

Reports of the Corporate Governance Committee Meeting held at 5.30pm on Tuesday, 12 May 2015.

APOLOGIES

ACKNOWLEDGEMENT OF LAND

DECLARATIONS OF INTEREST

Pecuniary Interests

Non Pecuniary – Significant Interests

Non Pecuniary – Less than Significant Interests

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Minutes of the Corporate Governance Committee held on 12 May 2015

Present

His Worship the Mayor, Councillor P Lake
Councillor C Mead
Councillor F Borg
Councillor G Greiss
Councillor P Hawker (Chairperson)
Councillor R Kolkman
Director Business Services - Mr M Sewell
Director City Works - Mr W Rylands
Manager Emergency Management and Facility Services - Mr R Blair
Manager Financial Services - Mrs C Mears
Manager Governance and Risk - Mrs M Dunlop
Manager Information Management and Technology - Mrs S Peroumal
Manager Infrastructure - Mr G Mitchell
Manager Operational Services – Mr A Davies
Manager Property Services - Mr J Milicic
Executive Assistant - Mrs K Peters

Apology

(Greiss/Kolkman)

That the apology from Councillors Chanthivong and Dobson be received and accepted.

CARRIED

Election of Chairperson (Kolkman/Borg)

In the absence of the Chairperson at the commencement of the meeting, Councillor Hawker was elected as Acting Chairperson of the meeting.

Attendance

His Worship the Mayor, Councillor Lake and Councillor Mead arrived at the meeting at 5.35pm during General Business.

Acknowledgement of Land

An Acknowledgement of Land was presented by the Chairperson Councillor Hawker.

DECLARATIONS OF INTEREST

There were no Declarations of Interest at this meeting.

1. GOVERNANCE AND RISK

1.1 Fit for the Future reform - Expert Panel appointment and assessment methodology

Reporting Officer

Manager Governance and Risk

Attachments

Methodology for Assessment of Council Fit for the Future Proposals – IPART (contained within this report)

Purpose

To advise Council of the appointment of the Independent Pricing and Regulatory Tribunal (IPART) as the Expert panel and to provide an overview of the methodology the IPART proposes to use to assess each Council's Fit for the Future submission.

History

In October 2014, the NSW Government announced the Fit for the Future (FFTF) reform program for Local Government. The Government's objective with the FFTF program is to encourage each council to create its own roadmap of how it will form part of a stronger and more effective local government sector for NSW, and be a sustainable and efficient provider of services to the community.

Report

The NSW Government appointed the IPART to perform the role of the Expert Advisory Panel to assess how council proposals meet the Fit for the Future criteria. Councils are to prepare proposals as to how they will meet the criteria for submission by 30 June 2015. The role of the IPART is to consider proposals independently and ensure a consistent, fair and impartial assessment.

The appointment of the Expert Panel marks the next step in the Fit for the Future process. The Premier has appointed an additional tribunal member, Mr John Comrie, to support IPART in its deliberations.

The Terms of Reference for the Expert Panel were developed in consultation with Local Government NSW, Local Government Professionals Australia and the United Services Union and are included in the attached consultation paper.

The IPART has release a consultation paper (attachment 1) that explains the methodology proposed to assess the submissions.

Proposed Assessment Ratings

To determine a rating, the IPART proposes to assess councils' FFTF proposals as:

- **Fit** – if the proposal satisfies the four FFTF criteria overall, that is, if the proposal:
 1. First, satisfies the **scale and capacity** criterion. Proposals that are broadly consistent with the ILGRP's preferred options would satisfy this threshold criterion. The approach to assessing proposals that do not align with ILGRP preferred options will take account of a number of other factors.
 2. Second, satisfies overall the other criteria of **sustainability, effective infrastructure and service management**, and **efficiency**. The proposed assessment methodology for these criteria requires councils to demonstrate how they either meet or seek to improve performance against specific benchmarks.
- **Not Fit** – if the proposal does not satisfy the scale and capacity criterion, or does not satisfy overall the other criteria based on our analysis; this rating which would be accompanied by explanation and, potentially, a recommendation.
- **Not assessed, deemed Not Fit** – if a council has not submitted a proposal for the IPART to assess.

The consultation paper (attachment 1) explains the methodology the IPART has proposed to assess the submissions.

The IPART will conduct four regional workshops during May as part of the consultation process. Council staff will attend the Sydney workshop on 11 May 2015.

The IPART's proposed approach to assessment of the criteria

Following the assessment of scale and capacity, the IPART will assess how council proposals meet the remaining three other criteria, that is:

- Sustainability
- Effective Infrastructure and Service Management
- Efficiency.

The assessment of each of these criteria is based on how councils perform against a set of specific measures and benchmarks. These three criteria should be satisfied overall for a council to be considered 'fit'.

The IPART proposes to:

1. Scale the benchmarks in order of importance as:
 - a) **'must meet'** where the IPART considers these as key or reasonable benchmarks for councils to meet within a specified timeframe in order to be assessed as FFTF
 - b) **'must demonstrate improvement in'** where the IPART expects councils, for these benchmarks, to demonstrate a current and/or forecast trend towards meeting the benchmark if it is not feasible to achieve the benchmark within the specified timeframe, and
-

1.1 Fit For The Future Reform - Expert Panel Appointment And Assessment Methodology

- c) **'informs assessment'** – all the benchmarks will inform our assessment of whether a council is FFTF, however, we consider some flexibility is required when considering some benchmarks more than others to take account of particular issues, eg, data integrity issues.
2. Set differential timeframes for councils to meet, or make improvements towards meeting the benchmarks.

Proposed Criteria benchmark scale

Performance Measure	Benchmark	All councils (except rural Councils)
Sustainability criteria		
Operating Performance Ratio	Greater than 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 improve within 5 years
Infrastructure and Service Management Criteria		
Infrastructure back log	Less than 2%	Meet or improve/inform within 5 years
Asset Maintenance	Greater than 100% average over 3 years	Meet or improve/inform within 5 years
Debt Service	Greater than 0% and less than or equal to 20% average over 3 years	Meet within 5 years
Efficiency criteria		
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

Council has been invited to make a submission in relation to the consultation paper by 25 May 2015. Submissions can be made by organisations or individuals.

Officer's Recommendation

That the information be noted.

Committee's Recommendation: (Borg/Greiss)

That the Officer's Recommendation be adopted.

CARRIED

Council Meeting 19 May 2015 (Hawker/Mead)

That the Officer's Recommendation be adopted.

Council Minute Resolution Number 84

That the Officer's Recommendation be adopted.

ATTACHMENT 1



Independent Pricing and Regulatory Tribunal

The left side of the cover features a vertical image of a modern building's glass facade, reflecting the sky and clouds, with a bright light source at the top creating a lens flare effect.

Methodology for Assessment of Council Fit for the Future Proposals

Local Government — Consultation Paper
April 2015



Independent Pricing and Regulatory Tribunal

Methodology for Assessment of Council Fit for the Future Proposals

Local Government — Consultation Paper
April 2015

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The Tribunal members for this review are:

Dr Peter J Boxall AO, Chairman

Ms Catherine Jones

Mr Ed Willett

Inquiries regarding this document should be directed to a staff member:

Lucy Garnier (02) 9290 8488

Nicole Haddock (02) 9290 8426

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box K35, Haymarket Post Shop NSW 1240

Level 15, 2-24 Rawson Place, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

www.ipart.nsw.gov.au

Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by 25 May 2015.

We would prefer to receive them electronically via our online submission form <www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission>.

You can also send comments by mail to:

Methodology for Assessment of Council Fit for the Future Proposals

Independent Pricing and Regulatory Tribunal

PO Box K35

Haymarket Post Shop NSW 1240

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website <www.ipart.nsw.gov.au> as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed on the previous page.

We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

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-

1 Executive Summary

1.1 Introduction

This consultation paper explains our proposed methodology to undertake the role of the Expert Panel in assessing local government Fit for the Future proposals and seeks stakeholder comment.

The NSW Government's Fit for the Future reforms aim to improve the strength and effectiveness of local government in providing services and infrastructure that communities need.¹ The NSW Government has been working with local councils since 2011 on this initiative to strengthen the local government sector. The reform process is expected to benefit ratepayers by leading to councils that will be financially sustainable into the future, and more capable of being strategic partners with other levels of government.

The Government has established four criteria it considers are necessary for a council to be considered 'Fit for the Future' (FFTF).² The criteria that characterise a FFTF council have been developed based on the work of Destination 2036, the assessments of the sector by the Independent Local Government Review Panel (ILGRP) and the NSW Treasury Corporation (TCorp),³ as well as input from the local government sector and IPART⁴. These criteria are:

- ▼ scale and capacity to engage effectively across community, industry and government
- ▼ sustainability
- ▼ effectively managing infrastructure and delivering services for communities, and
- ▼ efficiency.

The Government also announced that councils which are assessed as FFTF will have access to a range of benefits, including access to a streamlined rate variation process and a State Government borrowing facility, priority for other government funding and grants, and eligibility for additional devolved planning powers.⁵

¹ Office of Local Government (OLG), *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 15.

² OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, pp 6-8.

³ OLG, *Preparing your council's Fit for the Future proposal – Templates and Self-Assessment Tool*, November 2014, p 2.

⁴ IPART, *Review of criteria for fit for the future – Final Report*, September 2014.

⁵ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 15.

1.2 Role of IPART as the Expert Panel

The Government asked IPART to perform the role of the independent Expert Panel to assess how council proposals meet the FFTF criteria. Councils are to prepare proposals as to how they will meet the criteria over the medium term (ie, to 2019-20) for submission to us by 30 June 2015. Our role is to ensure a consistent, impartial and balanced assessment of councils' FFTF proposals.

The full terms of reference (ToR) for IPART's role are attached at Appendix A. Box 1.1 provides a summary of the three tasks contained in the ToR:

1. develop a methodology for assessing proposals
 2. undertake the assessments of whether each council is FFTF, consistent with the methodology, and
 3. provide the Government with a final assessment report by 16 October 2015.
-

Box 1.1 Panel tasks in Terms of Reference

1. Develop a methodology for assessing Fit for the Future (FFTF) proposals, which must:
 - a) be consistent with the Government's reform agenda for FFTF
 - b) include an assessment of the scale and capacity criterion as a threshold criterion
 - c) include an assessment of the performance against the other FFTF measures that takes into account:
 - i. published guidance materials
 - ii. relative importance of each measure in a council becoming FFTF and the relative robustness of each measure
 - iii. the social and community context and outcomes for each council
 - d) include an assessment of the consultation process undertaken by the council
 - e) consider advice provided by the Ministerial Advisory Group
 - f) identify timescales and approach to consultation
 - g) be published for public consultation for a minimum of 28 days
 - h) be finalised and available to councils no later than the week commencing 1 June 2015.
 2. Undertake an assessment of whether each council is FFTF, consistent with the published methodology, which must:
 - a) operate with consistency, fairness and impartiality
 - b) have an online portal for all councils to submit their FFTF proposals
 - c) publish all councils' proposals and supporting documentation, subject to confidentiality, as soon as practicable after 30 June 2015
 - d) ensure local government knowledge and expertise in the technical assessment of each proposal
 - e) rely on the evidence provided by councils through the online submission process, and additional relevant information
 - f) give councils the opportunity to provide additional information, which may include the opportunity for councils to present in person.
 3. Provide the Minister for Local Government and the Premier by 16 October 2015 with a final report identifying whether or not each council is FFTF and the reasons for this assessment, to be publicly released following Cabinet approval.
-

A temporary part-time Tribunal member, John Comrie, is being appointed for the period of the assessment process. The member will supplement the existing local government expertise and experience of the Tribunal with first-hand local government industry experience.

1.3 Fit for the Future proposals based on scale and capacity

The Government has established the 'scale and capacity' criterion as the threshold criterion for councils.⁶ In making a FFTF proposal, councils must first assess their scale and capacity against the ILGRP's recommendations, and submit one of three types of proposals:

- ▼ **Council Merger Proposal** – for councils that need to undertake structural change by merging with one or more other councils to achieve sufficient scale and capacity.
- ▼ **Council Improvement Proposal** – for councils that currently have sufficient scale and capacity without any structural change.
- ▼ **Rural Council Proposal** – for councils with 'Rural Council Characteristics', (eg, small, declining populations spread over a large area) where mergers may not be feasible, but which need to demonstrate plans and strategies for real change in order to increase their capacity and improve performance against the Fit for the Future criteria.⁷

The Office of Local Government (OLG) has developed templates for councils to use for each proposal type, in addition to other resources and guidance to assist councils in assessing their options and preparing their proposals.⁸

1.4 Addressing the other three criteria

In each application, the council must also demonstrate how it meets the other three FFTF criteria – 'sustainability', 'effective infrastructure and service management' and 'efficiency'.

The Government has established certain measures with benchmarks for each of the FFTF criteria, which a council must report against to show how it meets these criteria. These measures and benchmarks are set out in Table 1.1.

In each of the templates, the council should report its projected performance to 2019-20 against each of the criteria measures. For councils that have proposed some form of structural change (ie, Merger or Rural Council option), the council is asked to report its estimated future performance based on the new structure. For the Rural Council option, the council is also asked to report its past performance (from 2010-11), to help demonstrate how its projected performance would improve under the new, proposed structure.

⁶ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 12.

⁷ OLG, *Fit for the Future Rural Council Workshop outcomes*, December 2014, p 8.

⁸ OLG guidance material and templates can be found at the following government website: <http://www.fitforthefuture.nsw.gov.au/preparing-proposal> [accessed 16 April 2015].

Table 1.1 Fit for the Future Criteria and Measures

Criteria and measure	Definition	Benchmark
1. Sustainability		
Operating Performance Ratio	$\frac{\text{Net continuing operating result (excl capital grants and contributions)}}{\text{Total continuing operating revenue (excl capital grants and contributions)}}$	Greater or equal to break-even average over 3 years
Own Source Revenue Ratio	$\frac{\text{Total continuing operating revenue (excl all grants and contributions)}}{\text{Total continuing operating revenue (incl capital grants and contributions)}}$	Greater than 60% average over 3 years
Building and Asset Renewal Ratio	$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$	Greater than 100% average over 3 years
2. Effective infrastructure and service management		
Infrastructure Backlog Ratio	$\frac{\text{Estimated cost to bring assets to satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets}}$	Less than 2%
Asset Maintenance Ratio	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$	Greater than 100% average over 3 years
Debt Service Ratio	$\frac{\text{Cost of debt service (interest expense and principal repayments)}}{\text{Total continuing operating revenue (excl capital grants and contributions)}}$	Greater than 0% but less than or equal to 20% average over 3 years
3. Efficiency		
Real Operating Expenditure	$\frac{\text{Operating expenditure}}{\text{Population}}$	A decrease in Real Operating Expenditure per capita over time

Note: WDV = written down value.

Source: OLG, *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, January 2015, p 15.

1.5 Proposed methodology to assess the proposals

The Government requested that we develop a methodology upon which to assess council FFTF proposals as a first step in fulfilling the role of the Expert Panel.

Our proposed methodology to assess council FFTF proposals includes:

1. How we propose to rate council proposals.

Councils that submit proposals will be rated as either '**fit**' or '**not fit**', with reasons given for the assessment. Councils that do not submit a proposal during the submission process cannot be properly assessed and will therefore be '**deemed not fit**'.⁹

2. How we propose to assess the scale and capacity criterion, as the threshold criterion.

All councils must demonstrate that they either currently have, or will have, sufficient scale and capacity with their proposed approach, consistent with the objectives identified by the ILGRP for their region, and the features of strategic capacity in Box 3.1. We will consider first the ILGRP's *preferred option* for each council regarding scale and capacity and whether the council's proposed option is *broadly consistent* with this option.

Based on our approach, if the ILGRP recommended a council to stand-alone or undertake structural change, then the council should demonstrate that they first considered making a proposal on this basis. If the ILGRP recommended a merger as the preferred option and the council did not propose one, the council will be assessed as 'not fit', unless it presents either:

- a sound argument (eg, using a business case) that demonstrates that the proposed approach is superior to the recommended merger, or
- a merger option *broadly consistent* with the ILGRP recommendation to merge councils (eg, with three rather than four councils), supported by a sound argument, or
- a Rural Council Proposal where the council demonstrates that it first meets the 'Rural Council Characteristics' (Box 2.1) and clearly demonstrates how the council plans to achieve real change and improve its capacity.

3. How we propose to assess the three other criteria (Table 1.1), following our assessment of scale and capacity.

We propose to assess a council's performance using the specific measures and benchmarks, as shown in Table 1.1. In brief, the approach:

- Scales the benchmark in the order of importance as: 'must meet' or 'must demonstrate improvement in'. The scaling applied to each benchmark indicates the importance of councils achieving operational sustainability over the medium term and having plans to improve capital sustainability performance over this same period. A council's performance against each of the individual benchmarks will inform our overall assessment of whether a council meets the criteria.

⁹ Except for Far West councils that choose not to submit proposals for which no rating will be given.

- Sets timeframes for councils to meet or make improvements towards meeting the benchmarks (ie, within 5 or 10 years).
 - Allows flexibility for councils in meeting the forward benchmarks where there is a Merger or Rural Council Proposal, which may require some short term adjustment to fulfil structural objectives (eg, a temporary increase in asset backlogs in a larger, merged council).
4. **How we will undertake the assessment process, including the timetable, how we will consider information provided by councils through the online portal and other relevant information, and opportunities for council consultation with IPART.**

1.5.1 Other factors that may inform our assessment of FFTF proposals

During our assessment of proposals, we will also consider other factors that may influence our overall assessment of whether a council meets the FFTF criteria, namely:

- ▼ the social and community context of the council
- ▼ the nature and quality of the supporting information, including the rigour by which the ILGRP's preferred options for scale and capacity were explored by the council, and the robustness and consistency of the assumptions underlying the council's forecasts
- ▼ how the council consulted with its community regarding its proposal or alternative options as relevant, and the outcomes from these consultations, and
- ▼ the impact of the council's water utility business on its General Fund performance, where the council also serves a water utility function (this information is requested in the templates).

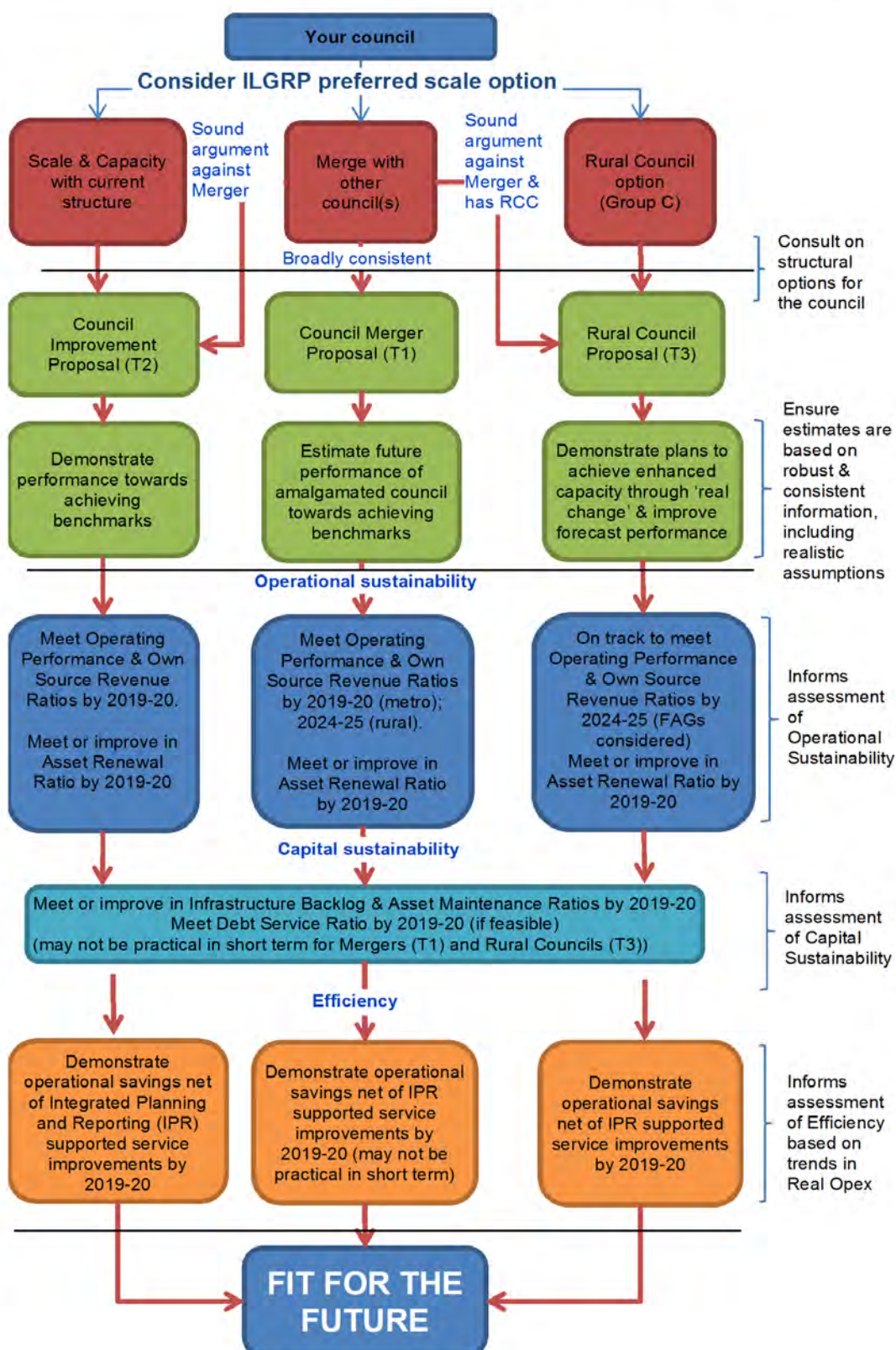
1.5.2 Summary of the assessment process

We developed Figure 1.1 to summarise the assessment process for FFTF proposals and the steps a council would need to take to be assessed as FFTF.

This demonstrates that a council should consider the ILGRP's scale and capacity option as the starting point, and how a FFTF council should put forward a proposal broadly consistent with the objectives of the ILGRP for the region, unless there is a sound argument ruling out this option.

1.5.3 Future reporting of FFTF performance

This paper also outlines how a council may report on its progress to becoming FFTF over time. We propose that councils would report performance each year in their Annual Reports, and that the Auditor General would reassess FFTF performance periodically, as part of the new auditing role for the Audit Office of NSW in the sector.

Figure 1.1 Proposed assessment process for councils' FFTF proposals

1.5.4 Submission process for council FFTF proposals

Councils can lodge their FFTF proposals, following the release of the Final Report on the assessment methodology in the week commencing 1 June, by using our dedicated council portal on our website:

http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Council_Portal.

Proposals are due on 30 June 2015. We will publish additional guidance for councils on how to submit proposals through the online portal on our website.

Once we receive council proposals, we will post non-confidential information on our website as soon as practical. We will also accept public submissions on council FFTF proposals to assist with our assessment during the four weeks after the council deadline, to 31 July, and will post these submissions on our website.¹⁰

During our assessment process, we may seek further information, or meet with certain councils to clarify aspects of their proposals. IPART's officers will also be available to assist councils with enquiries about the submission process before 30 June.

Once we complete our assessment, we will rate all councils and provide our recommendations to the Government by 16 October 2015.

A timetable for the FFTF assessment process, as well as the consultation process on this consultation paper, is in Table 1.2.

¹⁰ Submissions we receive from stakeholders outside a formal submission period may be considered by the Tribunal, but will not be published on our website. We will notify stakeholders through our website about formal submission periods.

