



Supplementary Paper S1 Ordinary Meeting

Venue: Administrative Headquarters
 Civic Place
 Katoomba

Meeting: 7.30pm 23 June, 2015



ORDINARY MEETING

23 JUNE 2015

AGENDA

ITEM NO.	PAGE	SUBJECT	COMMENTS
		<u>PROVIDING GOOD GOVERNMENT</u>	
S1	4	Fit for the Future Submission	

ITEM NO: S1

SUBJECT: FIT FOR THE FUTURE SUBMISSION

FILE NO: F09165 - 15/84707

Delivery Program Link

Principal Activity: Civic Leadership

Service: Corporate Planning and Reporting

Recommendations:

1. *That the Council endorses the enclosed Improvement Proposal as the Council's response to the NSW State Government's Fit for the Future Reform Program;*
 2. *That the Council approves submission of the Improvement Proposal to the Independent Pricing and Regulatory Tribunal (IPART) for assessment by 30 June 2015, subject to further required amendment as deemed necessary by the General Manager; and*
 3. *That the Council forwards a copy of the submission to the NSW Parliamentary Inquiry (General Purpose Standing committee No. 6) on the NSW local government Fit for the Future Reform Program.*
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Report by Group Manager, Integrated Planning & Finance:

Reason for Report

The purpose of this report is to present the Council's *Fit for the Future* (FFTF) Improvement Proposal (*Enclosure 1*) for Council endorsement prior to submission to the Independent Pricing and Regulatory Tribunal (IPART) by 30 June 2015.

Given that the final FFTF assessment methodology and submission templates were only released by IPART on 5 June 2015, the timeline for completion of the Improvement Proposal has been tight. Recommendation 2 of this report therefore seeks approval for the General Manager to make further amendments to the Improvement Proposal as deemed necessary to finalise it, prior to its submission to IPART. This will include final checking of all benchmark measure calculations and assumptions.

The BMCC Improvement Proposal has been developed in response to the NSW Government's requirement for all councils in NSW to demonstrate that they are FFTF through addressing specific criteria and benchmarks, as detailed in the report, relative to:

1. Scale and Capacity;
2. Sustainability;
3. Infrastructure and Service Management; and
4. Efficiency.

It should be noted that detailed information, including financial modelling and other required supporting documentation (such as the Council's *Resourcing Strategy 2014-2024*) have not been included in the Enclosure to this report, but will be submitted to IPART with the final Improvement Proposal.

Background

Through the Destination 2036 Project, the NSW Government initiated a review of the Local Government sector. In 2012 the Independent Local Government Review Panel (ILGRP) was established to consider options for local government structures, governance models and boundary changes. The ILGRP delivered its final report in October 2013, highlighting the need to reform the local government sector to ensure a strong, financially sustainable and effective system of local government in NSW into the future. Consistent with a 'no one-size fits all approach' the Panel recommended structural reform options for councils including:

- Amalgamate or merge;
- No change;
- Combine as a strong Joint Organisation;
- Stand-alone council within a Joint Organisation;
- Rural council; and
- Joint administration.

Importantly for Blue Mountains City Council, the ILGRP report indicated that the preferred option for Blue Mountains in terms of mergers or boundary changes was for 'No Change'. The rationale for no change was that the Blue Mountains has "*a specialised role in managing urban areas within National Parks.*"

The NSW Government delivered its response to the ILGRP Final Report in September 2014, and in particular initiated a new FFTF reform program for NSW local government.

FFTF Reform program

The objective of the FFTF program is to encourage each council to create its own plan or roadmap on how it will be a sustainable and efficient provider of services to the community and form part of a stronger and more effective NSW local government sector. The program includes a \$1 billion reform package which aims to help councils take the next steps towards positive change and becoming sustainable and efficient providers of services to the community. The benefits for councils which are deemed to be FFTF are:

- a) Access to a streamlined IPART process for rate increases above the rate pegging limit, particularly focused on infrastructure funding needs, making it easier for councils to increase rates to fund services and infrastructure the community has said it wants and is willing to pay for;
- b) Access to a T-Corp borrowing facility;
- c) Priority access to other State funding and grants; and
- d) Eligibility for additional devolved planning powers in relation to the making of local environmental plans and development decisions, and opportunities for devolving further planning powers.

