reality, substantial progress in dealing with the infrastructure backlog is only going to be achievable with additional investment either from other levels of government or the community. The issue of cost shifting from other levels of government to local government is dealt with further in this report.

Additional background on the FFF initiative is included in the February 2015 Council report, which is attached to this report

<u>IPART Submission on FFF Assessment Methodology:</u>

The IPART was appointed in April 2015 by the NSW Government to undertake the assessment of all of the Council FFF submissions by October 2015 and make recommendations to the Minister, with a view to begin implementation of the action plans from March 2016.

Part of the FFF approach outlined by the NSW Government contemplates that FFF Councils will have access to a streamlined SRV process, cheaper finance, simplified reporting arrangements and state funding priority access to grants. Details of these arrangements are yet to be announced and accordingly there is a great deal of uncertainty as to the exact nature of the benefits that will accrue to those that are deemed to be FFF. Likewise there is no detail available on what happens to Councils not assessed as being FFF.

The IPART provided a “Local Government - Consultation Paper Methodology for Assessment of Council Fit for the Future Proposals” on 27 April 2015 with comments and submissions to be provided by 25 May 2015. Final decisions on its methodology were announced on 5 June 2015. A copy of Council’s submission to IPART on its methodology has been attached to this report.

There have been a number of challenges in preparing this FFF submission given the number of unknowns surrounding matters such as the rate review, the current review of the Financial Assistance Grants (FAG) program and other aspects of the reform agenda. This level of ambiguity has required a number of assumptions to be made in developing forecasts and financial modelling associated with the development of an

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improvement proposal. These have been clearly outlined in the attached submission. The timing of the FFF process has also been challenging i.e. the fact that Council submissions are due by 30 June 2015, yet the methodology for evaluation of the submissions was not finalised until 5 June 2015, thereby leaving very little time for Councils to finalise or amend their submissions.

Listed below are the seven (7) ratios being used in the FFF process, as well as when Councils are expected to meet the ratios, as determined by IPART:

Ratio Description	*Benchmark*	*Metropolitan & Regional Councils*
Operating Performance	Greater or equal to break even average over 3 years	**Must meet within 5 years**
Own source revenue	Greater than 60% average over 3 years	**Must meet within 5 years**
Building and Infrastructure Asset Renewal Ratio	Greater than 100% average over 3 years	**Meet or <u>improve</u> within 5 years**
Infrastructure Backlog Ratio	Less than 2%	**Meet or <u>improve/inform</u> within 5 years**
Asset Maintenance Ratio	Greater than 100% average over 3 years	**Meet or <u>improve/inform</u> within 5 years**
Debt Service Ratio	Greater than 0% but less than or equal to 20% average over 3 years	**Must meet within 5 years**
A decrease in Real Operating Expenditure per capita	A decrease in Real Operating Expenditure per capita over time	**Must demonstrate operational savings (net of IPR supported service improvements) over 5 years**

<u>Fit for the Future Process:</u>

The NSW Government has focused on four overarching FFF criteria, namely;

- Scale and capacity;
- Sustainability;
- Infrastructure and service management and
- Efficiency.

Scale and Capacity is seen as a threshold issue and links to the Panel's assessment of whether certain Councils should consider merging.

Scale and capacity included such considerations as; geography, economic and transport flows, communities of interest, local identity and strategic capacity, revenue base, ability to undertake new functions/projects, ability to employ a wider range of skilled staff, resources to cope with change and political and management leadership.

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The Panel assessed PMHC as having sufficient scale and capacity to remain in its current structure, that is, not to merge with another Council. Council staff agree with this assessment and has provided evidence to support this stance. Council has submitted that it has sufficient scale and capacity without its water and sewer operations, noting that all FFF submissions must be based on a Council's general fund only. With water and sewer operations Council's scale and capacity is enhanced.

Remaining Criteria: Sustainability, Infrastructure and Service Management (ISM) and Efficiency - the FFF guidelines require an assessment of these criteria to be based on the data from the 2013 - 2014 Operational Plan and Long Term Financial Plan and do not include any water and sewerage funding.

The ratios and benchmarks together with PMHC results are shown in the table below. Council meets three of the seven ratios in both 2013 - 2014 and 2016 - 2017. It should be noted that these are the financial years that have been selected by the NSW Government for comparison purposes.

Table of FFF Ratios & PMHC Measurement against the Ratios

Ratio Description	Benchmark	2013 - 14 result	Meets Benchmark?	2016 - 17 result	Meets Benchmark?
Sustainability Operating Performance	Break even over 3 years	**-0.10**	**No**	**-14.68%**	**No**
Sustainability Own source revenue	Greater than 60% over 3 years	**64.6%**	**Yes**	**71.21%**	**Yes**
Sustainability Building and Infrastructure Asset Renewal Ratio	Greater than 100% over 3 years	**46.04%**	**No**	**43.39%**	**No**
ISM Infrastructure Backlog Ratio	Less than 2%	**20.51%**	**No**	**18.16%**	**No**
ISM Asset Maintenance Ratio	Greater than 100% over 3 years	**33%**	**No**	**36.72%**	**No**
ISM Debt Service Ratio	Greater than 0 and less than or equal to 20% average over 3 years	**8.65%**	**Yes**	**7.02%**	**Yes**
Efficiency decrease in per capita Real Operating Expenditure		**Decreasing**	**Yes**		**Yes**

Sustainability is about the financial health of Council, which is the ability of the Council to provide services and infrastructure into the future that meets the community's needs.