Table 1.2 Timeline for FFTF methodology consultation and assessment process

Date	Milestone
Stage 1	Assessment methodology
27 April 2015	Release of Consultation Paper – Assessment Methodology
11 May 2015	Public Forum – Sydney (webcast)
15 May 2015	Public Forum – Dubbo
18 May 2015	Public Forum – Coffs Harbour
21 May 2015	Public Forum – Wagga Wagga
25 May 2015	Close of public submissions on Consultation Paper – Assessment Methodology
w/c 1 June 2015	Release of Final Report – Assessment Methodology
Stage 2	Council FFTF submissions
30 June 2015	FFTF proposals due from councils
31 July 2015	Close of public submissions on council FFTF proposals
Stage 3	IPART assessment Phase
Until end Aug 2015	Request additional information or meet with councils as required
October 2015	Release FFTF decisions to Minister

Note: w/c = week commencing.

1.6 Consultation on the proposed methodology

To consult on the methodology contained in this paper, we will:

- ▼ seek and consider feedback in submissions to the paper, and
- ▼ hold four public hearings across NSW, in Sydney (to be webcast) in early May, and three additional regional meetings shortly after in Dubbo, Coffs Harbour and Wagga Wagga, to provide stakeholders with an opportunity for further input.

We will publish stakeholder submissions on our website soon after the close of submissions. Similarly, transcripts from our public forums and any webcast will also be available from our website.

After our consideration of stakeholder feedback, we will release the final report on the assessment methodology, which we intend to apply when assessing council FFTF proposals, in the week commencing 1 June 2015.

1.6.1 Questions for stakeholder feedback

IPART has developed a series of questions for stakeholders to consider when submitting comments on this consultation paper.

- 1 How should the key elements of strategic capacity influence our assessment of scale and capacity? Are there any improvements we can make to how we propose to assess the scale and capacity criterion, consistent with OLG guidance material? 25
- 2 Which of the 'Rural Council Characteristics' are the most relevant, considering a council must satisfy a majority of the characteristics to be considered a rural council? 25
- 3 Are there any improvements we can make to how we propose to assess the sustainability, infrastructure management and efficiency criteria, consistent with OLG guidance? Are there issues that we need to consider when assessing councils' proposals using the measures and benchmarks for these criteria? 33
- 4 How should councils engage with their communities when preparing FFTF proposals? Are there other factors we should consider to inform our assessment of council consultation? Please explain what these other factors are, and why they are important. 37
- 5 Should council performance against FFTF proposals be monitored? If so, are there any improvements we can make on the approach outlined for councils to monitor and report progress on their performance relative to their proposals? 38

We also invite stakeholders to comment on any other aspect of the proposed methodology.

2 Fit for the Future reforms

2.1 Background

The Government's objective with the Fit for the Future (FFTF) program is to encourage each council to create its own roadmap of how it will form part of a stronger and more effective local government sector for NSW, and be a sustainable and efficient providers of services to the community.¹¹

The Independent Local Government Review Panel (ILGRP) formulated the options for a revitalised system of local government that will remain sustainable and fit-for-purpose well into the middle of the 21st Century. The ILGRP did not take a "one-size fits all approach" to the sector.¹² Instead, it considered the specific characteristics of a region and where necessary it recommended options for structural or boundary change to achieve the overall objective for an improved sector.

The ILGRP, consistent with a "no-one size fits all approach" recommended a number of options for councils, eg.:

- ▼ amalgamate or merge
- ▼ no change
- ▼ combine as a strong Joint Organisation
- ▼ (stand-alone) council within a Joint Organisation¹³
- ▼ rural council, and
- ▼ joint administration.

We reproduce the ILGRP's recommendations for both non-metropolitan councils (which it divided into groups (from A to G)) and metropolitan councils in Appendices B and C, respectively. In addition, Appendix C shows a map of the ILGRP's preferred merger options for the Sydney metropolitan area.

2.1.1 Benefits from reforming the sector

The FFTF reform process is expected to benefit ratepayers by leading to councils that will be financially sustainable into the future, and capable of being strategic partners with other levels of government.

¹¹ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 5.

¹² ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 7.

¹³ This option mainly relates to larger Group G councils. Group F councils have both this option, and a merger option recommended. ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 112, 115-116.

The ILGRP identified the “need for councils to shift their focus towards a more strategic view of their operations; to have the ability to respond to the diverse and changing needs of different communities; and to take on new functions or deliver improved services in order to meet those needs.” It suggested “a move to larger, more robust organisations that can generate increased resources through economies of scale and scope, and then ‘plough back’ efficiency gains into infrastructure, services and other benefits for their communities”.¹⁴

The ILGRP also noted that a number of recent studies in NSW, and elsewhere, clearly demonstrate the potential for amalgamations, where properly managed, to generate both efficiencies and increased strategic capacity, ie, economies of scale and scope.^{15,16} In addition, it stated that there is an argument that taxpayers should not be expected to increase grant funding indefinitely to support councils that are unnecessarily small, lack capacity and build excessive costs into the system.¹⁷

2.2 Fit for the Future framework

In response to the ILGRP recommendations, the Government developed a FFTF framework which requires each council to assess its current position and submit a FFTF proposal by 30 June 2015.¹⁸ Figure 2.1 illustrates the FFTF application process. The framework requires councils to submit a proposal based on one of three templates. Figure 2.1 also shows that the choice of template will reflect the council’s proposal as to how it addresses the scale and capacity criterion, as the threshold criterion.

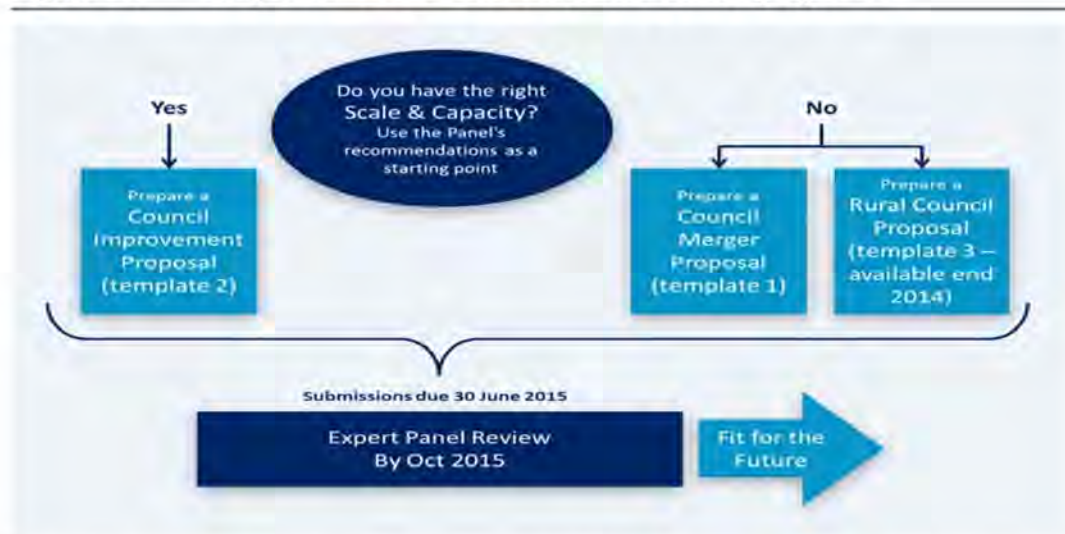
¹⁴ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 32.

¹⁵ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 73.

¹⁶ Economies of scale refer to when average costs of production decrease as output expands. Economies of scope refer to the situation in which it is less expensive to produce goods jointly than separately. Jeffrey M. Perloff, *Microeconomics*, Pearson International Edition, Fourth Edition, 2007, pp 204, 213.

¹⁷ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 72.

¹⁸ The eight councils in Far Western NSW are not required to, but may nevertheless wish to, submit a proposal pending consultation on establishing a Far West Organisation.

Figure 2.1 Snapshot – Process for Fit for the Future proposals

Source: See for example: OLG, *Fit for the Future Guidance material – Completing Template 1: Council Merger Proposal*, October 2014, p 4.

Each council (or councils jointly) using the ILGRP recommendations as a starting point, is (are) to submit:

- ▼ A **Council Improvement Proposal** (ie, Template 2) if identified as already having scale and capacity.
 - Councils are to address the three other financial criteria to show current (2013-14) and projected (2016-17 to 2019-20) performance against the seven FFTF benchmarks.
- ▼ If identified as without scale and capacity, either:
 - A **Council Merger Proposal** (ie, Template 1) – councils are to show anticipated benefits and costs of a merger and estimate performance against the seven FFTF benchmarks between 2016-17 and 2019-20, or
 - A **Rural Council Proposal** (ie, Template 3) – demonstrating ‘Rural Council Characteristics’ and providing past (2010-11 to 2013-14) and estimated (2016-17 to 2019-20) performance against the seven FFTF benchmarks.
 - The Rural Council Proposal must include the options that the council plans to undertake to increase their capacity and improve performance against the other Fit for the Future criteria, eg, resource sharing, consolidating or outsourcing existing functions.¹⁹

¹⁹ OLG, *Fit for the Future Rural Council Workshop outcomes*, December 2014, p 8.

2.3 Council Improvement Proposal

The Council Improvement Proposal template is primarily designed for those councils that can demonstrate that they already have sufficient scale and capacity, as recommended by the ILGRP.

Councils may also submit these proposals if they consider that they can demonstrate a strong case to continue with their current structure, despite a different ILGRP recommendation. In some cases, councils may also choose to submit a Council Improvement Proposal, which incorporates some aspects of structural change in their forward planning (eg, sharing some services or resources with other councils).

Where councils are considered by the ILGRP to already have sufficient scale and capacity, our assessment of these proposals will focus on how the council proposal meets the other criteria to show they are FFTF.

We discuss how we propose to assess the other criteria in section 3.

2.4 Council Merger Proposal

The ILGRP carried out research and consultation on the subject of scale and capacity and determined that there was not a “one-size fits all approach”.²⁰ The Government’s FFTF guidance to councils has also stated that “if the [Independent Local Government Review] Panel recommended a merger for your council, then this should be the first option you consider.”²¹

Merger councils are asked to estimate, as robustly as possible, future performance (2016-17 to 2019-20) for each FFTF financial benchmark as part of the other criteria assessment. However, as the merged council does not exist yet, we understand these estimates are indicative only.

In addition, due to the structural changes required for merged councils, it may not be practical for these councils to meet all of the benchmarks by 2019-20, eg, there may be less funds available for asset spending during the adjustment phase. In section 3.3 we discuss how we propose to consider the overall assessment of merged councils relative to the other criteria. In some cases, we

²⁰ The ILGRP informed its recommendations on scale and capacity (including the merger recommendations) by looking at the unique characteristics of each area – geography, economic and transport flows, communities, interest and local identity. It also considered a list of criteria for a given council area, including sustainability and strategic capacity, efficiency and effectiveness and accommodating population growth, and whether boundary changes would better achieve the criteria. OLG, *Fit for the Future Guidance material – Completing Template 2: Council Improvement Proposal (Existing Structure)*, October 2014, p 8, and ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 76.

²¹ OLG, *Fit for the Future Guidance material – Completing Template 1: Council Merger Proposal*, October 2014, p 7.

may accept forecast improvement in a benchmark based on realistic strategies instead of the requirement that council must meet the benchmark within a certain timeframe.

Consistent with OLG guidance, a Council Merger Proposal is to be submitted by one council in the merger group, but must be endorsed by all councils in the group (ie, by formal council resolution). In addition, councils should consult with their communities and staff on the proposal. We discuss how we propose to consider council consultation to inform our assessment of proposals further in section 4.3.

2.5 Rural Council Proposal

The ILGRP recommended the option of creating a new lower cost, largely autonomous 'Rural Council' working within regional Joint Organisations as an alternative to an amalgamation in some rural-remote areas.²² The option aims to reduce the regulatory and compliance burden on these councils with a regional Joint Organisation undertaking selected regional functions.²³

The ILGRP identified a number of possibilities for non-metropolitan councils, with respect to structure.²⁴ The ILGRP allocated non-metropolitan council to a group based on its projected population, size of the rate base and the ability to merge with others (see Table 2.1 for a summary, and Appendix B).²⁵ We note, for example, that in its assessment the ILGRP recommended that:

- ▼ non-metropolitan Group C councils would be suitable to be a rural council, but in nearly every case the possibility of a merger should be properly assessed before being ruled out, and
- ▼ Group B councils have a second option to establish a rural council, with a merger being the first option.²⁶

²² ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 71.

²³ Joint Organisations (JO) are currently being piloted in the Central West, Hunter, Illawarra, Namoi and Riverina. Fifteen JOs are to be rolled out in regional areas from September 2016. JOs will be enabled through legislation. ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 17.

²⁴ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, see chapter 15, pp 111-122.

²⁵ Group A councils are the eight Far West councils that are, at this stage, not required to submit a proposal, but may wish to do so. The ILGRP recommended the creation of a Far West organisation, pending further consultation with these councils on a lasting solution.

²⁶ According to the ILGRP, Group C councils are those with a projected population of less than 5,000 in 2031 but where a merger may not be realistic. Group B councils have current/projected populations of less than 4,000 but could be readily merged with a neighbour. See ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 112.

Table 2.1 ILGRP options for non-metropolitan councils

ILGRP grouping	Definition	Typical Option
A	Western Region Councils	Joint Administration, Council in Far West region or merge
B	Projected population 2031 below 4,000; High merger potential (2014 referrals to Boundaries Commission)	Merge or rural council in JO
C	Projected population 2031 below 5,000; Low/Medium merger potential (2015-16 referrals to Boundaries Commission)	Rural council in JO or merge
D	Potential merger partners for Group B and C councils (2014-16 referrals to Boundaries Commission)	Merge or council in JO
E	Other potential mergers to consolidate major regional centres (2017 referrals to Boundaries Commission)	Merge or council in JO
F	Current and/or projected population 2031 5,000-10,000 (Review status by 2020)	Council in JO or merge
G	Larger rural and regional councils (excluding Hunter, Central Coast and Illawarra)	Council in JO

Note: JO = Joint Organisation. We have ordered the options based on the ILGRP's preferred option. However, for some groups this ordering may not apply for each council. For specific recommendations see Appendix B where we reproduce the ILGRP's tables.

Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, Table 11, pp 114-116.

A council submitting a Rural Council Proposal is required to demonstrate that the majority of the 'Rural Council Characteristics' listed in Box 2.1 apply to its circumstances. In particular, we will be looking at whether the council has a small and static or declining population spread over a large area. Therefore, we propose that, consistent with OLG guidance, a council which does not meet the majority of these characteristics should not complete the Rural Council Proposal, but rather submit either a Merger or Council Improvement Proposal.²⁷

²⁷ Office of Local Government, *Fit for the Future Guidance Material, Completing Template 3: Rural Council Proposal*, January 2015, p 4.

Box 2.1 Rural Council Characteristics (RCC)

1. Small and static or declining population spread over a large area
2. Local economies that are based on agricultural or resource industries
3. High operating costs associated with a dispersed population and limited opportunities for return on investment
4. High importance of retaining local identity, social capital and capacity for service delivery
5. Low rate base and high grant reliance
6. Difficulty in attracting and retaining skilled and experienced staff
7. Challenges in financial sustainability and provision of adequate services and infrastructure
8. Long distance to a major (or sub) regional centre
9. Limited options for mergers.

Source: OLG – *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, January 2015, pp 11-12. The guidance document indicates that these characteristics were based on the ILGRP report and further consultation with rural councils.

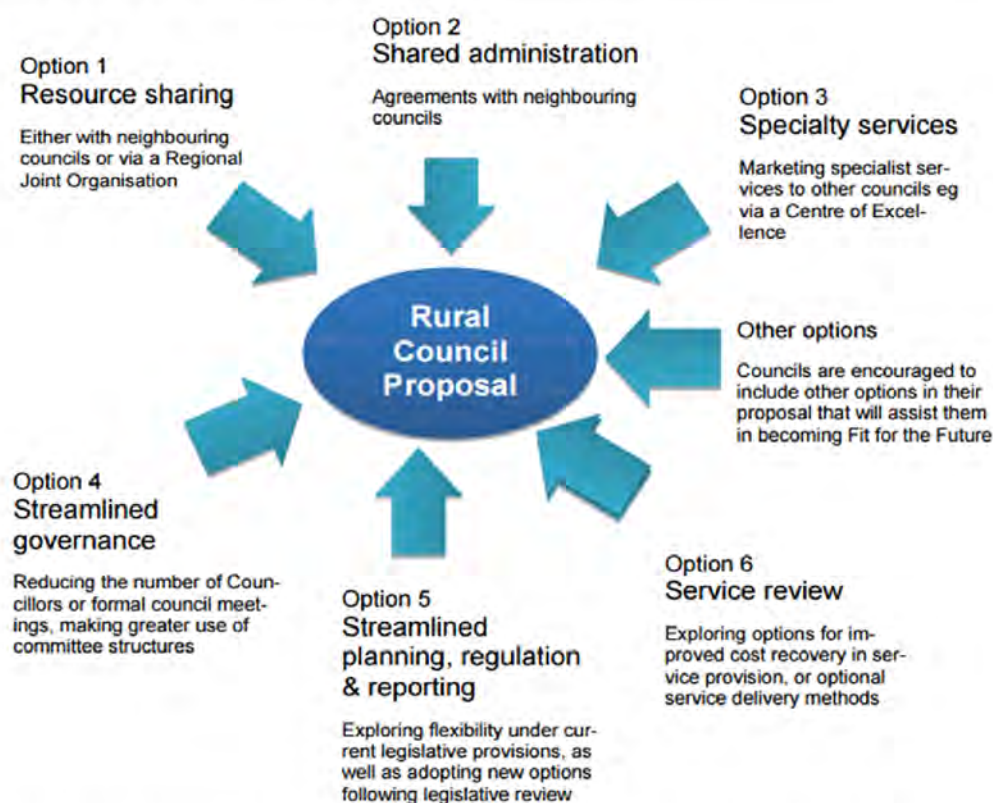
Figure 2.2 shows the possible structural adjustment options previously canvassed by the Government with the local government sector that we propose to take into account when assessing a Rural Council Proposal. We will assess whether a council has demonstrated that it will achieve real change to improve its capacity, and ultimately, its sustainability.²⁸

Councils would not be required to adopt all the options in their proposal, and may identify additional options. However, councils should show us how combining two or more of these alternatives would help them to improve financial sustainability, become effective infrastructure and service managers and efficient, and hence become FFTF.

Rural Councils will also have the option of nominating a project that may be suitable for funding under the NSW Government's Small Councils Innovation Fund scheme, which we will refer to the Fund, as appropriate.²⁹

²⁸ Some of the options would require legislative change to allow councils to utilise their full potential. Other options could be applied under current legislation.

²⁹ An example could be the development of IT systems allowing shared administrative arrangements with a partner council, or the development of a 'centre of excellence' to provide services to other councils in areas such as engineering or contractual management. OLG, *Fit for the Future Rural Council Workshop outcomes*, December 2014, p 8.

Figure 2.2 Rural Council Options

Source: OLG, *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, January 2015, p 18.

3 Proposed assessment methodology

The aim of the FFTF assessment process is to assess councils and their proposed roadmaps on a number of fronts – scale, strategic capacity, sustainability, infrastructure service provision and efficiency. The Government has already established clear objectives and benchmarks for IPART to follow in making these assessments.

Becoming FFTF is a process; it involves councils assessing where they are now and how they can improve, if necessary, to become FFTF. As current circumstances vary between councils, it is reasonable to expect that some will take longer than others to improve their performance. Therefore, while council FFTF proposals provide an opportunity for councils to demonstrate how they meet or plan to meet the criteria, our assessment process will also need to be flexible and consider the overall merits of each council proposal.

In this section, we set out how we propose to assess council FFTF proposals against these criteria using the information provided in the templates discussed in section 2, and any other information we consider relevant.

3.1 Assessment ratings

To determine a rating, we propose to assess councils' proposals as:

- ▼ **Fit** – if the proposal satisfies the four FFTF criteria overall, that is, if the proposal:
 1. First, satisfies the **scale and capacity** criterion. We expect that proposals that are broadly consistent with the ILGRP's preferred options would satisfy this threshold criterion. Our approach to assessing proposals that do not align with ILGRP preferred options will take account of a number of factors as outlined further in section 3.2.
 2. Second, satisfies overall the other criteria of **sustainability, effective infrastructure and service management, and efficiency**. Our proposed assessment methodology for these criteria requires councils to demonstrate how they either meet or seek to improve performance against specific benchmarks, outlined further in section 3.3.
- ▼ **Not Fit** – if the proposal does not satisfy the scale and capacity criterion, or does not satisfy overall the other criteria based on our analysis; this rating which would be accompanied by our explanation and, potentially, a recommendation.
- ▼ **Not assessed, deemed Not Fit** – if a council has not submitted a proposal for us to assess.³⁰

Further, in undertaking our assessments, we propose to also consider other factors which may influence the results of the FFTF criteria, eg, the social and community context of the council, discussed further in section 4.

3.2 Proposed approach to assessing the scale and capacity criterion

Scale and capacity is the threshold criterion for all proposal types. The OLG guidance material specifies that each council must use the ILGRP preferred options as a starting point to assess if it has the appropriate scale and capacity.³¹ The ILGRP's scale and capacity options are based on the key elements of strategic capacity, shown in Box 3.1.

³⁰ Even councils deemed by the ILGRP to have sufficient scale and capacity need to demonstrate that they satisfy the Other Criteria to be considered 'fit'.

³¹ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 12.

Box 3.1 Key elements of Strategic Capacity

- ▼ More robust revenue base and increased discretionary spending
- ▼ Scope to undertake new functions and major projects
- ▼ Ability to employ wider range of skilled staff
- ▼ Knowledge, creativity and innovation
- ▼ Advanced skills in strategic planning and policy development
- ▼ Effective regional collaboration
- ▼ Credibility for more effective advocacy
- ▼ Capable partner for State and Federal agencies
- ▼ Resources to cope with complex and unexpected change
- ▼ High quality political and managerial leadership.

Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 32.

3.2.1 Proposed approach to assessing scale and capacity

To assess whether a council FFTF proposal satisfies the scale and capacity criterion, we propose to consider:

- ▼ For **Council Improvement and Merger Proposals**, if the scale and capacity requirements outlined in Box 3.1 are satisfied, which we consider may include a demonstration of sufficient scale such as:
 - an appropriate minimum population size, or
 - a target number of councils in the metropolitan or regional area, or
 - a future plan of the council to achieve scale in the medium to longer term (eg, Sydney fringe councils).³²
- ▼ For **Rural Council Proposals**:
 - if the majority of rural council characteristics in Box 2.1 are satisfied. A particular emphasis will be on the council demonstrating that:
 - i) it has a small, static or declining population spread over a large area, or
 - ii) there is a long distance to a major (or sub) regional centre, or
 - iii) there are limited options for mergers.
 - if the council has demonstrated plans and strategies for real change to enhance its current capacity to a more sustainable level. In assessing whether this criterion has been met, we will also consider how the new option meets the strategic capacity requirements discussed in Box 3.1 above.

³² ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 99-103.