In summary, the FFTF reform requires each NSW council to submit a proposal to demonstrate how they are or will become fit for the future in terms of being financially sound, operating efficiently and being in a strong position to guide growth and deliver quality services. In doing this they must:

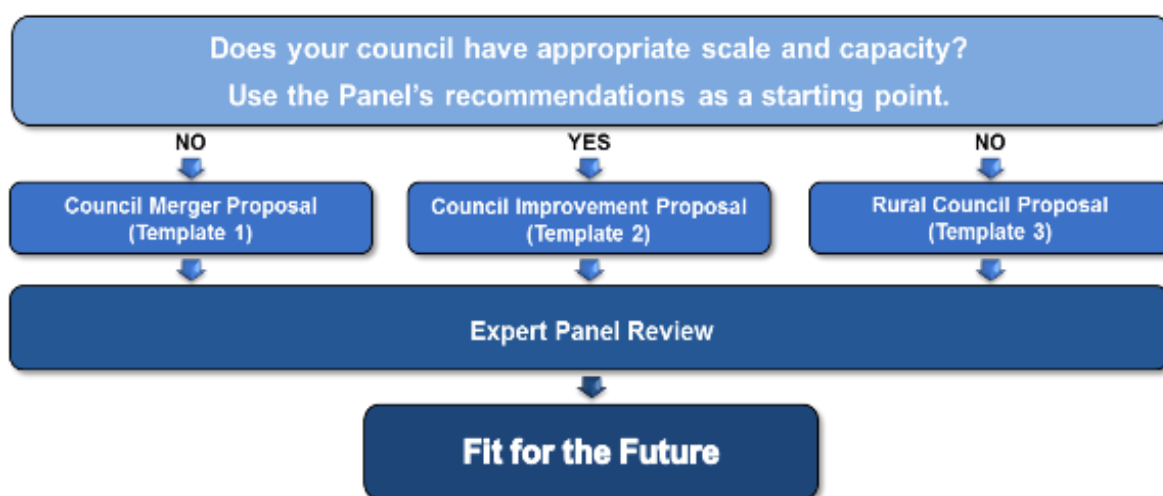
- Review their "Scale and Capacity" starting with the recommendation of the ILGRP relative to structural form going forward and whether they have sufficient scale and capacity to meet the challenges ahead. Councils that choose not to follow ILGRP recommendations, need to provide evidence they have the appropriate revenue base, ability to deliver projects and leadership quality being sought through the reforms;
- Prepare and submit a FFTF proposal to IPART by 30 June 2015, using an appropriate template (see *Table 1* below) based on the outcome of the Scale and Capacity assessment – proposals must show how the council performs currently and by 2020-19 against FFTF criteria and benchmarks (see *Table 2* below); and

- Make the transition to a new structure by September 2016 for councils proposing a merger or, as is the case for Blue Mountains for council's with no change to structure, commence implementation of their Improvement Proposal.

As shown in *Table 1* below, Councils have a choice of three templates to prepare their FFTF Proposals. Choosing which template to complete depends on the council's assessment of its Scale and Capacity. The recommendations of the ILGRP are the starting point for this assessment and the guidance material provides more information.

In the case of Blue Mountains City Council, given that the ILGRP recommended “no change” to structure indicating the Council has sufficient Scale and Capacity, and given the strong evidence of this, *Template 2 – Council Improvement Proposal* is being used.

Table 1: Assessment of Scale and Capacity Determines which Template to Use



The specific criteria against which councils are being assessed are detailed in *Table 2* below.

Table 2: Overview of Fit for the Future Assessment Criteria and Benchmarks

Criteria	Measures	Definition	Benchmark	What is being measured	Why is this being measured
Sustainability	Operating Performance Ratio	Net continuing operating result (excl. capital grants and contributions) divided by Total continuing operating revenue (excl. capital grants and contributions)	>= break even av. over 3 years MUST MEET BY 2019-20	Whether the Council has sufficient revenue to cover expenditure requirements	Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements.
	Own Source Revenue Ratio	Total continuing operating revenue (excl. all grants and contributions) divided by Total continuing operating revenue (incl. capital grants and contributions)	> 60% average over 3 years MUST MEET BY 2019-20	Whether the Council has a sufficient source of reliable revenue	Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.