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Infrastructure and Service Management is about ensuring that Council plans, designs, manages and delivers infrastructure and services in a way that optimises the use of resources to meet current and future community needs.

Efficiency is about improving efficiency so that the customer has effective service delivery over time and receives value for money. It is being measured by a demonstrated decrease in Real Operating Expenditure per capita over time. Council meets this benchmark.

Given Council only currently meets three of the seven benchmarks, an IAP has been developed that shows how Council can either meet or show improvement in the ratios that it currently does not meet over the timelines provided.

The development of the IAP involved the establishment of an internal working party to assess what strategies and actions could be undertaken to improve performance against the above-mentioned criteria and benchmarks to meet the FFF standard. The working party met regularly and considered various scenarios and modelling to address the FFF benchmarks and in order to complete the questions posed in the FFF template.

External expert advice was sought on asset infrastructure and financial modelling to assist with this work and to explore whether there were additional options and/or ideas that should be considered, that had not already been identified through the above mentioned process. Jeff Roorda and Associates (JRA) provided advice in relation to asset management and the AEC Group provided advice on the financial modelling and scenario development. The AEC Groups report states the following:

'Council has demonstrated that it has undertaken a large number of reviews and implemented numerous strategies to improve its financial position to date, with the additional Fit for the Future strategies expected to materialise additional cost savings and operational/service delivery efficiencies. A review by AEC of potential additional strategies for consideration highlighted that the scope for additional investigations and strategies is quite limited, particularly given that Council is also 12 months into a very comprehensive Service Review. Any savings or efficiencies that may be achieved as a result of this Service Review would be above and beyond those included in the Fit for the Future submission given that they are not identifiable and quantifiable at this stage (Page iii & 22).'

A further list of previous financial sustainability initiatives is included on pages 10 to 14 of the AEC Group report as attached to this report.

Regular updates were given to Councillors as the various scenarios and options were explored. The community was notified through media releases and also through commentary in the Mayor's column and Council staff were provided with regular updates on the FFF process by the General Manager. More tailored engagement was undertaken with Council's Community Reference Group (CRG) to ensure that the principles underpinning the proposed strategies were consistent with community expectations. Clearly in the time available it was not possible to provide substantial detail of the various options to the broader community.

While not included specifically in any of the criteria modelling, there is an area in the FFF submission devoted to how water and sewerage operations are managed by Council, with a series of specific questions to be addressed. Council considers that it is ninety percent compliant with the Best Practice Management of Water and Sewerage Framework. Council has also detailed its status in relation to water and sewerage infrastructure management and what capital works are planned during the period 2016 -2017 to 2019 - 2020 together with its funding source. A financial analysis of break-even levels and what improvement strategies are planned for this period is also provided. This information has been included and meets the requirements of the NSW Government Best Practice Management of Water and Sewerage Framework.

Joint Organisations:

One of the other aspects considered by the Panel was structural reform of local government including the need for mergers and a review of the current Regional Organisations of Councils (ROC) arrangements. It flagged that the time had come for a fresh approach. The regional Joint Organisations are proposed to be different to the current ROCs given ROC's lack a statutory basis and the voluntary nature of their activities has meant their operations have varied significantly between regions.

According to the NSW Government, a Joint Organisation will provide a forum for local councils and the State to work together to deliver things that matter most to regional communities and that cut across traditional council boundaries – things like jobs, education, housing, roads and transport.

Currently Council is a member of the Mid North Coast Regional Organisation of Councils known as MIDROC, which includes Gloucester Shire Council, Greater Taree City Council, PMHC, Kempsey Shire Council, Nambucca Shire Council, Bellingen Shire Council and Coffs Harbour City Council.

As stated previously in this report, the Panel did not recommend that Council merge with any of its adjacent Councils. It did recommend that Council be part of a Joint Organisation covering the Mid North Coast area which originally included the Councils of Gloucester, Great Lakes, Greater Taree, and Kempsey as well as Mid Coast Water. Since the release of the FFF reform process, Great Lakes Council have formally joined the Hunter region, so will not form part of any Mid North Coast Joint Organisation. The regional Joint Organisations are proposed to be a legislated requirement i.e. all regional Councils are to belong to a designated Joint Organisation.

In response to the Panel's report, in late 2014 the NSW Government called for expressions of interest for a small number of Council groups to pilot "Joint Organisations" during 2015.There are currently five (5) pilot Joint Organisations in operation across NSW. PMHC is not part of one of the current pilot program for Joint Organisations.

The key concerns with the proposed Joint Organisation model are that there has yet to be formal consultation with the local government sector about what the governance model of a Joint Organisation will look like. Work on the governance model has commenced according to the OLG, however until such issues are confirmed, the way in which a Joint Organisation will operate is largely unknown. For instance, will decisions made by Mayors of a Joint Organisation be binding on the individual Councils? If so, then this conflicts with the current Local Government Act 1993. Other questions that come to mind are what will the breadth of powers be of a

Joint Organisation? What are its functions, principles and relationships with Councils?