The ILGRP also discussed the formation of Joint Organisations.³³ Joint Organisations (JOs) allow councils to come together to formulate ideas and priorities for local and State government at a regional level, and also provide scope for shared services. JOs are not intended to create another tier of government, rather councils will remain at the core of the system, and would 'own' and resource the JOs similar to the existing regional organisation of councils, ie, ROCs.³⁴ However, the formation of JOs is expected to occur during the next stage of the FFTF reform process, after other structural change and boundary change has been progressed. The Government has stated that it will support councils to establish 15 JOs in regional NSW from September 2016, following a pilot in four regions to develop the model.³⁵

3.2.2 Consistency with ILGRP preferred options

We propose that all council FFTF proposals that directly align or are *broadly consistent* with ILGRP preferred options on scale and capacity will meet this criterion.³⁶ In assessing whether a proposal is *broadly consistent* with the objectives of the ILGRP preferred option, we will examine:

- ▼ If the council has first considered the ILGRP's preferred option for scale and capacity.
- ▼ If the preferred option is ruled out by the council (based on a sound argument supported by robust information), we will examine whether the council has attempted to adopt an alternative option which is consistent with ILGRP objectives and the features of scale and capacity in Box 3.1.

³³ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 79-91.

³⁴ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 81-83.

³⁵ OLG, *Fit for the Future: A roadmap for stronger, smarter councils*, September 2014, p 10.

³⁶ For clarity, we note that in its final report, the ILGRP bolded its preferred options where more than one structural option is recommended. See ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013. Tables 8 and 11.

In addition, we intend to examine the proposal's consistency with the broader regional and state-wide objectives of the ILGRP's preferred option, including economic, transport, regional planning and equity objectives.³⁷ As an example, we will consider the following ILGRP objectives:

- ▼ For Metropolitan areas:
 - create high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and federal agencies
 - establish a more equitable pattern of local government across the metropolitan area, taking into account planned development
 - underpin Sydney's status as a global city
 - support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans.³⁸
- ▼ For Regional or rural areas:
 - ensure that local government in these areas remains in place and is 'fit for purpose' and can maintain community life and identity to the maximum possible extent
 - where possible, create a regional centre with the necessary scale and capacity to anchor a Joint Organisation
 - where possible, ensure that there are close functional inter-relationships (eg, 'overspill' development, commuter catchments, service provision) between a regional centre and adjoining council areas, and
 - address 'councils at risk' in regional areas through amalgamations with adjoining areas.³⁹

³⁷ The ILGRP identified the need to reduce compliance costs to the community from dealing with a number of small councils and duplication of services, and for councils to become effective partners with the State. ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 72.

³⁸ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 98-99.

³⁹ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 85 and 92-93.

We propose to assess scale and capacity based on the ILGRP's recommended *preferred option*, as shown in Table 11 of their report (ie, the preferred option is in **bold type**). Where the ILGRP provided multiple options, but did not express a preference, we will assess scale and capacity as follows:

- ▼ All Group C councils are suitable candidates for the new 'Rural Council' option, but according to the ILGRP in nearly every case the possibility of a merger should be properly assessed by the relevant councils before being ruled out.
- ▼ The ILGRP identified Group D councils as potential merger partners with one or more Groups B and C councils. Where the ILGRP did not express a preferred option, but a merger is an option to consider, consistent with our approach to Group C councils, the merger possibility should be explored.
- ▼ Group E councils were identified as having other potential merger options to consolidate major regional centres, and for some councils, the ILGRP preferred option is a merger. Where this is not the case and the option includes to stand-alone in a JO or to merge, the merger option should be explored.
- ▼ Group F councils were identified as having 2031 populations greater than 5,000 and in some cases, these councils may be able to continue as stand-alone councils for many years to come. However, the ILGRP states that most need to consider whether a merger could improve sustainability and build strategic capacity. Therefore, we consider that where a merger option is also identified, it must also be explored.
- ▼ For councils identified as candidates to resource-share as part of a regional JO, but were considered to have scale and capacity without merging or adopting the Rural Council option (eg, most but not all Group G non-metropolitan councils),⁴⁰ the council to stand-alone will be considered the preferred option.

Group A consists of the eight Far West councils to be reviewed separately as part of the establishment of the proposed Western Region Authority.⁴¹ We will consider other options presented by these councils on their merits.

There may be instances where councils may not be able to reach agreements with neighbouring councils on merger options recommended by the ILGRP. In these cases, the council would submit a Council Improvement Proposal or Rural Council Proposal (if it meets the RCC in Box 2.1) to demonstrate how it meets the scale and capacity criterion under an alternative option. In some cases, this may not be possible and may form a reason for a 'not fit' assessment. However, where this occurs, we would identify the other merits of the proposal and what efforts were made by the council to pursue the ILGRP's preferred option.

⁴⁰ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 116.

⁴¹ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 112-116.

Our recommended approach to assessing scale and capacity is summarised in Table 3.1. Our overall assessment of whether the council is FFTF or not is also informed by the council's projected performance against the three other criteria, based on whichever council structure is proposed.

Table 3.1 Proposed approach to assess the scale and capacity criterion

ILGRP preferred option	Our assessment approach
No change	Meets criterion
Merger	<ol style="list-style-type: none"> 1. Meets criterion if same proposal as preferred by the ILGRP. 2. Does not meet criterion if it does not submit the same proposal as preferred by the ILGRP, unless it presents: <ul style="list-style-type: none"> ▼ a sound argument (eg a business case) for 'no structural change' which clearly demonstrates why the option proposed is superior to the merger option and indicative of the features of strategic capacity in Box 3.1, or ▼ a merger option broadly consistent with the objectives of the ILGRP preferred option, supported by a sound argument (eg, a business case) eg, this may include two or three, not a group of four councils preferred by the ILGRP, or ▼ a 'Rural Council Proposal' which satisfies the Rural Council Characteristics developed by OLG, and the council: <ul style="list-style-type: none"> – demonstrates that it considered the merger option but it was not a feasible option to pursue (eg, as supported by a business case) – clearly demonstrates the strategies it plans to undertake to achieve real change, indicative of the features of strategic capacity (as per Box 3.1).
Rural Council Proposal	Meets criterion where the council clearly demonstrates the strategies to enhance its capacity to a more sustainable level.

IPART seeks comments on the following

- 1 How should the key elements of strategic capacity influence our assessment of scale and capacity? Are there any improvements we can make to how we propose to assess the scale and capacity criterion, consistent with OLG guidance material?
- 2 Which of the 'Rural Council Characteristics' are the most relevant, considering a council must satisfy a majority of the characteristics to be considered a rural council?

3.3 Proposed approach to assessment of the other criteria

Following the assessment of scale and capacity, we will assess how council proposals meet the remaining three other criteria, that is:

- ▼ Sustainability (see section 3.3.1).
- ▼ Effective Infrastructure and Service Management (see section 3.3.2).
- ▼ Efficiency (see section 3.3.3).

Our assessment of each of these criteria is based on how councils perform against a set of specific measures and benchmarks. However, we consider these three criteria should be satisfied overall for a council to be considered 'fit'.

We propose to:

1. Scale the benchmarks in order of importance as:
 - a) '**must meet**' where we consider these as key or reasonable benchmarks for councils to meet within a specified timeframe in order to be assessed as fit for the future (FFTF)
 - b) '**must demonstrate improvement in**' where we expect councils, for these benchmarks, to demonstrate a current and/or forecast trend towards meeting the benchmark if it is not feasible to achieve the benchmark within the specified timeframe, and
 - c) '**informs assessment**' – all the benchmarks will inform our assessment of whether a council is FFTF, however, we consider some flexibility is required when considering some benchmarks more than others to take account of particular issues, eg, data integrity issues.
2. Set differential timeframes for councils to meet, or make improvements towards meeting the benchmarks.
3. Provide flexibility for councils in meeting the forward benchmarks where there is a Merger or Rural Council Proposal, which may require some short term adjustment (eg, a temporary increase in asset backlogs).
4. Provide flexibility for Merger Proposal councils since the estimated performance against the benchmarks will be largely assumption-based.

Although our approach allows for some flexibility regarding when councils need to meet benchmarks, we encourage councils to meet all of the benchmarks as early as possible in the future. We will consider the capacity and resources of the council to achieve the benchmarks, as part of our overall assessment.

For a Rural Council proposal the focus is more on the council making a case for adopting a new structure with a solid plan to achieve improvement in the future. In these cases, the information underpinning the forecasts, including the robustness of the plans and the reasonableness of the assumptions, will be particularly important considerations in the assessment process.

Figure 3.1 provides each of the criteria definitions, guidance for each measure and the benchmark against which the measure will be considered. The measures are based on General Fund data.

1.1 Fit For The Future Reform - Expert Panel Appointment And Assessment Methodology

Figure 3.1 Fit for the Future Criteria, Measures and Benchmarks

Criteria/measure	Definition	Benchmark	OLG Guidance
1. Sustainability			
Operating performance	$\frac{\text{Net continuing operating result}^a \text{ (excl capital grants and contributions)}}{\text{Total continuing operating revenue}^a \text{ (excl capital grants and contributions)}}$	\geq to break-even average over 3 years	All measures, where applicable, should be consistent with the Accounting Code/TCorp measures. The measures should also be based on General Fund data and exclude Water and Sewer Funds.
Own source revenue	$\frac{\text{Total continuing operating revenue}^a \text{ (excl all grants and contributions)}}{\text{Total continuing operating revenue}^a \text{ (incl capital grants and contributions)}}$	$> 60\%$ average over 3 years	
Building and asset renewal	$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$	$> 100\%$ average over 3 years	
2. Infrastructure and Service Management			
Infrastructure backlog	$\frac{\text{Estimated cost to bring assets to satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets}}$	$< 2\%$	(a) Where applicable, excludes fair value adjustments, reversal of revaluation decrements, net result on sale of assets and net share/loss of interests in joint ventures.
Asset maintenance	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$	$> 100\%$ average over 3 years	(b) Expenditure is deflated by the CPI (for 2009 to 2011) and the Local Government Cost Index (2011 to 2014), as published by IPART.
Debt service	$\frac{\text{Cost of debt service (interest expense and principal repayments)}}{\text{Total continuing operating revenue}^a \text{ (excl capital grants and contributions)}}$	0 to 20% average over 3 years	(c) ABS, Regional Population Growth, Australia. The data should be averaged over 2 calendar years, except for 2013-14, where the data for the 2013 calendar year should be used.
3. Efficiency			
Real operating expenditure (ROE) ^b	$\frac{\text{Operating expenditure}^a}{\text{Population}^c}$	decrease in ROE per capita over time	

Source: OLG, Completing Template 3: Rural Council Proposal, January 2015, p 15.

Our proposed approach for assessing performance of specific measures against benchmarks for each of the other criteria, ie, sustainability, effective infrastructure and service management, and efficiency, is set out below.

3.3.1 Sustainability

Sustainability means that councils will generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning and Reporting process. We consider that ensuring councils are financially sustainable, and being able to show this will occur into the future, is fundamental to demonstrating a council is FFTF.

We consider that a council's operating performance ratio provides a key measure of financial sustainability and is a benchmark that FFTF councils should meet. Further, a council's ability to raise its own revenue insulates it from a fall in revenue from sources that are outside its control. External funding that does not eventuate may curtail a council's ability to provide services or invest in required infrastructure. Nevertheless, Financial Assistance Grants (FAGs), as an outside funding source, provide a stable income source for rural councils. Therefore, we will consider the impact of FAGs when assessing the sustainability criteria for rural councils, and in particular, the Own Source Revenue ratio.

Table 3.2 shows three performance measures the Expert Panel will consider in forming a judgement on the sustainability of councils.

Table 3.2 Sustainability criterion – measures and definitions

Measure	Definition
Operating Performance Ratio	Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements.
Own Source Revenue	Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.
Building & Infrastructure Asset Renewal Ratio	Measures whether a council's assets are deteriorating faster than they are being renewed – indicator of whether a council's infrastructure backlog is likely to increase.

Table 3.3 shows the benchmarks and targets we propose to use to consider how the council proposals satisfy each measure for the sustainability criteria. We propose that metropolitan and regional councils **must** be able to meet the proposed benchmarks within five years for operating performance and own source revenue, and at minimum, show improvement for the building and infrastructure renewal measure.

Councils submitting a Rural Council Proposal may not meet these benchmarks given their limited ability to raise revenue, and so our approach requires these councils to show how they **plan to improve** their current performance. Rural councils must demonstrate that they will meet and maintain the benchmark within 10 years (by 2024-25), a projection supported by the current trajectory of their forward estimates.

Where councils submit a merger proposal, the relevant target for each performance measure is determined by whether the merging councils are metropolitan/regional or rural.

Table 3.3 Proposed approach to assess the sustainability criterion

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case ^a
Operating Performance Ratio	Greater than or equal to break-even average over 3 years	Must meet within 5 years	Plan to meet within 10 years	Must meet within 5 years for non-rural councils Plan to meet within 10 years for rural councils
Own Source Revenue	Greater than 60% average over 3 years	Must meet within 5 years	Plan to improve within 5 years & consideration of FAGs	Must meet within 5 years for non-rural councils Plan to improve within 5 years & consideration of FAGs for rural councils
Building & Infrastructure Asset Renewal Ratio	Greater than 100% average over 3 years	Meet or improve within 5 years	Meet or improve within 5 years	Meet or improve within 5 years

^a For mergers, we will also consider whether meeting each of the benchmarks is practical in the short term for the new council.

3.3.2 Infrastructure and Service Management

A FFTF council that meets the Infrastructure and Service Management criterion seeks to maximise return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the Integrated Planning and Reporting process.

Table 3.4 shows the three performance measures the Government requires to be considered in forming a judgement on infrastructure and service management by councils for the FFTF process.

We will be assessing these performance measures for infrastructure performance and debt in a holistic manner, that is, in the context of the council's overall capital sustainability as reflected by its Asset Management Plan (AMP). In addition, we consider there may be data consistency issues that need to be taken into account when interpreting a council's reported asset renewal, backlog and maintenance performance, as there is no current requirement for this data to be routinely audited.

We consider it is reasonable to expect that a council would meet the debt service ratio benchmark where it is feasible for the council to borrow and this is compatible with the council's AMP. A council that uses debt to finance long-lived infrastructure is efficiently allocating costs between the present generation of ratepayers and future ratepayers, regardless of when the benefits accrue.

Table 3.4 Infrastructure and service management criterion – measures and definitions

Measure	Definition
Infrastructure Backlog Ratio	Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable.
Asset Maintenance Ratio	Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog.
Debt Service Ratio	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.

Table 3.5 shows how we propose to assess the three effective infrastructure and service management criteria measures against the benchmarks. As is evident from Table 3.5, a FFTF council **must** meet the Debt Service Ratio measure within five years. The two other measures for this criterion provide more scope for councils to demonstrate **improvement** in the projected performance against the benchmark rather than being required to meet the benchmark.

We should note that the benchmark for the Asset Maintenance Ratio is based on the underlying assumption that previous underspending has occurred, which has resulted in the infrastructure backlog for councils being greater than 2%. This assumption is consistent with TCorp's analysis that one of the major drivers of the Infrastructure backlog is the underspending in the maintenance of assets.⁴² Should a council continuously exceed the Asset Maintenance target by spending more on maintenance than is required (ie, the ratio is >100%), this may also indicate the council is not efficiently managing its assets.

⁴² TCorp, *Financial Sustainability of the New South Wales Local Government Sector: Findings, Recommendations and Analysis*, April 2013, p 15.

Table 3.5 Proposed approach to assess the infrastructure and service management criterion

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case ^a
Infrastructure Backlog	Less than 2%	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Asset Maintenance	Greater than 100% average over 3 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Debt Service	Greater than 0% and less than or equal to 20% average over 3 years	Meet within 5 years	Meet within 5 years	Meet within 5 years

^a For mergers, we will also consider whether meeting each of the benchmarks is practical in the short term for the new council.

3.3.3 Efficiency

A FFTF council that meets the Efficiency criterion would seek to provide services and deliver infrastructure in a manner that achieves value for money for current and future ratepayers.

Table 3.6 shows that real operating expenditure is the benchmark we will consider when measuring the performance of councils for efficiency. We will consider service levels (consistent with community priorities identified in the Integrated Planning and Reporting (IPR) processes) when assessing a council's efficiency. In addition, we will consider the need for any structural adjustment (such as an amalgamation or merger) in assessing the scale and capacity criterion where efficiency gains are not practical in the short term.

Table 3.6 Efficiency criterion – measures and definitions

Measure	Definition
Real Operating Expenditure	Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies.

Table 3.7 shows how a council must demonstrate improvement in this measure to satisfy the criterion. Metropolitan, regional, and rural councils that propose to be stand-alone are required to demonstrate that operational savings will be achieved by 2019-20. Some discretion will apply to Merger Proposal councils in the short term as this measure may be affected by the transition to new arrangements that may require additional spending to achieve future efficiencies.

Table 3.7 Proposed approach to assess the efficiency criterion

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case
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	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Demonstrate operational savings (net of IPR supported service improvements) over 5 years but may not be practical in short term

IPART seeks comments on the following

- 3 Are there any improvements we can make to how we propose to assess the sustainability, infrastructure management and efficiency criteria, consistent with OLG guidance? Are there issues that we need to consider when assessing councils' proposals using the measures and benchmarks for these criteria?

3.4 Proposed FFTF assessment process for councils

Figure 1.1 summarised the assessment process for FFTF proposals from a council's perspective, as discussed in sections 3.1 to 3.3, and the steps a council would need to take to be assessed as FFTF.

3.4.1 FFTF proposal supporting information

We will base our assessment on the information provided in council proposals through the online portal using one of the templates OLG developed,⁴³ and any additional relevant information. This additional information may be provided by the council to support its proposal or may be otherwise gathered by, or provided to, us. Any proposal provided by the council should be supported by a sound argument with relevant documentation. We consider the ToR allows us to assess all information we consider relevant, and to make a judgement on the robustness of the argument, analysis and information used to support any position. Where we consider the position is not sufficiently supported, we may request the council to provide further supporting information.

⁴³ OLG guidance material and templates can be found at the following government website: <http://www.fitforthefuture.nsw.gov.au/preparing-proposal> [accessed 16 April 2015].

Councils may also wish to support their proposals by using information sourced from:

- ▼ NSW TCorp's Financial Sustainability assessments
- ▼ Integrated Planning and Reporting framework – including community strategic plan (and associated delivery program and operational plan) and resourcing strategy (ie, long term financial plan, workforce management plan and asset management plan)
- ▼ IPART decisions on s 508(2) or s 508A Special Rate Variations.⁴⁴

We consider these information sources may assist councils to support their proposals with robust and consistent data, which will assist us to make a recommendation based on the best available information.

Councils, for all proposal templates, are required to fill in their recent (2013-14) and projected performance (2016-17 to 2019-20) against the seven benchmarks to demonstrate how they are FFTF across the other criteria. In addition, a council lodging a Rural Council Proposal, ie, Template 3, is required to provide the history of its performance against the benchmarks from 2011-12 to 2013-14.

We consider councils should provide as much relevant information or data as is required to support their proposals. Therefore, we consider it would be helpful if a longer time series of data to include 2014-15 and 2015-16 is provided by all councils lodging proposals (no matter the type of proposal). We consider that the additional two years of data would provide us with a better picture of the trend in council performance relative to the benchmarks. The additional two years of data should be available from councils' annual reporting requirements and could be provided without imposing an unreasonable burden.

3.4.2 The robustness of supporting information used in FFTF proposals

As discussed previously, for example in sections 1.5 and 3.2.2, we consider that a sound argument based on robust information is required to demonstrate the relative merits of alternative proposals.

The proposal templates include performance indicators based on past data and forecasts into the future. In developing businesses cases in support of council proposals, we consider it is important that supporting information and any assumptions underpinning this information are based on robust and consistent data. We will also consider the rigour by which ILGRP preferred options for scale and capacity are explored by the council proposals.

⁴⁴ *Local Government Act 1993* (NSW), see: s 508 – Orders under secs 506 and 507, and s 508A – Special variation over a period of years.

Further, as councils' proposals require time series data for each benchmark, we will factor into our assessment the impact of positive or negative one-off performance issues (or adjustments) in the context of assessing long term trends. To assist us in understanding what these adjustments are and why they occurred, councils should explain the reason for any one-off adjustments, consistent with the guidance in OLG's templates.⁴⁵ As we are considering council sustainability, it is ongoing performance that is important.

4 Other considerations in assessing FFTF proposals

Section 3 explained how we would assess whether a council is FFTF. However, there are additional factors that we will consider in assessing council proposals, as discussed below.

4.1 Social and community context of the council

The ToR ask us to consider the social and community context when assessing council FFTF proposals. This may include the demographics of an area, the community's social and economic needs and the sense of local identity. We consider these factors may be particularly relevant when considering the scale and capacity criterion.

The ILGRP identified that:

- ▼ Local government boundaries should not unnecessarily divide areas with strong economic and social inter-relationships; but instead should facilitate integrated planning, coordinated service delivery, and regional development. We will consider these aspects of a council's proposed scale and capacity as part of our assessment.
- ▼ Mechanisms such as Community Boards and new approaches to place management, community engagement and customer service make it possible to maintain local representation and identity within larger council areas.⁴⁶

Therefore, we will also consider how councils have considered these types of alternative mechanisms before developing proposals premised on the social and community context being an argument against the ILGRP's preferred option.

⁴⁵ For example, see: OLG, *Fit for the Future Guidance material – Completing Template 2: Council Improvement Proposal (Existing Structure)*, October 2014, p 11.

⁴⁶ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 73-76.

4.2 Council consultation on FFTF proposals

The ToR ask us to include an assessment of the consultation process undertaken by the council as part of our assessment of council FFTF proposals.

The ILGRP considered that a policy on boundary changes based on evidence-based assessments should include full community consultation.⁴⁷

OLG's FFTF guidance material also identifies how councils may use findings from community consultation to assist in identifying benefits and costs for proposals.⁴⁸ In particular, OLG requires councils to provide evidence on community consultation regarding any proposed merger or new 'rural council' structures.⁴⁹ In addition, evidence should be provided of council resolutions in support of merger proposals.⁵⁰ OLG also suggested that councils exhibit proposals for mergers for at least 28 days as part of their community consultation.⁵¹

We will assess a council's consultation process with reference to the OLG guidance materials. We will also consider how balanced was the information that is provided to the community. That is, whether it promoted only the benefits or only the costs of a particular option, or instead informed the community about both the costs and benefits of one or more options.

We acknowledge that there are different ways that councils may capture community feedback or input, including:

- ▼ exhibiting options or proposals for comment
- ▼ a mail-out to all ratepayers with a reply-paid survey
- ▼ fact sheets and media releases
- ▼ an online survey or a random survey of ratepayers, appropriately stratified to capture the population characteristics of the LGA, and
- ▼ public meetings, listening posts, or resident workshops.

We consider that councils should choose methods that reflect the issues that need to be consulted upon, eg, a Merger Proposal would likely require input from residents in multiple councils regarding the implications of change, whereas a Council Improvement Proposal, where the ILGRP recommended that a council already had sufficient scale and capacity, would require more limited consultation, if any. Generally, the nature and extent of the consultation should be commensurate with the significance of the changes involved in the proposal

⁴⁷ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 74.

⁴⁸ OLG, *Fit for the Future Guidance material – Template 1: Council Merger Proposal*, October 2014, p 11.

⁴⁹ OLG, *Fit for the Future Guidance material – Completing Template 1: Council Merger Proposal*, October 2014, pp 12-13, and *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, October 2014, p 21.

⁵⁰ OLG, *Fit for the Future Guidance material – Template 1: Council Merger Proposal*, October 2014, p 3.

⁵¹ OLG, *Fit for the Future Guidance material – Template 1: Council Merger Proposal*, October 2014, p 2.

and the possible impacts on the community. We will also consider the resources of the council in assessing consultation.