Criteria	Measures	Definition	Benchmark	What is being measured	Why is this being measured
	Building and Asset Renewal Ratio	Asset renewals (building and infrastructure) divided by Depreciation, amortisation and impairment (building and infrastructure).	> 100% average over 3 years MUST MEET OR IMPROVE BY 2019-20	Whether the Council's assets are deteriorating faster than they are being renewed.	Shows whether built assets are being adequately renewed. Indicator of whether a council's infrastructure backlog is likely to increase.
Effective Infrastructure and Service Management	Infrastructure Backlog Ratio	Estimated cost to bring assets to satisfactory condition divided by Total written down value of infrastructure, buildings, other structures, depreciable land, and improvement assets	< 2% MUST MEET OR IMPROVE BY 2019-20	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	Actual asset maintenance divided by Required asset maintenance	> 100% average over 3 years MUST MEET OR IMPROVE BY 2019-20	Whether the council is spending enough on maintaining its assets	Indicator of effective asset management. If assets are not adequately maintained the cost to renew in the future is likely to be greater, and the life of the asset shorter.
	Debt Service Ratio	Cost of debt service (interest expense and principal repayments) divided by Total continuing operating revenue (excl capital grants and contributions)	> 0% and <= 20% average over 3 years MUST MEET BY 2019-20	Percentage of the Council's total revenue used to service debt	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.
Efficiency	Real Operating Expenditure	Operating Expenditure divided by Population	A decrease in Real Operating Expenditure per capita over time MUST DEMONSTRATE OPERATIONAL SAVINGS (NET OF IPR SUPPORTED SERVICE IMPROVEMENTS) BY 2019-20	The efficiency of the Council in its operational expenditure over time	Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies.

Role of IPART

In April 2015 it was announced that the IPART had been appointed to assess the FFTF proposals. IPART's role is to ensure a consistent, impartial and balanced assessment of the FFTF proposals. IPART released a consultation paper on the draft assessment methodology on 27 April 2015, with the final assessment methodology released on 5 June 2015. According to IPART, all NSW councils will be rated as either 'fit' or 'not fit', or will be 'deemed not fit' if they do not submit a proposal. The final report from IPART will be delivered to the Minister for Local Government by 16 October 2015, identifying whether or not each council is FFTF and the reasons for this assessment. This report will be publicly released following Cabinet approval.

Parliamentary Inquiry

On 28 May 2015 a Parliamentary Inquiry into the FFTF reform agenda was announced. The terms of reference for the General Purpose Standing Committee No. 6 are very broad, and encompass inquiry into the appropriateness of the FFTF performance criteria and benchmarks, the role of IPART, the timing of FFTF deadlines, the costs and benefits of forced amalgamations, the role of co-operative models of local government and the financial sustainability of the local government sector more generally. The Committee has been asked to prepare a report by Monday 17th August 2015 on their findings. This may have implications for the FFTF process, but these implications are as yet unknown.

Report on the Council's Performance against FFTF criteria and benchmarks

The City of Blue Mountains is well placed to meet the NSW Government FFTF criteria and meets all benchmark requirements by 2019-20.

Scale and Capacity

The Council's Improvement Proposal shows that BMCC has the required scale and capacity to operate as a stand-alone Local Government Area. This was also the finding of the ILGRP when it recommended "no change" for the City of Blue Mountains, noting the Blue Mountains has "*a specialised role in managing urban areas within National Parks.*"

The City of Blue Mountains is an area of outstanding natural values and one of only two cities in the world surrounded by a designated World Heritage Area and the only council in NSW with the classification "urban fringe large". The City has significant geographic scale, covering an area of 143,000 hectares of which 70% forms part of the Greater Blue Mountains World Heritage Area.