At a Webinar held by the OLG on Wednesday 27 May 2015, it was stated that it is likely that the legislation relating to Joint Organisations will define a core statutory model for a Joint Organisation and then there will be the ability for individual Joint Organisation's or regions to increase the scope of the Joint Organisation if agreed by all parties.

Council will wish to ensure that the Joint Organisation approach has real benefits, that they add no additional costs to the community and that it is not simply another tier of governance being imposed on the people of the region.

It should be noted that there are no specific questions in the FFF submission process regarding Joint Organisations; accordingly no information has been included in the Council FFF submission.

<u>Funding Arrangements in Local Government:</u>

For some time, PMHC and other Councils have been seeking reform of the current local government funding arrangements. In essence, Councils have limited opportunities to increase either their funding sources or the amount of revenue generated from their funding sources given the framework of rate pegging, limits applied to changing fees and charges and developer contributions and rules relating to use of financial reserves etc. However, there is increasing pressure and expectations from the community to at least maintain, if not increase service levels, against a backdrop of rising costs.

Cost shifting from other levels of Government creates additional funding pressures. PMHC estimates cost shifting impacting its community by an estimated **$8.9 million** per annum for the 15/16 financial year. Cost shifting is where functions are transferred to local government from another level of government with either no additional funding or with funding that does not represent the true cost of providing the service. A report on cost shifting was tabled at the 20 May 2015 Council meeting for the information of Councillors and the community and is attached to this report.

In the context of the FFF IAP, if cost shifting did not exist at all or to the extent that it currently does i.e. at $8.9 million per annum, then this amount would represent a major component of the funding Council is seeking under the FFF IAP. The point being that Council currently has a funding shortfall of around $18 million per annum based on meeting the FFF ratios as detailed earlier in this report. If Council no longer had to shoulder the burden of cost shifting, this annual shortfall would be around $9 million only, thereby impacting less on the community.

Adding to the impact from cost shifting, the Australian Government included in the 2014 Federal Budget, a decision to freeze indexation on Financial Assistance Grants for the next three years. These grants are a vital source of revenue to local communities. The cumulative impact of this freeze on Council is estimated to exceed $6 million by 2022/2023. It should also be noted that Council receives Roads to Recovery funding from the Australian Government on an annual basis. In 2015/2016 Council will receive $2.495 million under the Roads to Recovery program, which is a double payment as announced as part of the 2014 Federal Budget. The purpose of this additional payment was to offset some of the impact of the freezing of indexation

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of the Financial Assistance Grants. This information is provided simply as evidence of some of the funding pressures being faced by Council.

There are two very important reviews currently underway which will impact on the assumptions underpinning any potential improvement plans and future funding arrangements of local government. They are the NSW Government rate review and the Federal Government review of the Financial Assistance Grants. Details of the results of these reviews will not be available in time for incorporation in the development of the improvement proposal. It is likely that such reviews will significantly impact on this Council and many other Councils ability to be FFF.

The ongoing cost shifting will continue to impact on communities at an increasing cost to those communities. There have been a number of assumptions included in the FFF submission about future funding arrangements and these pose substantial risks to the ability for Council to be classed as FFF, should these arrangements not eventuate.

<u>Fit for the Future Submission:</u>

The Council FFF submission includes the following information as prescribed by the NSW Government:

- An overview of the area and demographics
- A Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis;
- Details on each of the criteria, performance measures and benchmarks;
- An assessment of why certain benchmarks were not currently met by PMHC;
- Proposed strategies and actions that would assist PMHC to improve its performance against the criteria to be classed as FFF;
- An Improvement Action Plan;
- Revised benchmarks in light of proposed improvement strategies;
- Detailed financial modelling of various scenarios in order to meet the benchmarks;
- Actions considered and rejected and
- An overview of the water and sewer operations given this aspect of PMHC operations IS excluded from the FFF assessment process.

In essence to meet the FFF benchmarks Council would need to:

- Increase maintenance expenditure,
- Decrease other expenditure - whilst maintaining service levels,
- Increase revenue, and
- Increase renewal spends.

The above represents an unrealistic expectation, particularly over a short time frame. This is largely due to the fact that the problems relating to infrastructure backlogs and asset management dates back decades. Further to this, PMHC is a growth Council i.e. the population is predicted to continue to grow into the foreseeable future; therefore it is a difficult challenge to be able to reduce ‘other’ expenditure at the same time as increasing general maintenance expenditure, whilst providing increased and improved services to a growing community.

Consideration of the SWOT revealed that the major strategies that should be progressed by PMHC to improve its sustainability relate to:

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- Capitalising on the continuing growth of the area;
- Improving asset management;
- Increasing PMHC revenue opportunities and establishing future long term financial sustainability; and
- Maintaining or reducing costs and expenditure.

Analysis was then undertaken of each of the criteria in which the benchmark was not met with an explanation of why this has occurred. This analysis allowed an assessment to be undertaken of what types of strategies would be needed to address the gap.

The SWOT strategies were then used to formulate the individual strategies that could be employed to improve a particular criterion. Each of these is outlined in Section 3 of the submission *"How will your Council become/remain Fit for the Future? "* under the titles of Sustainability (Section 3.1), Infrastructure & Service Management (Section 3.2) and Efficiency (Section 3.3). A copy of the draft Council FFF submission is attached to this report.