4.3 The impact of water utility performance

Councils submitting either a Council Improvement or Rural Council proposal are required to separately report on their water utility performance, where these councils provide water and sewer services. All other sections in the templates require councils to report their General Fund performance which excludes the impact of water business funds.⁵²

According to Local Government NSW (LGNSW), the activities of the water business may affect the General Fund, through dividend payments and through internal borrowings between the General and Water Funds. LGNSW also explains how the services of water businesses can contribute to the strategic capacity of a council through economies of scale and scope.⁵³

We will assess scale and capacity against the ILGRP objectives and performance against the benchmarks (see Figure 3.1) based on General Fund data only, but will consider how the performance of the General Fund is affected by the water utility business as part of this assessment, as relevant. As part of this assessment, we will also consider cross-subsidisation issues if they arise, noting that cross-subsidisation between the General and Water and Sewer Funds for a council is unlikely to lead to efficient service provision.

IPART seeks comments on the following

- 4 How should councils engage with their communities when preparing FFTF proposals? Are there other factors we should consider to inform our assessment of council consultation? Please explain what these other factors are, and why they are important.

⁵² For example see, OLG, *Fit for the Future Guidance material – Completing Template 2: Council Improvement Proposal (Existing structure)*, October 2014, p 7. OLG state that cl 206 of the *Local Government (General) Regulation 2005* (NSW) requires councils to maintain a separate Water and Sewer Fund.

⁵³ Local Government NSW, *FFTF – LGNSW Submission: Local Water Utilities*, February 2015, pp 2-4.

5 Monitoring and reporting future FFTF performance

Becoming a FFTF council is a process that will take time, particularly where structural change is proposed. There are also benefits from assessing council performance over time to ensure financial sustainability and effective and efficient service delivery. Therefore, we consider that councils should report against their FFTF proposals and be reassessed in the future.

The Government supported the ILGRP's recommendations to improve auditing practices for the local government sector.⁵⁴ It recognised the potential value in giving the Auditor General oversight of councils' financial audits to improve quality, consistency, timeliness and financial management more generally. OLG expects to implement this new regime following further consultation with the local government sector and legislative change.⁵⁵

To monitor and report future FFTF performance of councils, we propose that:

- ▼ councils would report performance in their Annual Reports, and
- ▼ the Auditor General would reassess performance periodically as part of the Audit Office of NSW's new auditing role in the sector.⁵⁶

IPART seeks comments on the following

- 5 Should council performance against FFTF proposals be monitored? If so, are there any improvements we can make on the approach outlined for councils to monitor and report progress on their performance relative to their proposals?

⁵⁴ OLG, *NSW Government Response – Independent Local Government Review Panel recommendation – Local Government Acts Taskforce recommendations*, September 2014, pp 4, 8-9. Recommendation 3: Place local government audits under the aegis of the Auditor General (5.4), and Recommendation 22: Strengthen requirements for internal and performance auditing as proposed in Box 17 (8.5).

⁵⁵ OLG, *NSW Government Response – Independent Local Government Review Panel recommendation – Local Government Acts Taskforce recommendations*, September 2014, pp 4-8.

⁵⁶ This timeframe assumes changes from the FFTF process will occur from end 2015-16 onwards.



Appendices

A Terms of Reference



Reference: A1172026

Dr Peter J Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Dear Dr ~~Boxall~~ ^{Peter}

I write to request that the Independent Pricing and Regulatory Tribunal fulfil the role of the Fit for the Future Expert Advisory Panel, and undertake a review of NSW councils' 'fit for the future' proposals in accordance with the attached Terms of Reference.

Should you require further information please contact Mr David Tow, Executive Director of Cities Branch, Department of Premier and Cabinet on (02) 9228 4353 or david.tow@dpc.nsw.gov.au.

Yours sincerely


MIKE BAIRD MP
Premier

Terms of Reference for a review of local council Fit for the Future proposals by an Expert Advisory Panel

I, the Hon Mike Baird MP, Premier of New South Wales, pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* request that the Independent Pricing and Regulatory Tribunal act as the Expert Advisory Panel to review local council Fit for the Future proposals, in accordance with these terms of reference:

Introduction

Based on the recommendations of the Independent Local Government Review Panel (ILGRP), the NSW Government has agreed to an approach to local government reform that seeks to create councils that are strategic and Fit for the Future. A Fit for the Future council is one that:

1. Has the scale and capacity to engage effectively across community, industry and government;
2. Is sustainable;
3. Is efficient;
4. Effectively manages infrastructure and delivers services for communities.

All councils have been called upon to submit a Fit for the Future proposal by 30 June 2015 for assessment by the Expert Advisory Panel (except the eight councils in the Far West, where submitting a proposal is optional).

The Office of Local Government has prepared three templates and associated guidance for the use of councils in making their proposals:

Template 1: Council Merger Proposal – where a group of councils have agreed to merge, broadly consistent with the scale and capacity recommendations of the ILGRP.

Template 2: Council Improvement Proposal – where councils with demonstrated sufficient scale and capacity, using the Panel's recommendation as a starting point, identify the strategies and actions they will implement to ensure they are Fit for the Future against the sustainability, efficiency, and effective management of infrastructure and services criteria and associated measures and benchmarks.

Template 3: Rural Council Proposal – for councils in Group C of the Panel's final report i.e. where the option of a Rural Council was presented with no preferred alternative or other small councils that want to adopt the options and can demonstrate they meet the Rural Council Characteristics.

The guidance documents supporting each template explain what is required from councils in preparing their proposal and in demonstrating they are Fit for the Future.

Task

The Expert Advisory Panel (the Panel) will assess the Fit for the Future proposals of NSW councils, and prepare a report to the Minister for Local Government with a recommendation on whether each council is Fit for the Future.

Procedure

The Panel is to:

1. Develop a methodology for assessing Fit for the Future proposals.

The assessment methodology must:

- a. be consistent with the Government's local government reform agenda, as outlined in the Fit for the Future documentation
- b. include an assessment of the scale and capacity criteria as a threshold criterion
- c. include an assessment of the performance against the fit for the future measures and benchmarks, that takes into account:
 - i. the material published in the template guidance
 - ii. the relative importance of each measure in a council becoming Fit for the Future and relative robustness of the measure
 - iii. the social and community context and outcomes for each council
- d. include an assessment of the consultation process undertaken by the council
- e. consider advice provided by the Ministerial Advisory Group
- f. identify timescales and approach to consultation
- g. be published for public consultation for a minimum of 28 days
- h. be finalised and made available to councils no later than week commencing 1 June 2015.

2. Undertake an assessment of whether each council is Fit for the Future, consistent with the published methodology.

In undertaking this assessment the Panel must:

- a. operate with consistency, fairness and impartiality
- b. have in place an online portal for all councils to submit their Fit for the Future proposals
- c. publish all proposals and supporting documentation (subject to confidentiality requirements) received from councils online as soon as practicable after 30 June 2015
- d. ensure local government knowledge and expertise in the technical assessment of each proposal
- e. rely on the evidence provided by councils through the online submission process, as required by the relevant template and any additional relevant information
- f. give councils the opportunity to provide additional information. This may include the opportunity for councils to present in person.

3. Provide the Minister for Local Government and the Premier with a final report by 16 October 2015 identifying whether or not each council is Fit for the Future and the reasons for this assessment, to be publicly released following Cabinet approval.
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B ILGRP options for Non-Metropolitan Councils

Table 11: Options for Non-Metropolitan Councils

Note: †As projected by DP&I without boundary changes or mergers. ‡As defined in the NIEIR cluster-factor analysis (see references). *Grants as percentage of total revenue in 2011-12; High if >40%, Very High if >50%. †Based on availability and proximity of a suitable partner. Councils shown in *italics* urgently require a revised long-term asset and financial management plan plus an updated sustainability assessment (see section 15.2).

Council	Popn. 2011	†Popn. 2031	TCorp FSR (Apr 13)	TCorp Outlook (Apr 13)	DIG Inf. Audit (May 13)	Rate Base	*Grant Dependency	†Merger Potential	Options (preferred options shown in bold where applicable)
Group A: Western Region Councils (see section 16)									
<i>Bairnsdale</i>	2,361	1,700	Weak	Negative	Weak	Low	Very High	Low	Joint administration or merger with Wentworth
<i>Bourke</i>	3,085	2,300	Weak	Negative	Weak	Low	High	Medium	Rural Council; joint administration or merger with Brewarrina
<i>Brewarrina</i>	1,895	1,700	Weak	Negative	Weak	Low	Very High	Medium	Joint administration or merger with Bourke
<i>Broken Hill</i>	19,150	15,100	Very Weak	Neutral	Weak		High	Low	Council in Far West region
<i>Central Darling</i>	2,108	1,800	Very Weak	Negative	Weak	Low	Very High	Low	Unincorporated with Community Boards
<i>Cobar</i>	4,931	4,800	Weak	Negative	Very Weak	Low	High	Low	Council in Far West region (review by 2020)
<i>Walgett</i>	6,860	5,900	Moderate	Negative	Moderate	Low	Very High	Medium	Council in Far West region (review by 2020)
<i>Wentworth</i>	6,787	7,000	Weak	Negative	Weak	Low	High	Low	Council; joint administration or merger with Balranald
Group B: Projected 2031 population below 4,000; 'High' merger potential (2014 referrals to Boundaries Commission)									
<i>Bombala</i>	2,458	2,000	Moderate	Neutral	Moderate	Low	High	High	Merge with Cooma-M and Snowy R or Rural Council in South East JO
<i>Boorowa</i>	2,469	2,700	Moderate	Negative	Strong	Low	Very High	High	Merge with Harden and Young or Rural Council in Tablelands JO
<i>Conargo</i>	1,585	1,800	Sound	Neutral	Strong	Low	Very High	High	Merge with Deniliquin and Murray or Rural Council in Mid-Murray JO
<i>Gundagai</i>	3,753	3,400	Moderate	Negative	Distressed	Low	Very High	High	Merge with Tumut or Rural Council in Riverina CC
<i>Harden</i>	3,680	3,600	Moderate	Negative	Strong	Low	Very High	High	Merge with Boorowa and Young or Rural Council in Tablelands JO
<i>Jerilderie</i>	1,534	1,200	Moderate	Negative	Weak	Low	Very High	High	Merge with Berrigan or Rural Council in Mid-Murray JO
<i>Murrumbidgee</i>	2,338	1,700	Moderate	Neutral	Not avail.	Low	High	High	Merge with Griffith or rural Council in Murrumbidgee JO
<i>Urana</i>	1,180	800	Weak	Neutral	Very weak	Low	Very High	High	Merge with Corowa or Rural Council in Upper Murray JO
<i>Walcha</i>	3,122	2,800	Weak	Negative	Distressed		High	High	Merge with Uralla or Rural Council in New England JO
Group C: Projected 2031 population below 5,000; 'Low' or 'Medium' merger potential (2015-16 referrals to Boundaries Commission)									
<i>Bogan</i>	3,020	2,600	Moderate	Neutral	Moderate	Low	Very High	Medium	Rural Council in Orana JO or merge with Warren
<i>Carriathool</i>	2,668	2,100	Weak	Neutral	Weak	Low	Very High	Medium	Rural Council in Murrumbidgee JO or merge with Griffith
<i>Coolamon</i>	4,213	4,200	Sound	Negative	Very weak	Low	Very High	Medium	Rural Council in Riverina JO or merge with Bland and/or Temora
<i>Coonamble</i>	4,274	3,100	Sound	Negative	Moderate	Low	High	Medium	Rural Council in Orana JO or merge with Gilgandra
<i>Gilgandra</i>	4,534	4,100	Weak	Neutral	Weak	Low	High	Medium	Rural Council in Orana JO or merge with Coonamble
<i>Hay</i>	3,097	2,100	Moderate	Negative	Moderate	Low	Very High	Low	Rural Council in Murrumbidgee JO
<i>Lockhart</i>	3,082	2,900	Sound	Neutral	Moderate	Low	Very High	Medium	Rural Council in Riverina JO or merge with Wagga Wagga
<i>Tumbarumba</i>	3,440	3,200	Strong	Negative	Very Strong	Low	Very High	Medium	Rural Council in Riverina JO or merge with Tumut/Gundagai

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 114-116.

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Wakool	4,080	3,400	Weak	Negative	Moderate	Low	Very High	Medium	Rural Council in Mid-Murray JO or merge with Murray/Conargo/D'quin
Warren	2,877	2,100	Moderate	Neutral	Distressed	Low	High	Medium	Rural Council in Orana JO or merge with Bogan
Weddin	3,734	3,500	Moderate	Negative	Weak	Low	Very High	Medium	Rural Council in Central West JO or merge with Forbes or Cowra
Group D: Potential merger partners for Groups B and C councils (2014-16 referrals to Boundaries Commission)									
Berrigan	8,282	9,300	Moderate	Neutral	Strong	Low	High	High	Council in Mid-Murray JO or merge with Jerilderie
Bland	6,018	5,500	Weak	Neutral	Strong		Very High	Medium	Council in Riverina JO or merge with Coolamon and/or Temora
Cooma-Monaro	10,086	10,800	Weak	Neutral	Weak			High	Council in South East JO or merge with Bombala and Snowy River
Cowra	11,302	13,400	Moderate	Negative	Strong			High	Council in Upper Murray JO or merge with Urana
Cowra	12,526	11,700	Sound	Negative	Very Weak			Medium	Council in Central West JO or merge with Weddin
Deniliquin	7,317	5,700	Moderate	Negative	Weak	Low		High	Council in Mid-Murray JO or merge with Conargo/Murray and Wakool
Griffith	25,292	20,200	Sound	Negative	Moderate			High	Council in Murrumbidgee JO or merge with Murrumbidgee
Murray	7,159	10,900	Moderate	Neutral	Moderate		High	High	Council in Mid-Murray JO or merge with D'quin/Conargo and Wakool
Snowy River	7,752	9,200	Moderate	Negative	Weak			High	Council in South East JO or merge with Bombala/Cooma-Monaro
Temora	5,928	5,000	Sound	Neutral	Strong	Low	High	High	Council in Riverina JO or merge with Coolamon and/or Bland
Turnit	11,272	9,300	Moderate	Neutral	Weak			High	Council in Riverina JO or merge with Gundagai and Tumbarumba
Uralla	6,260	7,400	Weak	Neutral	Very weak	Low	Very High	High	Council in New England JO or merge with Walcha
Wagga Wagga	61,509	73,000	Moderate	Negative	Moderate			Medium	Council in Riverina JO or merge with Lockhart
Young	12,514	13,000	Sound	Negative	Weak			High	Council in Tablelands JO or merge with Boorowa/Harden
Group E: Other potential mergers to consolidate major regional centres (2017 referrals to Boundaries Commission)									
Albury	49,467	57,300	Moderate	Neutral	Moderate			High	Council in Upper Murray JO or merge with Greater Hume (part or all)
Armidale	25,270	31,500	Moderate	Neutral	Moderate			High	Council in New England JO or merge with Guyra
Bathurst Regional	39,936	52,500	Moderate	Negative	Moderate			Medium	Council in Central West JO or merge with Oberon
Blayney	7,186	8,700	Moderate	Negative	Weak			High	Council in Central West JO or merge with Orange
Cabonne	13,188	18,600	Sound	Negative	Moderate			High	Council in Central West JO or merge with Orange
Dubbo	40,491	45,400	Moderate	Neutral	Moderate			Medium	Council in Orana JO or merge with Wellington and/or Narrimline
Greater Hume	10,039	11,200	Moderate	Negative	Weak		Very High	High (part)	Council in Upper Murray JO or merge part or all with Albury
Guyra	4,543	5,000	Moderate	Negative	Very weak		High	High	Council in New England JO or merge with Armidale
Narrimline	6,929	6,800	Moderate	Neutral	Moderate	Low	Very High	Medium	Council in Orana CC or merge with Dubbo
Orange	39,480	45,800	Sound	Negative	Moderate			High	Council in Central West JO or merge with Cabonne and/or Blayney
Pakarang	14,835	23,300	Moderate	Negative	Distressed			High	Council in South East JO or merge with Queanbeyan
Queanbeyan	39,826	53,800	Weak	Neutral	Weak			high	Council in South East JO or merge with Palerang
Wellington	8,937	8,600	Weak	Neutral	Weak	Low	High	Medium	Council in Orana JO or merge with Dubbo
Group F: Current and/or projected 2031 population 5-10,000 (Review status by 2020)									
Cootamundra	7,501	7,100	Moderate	Neutral	Moderate	Low		Medium	Council in Riverina JO or merge with Junee
Forbes	9,471	9,200	Moderate	Neutral	Moderate			Medium	Council in Central West JO; merge with Weddin
Glen Innes-Severn	8,965	8,900	Moderate	Neutral	Weak		High	Medium	Council in New England JO
Gloucester	4,974	5,700	Very Weak	Neutral	Moderate		Very High	Medium	Council in Mid-North Coast JO or merge with Great Lakes and/or Greater Taree
Gwydir	5,074	5,100	Very Weak	Neutral	Distressed		High	Medium	Council in Namoi JO or merge with Moree Plains

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 114-116.

1.1 Fit For The Future Reform - Expert Panel Appointment And Assessment Methodology

June	6,091	5,800	Moderate	Neutral	Weak	Low	High	Medium	Council in Riverina JO or merge with Cootamundra
Kyogle	9,537	9,500	Weak	Negative	Moderate		High	Medium	Council in Northern Rivers JO or merge with Lismore or Richmond Valley
Lachlan	6,758	5,400	Moderate	Negative	Weak	Low	Very High	Medium	Council in Central West JO or merge with Parkes
Liverpool Plains	7,769	8,300	Weak	Negative	Moderate		High	Medium	Council in Namoi JO or merge with Gunnedah
Narrandera	6,123	5,300	Sound	Negative	Strong	Low	Very High	Medium	Council in Murrumbidgee JO or merge with Leeton
Oberon	5,207	5,400	Sound	Negative	Moderate			Medium	Council in Central West JO or merge with Bathurst
Tenterfield	7,024	8,500	Weak	Negative	Weak	Low	Very High	Low	Council in New England JO
Upper Lachlan	7,378	7,900	Sound	Neutral	Strong		High	Medium	Council in Tablelands JO or merge with Goulburn-Mulwaree
Warrumbungle	9,927	9,500	Weak	Negative	Moderate		High	Low	Council in Orana JO
Group G: larger rural and regional councils (excluding Hunter, Central coast and Illawarra)									
Ballina	40,753	45,400	Moderate	Neutral	Weak			Medium	Council in Northern Rivers JO
Bega Valley	32,999	37,100	Sound	Neutral	Strong			Low	Council in South East JO
Bellingen	12,886	13,300	Moderate	Negative	Weak		High	Medium	Council in North Coast JO
Byron	30,825	31,800	Weak	Negative	Weak			Medium	Council in Northern Rivers JO
Clarence Valley	51,252	53,900	Weak	Negative	Weak			Low	Council in North Coast JO
Coffs Harbour	70,933	80,500	Weak	Negative	Weak			Medium	Council in North Coast JO
Eurobodalla	36,993	43,400	Moderate	Neutral	Weak			Low	Council in South East JO
Goulburn-Mt Warren	28,285	31,800	Moderate	Negative	Very Weak			Medium	Council in Tablelands JO
Great Lakes	35,601	41,600	Moderate	Neutral	Moderate			Medium	Council in Mid-North Coast JO or merge with Gloucester
Greater Taree	47,955	50,600	Very weak	Negative	Very Weak			Medium	Council in Mid-North Coast JO or merge with Gloucester
Gunnedah	12,515	13,400	Sound	Negative	Very Strong			Medium	Council in Namoi JO
Inverell	16,614	19,600	Moderate	Neutral	Moderate			Low	Council in Namoi JO
Kempsey	29,188	28,500	Weak	Negative	Weak			Medium	Council in Mid-North Coast JO
Leeton	11,406	11,200	Moderate	Negative	Moderate			Medium	Council in Murrumbidgee JO or merge with Narrandera
Lismore	44,282	45,300	Moderate	Negative	Weak			Medium	Council in Northern Rivers JO or merge with Kyogle
Lithgow	20,790	20,700	Sound	Negative	Moderate			Medium	Council in Central West JO
Mid-Western Reg.	23,000	26,100	Sound	Negative	Weak			Medium	Council in Central West JO
Moree Plains	14,189	11,100	Moderate	Neutral	Moderate			Medium	Council in Namoi JO or merge with Gwydir
Narraburra	19,286	21,500	Weak	Negative	Moderate			Medium	Council in North Coast JO
Narrabri	13,475	12,400	Moderate	Negative	Very Weak			Medium	Council in Namoi JO
Parkes	15,047	15,600	Moderate	Negative	Weak			Medium	Council in Central West JO or merge with Lachlan
Port Macquarie-Hastings	74,949	89,400	Weak	Negative	Moderate			Medium	Council in Mid-North Coast JO
Richmond Valley	22,697	24,800	Weak	Negative	Very Weak			Medium	Council in Northern Rivers JO or merge with Kyogle
Shoalhaven	96,043	106,400	Sound	Negative	Moderate			Low	Council in South East JO
Tamworth Regional	58,351	68,800	Moderate	Neutral	Moderate			Medium	Council in Namoi JO
Tweed	88,463	104,300	Moderate	Neutral	Strong			Low	Council in Northern Rivers JO
Wingecarribee	46,042	51,000	Moderate	Neutral	Moderate			Medium	Council in Tablelands JO
Yass Valley	15,516	23,200	Moderate	Negative	Moderate			Low	Council in Tablelands JO

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 114-116.

C ILGRP preferred merger options for Sydney Metropolitan Councils

Council/s	Options (preferred option in bold)	Rationale
Ashfield, Burwood, Canada Bay, Leichhardt, Marrickville, Strathfield	<ul style="list-style-type: none"> Amalgamate or Combine as strong Joint Organisation 	<ul style="list-style-type: none"> Projected 2031 population 432,400 Close functional interaction and economic/social links between these councils Need for unified local government to plan and manage Parramatta Road, the impact and integration of West Connex, inner west redevelopment and proposed major centre at Burwood 3 of these councils will have fewer than 60,000 people in 2036
Auburn, Holroyd, Parramatta, Ryde (part), The Hills (part)	<ul style="list-style-type: none"> Amalgamate (eastern two-thirds of Ryde to be included with North Shore group) and Move northern boundary of Parramatta to M2 (balance of The Hills to remain an individual council) or Adjust Parramatta's boundaries to include parts of Ryde and The Hills and combine Auburn, Holroyd and Parramatta as a strong Joint Organisation 	<ul style="list-style-type: none"> Projected 2031 population approx. 558,500, including about one-third population of Ryde and without other boundary adjustments Close functional interaction and economic/social links between these councils Need for stronger unified local government to develop Parramatta as second CBD Parramatta's northern boundary is very close to its CBD; relocation to M2 would facilitate planning and improve socio-economic mix and community linkages Incorporation of part of Ryde would strengthen link between Parramatta and 'Global Sydney Corridor' and improve scope for integrated planning around Epping station
Botany Bay, Randwick, Sydney, Waverley, Woollahra	<ul style="list-style-type: none"> Amalgamate or Combine as strong Joint Organisation 	<ul style="list-style-type: none"> Projected 2031 population 669,400 Close functional interaction and economic/social links between these councils Need for high-level strategic capacity to promote and support Sydney's ongoing development as Australia's premier global city Scope to bring together Sydney's international icons and key infrastructure under a single council, and to make better use of the strong rating base of these councils
Fairfield, Liverpool	<ul style="list-style-type: none"> Amalgamate or Combine as strong Joint Organisation with Bankstown, Camden, Campbelltown and Wollondilly 	<ul style="list-style-type: none"> Projected 2031 population 532,900 Close functional interaction and economic/social links Need for a higher-capacity council to manage proposed Liverpool regional centre, which is close to Fairfield boundary
Hornsby, Ku-Ring-Gai	<ul style="list-style-type: none"> Amalgamate or Combine as strong Joint Organisation and Boundary with Parramatta shifted to M2 	<ul style="list-style-type: none"> Projected 2031 population 348,800 (would be reduced somewhat by boundary change) See comments above re Parramatta boundary change Strong socio-economic and urban links
Hunters Hill, Lane Cove, Mosman, North Sydney, Ryde (part), Willoughby	<ul style="list-style-type: none"> Amalgamate or Combine as strong Joint Organisation 	<ul style="list-style-type: none"> Projected 2031 population 365,400, including about two-thirds population of Ryde Close functional interaction and economic/social links between these councils Need for integrated planning for major centres, Sydney Harbour foreshores etc 3 of these councils projected to have fewer than 50,000 people in 2031

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 104-106.