A series of these strategies have been developed for each of the criteria and include the key milestones together with the expected outcome. The IAP has then been developed which contains the specifics of what actions will be done to achieve these strategies. Under the FFF guidelines, only the first year of the action plan is to be submitted with the FFF submission, with the first year being 2016-2017. A copy of the one year action plan is included below:

Action plan

Actions	Milestones
1. Special Rate Variation to embed the current 4.43% into the base rate together with program of rate increases for the following 5 years 17/18 - 8.1%, 18/19 - 8.1%, 19/20 - 8.1%, 20/21 - 8.1%, 21/22 - 6.73%) each of which is to become part of the base rate. This will need to be lodged and endorsed.	Considerable community consultation as part of this SRV application will already be complete by the commencement of 16/17 with the SRV application completed and submitted during this first year, ready for commencement of the SRV in 17/18.
2. Reviews of all services to ascertain if appropriate to develop a charging regime and an assessment of current user charges and fees undertaken to ensure that they cover costs and where appropriate embrace a users pays philosophy.	All Directors and Group Managers to review all Fees and Charges. This review will occur prior within 15/16 period as part of the preparation for the 16/17 budget cycle. The impact of this being that new charges and fees will have been exhibited and endorsed for implementation within the first year of the plan. It is expected that by 2019/2020, annual savings will be $372,000.
3. Sale of identified land assets or other excess assets	The development of a Property Business Unit and sale of 2 key parcels of land will occur prior to the first year of the plan, being 2015/16. The impact being that the associated proceeds will have already been invested and generating $85K in interest. This will provide additional revenue for the plan and also move forward investigations into the generation of additional revenue opportunities for Council into the future. It is expected that, subject to market forces, that ongoing annual revenue streams may be developed by 2019/2020 of $1,765,000.
4. Derive dividend revenue from Water and Sewer funds.	It is anticipated that the Integrated Water Cycle Management Strategy will be adopted prior to the first year of the plan, satisfying one of the key criteria to

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Action plan

Actions	Milestones
	permit the drawing of dividends, when allowable. Additionally, all asset revaluation reviews will have been completed prior to the first year of the plan. In the first year of the plan, Council will continue to monitor operations carefully to ensure that any opportunity to derive a dividend from both the water and sewer funds is captured. These have the potential to be in the vicinity of $1,921,000 by 2019/2020.
5. Current loans interest rates renegotiated	The loan review is anticipated to commence 2014/15 with completion achieved within 2015/16 year, prior to the first year of the plan. The impact will be that the current loan book will have been reviewed and any associated savings as a result will flow directly into the plan. A reduction in interest expense as a result is expected to be $226,000 by 2019/2020.
6. Asset Management Plans reviewed annually for all infrastructure asset classes	This review will provide a stronger linkage between the Asset Management Strategy and Long Term Financial Plan.
7. Major asset classes service levels reviewed in conjunction with the community and in addition all other service levels progressively reviewed	This process will improve the quality of existing asset management plans.
8. Asset valuation and infrastructure backlog calculation methodology reviewed in accordance with JRA recommendations	Review of asset valuation and backlog methodologies is anticipated for finalisation prior to the first year of the plan, being 2014/15. This valuation will undergo constant refinement with assets built and capitalised. The impact to the first year of plan will be that there will be confidence regarding the rigor and robustness of the asset valuations which will see an improved position impacting directly on the financial performance of Council. The effect on depreciation is expected to be $922,000 by 2019/2020.
9. Allocation of appropriate asset renewal and maintenance budgets established on an annual basis as outlined in the Asset Management Plans.	By the first year of the plan, the Asset Management Plans will have considerable robustness and should identify the key asset renewals in addition to a comprehensive maintenance program. Based on this, the plan will ensure that appropriate amounts will be allocated within the yearly budget process to both maintenance and renewals. The impact should be that both the ratios remain improving towards their associated benchmarks.
10. Rigorous financial monitoring and performance reporting continues	This rigorous monitoring is a monthly and ongoing commitment by Council. It is anticipated that the process will be embedded such that the impact to the first year of the plan will see opportunities for savings and exploration of revenue streams be routine and not by exception.
11. Procurement strategy continues to be implemented, in addition to rigorous leave management to manage growth in liability (and employee costs).	Procurement strategy will continue to be implemented and reported to Council on a quarterly basis. Focus is on best practice and cost savings. Whilst many savings may be in efficiency gains, desktop analysis demonstrates that cash savings also exist in the vicinity of $250,000 annually. Ongoing rigorous leave management is expected to achieve cash savings of $100,000 per annum.
12. Improvement Plan integrated into Delivery Program, Resourcing Strategy and Operational Plan	Should Council's submission be deemed to be fit for the future, actions listed above will be incorporated into Councils 2016/17 Operational Plan.

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In developing the above mentioned strategies extensive financial modelling was undertaken to assess the levels of revenue and / or expenditure reduction required in order to meet the benchmarks. In addition to this, various timeframes were explored to assess the length of time under which the benchmarks would be achieved. Overall, the financial modelling attempted to achieve a submission which fulfilled IPART's assessment methodology, and where Special Rate Variations' were considered, that it was deemed more appropriate to phase the impact over a number of years rather than a one-off increase.

It should be noted that SRV requirements were only considered after all other action plan items had been incorporated into the modelling, thereby limiting the level of SRV required.

This demonstrates that a range of scenarios were explored by PMHC in order to develop one that was considered realistic and achievable. This process was replicated for each of the measures and benchmarks. It is worth noting that in some scenarios an improvement in one benchmark led to another benchmark being at risk. The scenario assessment was a very complex and dynamic process and is one of the key reasons that the AEC Group was contracted to review the financial modelling and validate the modelling and base assumptions undertaken.

Following is a summary of scenarios being proposed for consideration in order for Council to become FFF. The scenarios are presented in greater detail in two attachments. One attachment is titled *Financial Modelling Scenarios Summary* and it details in raw terms the impact of the various SRV scenarios listed below. The attached summary also highlights the impact on the FFF ratios for each of the scenarios presented i.e. does each scenario assist Council in meeting the FFF ratios or not?

The other attachment that relates to the following scenarios is titled *FFF Financial Modelling Journey*. This document needs to be read in conjunction with the document detailed above, titled *Financial Modelling Scenarios Summary*.

It should be stated that it is difficult to present the various SRV scenarios in a simple manner, as there is complex modelling that sits behind each of them. What the two above-mentioned documents attempt to do, is to take people through the process that resulted in the various scenarios that are listed below.

The *FFF Financial Modelling Journey* document (refer to the attachment) attempts to show the process undertaken in developing the various scenarios. For example:

- Step 1 shows that Council was asked under the FFF process to commence the process with our existing Long Term Financial Plan (LTFP) and existing rating regime;

- Step 2 shows that Council had to complete a self-assessment against the FFF benchmarks. The results of this self-assessment are shown in the table on Page 7 of this report;

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- Step 3 shows the development of the action plan that includes actions Council can take to increase revenue or reduce expenditure in order to find savings;

- Steps 4 to 11 show the steps taken to assess what SRV would be required to meet the shortfall between savings detailed in the action plan and the funding required to meet the FFF benchmarks.

The *FFF Financial Modelling Journey* document references various Scenario numbers i.e. Scenario 1, 2, 3 etc. The detail of these scenarios can be found in the attachment titled *Financial Modelling Scenarios Summary*, with a brief summary of them listed below:

Scenarios	Description	IPART Methodology	Non SRV Impact	SRV impact
Current LTFP	As per current rating levels and forecast budgets	Does not meet methodology	No other actions considered	No SRV considered
Scenario 1	Include Action Plans and Maintain existing SRV	Does not meet methodology.	All other actions considered	Embed existing 4.43% SRV
Scenario 2	Include Action Plans, Maintain existing SRV, new SRV required. Model shows one-off SRV in 16/17.	Does meet methodology.	All other actions considered	Embed existing 4.43% SRV Additional SRV.
Scenario 2a	As per Scenario 2, but new SRV phased over 3 years from 16/17	As above	As above	As above
Scenario 2b	As per Scenario 2, but new SRV phased over 5 years from 16/17	As above	As above	As above
Scenario 2c	As per Scenario 2, but new SRV phased over 5 years from 17/18	As above	As above	As above
Scenario 3	Include Action Plans, Maintain existing SRV, new SRV required. Modelled to determine gap required to meet operating performance ratio.	Does not meet	As above	As above
Scenario 4a	Include Action Plans, Maintain existing SRV, new SRV required. Modelled to determine gap required to meet 6 of the 7 criteria.	Does meet methodology. (Building & Infrastructure Renewals ratio will not be met)	As above	As above
Scenario 4a	Include Action Plans, Maintain existing SRV, new SRV required as a one-off in 16/17 Modelled to determine gap required to meet 6 of the 7 criteria.	Does meet methodology. (Building & Infrastructure Renewals ratio will not be met)	As above	As above
Scenario 4b	As above, but phased over 3 years from 17/18	As above	As above	As above

As per the summary table above, only the modelling in scenarios 2, 2a, 2b and 2c meet IPART's criteria. Each of these assumes the implementation of non-SRV actions. 2c however is phased over a 5 year period and is delayed to commence in 17/18 whereas 2, 2a and 2b are implemented over a shorter time frame and commence in 16/17.

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In the context of the PMHC situation, the preferred scenario as recommended by staff is known as Scenario 2c. This was considered most appropriate given:

- It enabled the existing Special Rate Variation (SRV) to be embedded in the base rate, noting that the community are now accustomed to this level;
- It provides for additional Special Rate Variation to be embedded to deal with the infrastructure backlog but does this in a staged manner;
- It enables Council to be aligned with the IPART proposed methodology of demonstrating an improvement in all of the benchmarks albeit not necessarily being within the defined timeframes;
- It recognises the community's capacity to pay i.e. SRV's spread out over a number of years;
- Provides a range of other business improvements to be implemented in a staged manner and
- Allows some flexibility in the timing of meeting all the actions as included in the improvement plan.