1.1 Fit For The Future Reform - Expert Panel Appointment And Assessment Methodology

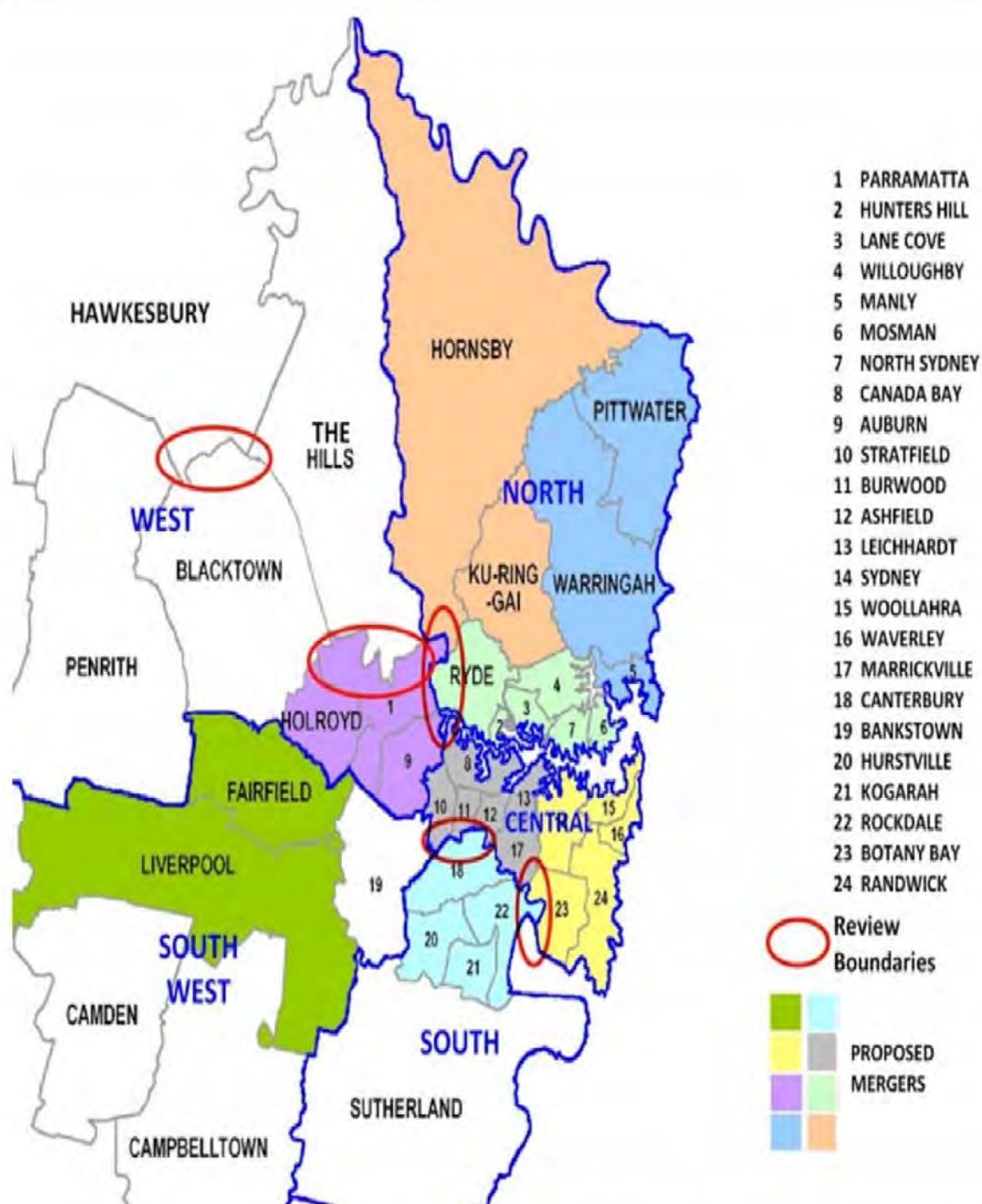
Council/s	Options (preferred option in bold)	Rationale
Canterbury, Hurstville, Kogarah, Rockdale	<ul style="list-style-type: none"> Amalgamate or Combine as strong Joint Organisation, also including Sutherland and Adjust Rockdale boundary at airport 	<ul style="list-style-type: none"> Projected 2031 population 491,600 Close functional interaction and economic/social links between these councils Need for unified local government to support community development, and plan and manage major centres, redevelopment, foreshores etc An alternative for Canterbury could be to amalgamate with Bankstown
Manly, Pittwater, Warringah	<ul style="list-style-type: none"> Amalgamate or Combine as strong Joint Organisation 	<ul style="list-style-type: none"> Projected 2031 population 307,400 Close functional interaction and economic/social links between these councils which constitute an 'island' in the metro region Need for integrated planning of centres, coast, transport etc
Bankstown	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Liverpool, Fairfield, Camden, Campbelltown, Wollondilly 	<ul style="list-style-type: none"> Projected 2031 population of 222,100 on its own The expected pattern of sub-regional boundaries effectively rules out an amalgamation of Bankstown except with Liverpool: this is considered problematic given the scale and complexity of challenges that would face the resulting entity An alternative could be to amalgamate with Canterbury as part of the South sub-region
Blacktown	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, The Hills, Hawkesbury, Penrith, Blue Mountains and Possible boundary adjustments with The Hills and Hawkesbury to facilitate NW Growth Centre 	<ul style="list-style-type: none"> Projected 2031 population 459,800 on its own, with further substantial growth planned
Blue Mountains	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, The Hills, Hawkesbury, Penrith, Blacktown 	<ul style="list-style-type: none"> Projected 2031 population 93,300 Specialised role in managing urban areas within National Parks
Camden	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Liverpool, Fairfield, Bankstown, Campbelltown, Wollondilly 	<ul style="list-style-type: none"> Projected 2031 population 149,300 on its own, with further substantial growth planned
Campbelltown	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Liverpool, Fairfield, Bankstown, Camden, Wollondilly 	<ul style="list-style-type: none"> Projected 2031 population 233,800 on its own
Hawkesbury	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, The Hills, Blacktown, Penrith, Blue Mountains and 	<ul style="list-style-type: none"> Projected 2031 population 81,500 (without boundary adjustments) Specialised role in managing peri-urban fringe May require further boundary adjustments depending on urban growth patterns

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 104-106.

1.1 Fit For The Future Reform - Expert Panel Appointment And Assessment Methodology

Council/s	Options (preferred option in bold)	Rationale
	<ul style="list-style-type: none"> Possible boundary adjustments with The Hills and Blacktown to facilitate NW Growth Centre and Possible longer term merger with The Hills 	<ul style="list-style-type: none"> Functional, socio-economic and environmental links may justify merger with The Hills
The Hills	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, Blacktown, Hawkesbury, Penrith, Blue Mountains and Boundary with Parramatta shifted to M2 and Possible boundary adjustments with Blacktown and Hawkesbury to facilitate NW Growth Centre and Possible longer term merger with Hawkesbury 	<ul style="list-style-type: none"> Projected 2031 population 275,300 (without boundary changes) See comments above re Parramatta boundary change and possible merger with Hawkesbury
Penrith	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, Blacktown, Hawkesbury, The Hills, Blue Mountains 	<ul style="list-style-type: none"> Projected 2031 population 271,300 on its own Focus on growth management and new regional centre
Sutherland	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Canterbury, Rockdale, Kogarah, Hurstville 	<ul style="list-style-type: none"> Projected 2031 population 262,900 on its own
Wollondilly	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Liverpool, Fairfield, Bankstown, Camden, Campbelltown and Possible longer term merger/s with Camden/Campbelltown/Wingecarribee 	<ul style="list-style-type: none"> Projected 2031 population 59,600 (less if boundary adjustments) Specialised role in managing peri-urban Fringe May require substantial boundary adjustments with Camden, Campbelltown and Penrith depending on urban growth patterns Scope for closer linkages with Wingecarribee, perhaps eventual merger of 'non-metropolitan' areas

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 104-106.



Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 107.

1.2 Local Government Remuneration Tribunal Determination 2015

Reporting Officer

Manager Governance and Risk

Attachments

2015 Determination of the Local Government Remuneration Tribunal (contained within this report)

Purpose

To advise Council that the Local Government Remuneration Tribunal has made a determination on the minimum and maximum fees payable to mayors and councillors for 2015-2016.

History

In accordance with sections 239 and 241 of the *Local Government Act 1993*, the Local Government Remuneration Tribunal determines on an annual basis the maximum and minimum amount of fees to be paid to councillors and mayors for the following financial year. Fees are payable monthly in arrears for each month (or part of a month) for which the councillor and mayor holds office.

Report

In accordance with Section 239 of the Act, the Tribunal is required to determine the categories of councils at least once every three years. The Tribunal considered this matter and called for submissions as part of the 2015 Annual Review.

The Tribunal received 15 submissions from individual councils mainly seeking re-categorisation.

A submission was also received from LGNSW requesting that councillor and mayoral remuneration be increased by the full 2.5% and the creation of a new Peri Urban category. The association submitted that a wholesale review of the categories is not practical until the conclusion of the Fit for the Future proposal and approval period and therefore a detailed analysis of the factors set out in Section 240 of the Act was not included in their submission.

The Tribunal found that the current categorisation of individual councils is appropriate at this time and no changes are warranted.

The Tribunal acknowledged the Fit for the Future reform program, and that it may need to consider a revised categorisation model, including the fees that apply to those categories, during the 2016 annual review.

The Tribunal also notes that the expertise and work load expected of councillors and mayors with responsibilities associated with “A Plan for Growing Sydney” may be factors which the Tribunal should have regard to in determining categorisation and remuneration.

The Tribunal is required to have regard to the Government's wages policy when determining the increase to the minimum and maximum fees that apply to councillors and mayors. The public sector wages policy currently provides for a cap on increases of 2.5%.

Having regard to the issues identified in the submissions received, the Fit for the Future timetable for reform and the current economic indicators, including the Consumer Price Index and Wage Price Index, the Tribunal has determined that a 2.5% increase in fees for councillors and mayors is appropriate for 2015-2016. A copy of the Tribunal's report is provided as Attachment 1.

Campbelltown City Council is in the category **Metropolitan Centre**.

Therefore, pursuant to Section 241 of the *Local Government Act 1993*, the annual fees to be paid to Metropolitan Centre category councillors and mayors ranges from \$12,520 - \$23,370 per annum for councillors, and an additional \$26,600 - \$62,090 per annum for the position of mayor, effective 1 July 2015.

Officer's Recommendation

1. That Council adopt the councillor and mayoral remuneration increase of 2.5% effective 1 July 2015, as recommended by the Local Government Remuneration Tribunal.
2. That Council fix the remuneration fee for councillors at \$23,370 per annum representing an increase of 2.5% for the 2015-2016 financial year effective 1 July 2015.
3. That Council fix the remuneration fee for the mayor at an additional \$62,090 per annum representing an increase of 2.5% for the 2015-2016 financial year effective 1 July 2015.

Committee's Recommendation: (Kolkman/Borg)

That the Officer's Recommendation be adopted.

CARRIED

Council Meeting 19 May 2015 (Hawker/Mead)

That the Officer's Recommendation be adopted.

Council Minute Resolution Number 84

That the Officer's Recommendation be adopted.

Councillor Mead asked for his name to be recorded in opposition to the resolution for Item 1.2 – Local Government Remuneration Tribunal Determination 2015.

ATTACHMENT 1

Local
Government
Remuneration
Tribunal

Annual Report
and
Determination

*Annual report and determination under sections 239
and 241 of the Local Government Act 1993*

13 April
2015

[NSW Remuneration Tribunals website](#)

Local Government Remuneration Tribunal

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Local Government Remuneration Tribunal

Introduction

1. The role of Local Government Remuneration Tribunal (the Tribunal), pursuant to section 235 of the *Local Government Act 1993* (the LG Act) was undertaken by Ms Helen Wright from 13 December 2006 until the expiration of her appointment on 30 June 2014. The Tribunal wishes to express its appreciation of Ms Wright's contributions over those years.
2. On 4 February 2015, Dr Robert Lang was appointed to the role of Tribunal pursuant to section 235 of the LG Act and Mr Ian Reynolds was appointed to the role of Assessor assisting the Tribunal pursuant to section 236 (1) (b) of the LG Act. The role of Assessor assisting the Tribunal pursuant to 236 (1) (a) has been undertaken by Mr Steve Orr, Acting CEO, Office of Local Government, Department of Planning and Environment.

Section 1 Background

3. Pursuant to section 239 of the LG Act the Tribunal determines the categories of councils and mayoral offices and the allocation of each council and mayoral office into one of those categories.
 4. Pursuant to section 241 of the LG Act the Tribunal determines in each category of council, the maximum and minimum amount of fees to be paid to mayors and councillors of councils, as well as chairpersons and members of county councils.
 5. In determining the maximum and minimum fees payable to each of the categories, the Tribunal is required, pursuant to section 242A of the LG Act, to give effect to the same policies on increases in remuneration as those that the Industrial Relations Commission is required to give effect to under section 146C of the *Industrial Relations Act 1996* (IR Act), when making or varying awards or orders relating to the conditions of employment of public sector employees.
 6. The current policy on wages pursuant to section 146(1)(a) of the IR Act is articulated in the *Industrial Relations (Public Sector Conditions of Employment) Regulation 2014* (Regulation). The effect of the Regulation is that public sector wages cannot increase by
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Local Government Remuneration Tribunal

more than 2.5 per cent, and this includes the maximum and minimum fees payable to councillors and mayors.

7. The former Tribunal's Report and Determination of 2014 provided a general increase of 2.5 per cent which was consistent with the Government's policy on wages.

Section 2 Local Government Reform

8. Local government in NSW has been the subject of a significant reform agenda driven by the need to change. This has been supported by Local Government NSW (LGNSW) and the State Government. The process of creating a strong and viable local government sector began with the *Destination 2036* summit held in 2011. The outcome was the "*Destination 2036 Action Plan*" which identified 12 major initiatives to create a strong local government sector.
 9. In 2012 the then Minister for Local Government appointed an Independent Local Government Review Panel (Panel) to formulate options for governance models, structures and boundary changes to improve the strength and effectiveness of local government and to help drive the strategic directions set out in the *Destination 2036 Action Plan*. The Local Government Acts Taskforce (Taskforce) was also appointed to review the LG Act and the *City of Sydney Act 1988*.
 10. Following an extensive consultation program with stakeholders across NSW during 2012 and 2013 the final reports of the Panel and the Taskforce were released in October 2013. As outlined in the Tribunal's 2014 determination these reports make a broad range of recommendations which, if adopted in full or in part, could deliver significant reforms across local government in NSW.
 11. The Government's response to the recommendations of the Panel and the Taskforce was released in September 2014 – '*Fit for the Future, NSW Government Response*'.
 12. The Tribunal notes that the Panel has made a number of comments in relation to the adequacy of the existing remuneration arrangements and has proposed structural changes which may have an impact on the roles and responsibilities of councillors and mayors. Suggested changes include amendments to the LG Act to provide greater clarity in relation to the role of councillors and mayors. It has been proposed that in larger councils and in major regional councils, the role of mayor, and in some instances that of
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Local Government Remuneration Tribunal

the deputy mayor, should be expanded to a full time office and remunerated accordingly.

13. The Government has supported these changes in principle, noting in their response:

“Stronger political leadership and effective representation are essential to strengthen local communities. In developing a new Local Government Act, the Government will consider how to embed these principles and achieve these outcomes.

In time for the next local government elections in 2016, the Government will:

- *Amend the legislated role of councillors and mayors to provide greater clarity generally in accordance with the Panel’s recommendations*
- *Introduce minimum two year terms and compulsory voting in mayoral elections for mayors elected by councillors, to facilitate leadership stability.”*

In response to whether the role of mayor should be full time the Government advised:

“The Government recognises the important role of the Mayor in providing leadership to the council and the community. It recognises that the role of Mayor will inevitably vary given the size of the council and the nature of the community and believes it is for the council to determine the appropriate time required to fulfil this important strategic role.”

14. The Panel also suggested that professional development programs be made available to councillors and that remuneration should be increased in recognition of enhanced skills.

15. The Government has not supported the Panel’s recommendation that councillors and mayors who successfully complete recognised professional development programs receive increased remuneration. In response to that recommendation the Government advised:

“The Government recognises the dedication of councillors across NSW to their local council and their communities and supports councillors receiving a fair level of remuneration, which reflects the nature of the role and the communities’ expectations of prudent use of ratepayer funds.

The Government believes an independent process, currently undertaken by the Independent Remuneration Tribunal, provides a fair means of setting councillor remuneration, with the current criteria taking into account, among other things, the size and the significance of the council.

The Minister for Local Government will ask the Tribunal to give further consideration to the criteria to better reflect the objectives of local government

Local Government Remuneration Tribunal

reform with a focus on those councils that have made the necessary changes to become "Fit for the Future".

The Government also believes that professional development, particularly for new councillors but importantly for all councillors, is essential for being an effective councillor rather than a justification for increasing councillor remuneration and expects all councils to have in place a professional development program for councillors."

16. In providing their response the Government also announced a package of support to strengthen communities and support councils to become Fit for the Future.
 17. The Government intends to provide funding of up to \$1 billion to help NSW councils become Fit for the Future. The Fit for the Future package includes:
 - \$258 million to assist councils who decide to merge and make the changes needed to provide better services to communities;
 - Potential savings of up to \$600 million from cheaper finance for Fit for the Future councils to invest in local infrastructure;
 - Up to \$100 million savings through reductions in red tape and duplications;
 - Improvements to the local government system, including the laws that govern it, the way the State works with councils and the support that councils receive.
 18. As part of a broad range of local government initiatives, councils have been asked to assess their current situation and consider the future needs of its community. The Panel recommended a range of structures for councils across NSW, based on the Panel's extensive consultation and research. Those options include:
 - voluntary mergers
 - forming regional joint organisations
 - a new model for the far west
 - a rural council option
 19. Councils have been asked to prepare a roadmap for becoming Fit for the Future. The Roadmap is to address the viability of introducing one of the structures proposed having regard to:
 - scale and capacity
 - sustainability
 - efficiency, and
 - effective services and infrastructure.
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Local Government Remuneration Tribunal

20. Councils have been asked to assess their current position and submit a Fit for the Future proposal by 30 June 2015. The proposals will be assessed by an independent expert panel which will make recommendations to the Minister for Local Government. It is expected that from October 2015 Fit for the Future councils will commence the implementation of their proposals.
21. The Tribunal also notes that a new local government act is expected to be introduced following the local government elections in September 2016.

Section 3 2015 Review

Scope of the Review - Categories

22. Section 239 of the LG Act requires the Tribunal to determine the categories of councils and mayoral offices at least once every 3 years. In accordance with the Act, the Tribunal has reviewed the categories as part of the 2015 annual review.
23. Pursuant to section 240 of the Act the Tribunal is required to determine categories according to the following matters:

"240 (1)

- *the size of areas*
- *the physical terrain of areas*
- *the population of areas and the distribution of the population*
- *the nature and volume of business dealt with by each Council*
- *the nature and extent of the development of areas*
- *the diversity of communities served*
- *the regional, national and international significance of the Council*
- *such matters as the Remuneration Tribunal considers relevant to the provision of efficient and effective local government*
- *such other matters as may be prescribed by the regulations. "*

24. The former Tribunal undertook a fundamental review of the categories in 2012. In undertaking that review, the former Tribunal found that there was no strong case to significantly alter the current categories of councillor or mayoral office or to move
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Local Government Remuneration Tribunal

individual councils between categories. The Tribunal notes that since 2012 there has been no reduction in the number of councils or significant changes to local government boundaries but significant progress has been made by the Government, LGNSW and local councils in progressing the reform process.

25. In reviewing the categories for 2015 the Tribunal considers the current reform initiatives, in particular Fit for the Future, to be relevant to the provision of efficient and effective local government.
26. On 4 March 2015, the Tribunal wrote to all mayors advising of the commencement of the 2015 Annual Review. The Tribunal invited submissions from councils as to whether Fit for the Future councils should be recognised in any future or alternative categorisation model. This proposal was consistent with the Government's response to the recommendations of the Panel. The Tribunal also wrote to the President of LGNSW in similar terms, and subsequently met with the President and Chief Executive of LGNSW. The Tribunal wishes to place on record its appreciation to the President and Chief Executive for meeting with the Tribunal.

Submissions Received

27. In response to this review the Tribunal received 15 submissions from individual councils and a submission from LGNSW. The key points from those submissions are summarised below.

Local Government NSW

28. The association's view is that a wholesale review of the categories is not practical until the conclusion of the Fit for the Future proposal and approval period and therefore a detailed analysis of the factors set out in Section 240 of the Act was not included in their submission.
 29. However, the association has requested that a new category of 'Peri-Urban' be created to contain those councils that occupy a landscape on a major city fringe that is neither fully urban nor completely rural. Councils that would fit into this new category include Wollondilly and Hawkesbury River councils.
 30. Given the statutory limitations in place LGNSW has also requested that councillor and
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Local Government Remuneration Tribunal

mayoral fees be increased by the full 2.5 percent for 2015/16. LGNSW continues to advocate that councillors face an immense task juggling council workload, family responsibilities as well as paid work and such a significant time involvement is not appropriately recompensed through the current remuneration levels. The roles of councillor and mayor have expanded due to the introduction of new forms of strategic and corporate planning and, more recently, additional workloads are attributable to Fit for the Future and Joint Organisation pilots.

Major City

31. Wollongong City Council has sought the inclusion of transitional remuneration arrangements in this year's determination, rather than future determinations, to reflect extra responsibilities being undertaken through Fit for the Future and as a Pilot Joint Organisation. The Council argues that this was articulated and acknowledged in discussions concerning the scope and structure of Joint Organisations during workshops facilitated by the Office of Local Government.

Metropolitan Major

32. Penrith City Council has sought re-categorisation to Major City in view of the Council's identified role as a regional city for North Western Sydney and its expanding regional role for housing, transport, jobs and services. The Council supports a future categorisation model that provides a bonus or incentives for those councils that successfully demonstrate ongoing sustainability through their Fit for the Future proposals and Improvement Plans.

Metropolitan Centre

33. Submissions were received from Liverpool City Council, Sutherland Shire Council, The Hills Shire Council and Wyong Shire Council. All councils in this group have sought re-categorisation to a higher group.
34. Liverpool City Council has sought re-categorisation to either Metropolitan Major as a minimum or Major City. The Council argues that its similarities with Penrith City Council and Parramatta City Council support a consistent categorisation with either of these councils.
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Local Government Remuneration Tribunal

35. The Hills Council argues that the current categorisation system does not recognise the complexities faced by Councillors in 'growth' councils. The Council also notes that it has a similar population and growth forecast to Penrith City Council which is in the Metropolitan Major category.
36. Wyong Shire Council has sought re-categorisation to Metropolitan Major on the basis that its functions are parallel to councils in that category.
37. Sutherland Shire Council has sought re-categorisation to Metropolitan Major and argues that it compares with Penrith City Council and Blacktown City Council which are categorised as Metropolitan Major.

Metropolitan

38. Submissions were received from Pittwater Council and Camden Council.
39. Pittwater Council has requested the Tribunal to make appropriate representations for changes to legislation to require councils to pay compulsory employer superannuation contributions for councillors. Under current law councillors are not deemed employees of a council and employer superannuation contributions are not required.
40. Camden Council has sought re-categorisation to Metropolitan Centre or alternatively to a new category for growth centres. Camden is a major growth centre and expects exponential growth over the next 25 years with a significant increase in population and dwellings and related increases to the Council's staffing, budget, services and councillors' workloads and obligations.

Regional Rural

41. Individual submissions were received from Albury City Council, Bathurst Regional Council, Bega Valley Shire Council and Hawkesbury City Council.
42. Albury City Council has requested that the Tribunal consider the provision of a deputy mayoral allowance in the fee structure noting that this may require a change to the LG Act. The experience of Albury City Council is that there are an increasing number of civic commitments on the mayor averaging five or more per week with the deputy mayor often required to assist in these matters.
43. Bathurst Regional Council has sought an increase of fees to reflect the increased role
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Local Government Remuneration Tribunal

and responsibilities that councillors undertake.

44. Bega Valley Shire Council argue that the current remuneration levels are a barrier to many younger and working people standing for election. Also, the Council requests that any proposed categorisation model recognising Fit for the Future status should recognise not only councils that intend to amalgamate but also councils which participate in Joint Regional Organisations.
45. Hawkesbury City Council has sought re-categorisation to a higher or new category on the basis that it is different to other councils in Regional Rural.

Rural

46. Forbes Shire Council has sought an additional increase above 2.5% to account for the additional complexity and time obligations that are over and above councillors' business as usual work, as a result of the Integrated Planning and Reporting Framework, Independent Panels review report and Fit for the Future.

Tribunal's Findings

Categorisation

47. The Tribunal has reviewed the existing categories and finds that no change is warranted at this time. While LGNSW have put forward a proposal to create a new "peri urban" category, any consideration of new categories is not considered appropriate at this time given the current reform agenda. It is probable, should Fit for the Future initiatives proceed, that the structure of local government in NSW will change over the next few years. Any future Tribunal will need to consider categorisation based on the structure and composition of councils in NSW at that time.
48. The Tribunal has also considered those requests for re-categorisation from individual councils as outlined in the submissions. The Tribunal finds that the current categorisation of individual councils is appropriate at this time and no changes are warranted.
49. In making submissions councils were also asked to comment on whether Fit for the Future councils should be recognised in any future or alternative categorisation model.
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Local Government Remuneration Tribunal

50. In seeking these views the Tribunal acknowledged that a number of Fit for the Future milestones will not be achieved prior to the Tribunal making its determination. The Tribunal's intention was to seek preliminary views on what factors should inform any future categorisation model, should changes to the structure of local government occur following the implementation of Fit of the Future. The Tribunal notes the preliminary view of LGNSW that any new set of factors for describing council categories should be capable of being applied to all councils rather than segregating councils based on their Fit for the Future status. LGNSW went on to acknowledge that, should the NSW local government sector undergo transition, in addition to revising the factors already prescribed by the Act that there will be a need to develop contemporary factors that recognise progressive change at the council level.
51. A number of submissions also raised with the Tribunal the additional work associated with participating in Fit for the Future and other reform initiatives, including work associated with the Integrated Planning and Reporting Framework and participation in Pilot Joint Organisations of Councils. The Tribunal acknowledges the significant work that has been undertaken by the Office of Local Government, LGNSW and individual councils in driving reform across the sector but considers that this does not warrant re-categorisation of councils at this time.
52. The Tribunal has not formed a view on any future categorisation framework at this point in time. While the Panel has proposed a number of alternative models for the governance of communities in NSW, any proposed changes will not be known until after the release of the Fit for the Future findings later in 2015.
53. Based on the existing Fit for the Future timeframes, the Tribunal may need to consider a revised categorisation model, including the fees that apply to those categories, during the 2016 annual review. Should the structure of any council areas in NSW change before then, the Minister for Local Government may direct the Tribunal to make a special determination to alter the existing determination to take account of any new arrangements.
54. The Tribunal is of the view that significant changes should prompt a revision of the criteria for determining categories and fees. Any new categorisation model may need to
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Local Government Remuneration Tribunal

have regard to a broader or different set of criteria than those currently provided for in section 240 of the LG Act.

55. In reviewing the LG Act the Government may wish to consider the range of factors any future Tribunal should have regard to in determining categories. As one example, the Government has released "*A Plan for Growing Sydney*" that will guide land use planning decisions in Metropolitan Sydney for the next 20 years. The Greater Sydney Commission will work with local councils to implement growth and infrastructure plans. The expertise and work load expected of councillors and mayors with responsibilities associated with "*A Plan for Growing Sydney*" may be factors which the Tribunal should have regard to in determining categorisation and remuneration. The Tribunal expects that similar pressures will be placed on rural and regional councils to drive economic and social growth throughout NSW.
56. The Tribunal also notes that any revision to the fees as a result of any new categorisation model would need to balance the need to attract and retain experienced and capable elected representatives with the ability of councils to afford any potential increases. While money is not the primary motivator for undertaking public office, fees should adequately recognise the roles and responsibilities of councillors and mayors and assist in attracting suitably qualified and experienced candidates.
57. Finally, the Tribunal notes that it has received legal advice which would suggest that any re-categorisation of an existing council, which would have the effect of increasing the employee related costs in respect of those councillors by more than 2.5 per cent may contravene the intent of section 242A of the LG Act. This would appear to limit the Tribunal's ability to undertake its independent statutory functions. While the Tribunal has decided not to re-categorise any of the existing councils as part of this review, the ability of the Tribunal to determine revised categories or fees for a future local government structure may be limited by the scope of the existing legislation. The Tribunal will write to the Minister for Local Government to seek advice on this matter.

Fees

58. The Tribunal notes the comments made in submissions in regard to the payment of fees for deputy mayors. As noted by the former Tribunal the LG Act prevents the Tribunal
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Local Government Remuneration Tribunal

from determining any fees for deputy mayors. The Government may wish to consider this matter in its review of the LG Act.

59. The Tribunal is required to have regard to the Government's wages policy when determining the increase to apply to the maximum and minimum fees that apply to the councillors and mayors. The public sector wages policy currently provides for a cap on increases of 2.5 per cent.
60. The Tribunal has reviewed the key economic indicators, including the Consumer Price Index and Wage Price Index, and finds that the full increase of 2.5 per cent available to it is warranted. On that basis, having regard to the above, and after taking the views of the Assessors into account, the Tribunal considers that an increase of 2.5 per cent in the maximum and minimum fee for each category of councillor and mayoral office, including county councils, is appropriate and so determines.

The Local Government Remuneration Tribunal

Signed

Dr Robert Lang

Dated: 13 April 2015

Local Government Remuneration Tribunal

Section 4 Determinations

Determination No. 1- Determination Pursuant to Section 239 of Categories of Councils and County Councils Effective From 1 July 2015

Table 1: General Purpose Councils

Table 1: General Purpose Councils (152)		
Category	Council	
Principal City (1)	Sydney	
Major City (3)	Newcastle Parramatta Wollongong	
Metropolitan Major (2)	Blacktown Penrith	
Metropolitan Centre (16)	Bankstown Campbelltown Fairfield Gosford The Hills Hornsby Hurstville Lake Macquarie	Liverpool North Sydney Randwick Ryde Sutherland Warringah Willoughby Wyong
Metropolitan (21)	Ashfield Auburn Botany Burwood Camden Canada Bay Canterbury Holroyd Hunters Hill Kogarah Ku-ring-gai	Lane Cove Leichhardt Manly Marrickville Mosman Pittwater Rockdale Strathfield Waverley Woollahra

Local Government Remuneration Tribunal

Table 1: General Purpose Councils (152)			
Category	Council		
Country Rural (32)	Albury Armidale Dumaresq Ballina Bathurst Bega Valley Blue Mountains Broken Hill Byron Cessnock Clarence Valley Coffs Harbour Dubbo Eurobodalla Great Lakes Goulburn Mulwaree Queanbeyan	Greater Taree Griffith Hawkesbury Kempsey Lismore Maitland Orange Port Macquarie-Hastings Port Stephens Shellharbour Shoalhaven Tamworth Tweed Wagga Wagga Wingecarribee Wollondilly	
Rural (77)	Balranald Bellingen Berrigan Bland Blayney Bogan Bombala Boorowa Bourke Brewarrina Cabonne Carrathool Central Darling Cobar Conargo Coolamon Cooma-Monaro Coonamble Cootamundra Corowa Cowra Deniliquin Dungog Forbes Gilgandra Glen Innes Severn	Gloucester Greater Hume Gundagai Gunnedah Guyra Gwydir Harden Hay Inverell Jerilderie Junee Kiama Kyogle Lachlan Leeton Lithgow Liverpool Plains Lockhart Mid-Western Moree Plains Murray Murrumbidgee Muswellbrook Nambucca Narrabri Narrandera	Narromine Palerang Parkes Oberon Richmond Valley Singleton Snowy River Temora Tenterfield Tumbarumba Tumut Upper Hunter Upper Lachlan Uralla Urana Wakool Walcha Walgett Warren Warrumbungle Weddin Wellington Wentworth Yass Valley Young

Local Government Remuneration Tribunal

Table 2: County Councils

Table 2: County Councils (14)	
Category	Council
Water (5)	Central Tablelands Goldenfields Water MidCoast Riverina Water Rous
Other (9)	Castlereagh – Macquarie Central Murray Far North Coast Hawkesbury River New England Tablelands Richmond River Southern Slopes Upper Hunter Upper Macquarie

Local Government Remuneration Tribunal

Determination No. 2- Determination Pursuant to Section 241 of Fees for Councillors and Mayors

Pursuant to s.241 of the Local Government Act 1993, the annual fees to be paid in each of the categories to Councillors, Mayors, Members and Chairpersons of County Councils effective on and from 1 July 2015 are determined as follows:

Table 3: Fees for General Purpose and County Councils

Table 3: Fees for General Purpose and County Councils				
Category	Councillor/Member Annual Fee		Mayor/Chairperson Additional Fee	
	Minimum	Maximum	Minimum	Maximum
General Purpose Councils				
Principal City	25,040	36,720	153,200	201,580
Major City	16,690	27,550	35,470	80,260
Metropolitan Major	16,690	27,550	35,470	80,260
Metropolitan Centre	12,520	23,370	26,600	62,090
Metropolitan	8,330	18,380	17,740	40,090
Regional Rural	8,330	18,380	17,740	40,090
Rural	8,330	11,010	8,860	24,030
County Councils				
Water	1,660	9,180	3,550	15,080
Other	1,660	5,490	3,550	10,020

*This fee must be paid in addition to the fee paid to the Mayor/Chairperson as a Councillor/Member (s.249(2)).

Local Government Remuneration Tribunal

The Local Government Remuneration Tribunal

Signed

Dr Robert Lang

Dated: 13 April 2015

2. PROPERTY SERVICES

2.1 Finalisation of Section 355 Management Committees

Reporting Officer

Manager Property Services

Attachments

Nil

Purpose

To provide Council with information regarding the finalisation of the Section 355 Committees and transition of the management and operation of those facilities by Council.

History

A report was provided to Council on 16 September 2014 regarding this matter where it was resolved that a further report be presented detailing all of the issues surrounding the Section 355 Committees, in confidential session if appropriate.

Report

At the Council meeting of 26 February 2013 Council resolved to take over responsibility for managing the community facilities managed by Section 355 Committees. It was also recommended that meetings be arranged with each Section 355 Committee to make the necessary arrangements for handover.

For many years, Council implemented a system of community based Management Committees for the operation of several neighbourhood centres and community halls. The Local Government Act 1993 (Section 355) empowered Council to establish such Committees and delegate authorities to these Committees to exercise various functions of Council.

Listed below are the Halls previously managed by Section 355 Committees:

Bow Bowing Neighbourhood Centre	Ashraful Madaaris Incorporated	10 Carnarvon Street, Bow Bowing
Eagle Vale Neighbourhood Centre	Eagle Vale NHC Committee	3 Emerald Drive, Eagle Vale
Glenquarie Neighbourhood Centre	The Junction Works Limited	Victoria Road, Macquarie Fields
Macquarie Fields Community Hall	Bangladesh Welfare Society Campbelltown	5 Fields Road, Macquarie Fields
Minto Community Hall	SWS Regional Advisory Committee NSW Council for Pacific Communities	4 Surrey Street, Minto
Woodbine Neighbourhood Centre	Woodbine NHC Committee	North Steyne Road, Woodbine

These Section 355 Committees were made up of volunteers. The review of the Section 355 Committees identified that members of the committees did not have the same level of accountability or the necessary financial and safety skills that Council staff have in respect to the operation and maintenance of these assets.

Council staff over a number of years endeavoured to request the necessary financial and booking details to ensure compliance with Council's guidelines. However due to the nature of voluntary positions administering the Section 355 Committees, accessing the appropriate information became increasingly challenging.

Further, other issues became evident when Council staff became aware that some facilities managed by the Committees fell outside the spirit of Council's guidelines. Given these circumstances this has prompted a more comprehensive review of all facilities managed by Section 355 Committees.

Issues

As part of the comprehensive review, Council contacted each of the Committees and called for copies of the financial records including Income Statement, Statement of Financial Position (Balance Sheet) and the Audit of Account as required. Also requested was a copy of the Annual Budget for the coming financial year.

A varied response was received with the majority of the Committees only complying to some degree with the request with follow up letters issued. Of those complying, the quality of the information provided varied greatly.

The major financial reporting issues coming from the review to date were the timeliness of submission of the records, the application of appropriate Council fees and charges, the lack of uniformity of collecting and itemising data and the proper recording and allocation of the funds held by the Committees.

Following on from the request for financial records Council sought to arrange a meeting with representatives of all of the Committees to discuss the financial records and operation of each of the facilities by the respective Section 355 Committees.

Items discussed at the meetings also included hall usage and booking procedures and building maintenance issues. While these meetings were productive, it became evident that a number of issues existed in respect to the Section 355 Committees operating in accordance with the statutory requirements.

One of the main issues raised with the Committee representatives were the changes in Workplace Health and Safety legislation which came into force on 1 January 2012 which resulted in potential personal liability.

The issues identified included the following:

- section 355 Committee members were not aware of the requirements of the WH&S legislation and personal liability provisions
 - the Committees not charging fees and charges in accordance with Councils annually adopted fees and charges
-

- the lack of detail and timely provision of some of the financial accounts in which Council has sought additional information regarding booking details and usage figures
- the varying compliance with Councils request for financial details and future annual budgets which gave rise to concerns regarding compliance by the Committees with the statutory obligations imposed on Council
- potential conflicts of interest in respect to members of some Committees also being involved in operating programs and services from the facilities
- the limited availability of the facilities to the wider public due to the programs being operated by the existing Section 355 Committees.

Review details

A review identified that a number of committees were operating as community/cultural groups (non-government organisations) conducting programs from the facilities.

Funds were used for the ongoing maintenance of the halls that each committee was allocated with funding also being used for the provision of some programs associated with each group.

This appears to be a historic arrangement as some of the facilities such as the Macquarie Fields Community Hall and Glenquarie Neighbourhood Centre have been managed on this basis for a considerable period. Council also undertook an expression of interest process in 2006 in which it granted a number of community organisations the management of the community halls.

The review identified that some of the committees were also conducting a number of Department of Community Services (DOCs) funded programs for the benefit of the local community.

Transition

Following on from the Council resolution to take over the responsibility of managing the community facilities managed by the 355 Committees, meetings were held with each of the committee's representatives. A handover process was instigated in which Council took over the responsibility for the management of the subject facilities from 1 July 2013.

This allowed a transition period in order that the necessary arrangements could be made for Council to undertake any new bookings through the Customer Services Section and undertake any necessary repairs and maintenance of the facilities.

As part of this handover process each Section 355 Committee was required to transfer any money on hand to Council together with financial details including details relating to any bookings or bonds. This includes the following funds that were transferred to Council.

Bow Bowling Neighbourhood Centre	\$1,813
Eagle Vale Neighbourhood Centre	\$21,572
Glenquarie Neighbourhood Centre	\$3,924
Macquarie Fields Community Hall	\$2,250
Minto Community Hall	\$16,812
Woodbine Neighbourhood Centre	\$17,293

As part of the handover process a transition period was provided to those groups which were undertaking existing DOCs funded programs from the facilities. Under this process these organisations were required to re-book the facilities through Councils customer services booking process and pay a hire fee for the use of the offices within the community facilities.

Acknowledgement

In considering the history of the management of some of these facilities an acknowledgement is made to the volunteers on these committees that managed these facilities on Council's behalf.

Current status

Since Council has taken over the management and bookings of the community facilities previously managed by the Section 355 Committees there has been better access for all community groups resulting in an increased income.

As some of the halls were out of operation whilst maintenance and improvements were undertaken it is anticipated that with improved marketing that there should be further improvements in income/usage of the facilities over the 2014-2015 period.

It should also be noted that the Macquarie Fields Community Hall has been demolished on the basis of work, health and safety issues as previously identified.

Also as previously advised Council is dealing separately with the Town Hall Theatre Management Committee that manages the Town Hall Theatre regarding a new agreement. The management structure is currently being discussed to determine the most appropriate method for the ongoing management of the Town Hall Theatre.

Opportunities

A review of Council's community facilities is currently being undertaken which includes an analysis of income/expenditure, asset life and usage in order to allow for future planning of the needs for these facilities.

This is also considering opportunities to improve the performance of the facilities through improved marketing and the design process for any future facilities.

On this basis it is intended to provide a further report to Council on completion of the review of Councils community facilities.

Officer's Recommendation

That the information be noted.

Committee's Recommendation: (Greiss/Kolkman)

That the Officer's Recommendation be adopted.

CARRIED

Council Meeting 19 May 2015 (Hawker/Mead)

That the Officer's Recommendation be adopted.

Council Minute Resolution Number 84

That the Officer's Recommendation be adopted.

3. FINANCIAL SERVICES

3.1 Investment report - March 2015

Reporting Officer

Manager Financial Services

Attachments

Investment portfolio performance for the month of March 2015 (contained within this report)

Purpose

To provide a report outlining Council's investment portfolio performance for March 2015.

Report

Council invests any surplus funds that become available through the financial instrument designated by the Ministerial Order from the Office of Local Government. The *Local Government Act 1993* and the *Local Government (General) Regulation 2005* require a monthly investment report be presented to Council.

Council's Investment Portfolio as at 31 March 2015 stood at approximately \$95m. Funds are currently being managed both by Council staff and Fund Managers and are in accordance with the *Local Government Act 1993*, *Local Government (General) Regulation 2005* and Council's Investment Policy.

Portfolio Performance

Directly managed investments show an outperformance of the AUSBOND bank bill index benchmark by more than 100 basis points for the reporting period.

Monthly annualised return	March
Council Managed Funds	3.53%
Benchmark: AUSBOND Bank Bill Index	2.39%

Investment returns can fluctuate during any one reporting period based on market perceptions, or as in the case of funds under management, changes in asset classes. As such, any measurement of performance is better reflected over a rolling 12 month period to average out any fluctuations in monthly performance. Council's total investment portfolio has outperformed the benchmark on average over the last 12 months.

Rolling year to date return	March
Council Managed Funds	3.80%
Benchmark: AUSBOND Bank Bill Index	2.66%

Council's portfolio as at 31 March 2015 is diversified with 64% in term deposits of varying lengths of maturity which are managed in accordance with market expectations and Council's investment strategy, 26% in floating rate deposits which gives Council a set margin above either 30 or 90 day bank bills, 6% in fixed rate bonds, 3% in funds in a short term at call account.

Maturity profile	31 March
Short term at call	\$3,240,566
0 – 3 months	\$25,581,515
3 – 6 months	\$29,266,928
6 – 12 months	\$7,157,041
12 months +	\$29,500,000

All investments are placed with approved deposit taking institutions. No funds are placed with any unrated institutions.

Credit exposure	31 March
AAA to AA-	76%
A+ to A-	21%
BBB+ to BBB-	3%
Other approved deposit taking institutions	0%

Economic outlook

The Reserve Bank of Australia (RBA) Board reduced the cash by 25 basis points and the cash rate is currently 2% announced on Tuesday 5 May 2015.

The official statement accompanying the decision concluded "At today's meeting, the Board judged that the inflation outlook provided the opportunity for monetary policy to be eased further, so as to reinforce recent encouraging trends in household demand."

Summary

Council's investment portfolio continues to outperform the benchmark of the AUSBOND bank bill index. The Local Government Investment Guideline leaves little scope for the enhancement of Council's investment portfolio with the various investment products being offered. However, to enhance the portfolio, advantage is taken on the length of maturity of the investment given the rating of the institution, as well as reviewing any new investment products offered in consultation with Council's financial advisor, Spectra Financial Services.

Regular liaison with Council's external financial advisor assists in monitoring all of the risk factors to maximise Council's return on the investment portfolio, while minimising the risk associated with this strategy.

Officer's Recommendation

That the information be noted.

Committee's Recommendation: (Greiss/Borg)

That the Officer's Recommendation be adopted.

CARRIED

Council Meeting 19 May 2015 (Hawker/Mead)

That the Officer's Recommendation be adopted.

Council Minute Resolution Number 84

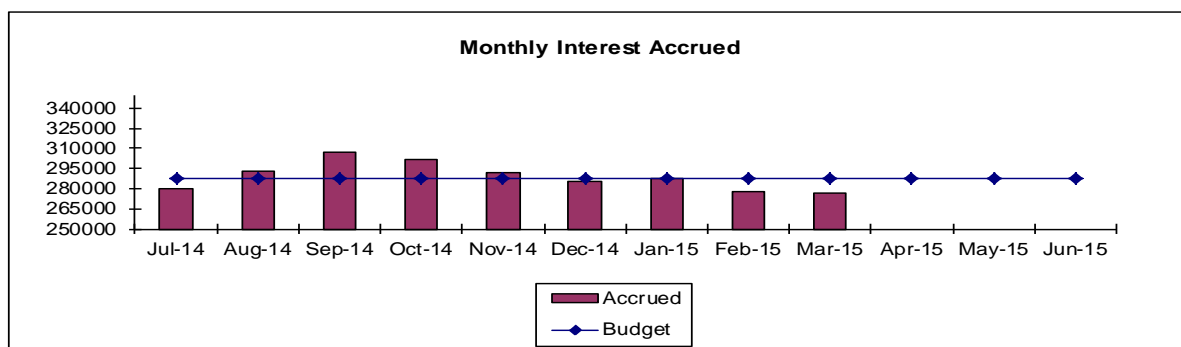
That the Officer's Recommendation be adopted.