The performance measures against the benchmarks have been calculated using the preferred scenario, being scenario 2c. These are as follows and are taken from the FFF submission document as attached to this report:

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	*(0.063) = Average over 3 years 2012/13, 2013/14 & 2014/15*	*(0.064) = Average over 3 years 2013/14, 2014/15 & 2015/16*	*(0.086) = Average over 3 years 2014/15, 2015/16 & 2016/17*	*(0.047) = Average over 3 years 2015/16, 2016/17 & 2017/18*	*(0.026) = Average over 3 years 2016/17, 2017/18 & 2018/19*	0.023 = *Average over 3 years 2017/18. 2018/19 & 2019/20*	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	65.81% = *Average over 3 years 2012/13, 2013/14 & 2014/15*	66.66% = *Average over 3 years 2013/14, 2014/15 & 2015/16*	69.05% = *Average over 3 years 2014/15, 2015/16 & 2016/17*	73.38%= *Average over 3 years 2015/16, 2016/17 & 2017/18*	78.48%= *Average over 3 years 2016/17, 2017/18 & 2018/19*	79.74% = *Average over 3 years 2017/18. 2018/19 & 2019/20*	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	56.65%= *Average over 3 years 2012/13, 2013/14 & 2014/15*	72.60%= *Average over 3 years 2013/14, 2014/15 & 2015/16*	*73.59% = Average over 3 years 2014/15, 2015/16 & 2016/17*	77.99%= *Average over 3 years 2015/16, 2016/17 & 2017/18*	63.32%= *Average over 3 years 2016/17, 2017/18 & 2018/19*	81.24% = *Average over 3 years 2017/18. 2018/19 & 2019/20*	No Ratio is however improving and forecast to meet in 21/22
Infrastructure Backlog Ratio (Greater than 2%)	9.59%= *2014/15*	9.03%= *2015/16*	9.07% = 2016/17	8.85% = 2017/18	8.20% = 2018/19	7.06% = 2019/20	No Ratio is however improving and forecast to meet in 22/23

Asset Maintenance Ratio (Greater than 100% average over 3 years)	49.82%= Average over 3 years 2012/13, 2013/14 & 2014/15	67.23%= Average over 3 years 2013/14, 2014/15 & 2015/16	86.80% = Average over 3 years 2014/15, 2015/16 & 2016/17	91.67%= Average over 3 years 2015/16, 2016/17 & 2017/18	96.56%= Average over 3 years 2016/17, 2017/18 & 2018/19	96.67% = Average over 3 years 2017/18. 2018/19 & 2019/20	No Ratio is however improving, and forecast to meet in 25/26.
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	8.92%= Average over 3 years 2012/13, 2013/14 & 2014/15	9.67%= Average over 3 years 2013/14, 2014/15 & 2015/16	10.29% = Average over 3 years 2014/15, 2015/16 & 2016/17	10.02%= Average over 3 years 2015/16, 2016/17 & 2017/18	9.38%= Average over 3 years 2016/17, 2017/18 & 2018/19	8.46% = Average over 3 years 2017/18. 2018/19 & 2019/20	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Declining - 1.058 = Five Year Trend Data - 2010/11, 2011/12, 2012/13, 2013/14 & 2014/15	Declining -1.039 = Five Year Trend Data - 2011/12, 2012/13, 2013/14, 2014/15 & 2015/16	Declining -1.017 = Five Year Trend Data - 2012/13, 2013/14, 2014/15, 2015/16 & 2016/17	Declining -1.012 = Five Year Trend Data - 2013/14, 2014/15, 2015/16, 2016/17 & 2017/18	Declining -1.012 = Five Year Trend Data - 2014/15, 2015/16, 2016/17, 2017/18 & 2018/19	Declining - 0.991 = Five Year Trend Data - 2014/15, 2015/16, 2016/17, 2017/18 & 2019/20	Yes

It was found that while not all of the benchmarks could be achieved in the proposed FFF timeframes i.e. by 2019-2020, substantial improvement would be made against the majority of measures and this is in line with the IPART evaluation methodology.

The IAP has been developed on the basis of Scenario 2c as defined above, with the longer term view of sustainability as an outcome.

As stated earlier in this report, Council had already embarked on a pathway to improve its service delivery, its financial situation and its asset backlog prior to the FFF process being announced. As reported to the 16 May 2012 Extraordinary Council meeting, some of the key savings measures listed in that report are highlighted below:

2008-2009 (reflected in 2009-2010): **$4.05 million** (This was a mix of redundancies and vacant roles not being filled, as well as service reductions & budget savings);

2010-2011 – line by line budget reviews: **$835,540;**

2011-2012 – line by line budget reviews: **$525,000;**

The above savings equated to approximately **$5.4 million** since the 2009-2010 financial year.

The 16 May 2012 Council report goes on to say:

'*It is acknowledged that the journey to get to the savings listed above was not an easy one. As times change, so do the demands of the community which we serve. Financial sustainability is a key issue for all NSW Council's as we are asked to deliver more and more services to the community, often with less and less funding*

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and resources. If Council is to continue to offer a range of services to the community and at the same time begin to tackle the infrastructure backlog of approximately $110 million, then we need to continue to review our operations to ensure each service we provide is delivered in the most efficient manner possible, whilst still achieving worthwhile outcomes for the community.'

Doing nothing is clearly not a realistic option i.e. it does not address the NSW Government directive in relation to the FFF reform program. Notwithstanding that there may be disputes and criticism about the criteria, the measures / ratios, their benchmarks and their relative importance, Council had already identified and commenced working on a program of reform and improvements outside of the FFF process as described earlier in this report.

The key issue will be around how quickly Council can move to improve its future financial sustainability and asset management should substantial support not be obtained from both the NSW and Federal Governments, from the FFF program and other reviews underway. Council is committed to improving its long term sustainability and continuing to deliver high quality services to its community.

It is anticipated that if the NSW Government is committed to the FFF reform agenda it has outlined, then Council will be able to accelerate its improvement program. It should also be stated that whilst Council is fully supportive of ensuring that local government continues to be reformed, local governments relationship with the State government is a two-way street i.e. the State must also be willing to change the way in which they operate and engage with local government in order for this reform process to work.

Options

Council can note the recommendation as included in this report or resolve to support another scenario as the basis for the FFF submission. It should be noted that the draft FFF submission as attached to this report (titled: *Draft FFF Submission - Port Macquarie-Hastings Council)* is based on Scenario 2c. If Council resolve to support another scenario, then the draft submission will need to be updated accordingly, prior to submitting it to the IPART by 30 June 2015.

Community Engagement & Internal Consultation

Council developed and implemented a community engagement process in developing its submission, which involved engagement with the Community Reference Group (CRG). In essence this engagement revealed that there was general understanding and acceptance that a different process would be needed to enable Council to be considered FFF. A number of factors were considered important for the future and the principles of asset management and service levels associated with willingness to pay, user pays, increasing revenue and strong financial management were all canvassed and supported at a strategic level.

Council also undertook an independent community satisfaction survey in January 2015 that canvassed six hundred (600) residents (noting that this is considered to be a statistically valid survey sample size) in relation to general satisfaction with Council. The survey also addressed questions in relation to the services provided by Council to the community.

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The survey found that 90% of respondents were at least ‘somewhat satisfied’ with the performance of Council over the previous twelve (12) months. The survey also found that satisfaction had improved with twenty seven (27) of the thirty five (35) major services Council provides to the community since the last survey was undertaken in October 2012. The survey found that fifteen (15) of the thirty five (35) services were ranked equal to or above the local government satisfaction benchmarks - a threefold increase on the results from the October 2012 survey. This information helps to form the basis of the future community engagement Council will undertake as further detailed below.

As stated earlier in this report, due to the timeframes provided for the FFF process, no detailed community engagement was undertaken in relation to the FFF submission and process. It should be noted that from March 2015 to May 2015 Council had on public exhibition the 2015-2016 Operational Plan (OP) and a decision was made to focus the community on that feedback rather than on the FFF process. It should also be stated that Councils who were deemed to have sufficient scale and capacity such as PMHC, were not required to undertake detailed engagement, the likes of which would have been required if Council had been flagged as needing to merge / amalgamate with one of our neighbours.

Regardless of the success or otherwise of Council’s FFF submission, an extensive engagement and education process is currently in the planning phase for implementation between August 2015 & February 2016 that will comprehensively deal with the issues of ensuring Council is delivering agreed services at the agreed levels and at best value in order for Council to become financially sustainable into the future. This will involve detailed engagement around how Council might fund future increases in the level of services being provided to the community. Attached is a document titled *Draft Community Engagement Overview* which shows in draft form, the planned community engagement to be undertaken later in 2015.

From an internal consultation perspective, the General Manager provided regular staff messages on the FFF process and undertook a number of briefings on the submission process with the Mayor and Councillors. The General Manager, Mayor and other senior staff attended a series of regional workshops held by the OLG and the IPART over the course of this reform process. An internal working party was developed to work on the submission and communications were established with the OLG Relationship Manager for the Mid North Coast. Regular discussions on issues such as Joint Organisations also took place through MIDROC meetings.

It should be noted that community members wishing to provide comment on the Port Macquarie-Hastings proposal can do so directly with IPART once the proposal has been lodged by 30 June 2015. Public submissions to IPART will close on 31 July 2015 to enable them to be considered as part of the IPART assessment process.

Planning & Policy Implications

There is no direct planning or policy implications as a result of this report at this time. As stated earlier in this report, it should be noted that the FFF submission and related IAP included in this report are Council’s response to the directive from the NSW State Government that all Council’s must respond to their FFF reform package. It is in this context that the FFF submission has been developed.

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It is envisaged that should the FFF improvement action plan be supported by the NSW Government (noting that there are a number of assumptions that would need approval), the Delivery Program and future One Year Operational Plan would need modification, as the FFF process and related action plans need to feed into the Integrated Planning & Reporting (IPR) suite of documents to become part of business as usual.

If, following assessment of the FFF submission, Council is deemed to be 'Fit' then a further report will be tabled at a future meeting of Council to determine the next steps

Financial & Economic Implications

The cost of developing this submission has been approximately $100,000, as per the previously adopted budget by Council. This figure does not include however the significant absorbed costs of staff who were directly involved in this project over some eight (8) months.

A budget was established to enable consultants to be engaged, a casual project officer to support the development of the submission as well as community engagement activities as detailed earlier in this report.

It is anticipated that should the NSW Government support the proposed IAP included in the submission, there will be adjustments required to future budgets and the Long Term Financial Plan. It is not anticipated that information in relation to our FFF assessment will be available until mid-way through the 2015- 2016 financial year, according to the NSW Governments FFF timelines.