ATTACHMENT 1

CAMPBELLTOWN CITY COUNCIL INVESTMENT PORTFOLIO Summary March 2015

Benchmark AUSBOND Bank Bill Index
Portfolio Balance \$94,746,050.24

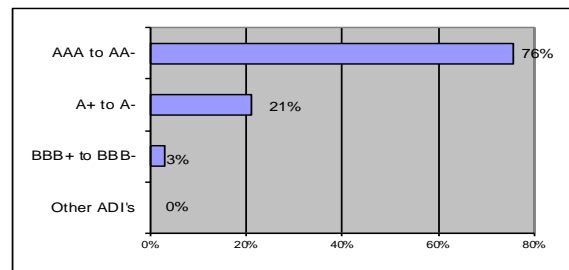
Monthly Performance	Return (mth)	Return (pa)
AUSBOND Bank Bill Index	0.20%	2.39%
Total Portfolio	0.29%	3.46%
<i>Performance to Benchmark</i>	+ 0.09%	+ 1.08%
Portfolio - Direct Investments	0.30%	3.53%
<i>Performance to Benchmark</i>	+ 0.10%	+ 1.14%
Short Term Call Account	0.23%	2.65%



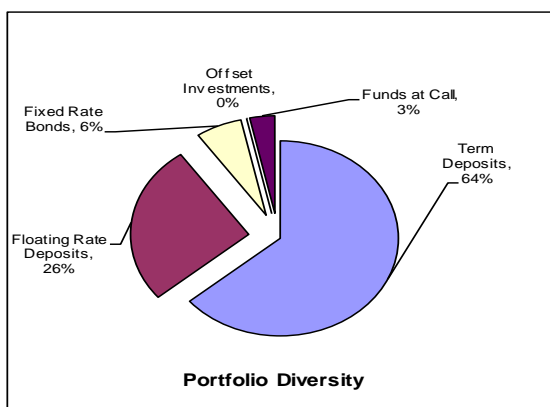
Year to Date Performance Credit Exposure (S&P Long Term Rating)

Rolling 12 Month Period
3.80% Council Managed Funds
2.66% Benchmark

Interest Budget to Actual
Average Budget to Period \$2,587,500
Actual Accrued to Period \$2,601,882



Securities Institutions



	Amount Invested	% Portfolio
NAB Funds at Call	\$ 3,240,566.07	3%
NSW Treasury	\$ 2,225,000.00	2%
National Australia Bank	\$ 33,774,299.13	36%
ANZ Bank	\$ 3,500,000.00	4%
Westpac Bank	\$ 9,947,558.36	10%
St George Bank	\$ 1,179,539.40	1%
Commonwealth Bank	\$ 6,500,000.00	7%
Bank Western Australia	\$ 11,343,925.64	12%
AMP Bank	\$ 4,000,000.00	4%
Suncorp Metway	\$ 6,035,161.64	6%
ING Bank	\$ 4,000,000.00	4%
Rural Bank	\$ 2,000,000.00	2%
Bank of Queensland	\$ 4,000,000.00	4%
ME Bank	\$ 3,000,000.00	3%
	\$ 94,746,050.24	100%

3.2 Monthly Rates Summary - March 2015

Reporting Officer

Manager Financial Services

Attachments

1. Monthly rates summary (contained within this report)
2. Actual to budget result (contained within this report)
3. Rates statistics (contained within this report)

Purpose

To provide details of the 2014-2015 Rates and Charges Levy and cash collections for the period ending 31 March 2015.

Report

Rates and charges levied for the period ending 31 March 2015 totalled \$93,246,913 representing 99.7% of the total annual budget estimate.

For the period ending 31 March 2015, receipts to the value of \$ \$72,833,783 have been received. In percentage terms, 76.4% of all rates and charges due to be paid have been collected. The amount collected in the same period last year was 75.9%.

Debt recovery action during the month involved the issue of 2188 seven day letters to ratepayers with two or more instalments outstanding and a combined balance exceeding \$500. Towards the end of March, a review of matters still outstanding resulted in 635 accounts being referred to Council's recovery agents for a second letter of demand. Aside from penalty interest, no additional costs have been incurred at this stage.

Missed instalment notices were issued to 7153 ratepayers that appeared to have overlooked payment by the 28 February 2015 instalment. Council officers continue to provide assistance to ratepayers experiencing difficulty in settling their accounts. This includes the monitoring of 412 ratepayers with a total arrears balance of \$637,776, and who have made suitable payment arrangements.

Ratepayers who purchased property since the February instalment notices are issued with a 'notice to new owner' letter. During the month, 22 of these notices were sent to ratepayers advising them of the amount unpaid on their account and the amount levied in annual rates and charges.

Officer's Recommendation

That the information be noted.

Committee's Recommendation: (Kolkman/Borg)

That the Officer's Recommendation be adopted.

CARRIED

Council Meeting 19 May 2015 (Hawker/Mead)

That the Officer's Recommendation be adopted.

Council Minute Resolution Number 84

That the Officer's Recommendation be adopted.

ATTACHMENT 1

RATES SUMMARY

STATEMENT OF ALL OUTSTANDING RATES AND EXTRA CHARGES

RATE - CHARGE	NET ARREARS 1/7/2014	NET LEVY FOR YEAR	PENSION REBATES	EXTRA CHARGES	TOTAL RECEIVABLE	CASH COLLECTED	NET AMOUNT DUE	POSTPONED RATES & INTEREST	GROSS AMOUNT DUE
RESIDENTIAL	2,229,478.24	52,414,943.47	1,401,743.12	512,380.95	53,755,059.54	40,623,629.23	13,131,430.31	399,376.82	13,520,807.13
BUSINESS	505,760.07	17,253,530.72		57,105.13	17,816,395.92	13,805,408.48	4,010,987.44		4,010,987.44
BUSINESS - IND	2,596.47	0.00		19.15	2,615.62	2,515.32	100.30		100.30
FARMLAND	9,799.71	515,366.30	887.10	1,329.90	525,608.81	423,529.35	102,079.46	366,417.54	468,497.00
MINING	0.00	25,844.26		0.00	25,844.26	25,844.26	0.00		0.00
LOAN	221,327.81	-1,119.61		2,868.29	223,076.49	142,767.94	80,308.55	40,621.12	120,929.67
INFRASTRUCTURE	0.00	5,460,285.23		4,726.18	5,465,011.41	4,133,387.64	1,331,623.77	37,932.83	1,369,556.60
F5 ACCESS RAMPS	719.65	0.00		2.88	722.53	343.31	379.22		379.22
TOTAL	\$2,969,681.95	\$75,668,850.37	\$1,402,630.22	\$578,432.48	\$77,814,334.58	\$59,157,425.53	\$18,656,909.05	\$834,348.31	\$19,491,257.36
GARBAGE	672,970.21	17,142,471.84	817,943.70	29,125.98	17,026,624.33	12,859,012.08	4,167,612.25		4,167,612.25
STORMWATER	48,658.95	1,033,535.55		347.08	1,082,541.58	817,345.01	265,196.57		265,196.57
GRAND TOTAL	\$3,691,311.11	\$93,844,857.76	\$2,220,573.92	\$607,905.54	\$95,923,500.49	\$72,833,782.62	\$23,089,717.87	\$834,348.31	\$23,924,066.18

Total from Rates Financial Transaction Summary	23,445,158.31
Overpayments	-478,907.87
Difference	0.00

ANALYSIS OF RECOVERY ACTION

Rate accounts greater than 6 months less than 12 months in arrears	1,024,414.88
Rate accounts greater than 12 months less than 18 months in arrears	99,115.36
Rate accounts greater than 18 months in arrears	35,875.86
TOTAL rates and charges under instruction with Council's agents	\$1,159,406.10

ATTACHMENT 2

COMPARISON OF BUDGET TO ACTUAL

DESCRIPTION	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	BALANCE STILL RECD.	% RAISED
RESIDENTIAL	51,874,900	52,253,700	52,414,943	(161,243)	100.31%
BUSINESS	17,321,100	17,387,100	17,253,531	133,569	99.23%
FARMLAND	407,200	407,200	515,366	(108,166)	126.56%
MINING	15,200	7,200	25,844	(18,644)	358.95%
INFRASTRUCTURE	5,414,300	5,464,300	5,460,285	4,015	99.93%
TOTALS	75,032,700	75,519,500	75,669,970	(150,470)	100.20%
INTEREST CHARGES	348,200	293,200	162,581	130,619	55.45%
LEGAL COSTS RECOVERED	840,000	840,000	445,325	394,675	53.01%
PENSIONERS - Sec 575	(1,774,400)	(1,799,400)	(1,842,916)	43,516	102.42%
PENSIONERS - Sec 582	(370,000)	(370,000)	(377,658)	7,658	0.00%
PENSIONERS SUBSIDY	975,920	975,920	1,013,604	(37,684)	103.86%
SUB TOTAL	75,052,420	75,459,220	75,070,905	388,315	99.49%
DOMESTIC WASTE CHARGES	16,805,600	16,805,600	16,710,043	95,557	99.43%
COMMERCIAL WASTE CHARGES	372,600	372,600	432,429	(59,829)	116.06%
STORMWATER MNGMNT	897,000	897,000	1,033,536	(136,536)	115.22%
GRAND TOTALS	93,127,620	93,534,420	93,246,913	287,507	99.69%

COLLECTIONS AS A % OF:	TOTAL RECEIVABLE	TOTAL LEVIED	TOTAL RECEIVABLE	TOTAL LEVIED
RESIDENTIAL	75.57%	77.50%		
BUSINESS	77.49%	80.01%	RATES	78.18%
FARMLAND	80.58%	82.18%	WASTE	75.01%
INFRASTRUCTURE	75.63%	75.70%	STORMWATER	79.08%
ALL RATES	76.02%	78.18%	TOTAL RATES & CHARGES	78.12%

ATTACHMENT 3

RATES STATISTICS

No. of documents Issued	July	August	September	October	November	December	January	February	March	April	May	June	Mar-14
Rate Notices	50,437	77		279			165						6,411
Electronic - DoH	5,499												419
Instalment Notices				43,095			42,533						
Electronic - DoH				5,499			6,237						
Missed Instalment Notices			7,695			7,734			6,705				
- Pensioners > \$15.00			507			485			448				
Notice to new owner	202	86	37	80	38	41	51	26	22				31
7-day Letters - Council issued			1,818			2,058			2,054				1,785
- Pensioners > \$500.00			138			97			134				93
7-day Letters - Agent Issued			583				553		635				696
Statement of Claim	213	34	14	231	17	13	229	19	26				24
Judgments	18	63	22	14	72	6	18	32	41				43
Writs	17	39	23	5	13	21	17	4	49				55
eRates	1,356	1,359	1,361	1,364	1,366	1,367	1,367	1,368	1,369				1,345
Arrangements	364	303	395	406	473	391	381	313	412				405

3.3 Sundry Debtors Report - March 2015

Reporting Officer

Manager Financial Services

Attachments

1. Debtors summary to 31 March 2015 (contained within this report)
2. Ageing of sundry debts to 31 March 2015 (contained within this report)

Purpose

To provide a report detailing the amount outstanding by type and age for sundry and miscellaneous debts for the period ending 31 March 2015.

Report

Debts outstanding to Council as at 31 March 2015 are \$3,239,991, reflecting an increase of \$2,413,102 since February 2015. The ratio of outstanding debts to current invoices has decreased from 23% in February to the current level of 6%. This debtor management ratio is a measure of the effectiveness of recovery efforts, however is impacted by Council policies as well as economic and social conditions.

Invoices raised – March 2015

During the month, 1059 invoices were raised totalling \$3,626,065. The majority of these are paid within a 30 day period. The most significant invoices raised during the month have been in the following areas:

Government and other Grants – \$2,767,574 – the invoices relate to:

Roads and Maritime Services - property acquisition on Eagle Vale Drive, Blaxland Road pavement rehabilitation, M5 on ramp rehabilitation at Stromferry Crescent and Raby Road and Fitzgibbon Lane, Rosemeadow off road cycleway	\$2,379,000
NSW Environmental Trust - Junction Road Community Recycling Centre and Recycling Cluster Stations	\$273,536
Transport for NSW - extension of shared user path at Ingleburn Gardens	\$81,400
Sport and Recreation - new cricket pitch at Victoria park, Minto, upgrade of floodlighting controls at Eschol Park sport complex, Memorial Oval, Airs and various sportsgrounds in Macquarie Fields	\$19,338
The Georges River Combined Council Committee - Bio Fund Grant, Spring and Mansfield Creek work	\$13,200

Land and Building Rentals - \$493,283 - the main invoices relate to:

Crown Castle Australia Pty Ltd - annual payments for 3GIS land lease at various locations within the Local Government Area	\$226,959
Telstra Corporation Limited - annual payments for 3GIS land lease at various locations within the Local Government Area	\$129,610
Aldi Stores - monthly rental Macquarie Fields	\$24,750
Nuvezo Pty Ltd - monthly rental Dumaresq Street Cinema	\$23,797
Glenquarie Hotel Pty Ltd - monthly rental Macquarie Fields	\$20,438
Optus Mobile Pty Limited - monthly rental Glen Alpine	\$15,478
Caltex Oil Australia Pty Ltd - monthly rental Macquarie Fields	\$15,062
Mycorp Group Pty Ltd - monthly rental Macquarie Fields	\$13,696

Various Sundry Items – \$115,564 – the main invoices relate to:

Camden Council - building assessment project, half share of Macarthur Group tour ideas kit and legal representation of the WSN regional processing contract	\$52,128
OCS Fun Amusements Pty Ltd - commission for events	\$12,800
Wests Tigers Football Club - commission on ticket sales	\$11,813
Wingecarribee Shire Council - legal representation of the WSN regional processing contract	\$9,129
Wollondilly Shire Council - legal representation of the WSN regional processing contract	\$9,129
Sylvanvale Disability Services - costs associated with the Big Blue Studio at the Arts Centre	\$6,098

Sportsground and Field Hire – \$70,771 – the main invoices relate to:

Invoices raised in May relating to the hire of Campbelltown Sports Stadium - West Tigers Football Club, Campbelltown UWS Collegians Athletics Inc and Total Event and Management Services Pty Ltd	\$52,927
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Receipts to the value of \$1,212,963 have been received during the period, the most notable in the following areas:

Land and Building Rentals	\$479,771
Government and other Grants	\$293,313
Waste Collection Services	\$112,148
Various Sundry Items	\$74,841

Sundry debts outstanding – 31 March 2015

Debts exceeding 90 days of age totalled \$148,223 as at 31 March 2015. The major invoices relating to this balance include:

Description	Date Invoiced	Balance at 31 March 2015
Debtor 68316.9 - retaining wall between Lot 1451 DP 703487, 2 and 4 Brownlow Place, Ambarvale. Debtor is maintaining arrangement to pay \$450 per month as approved by Council	09/06/10	\$9,257
Caspers Baseball Club - electricity charges. Club is experiencing financial difficulty, however have been making irregular payments to reduce the debt. Council continues to meet with club and Macarthur Baseball to resolve debt	17/12/12 to 31/01/15	\$7,503
Caltex Oil Australia Pty Ltd - dispute over market valuation review, this amount is subject to independent assessment	08/02/13 to 02/12/14	\$8,247
Insight Mercantile Pty Ltd – abandoned motor vehicle, unable to locate owner of the vehicle. Finance company acknowledges Councils power to sell an encumbered vehicle. The vehicle has gone to the auctioneer and was not sold at first auction, however will be put up for further auction in an attempt to sell the vehicle and recover the costs	18/07/14	\$2,799
GE Automotive – abandoned motor vehicle, unable to locate owner of the vehicle. Finance company acknowledges Councils power to sell an encumbered vehicle. The vehicle has gone to the auctioneer and was not sold at first auction, however will be put up for further auction in an attempt to sell the vehicle and recover the costs	05/07/12	\$5,709
74366.6 - motor vehicle accident at the Animal Care Facility, no response to letters sent. Continuing with further investigations to locate the debtor	05/06/14	\$1,970
Master Woodturning - Land value associated with walkway closure adjoining 37 Lancaster Street, Ingleburn. Payment is expected in June 2015	20/11/14	\$54,127
Skagias Investments Pty Ltd - Road Restoration at 6 Lithgow Street, Campbelltown. Arrangement to pay \$3,500 per month, next payment is expected by the end of April 2015	01/12/14	\$7,020

Debt recovery action is undertaken in accordance with Council's Sundry Debtor Recovery Procedures Policy and commences with the issue of a tax invoice. A person or entity may be issued any number of invoices during the calendar month for any business, services or activities provided by Council. At the conclusion of each calendar month, a statement of transactions is provided with details of all invoices due and how payments or credit notes have been apportioned. Once an invoice is paid, it no longer appears on any subsequent statement.

All debts that age by 90 days or more are charged a statement administration fee of \$5.50 per statement. Debtors are contacted by telephone, email or in writing to make suitable arrangements for payment of the overdue debt. Where a suitable arrangement is not achieved or not maintained as agreed, a seven day letter is issued referencing referral to Council's debt recovery agents.

Matters referred to Council's recovery agent are conducted in accordance with relevant legislation and the *Civil Procedures Act 2001*. Formal legal recovery commences with a letter of demand (or letter of intent) providing debtors with at least 14 days to respond. In the event that no response is received, instructions are given to proceed to Statement of Claim allowing a further 28 days to pay or defend the action. Failing this, the matter will automatically proceed to judgment and continue through the *Civil Procedures Act 2001* process.

All costs associated with formal legal recovery are payable by the debtor and staff continue to make every effort to assist debtors to resolve their outstanding debt before escalating it through the local court.

During the month, 10 accounts were issued a letter of demand on Council's letterhead, advising that if the account was not settled or an appropriate arrangement was not made, the account will escalate to formal legal action through Council's agents.

The first stage of formal legal recovery action commenced on 2 accounts. The defaulting debtors were issued a letter of demand by Council's agents Executive Collections, advising that if the account was not settled or an appropriate arrangement was not made the account may be escalated to a Statement of Liquidated Claim.

Council's agents were instructed to proceed with one Statement of Liquidated Claim, for unpaid licence fees.

Council officers continue to provide assistance to debtors experiencing difficulties in paying their accounts. Debtors are encouraged to clear their outstanding debts through regular payments where possible, to avoid any further recovery action.

Officer's Recommendation

That the information be noted.

Committee's Recommendation: (Greiss/Kolkman)

That the Officer's Recommendation be adopted.

CARRIED

Council Meeting 19 May 2015 (Hawker/Mead)

That the Officer's Recommendation be adopted.

Council Minute Resolution Number 84

That the Officer's Recommendation be adopted.

ATTACHMENT 1

DEBTORS SUMMARY 1 March 2015 to 31 March 2015

DEBTOR TYPE/DESCRIPTION	ARREARS AT 28/02/2015	RAISED THIS PERIOD	RECEIVED THIS PERIOD	BALANCE AT 28/02/2015	% DEBT RATIO
Corporate Administration	57,690	23,648	20,343	60,995	1.88%
Abandoned Items	6,662	0	0	6,662	0.21%
Education and Care Services	18,710	1,400	1,400	18,710	0.58%
Community Bus	145	56	56	145	0.00%
Sportsground and Field Hire	58,128	70,771	37,130	91,769	2.83%
Government and other Grants	70,313	2,767,574	293,313	2,544,574	78.54%
Public Hall Hire	17,445	26,510	25,319	18,636	0.58%
Health Services	350	0	0	350	0.01%
Land and Building Rentals	156,523	493,283	479,771	170,035	5.25%
Healthy Lifestyles	5,029	26,975	28,828	3,177	0.10%
Library Fines and Costs	0	0	0	0	0.00%
Licence Fees	54,190	13,195	24,704	42,681	1.32%
Pool Hire	37,499	27,195	35,492	29,201	0.90%
Private Works	13,884	0	850	13,034	0.40%
Road and Footpath Restoration	51,178	34,479	48,781	36,875	1.14%
Shop and Office Rentals	23,902	25,416	29,987	19,331	0.60%
Various Sundry Items	158,856	115,564	74,841	199,578	6.16%
Waste Collection Services	135,820	0	112,148	23,672	0.73%
	826,889	3,626,065	1,212,963	3,239,991	100%

ATTACHMENT 2

AGEING OF SUNDRY DEBTOR ACCOUNTS - 31 March 2015

Description	Current Charges	Total 30 Days	Total 60 Days	Total 90+ Days	Balance Due	Previous Month 90+ days
Corporate Administration	28,168	945	15,819	16,062	60,995	74,478
Abandoned Items	0	0	0	6,662	6,662	6,662
Education and Care Services	18,710	0	0	0	18,710	0
Community Bus	145	0	0	0	145	0
Sportsground and Field Hire	52,114	30,365	1,020	8,270	91,769	21,016
Government and other Grants	2,544,574	0	0	0	2,544,574	0
Public Hall Hire	9,690	2,673	1,793	4,481	18,636	2,336
Health Services	0	0	0	350	350	350
Land and Building Rentals	66,626	94,544	339	8,526	170,035	7,893
Healthy Lifestyles	285	446	0	2,446	3,177	2,139
Licence Fees	10,567	7,410	13,493	11,211	42,681	12,735
Pool Hire	10,679	16,814	0	1,708	29,201	1,180
Private Works	1,189	0	0	11,845	13,034	13,934
Road and Footpath Restoration	22,442	7,413	0	7,020	36,875	1,741
Shop and Office Rentals	13,534	5,798	0	0	19,331	0
Various Sundry Items	113,498	14,866	1,572	69,643	199,578	12,986
Waste Collection Services	0	5,161	18,511	0	23,672	16,384
	2,852,787	186,434	52,547	148,223	3,239,991	173,834

3.4 Quarterly Budget Review Statement as at 31 March 2015

Reporting Officer

Manager Financial Services

Attachments

Quarterly Budget Review Statement for the period 1 January 2015 to 31 March 2015
(contained within this report)

Purpose

A quarterly financial review has been conducted on the original income and expenditure estimates presented in the 2014-2015 budget. The adjustments relating to the review of the original budget allocations are presented for Council's consideration.

Introduction

The current planning and reporting framework for NSW Local Government has a greater focus on financial sustainability. In an effort to achieve consistency in reporting between councils, the Office of Local Government introduced a set of minimum requirements and predefined templates to assist councils in meeting their legislative obligations. Collectively, these documents are known as the quarterly budget review statement (QBRS). The latest QBRS under the reporting framework is attached.

Report

In accordance with Clause 203 of the *Local Government (General) Regulations 2005*, the Responsible Accounting Officer is required to prepare a quarterly budget review of income and expenditure estimates and submit a report to Council. The QBRS must also include an opinion of the Responsible Accounting Officer concerning the financial position of Council. This report provides an overview of the results of the financial review for the quarter ended 31 March 2015.

In June 2014, Council adopted a balanced budget for 2014-2015. There is no proposed change to the budget result in this review.

The recommended movements relating to income and expenditure are summarised in the attachment and details of significant items greater than \$20,000 are listed in the body of this report for Council's consideration.

In the January to March quarter, Council considered a number of reports that either required an adjustment to budget estimates or requested that consideration be given to funding programs. The recommendations from these reports have been included in this review.

The following items are detailed with corresponding adjustments recommended following the completion of the quarterly financial review:

Planning and Environment Directorate - \$65,000 increase in expenditure

As Council has been previously advised a new function has been established within the Planning and Environment Division to encourage and facilitate the economic development of the Campbelltown-Macarthur region. This function is being co-ordinated by the Director of Planning and Environment. As this function was not included in the original budget discussions, this allocation is required to fund the expenditure in this financial year. This funding has been provided for by the increase in Development Income.

Animal Care Facility - \$300,000 increase in expenditure

As recently resolved by Council on the future management of the Animal Care Facility, this amount has been allocated to fund the interim capital upgrade works at the facility. These funds have been sourced from additional income generated from increased building activity in the area.