It is clear that there are major financial implications as a result of the FFF local government reform process. As stated earlier in this report, whilst there is broad support for reform of local government, it is not necessarily realistic to expect Councils to be able to be deemed FFF in a short timeframe of five (5) years. However as per the IPART methodology and the directive from the NSW Government, Council was set the task of addressing how it could meet or show improvement in the FFF ratios by 2019-2010.

In terms of future financial sustainability, it is clear that whilst Council can make some improvements (as outlined in the IAP) to improve its financial performance, financial modelling demonstrates that without additional revenue sourced from the community via SRV's, Council is unable to meet the benchmarks outlined in the FFF program. Council's historic financial performance has shown recurring operating deficits and this will continue into the future without additional rates and charges revenue.

The operating performance ratio, for example, is an indicator that a Council's service levels are sustainable and whether Councils have the capacity to renew and replace assets when required. Council requires an additional $8M per annum to meet this ratio alone (after implementation of non-SRV actions and embedding the existing 4.43% SRV). Addressing asset related ratios to the satisfaction of the State Government will require additional levels of SRV's as demonstrated by the modelling.

Attached to this report is a document titled *IPART Special Rate Variation Decisions 19 May 2015*. When Council applies for SRV's, the IPART is the body to which the applications are made and it is the IPART that determine whether or not SRV applications are successful. For the 2015-2016 financial year, the IPART recently

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released their SRV determinations, which are dealt with in the above-mentioned attachment. For 2015-2016, the IPART received twenty two (22) SRV applications, with them approving twenty one (21) fully and one (1) only partially. Of those SRV applications approved by the IPART, eighteen (18) of them are for various infrastructure backlog or asset management purposes, with several of them being for the purpose of future financial sustainability.

The key point here is that there are many Councils in NSW that have already applied for substantial SRV's, as it is one of the only avenues open to Councils to increase revenue to the levels often required to address various financial sustainability issues. Of the SRV's applied for and approved by the IPART for 2015-2016, the size of the rate rises range from 2.50% through to 50.72% and range in years from one (1) year to five (5) years.

Council does not take its financial sustainability responsibilities lightly and has undertaken a number of reviews and developed strategies to improve its financial position to date. The additional action plans identified in the FFF submission, if implemented, will ensure that Councils financial capacity and sustainability will be greatly improved.

Notwithstanding the IAP outlined in the FFF submission, Council will continue to remain diligent to ensure that costs are managed, and additional revenue streams are pursued into the future.

It should be noted that Council has commenced a comprehensive service review program which may also achieve savings and efficiencies into the future.

Attachments

1View. PMHC IPART Submission on Assessment Methodology for Fit for the Future 25 May 2015
2View. Council Report - Reform of Local Government Fit for the Future - 18 February 2015
3View. Council Report - Financial Impact of Cost Shifting From Other Levels of Government - 20 May 2015
4View. Council Report - Financial Sustainability Review - 16 May 2012
5View. Review of Fit for the Future Strategies - AEC Group - June 2015
6View. Financial Modelling Scenarios Summary
7View. FFF Financial Modelling Journey
8View. Draft Community Engagement Overview
9View. IPART Special Rate Variation Decisions 19 May 2015.
10View. Draft FFF Submission - Port Macquarie-Hastings Council - 12 June 2015

09.07 INVESTMENTS - MAY 2015

RESOLVED: Levido/Griffiths

That Council note the Investment Report for the month of May 2015.

CARRIED: 8/0
FOR: Besseling, Cusato, Griffiths, Intemann, Levido, Roberts, Sargeant and Turner
AGAINST: Nil

09.09 REFORM OF LOCAL GOVERNMENT - FIT FOR THE FUTURE SUBMISSION TO THE NSW GOVERNMENT

RESOLVED: Besseling/Levido

That:
1. The content of the 'Fit for the Future' proposal identified as "Scenario 2C" be submitted in accordance with the requirements of IPART, prior to 30 June 2015.
2. Council acknowledges that the submission does not bind this Council or any future Council to the suggested rate increases contained therein.
3. Any future application for Special Rate Variations associated with the submission take into account the following:
    a) The community's capacity to pay any suggested rate increase.
    b) Any further efficiencies identified in Council's current Services Review.
    c) The financial realisation of Council assets.
    d) Federal and State Government funding equity improvements.
    e) Feedback from the community.

CARRIED: 7/1
FOR: Besseling, Cusato, Griffiths, Intemann, Levido, Sargeant and Turner
AGAINST: Roberts

10.01 NOTICE OF MOTION - PLACEMENT OF WRITTEN MATERIAL ON PUBLIC PROPERTY

RESOLVED: Levido/Cusato

That the General Manager bring a report to the August 2015 Meeting of Council dealing with:
1. An explanation of the legal framework as to the prohibition (or otherwise) of the placement of politically motivated signage/posters and/or other written material on public property including roadways, footpaths, public reserves and the structures thereon.
2. Any Council Policy or Policies dealing with the prohibition (or otherwise) of the placement of politically motivated signage/posters and/or other written material on public property including roadways, footpaths, public reserves and the structures thereon.
3. The options open to Council to remove or cause such items to be removed.