On-Street Parking - \$120,000 increase in income

Additional staff have recently employed to increase resources to manage parking requirements of the City. This has enabled an amplified surveillance program to be activated, resulting in an increase in the income generated from parking fines. These additional funds have been utilised to offset various adjustments throughout the budget.

Development Assessment Unit - \$364,000 increase in income

There have been a number of significant planning and building developments in the Local Government Area this financial year, resulting in an increase in the funds received from development applications and building fees. The majority of these additional funds have been utilised to fund the capital upgrade works required at the Animal Care Facility budget.

Strategic Planning - \$42,500 decrease in income

When the original budget document was prepared it was anticipated that Council would receive income from rezoning applications as has historically been the case. However, in this financial year it is projected this budget will not be realised.

Domestic Waste Management - \$900,000 increase in expenditure

As advised in a recent presentation to Council by the Manager Waste and Recycling and following a recent inspection of the workshop at Council's Junction Road Waste Management Depot, a number of health, safety and environmental issues were identified that require rectification as a matter of priority. Due to the age of the building (approximately 50 years), its poor condition and the estimated cost of rectifications, the workshop has been assessed as beyond economical repair, and therefore requires replacement. This allocation will enable the replacement of the building and will be funded from existing funds held within the Domestic Waste Reserve.

Squad Swimming Program - \$46,000 decrease in income

The utilisation of the squad swimming program at the leisure centres has been less than was anticipated when the original budget was prepared. This reduction in income has been offset by the additional income received from the learn to swim program.

Learn to Swim Program - \$116,000 increase in income

The utilisation of the learn to swim program at the leisure centres has been greater than was anticipated when the original budget was prepared. These additional funds have been utilised to offset various adjustments throughout the budget.

Interest on Investments - \$100,000 decrease in income

The return on Council's investments is less than anticipated due to continued low interest rates being set by the Reserve Bank of Australia.

Rates-General Purpose Revenue - \$64,200 increase in income

The actual rates levied at the start of this financial year were greater than the amount that was calculated when the original budget was prepared. This has occurred due to changed circumstances such as additional ratepayers in the Local Government Area, new supplementary rate levies issued as a result of the subdivision of land parcels etc. This has generated additional rating income. These additional funds have been utilised to offset the reduction in interest on investments.

Summary

As reported to Council in previous years, the financial objective has been to budget a surplus to improve Council's liquidity ratio. The liquidity ratio has improved to a satisfactory level and as such, a balanced budget is proposed for the 2014-2015 financial year.

As per the Responsible Accounting Officer's statement, the 2014-2015 results continue to support Council's sound financial position in the short to medium term. During 2014-2015, Council will further refine its financial strategy in line with the development of the 10 year Long Term Financial Plan, required by the Integrated Planning and Reporting Framework and determine the most appropriate and financially responsible action for future periods.

Officer's Recommendation

That the adjustments recommended in the Quarterly Budget Review Statement be adopted.

Committee's Recommendation: (Greiss/Kolkman)

That the Officer's Recommendation be adopted.

CARRIED

Council Meeting 19 May 2015 (Hawker/Mead)

That the Officer's Recommendation be adopted.

Council Minute Resolution Number 84

That the Officer's Recommendation be adopted.

ATTACHMENT 1

Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Report by Responsible Accounting Officer

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005:

It is my opinion that the Quarterly Budget Review Statement for Campbelltown City Council for the quarter ended 31/03/15 indicates that Council's projected financial position at 30/6/15 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Signed:



Corinne Mears
Responsible Accounting Officer

date:

29.4.2015

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Campbelltown City Council
Income & Expenses Budget Review Statement
Budget review for the quarter ended 31 March 2015
Income & Expenses - Council Consolidated

	Original Budget 2014/15	Approved Changes			Revised Budget 2014/15	Variations for this Mar Qtr	Notes	Projected Year End Result	Actual YTD figures
		Other than by QBRs	Sep QBRs	Dec QBRs					
Income									
Rates and Annual Charges	91,140	135	424	37	91,736	64	1	91,800	91,669
User Charges and Fees	10,200	2	(230)	44	10,016	222	2	10,238	9,424
Interest and Investment Revenues	3,798	-	(55)	(18)	3,725	(100)	3	3,625	1,909
Other Revenues	4,379	84	91	229	4,783	1,020	4	5,803	7,218
Grants & Contributions - Operating	26,922	1,227	(3)	68	28,213	151	5	28,363	23,600
Grants & Contributions - Capital	1,738	18,277	-	-	20,015	-	-	20,015	6,194
Net gain from disposal of assets	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	138,176	19,725	226	360	158,487	1,357		159,844	140,013
Expenses									
Employee Costs	60,257	435	(97)	(10)	60,585	51	6	60,636	45,195
Borrowing Costs	1,415	-	-	(328)	1,087	-	-	1,087	684
Materials & Contracts	23,588	1,497	375	283	25,744	86	7	25,829	15,647
Depreciation	24,493	-	-	-	24,493	-	-	24,493	14,841
Legal Costs	1,099	-	20	17	1,136	-	-	1,136	747
Consultants	673	639	142	52	1,507	19	8	1,526	666
Other Expenses	31,268	778	172	55	32,273	15	9	32,288	23,531
Net Loss from disposal of assets	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	142,793	3,349	613	69	146,824	171		146,995	101,311
Net Operating Result from Continuing Operations	(4,617)	16,376	(387)	291	11,663	1,186		12,849	38,702
Discontinued Operations - Surplus/(Deficit)	-	-	-	-	-	-		-	-
Net Operating Result from All Operations	(4,617)	16,376	(387)	291	11,663	1,186		12,849	38,702
Net Operating Result before Capital Items	(6,355)	(1,901)	(387)	291	(8,352)	1,186		(7,166)	32,508

This statement forms part of Council's Quarterly Budget Review Statement (QBRs) for the quarter ended 31/03/15 and should be read in conjunction with the total QBRs report

Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Income & Expenses Budget Review Statement
Recommended changes to revised budget

Budget Variations being recommended include the following material items:

Notes	Details
1	Additional rates levied during the quarter due to changed circumstances such as additional ratepayers in the LGA, new supplementary rate levies issued as a result of the subdivision of land parcels etc.
2	Reduction in income from squad swimming program, leisure centre membership and Arts Centre programs. Increase in income from learn to swim lessons and development application fees.
3	Reduction in anticipated income to be received from interest on investments due to continuing lower interest rates.
4	Increase in income from additional parking fine income due to increased surveillance activity and a land dedication to Council resulting from the Minto One redevelopment.
5	Reduction in anticipated income from re-zoning fees, waste water management licences and event sponsorship. Increase in income received from development application fees and contributions to road works program.
6	Variations in employee costs due to staff vacancies which in some case have been transferred to fund contract staff, as well as transfers between cost centres and additional salary costs due to staff acting in higher roles and revised remunerations.
7	Capital budget used to fund operational program such as library audio visual resources and transfer of funds for additional promotion of the Arts Centre.
8	Saving in consulting costs have been made in several budget items and additional funds have been transferred within the IM&T budget to fund the implementation of new corporate software.
9	Movements in Other Expenses have occurred due to an increase in expenditure on professional fees and legal expenses, hired personnel, and decreases in electricity costs.

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Campbelltown City Council

Capital Budget Review Statement

Budget review for the quarter ended 31 March 2015

Capital Budget - Council Consolidated

	Original Budget 2014/15	Approved Changes			Revised Budget 2014/15	Variations for this Mar Qtr	Notes	Projected Year End Result	Actual YTD figures
		Other than by QBRs	Sep QBRs	Dec QBRs					
(\$000's)									
Capital Expenditure									
New Assets									
- Plant & Equipment	67	1,461	1,655	-	3,183	-	-	3,183	3,631
- Land & Buildings	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
Renewal Assets (Replacement)									
- Plant & Equipment	3,729	18	-	2	3,749	(9)	1	3,740	2,210
- Office Equipment/Furniture & Fittings	387	199	35	(7)	615	29	2	643	116
- Land & Buildings	7,467	6,126	90	52	13,735	1,216	3	14,951	6,043
- Roads, Bridges, Footpaths	17,445	17,931	(374)	(211)	34,791	-	-	34,791	11,185
- Stormwater/Drainage	-	777	-	-	777	-	-	777	429
- Other Assets	360	-	-	-	360	(50)	4	310	193
Loan Repayments (Principal)	3,990	-	-	(362)	3,628	-	-	3,628	2,285
Total Capital Expenditure	33,444	26,512	1,407	(525)	60,837	1,186		62,023	26,092
Capital Funding									
Rates & Other Untied Funding	17,737	4,066	(278)	975	22,499	286	5	22,785	15,690
Capital Grants & Contributions	1,738	18,277	-	-	20,015	-	-	20,015	6,194
Reserves:									
- External Restrictions/Reserves	735	1,290	-	-	2,025	900	6	2,925	1,626
- Internal Restrictions/Reserves	1,258	2,879	1,685	-	5,822	-	-	5,822	1,524
New Loans	10,000	-	-	(1,500)	8,500	-	-	8,500	-
Receipts from Sale of Assets									
- Plant & Equipment	1,971	-	-	-	1,971	-	-	1,971	1,054
- Land & Buildings	-	-	-	-	-	-	-	-	-
- Other Assets	5	-	-	-	5	-	-	5	4
Total Capital Funding	33,444	26,512	1,407	(525)	60,837	1,186		62,023	26,092
Net Capital Funding - Surplus/(Deficit)	-	-	-	-	-	-		-	-

This statement forms part of Council's Quarterly Budget Review Statement (QBRs) for the quarter ended 31/03/15 and should be read in conjunction with the total QBRs report

Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Capital Budget Review Statement
Recommended changes to revised budget

Budget Variations being recommended include the following material items:

Notes Details

1 Funds transferred from Land and Buildings budget to fund purchase of equipment.

2 Funds transferred from other capital categories for the building renovation work at Macquarie Fields Indoor Sports Centre.

3 Funds provided for improvements to the Animal Care Facility, replacement of the Domestic Waste Depot and street furniture improvement works less funds transferred to renovations at the Macquarie Fields Indoor Sports Centre.

4 Transfer of capital funds to the operational budget to fund the purchase of library audio visual products.

5 Increase in untied funds utilised to fund capital works.

6 Funds transferred from the Domestic Waste reserve to fund the replacement of Waste Depot workshop.

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Campbelltown City Council

Cash & Investments Budget Review Statement

Budget review for the quarter ended 31 March 2015
Cash & Investments - Council Consolidated

	Opening Balance 2014/15	Movement in Reserves		Current Balance 2014/15	Projected Movement Mar Qtr	Projected Year End Balance	Actual YTD figures
		Income/ Expenses	Transfers to/from	Works in Kind			
Externally Restricted ⁽¹⁾							
Special Rates	-	-	-	-	-	-	-
Stormwater Managemnt	347	-	(192)	-	-	155	155
Specific Purpose Grants	2,190	-	(266)	-	-	1,924	1,924
Specific Purpose Contributions	4,113	-	(181)	-	-	3,931	3,931
Developer Contributions - S94	6,732	3,387	(631)	(1,482)	-	8,005	8,005
Developer Contributions - Other	1,040	-	-	-	-	1,040	1,040
Domestic Waste Management	2,463	-	-	-	(900)	1,563	2,463
Self Insurance Workers Compensation Claims	3,230	-	-	-	-	3,230	3,230
Total Externally Restricted	20,114	3,387	(1,271)	(1,482)	(900)	19,848	20,748
(1) Funds that must be spent for a specific purpose							
Internally Restricted ⁽²⁾							
Property Development	12,406	-	(70)	-	-	12,337	12,337
Committed Works	1,908	-	(374)	-	-	1,533	1,533
Childcare	-	-	-	-	-	-	-
Self Insurance Workers Compensation Claims	2,390	-	(277)	-	-	2,113	2,112
Replacement of Plant and Vehicles	2,771	-	(202)	-	-	2,568	2,568
Committed Works funded by Loans	2,965	-	(383)	-	-	2,582	2,582
Employee Leave Entitlements	10,577	-	-	-	-	10,577	10,577
Environmental Sustainability	405	-	25	-	-	430	430
Asset Replacement	3,436	-	519	-	-	3,955	3,955
Olympic Ambassador	95	-	5	-	-	100	100
Insurance Claims - Excess	4,376	-	527	-	-	4,903	4,903
Local Government Elections	239	-	200	-	-	439	439
Other	127	-	-	-	-	127	127
Total Internally Restricted	41,695	-	(30)	-	-	41,665	41,664
(2) Funds that Council has earmarked for a specific purpose							
Unrestricted (ie. available after the above Restrictions)	27,974					38,501	38,501
Total Cash & Investments	89,783				(900)	100,014	100,914

This statement forms part of Council's Quarterly Budget Review Statement (QBRs) for the quarter ended 31/03/15 and should be read in conjunction with the total QBRs report

Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Cash & Investments Budget Review Statement

Comment on Cash & Investments Position

The recommended variations and projected position will not impact on Council's management plan.

Investments

Investments have been invested in accordance with Council's Investment Policy.

Cash

The Cash at Bank figure included in the Cash & Investment Statement totals \$100,913,907

This Cash at Bank amount has been reconciled to Council's physical Bank Statements.
The date of completion of this bank reconciliation is 31/03/15

Reconciliation Status

The YTD Cash & Investment figure reconciles to the actual balances held as follows:

\$ 000's

Cash at Bank (as per bank statements)		6,218,230
Investments on Hand		94,746,050
less: Unpresented Cheques	(Timing Difference)	(52,363)
add: Undeposited Funds	(Timing Difference)	112,483
less: Identified Deposits (not yet accounted in Ledger)	(Require Actioning)	(112,062)
add: Identified Outflows (not yet accounted in Ledger)	(Require Actioning)	1,568
less: Unidentified Deposits (not yet actioned)	(Require Investigation)	-
add: Unidentified Outflows (not yet actioned)	(Require Investigation)	-
Reconciled Cash at Bank & Investments		100,913,907
Balance as per Review Statement:		100,913,907
Difference:		-

Recommended changes to revised budget

Budget Variations being recommended include the following material items:

Notes Details

NA

Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Key Performance Indicators Budget Review Statement - Council specific KPI's

Budget review for the quarter ended 31 March 2015

(\$000's)	Current Projection Amounts 14/15	Indicator 14/15	Original Budget 14/15	Actuals Prior Periods 13/14 12/13
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The Council monitors the following Key Performance Indicators:

1. Current Ratio				
Current assets	98,010	3.08 : 1	3.10 : 1	3.10 : 1 3.03 : 1
Current liabilities	31,864			

To assess the adequacy of working capital and the ability to satisfy obligations in the short term.

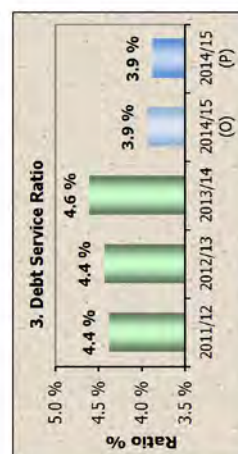
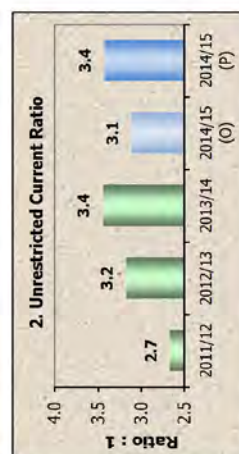
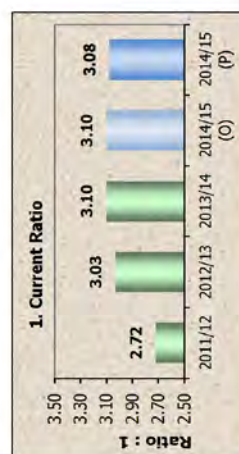
2. Unrestricted Current Ratio				
Current assets less all external restrictions	77,262	3.4 : 1	3.1 : 1	3.4 : 1 3.2 : 1
Current liabilities less specific purpose liabilities	22,619			

To assess the adequacy of working capital and the ability to satisfy obligations in the short term from the unrestricted activities of Council.

3. Debt Service Ratio				
Debt service cost	4,715	3.9 %	3.9 %	4.6 % 4.4 %
Income from continuing operations*	121,811			

To assess the impact of loan principal and interest repayments on discretionary revenue.

* excluding capital items and specific purpose grants & contributions



Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Key Performance Indicators Budget Review Statement - Council specific KPI's

Budget review for the quarter ended 31 March 2015

(\$'000's)	Current Projection		Original Budget	Actuals	
	Amounts	Indicator	14/15	13/14	12/13

The Council monitors the following Key Performance Indicators:

4. Rate Coverage Ratio					
Rates and annual charges	91,669	57.3 %	66.0 %	58.7 %	59.9 %
Income from continuing operations	159,844				

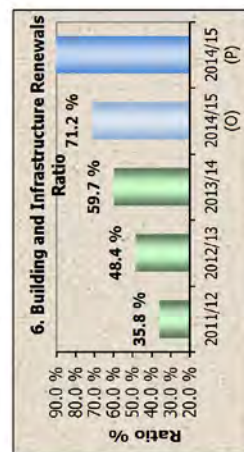
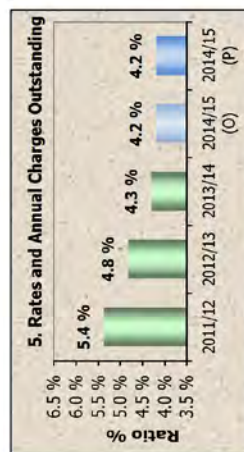
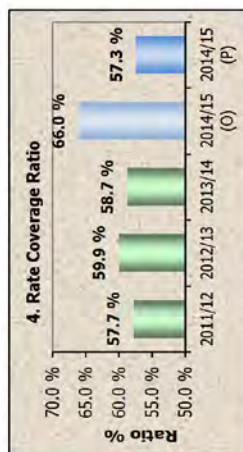
To assess the degree of dependence upon rates and annual charges as well as the security of Council's income.

5. Rates and Annual Charges Outstanding					
Rates and annual charges outstanding	3,851	4.2 %	4.2 %	4.3 %	4.8 %
Rates and annual charges collectible	91,800				

To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.

6. Building and Infrastructure Renewals Ratio					
Asset renewals	34,791	142.0 %	71.2 %	59.7 %	48.4 %
Depreciation, amortisation and impairment	24,493				

To assess the rate at which assets are being renewed against the rate at which they are depreciating.



Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Campbelltown City Council

Contracts Budget Review Statement

Budget review for the quarter ended 31 March 2015

Part A - Contracts Listing - contracts entered into during the quarter

Contractor	Contract detail & purpose	Procurement Process Undertaken	Start Date	Duration of Contract	Budgeted (Y/N)	Notes
EXPENDITURE \$50,000 - \$150,000						
Karcher Pty Ltd	Q14/42 Supply and Deliver Footpath Sweeper	Public Quotation	12/01/15	Until Completion	Y	
Farm and Turf Equipment Pty Ltd	Q14/44 Supply and Delivery of Six Mowers	LGP	12/01/15	Until completion	Y	
CPA Contracting Pty Ltd	Q15/06 Demolition of Council Buildings	Public Quotation	17/02/15	Until Completion	Y	
Shore Contracting Pty Ltd	Q15/08 Concrete Channel and Headwall Maintenance	Public Quotation	10/03/15	Until Completion	Y	
HJD Industries Pty Ltd t/as Road Management Solutions	T14/20 Road Signs and Associated Equipment	Public tender	18/02/15	2 years with a 12 month extension	Y	
Kleenit Pty Ltd t/as Kleenit	T14/21 Graffiti Removal	Public tender	18/02/15	2 years with 2 x 12 month options for extension	Y	1
EXPENDITURE \$150,000 - \$300,000						
Casse Glass and Aluminium Services Pty Ltd	T14/17 Glazing Services	Public tender	15/02/15	2 years with 2 x 12 month options for extension	Y	1

This statement forms part of Council's Quarterly Budget Review Statement (QBRs) for the quarter ended 31/03/15 and should be read in conjunction with the total QBRs report

Campbelltown City Council

Contracts Budget Review Statement

Budget review for the quarter ended 31 March 2015

Part A - Contracts Listing - contracts entered into during the quarter

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Contractor	Contract detail & purpose	Procurement Process Undertaken	Start Date	Duration	Budgeted (Y/N)	Notes
EXPENDITURE > \$300,000						
B & D Latham Pty Ltd	T14/14 Electrical Services and Data Cabling	Public tender	15/02/15	2 years with 2 x 12 month options for extension	Y	1
Jordans NSW Pty Ltd	T14/15 Plumbing Services	Public tender	15/02/15	2 years with 2 x 12 month options for extension	Y	1
Falcon Fabrication Pty Ltd						
Glensteel Innovations Pty Ltd						
Metrowelding Pty Ltd						
M & M Truck Bodies Pty Ltd	T14/16 Metal Fabrication	Public tender	15/02/15	2 years with 2 x 12 month options for extension	Y	1
Austekplay Pty Ltd						
Australasian Playgrounds Pty Ltd t/as A Play						
Creative Recreation Solutions (CRS)						
Moduplay Pty Ltd						
Play By Design Pty Ltd						
Viva Recreation Pty Ltd	Q14/24 Playground Equipment at Various Sites	LGP	26/03/15	Until Completion	Y	2
				1 year with 3 x 12 month options for extension		
TJS Services Group Pty Ltd	T14/12 Cleaning Services of Toilets and Sporting Amenities	Public tender	31/01/15	extension	Y	1

Notes:

** Contract Values are commercial in confidence

1. Minimum reporting level is 1% of estimated income from continuing operations of Council or \$50,000 - whatever is the lesser.
2. Contracts listed are those entered into during the quarter being reported and exclude contractors on Council's Preferred Supplier list.
3. Contracts for employment are not required to be included.

Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Contracts Budget Review Statement
Comments & Explanations relating to Contractors Listing

Notes Details

- 1 Contract Price is per service therefore the contract value is an estimation only
- 2 Total estimated expenditure has been divided equally between each contractor under the panel for reporting purposes only. Quotations will be sought from each provider when services are required

Campbelltown City Council

Quarterly Budget Review Statement
for the period 01/01/15 to 31/03/15

Consultancy & Legal Expenses Budget Review Statement

Consultancy & Legal Expenses Overview

Expense	YTD Expenditure (Actual Dollars)	Budgeted (Y/N)
Consultancies	666,384	Y
Legal Fees	746,717	Y

Definition of a consultant:

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.

Comments

Expenditure included in the above YTD figure but not budgeted includes:

Details

NA

4. HUMAN RESOURCES

No reports this round

5. INFORMATION MANAGEMENT AND TECHNOLOGY

No reports this round

6. GENERAL BUSINESS

Nil.

Confidentiality Motion: (Kolkman/Greiss)

That the Committee in accordance with Section 10A of the *Local Government Act 1993*, move to exclude the public from the meeting during discussions on the items in the Confidential Agenda, due to the confidential nature of the business and the Committee's opinion that the public proceedings of the Committee would be prejudicial to the public interest.

CARRIED

23. CONFIDENTIAL ITEMS

23.1 Proposed Acquisition Lot 12 Fields Road, Ingleburn

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following: -

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

Motion: (Greiss/Kolkman)

That the Committee in accordance with Section 10 of the *Local Government Act 1993*, move to re-open the meeting to the public.

CARRIED

There being no further business the meeting closed at 5.36pm.

P Hawker
ACTING CHAIRPERSON