The Council's strategic capacity has been well demonstrated, as highlighted by the following key factors:

- Strong and effective Council leadership working in partnership with a highly engaged community, local organisations, state and federal agencies - the Council's leadership qualities and strategic capacity were demonstrated through its response to the 2013 bushfire events. In 2015 BMCC is still coordinating a recovery process with the local community and ensuring that all learnings are captured and processes updated;
- Strong local environmental planning and strategic land use planning and management of a local government area surrounded by World Heritage National Park;
- Initiative in entering into a cooperative agreement to form a Regional Strategic Alliance with Penrith City Council and Hawkesbury City Council to drive strategic opportunities, capitalize on economies of scale, and enhance sub-regional planning and advocacy;
- Successful in-house project managed construction of major multi-million dollar projects including the Blaxland Waste and Resource Recovery Facility, the Blue Mountains Theatre and Community Hub and the Blue Mountains Cultural Centre;
- Within available resources, effective management of \$1 billion worth of built assets and a natural environment supporting terrestrial and aquatic ecosystems including 10,000 ha of bush land, 300km of creeks, 20ha of open freshwater bodies, 500ha of endangered ecological communities and habitats for at least 90 rare and threatened species. The majority of the city's natural assets form a critical buffer between urban and world heritage environmental areas;
- The Council has effectively implemented comprehensive Integrated Planning and Reporting in close consultation with community including development and implementation of:
 - A long term Community Strategic Plan for the City of Blue Mountains - *Sustainable Blue Mountains 2025 (SBM2025)*;

- A 10-year Resourcing Strategy including a Long Term Financial Plan and *Six Point Strategy for Financial Sustainability*, an Asset Management Strategy, Policy and Plans and a Workforce Management Strategy;
- Extensive community engagement on affordable and acceptable levels of service in 2010, 2012, and most recently in 2014 as part of *Resourcing Our Future* consultation, supported by comprehensive service dashboards showing financial options, and associated risks and benefits for the City and for Council service delivery.
- The Council's commitment to living within its means and delivering best value services efficiently and effectively in line with its *Blue Mountains City Council Service Framework: Guidelines for Achieving Best Value Services that Meet Community Needs* (adopted by Council, June 2013);
- The Council has implemented a major reform of the City's rating structure to achieve a more simple, broadly uniform and equitable outcome for ratepayers;
- The Council has a highly engaged, adaptable and productive workforce as evidenced by workforce productivity measures in the Council's Workforce Management Strategy. BMCC has developed its position as the largest single employer in the Local Government Area, maximising the benefits from the high qualification and skill level of its population base; and
- There is strong recognition of the capability of BMCC as a partner by State and Federal agencies is demonstrated by the proportion of grant funding received and projects undertaken in partnership with government agencies - particularly in the area of grants for environmental management.

Performance against other FFTF criteria and benchmarks

The Council's self-assessment against the "other" FFTF criteria is detailed in the Council's Improvement Proposal (*Enclosure 1*), and shown in *Table 2* below.

While the Council currently meets four of the seven criteria measure benchmarks in 2013-2014, by 2019-2020 all FFTF benchmarks are met.

Table 2: BMCC performance against Fit for the Future Criteria

CRITERIA	MEASURE	RESULT BY 2013-14	MEETS BENCHMARK	RESULT BY 2019-20	MEETS BENCHMARK
Sustainability	<i>Operating Performance Ratio</i>	-10.7%	✗	0.5%	✓
	<i>Own Source Revenue Ratio</i>	80.4%	✓	87.8%	✓
	<i>Building and Infrastructure Asset Renewal Ratio</i>	48.1%	✗	77.0%	✓
Effective Infrastructure and Service Management	<i>Infrastructure Backlog Ratio</i>	1.7%	✓	< 2%	✓
	<i>Asset Maintenance Ratio</i>	80.8%	✗	98%	✓
	<i>Debt Service Ratio</i>	7.59%	✓	6.22%	✓

CRITERIA	MEASURE	RESULT BY 2013-14	MEETS BENCHMARK	RESULT BY 2019-20	MEETS BENCHMARK
<i>Efficiency</i>	<i>Real Operating Expenditure per Capita</i>	Decreasing	✓	Decreasing	✓

Overview of the BMCC Improvement Proposal

The Council's FFTF Improvement Proposal follows the required "Template 2" headings for a Council that is maintaining its existing structure i.e. not proposing to be amalgamated or merged with other councils.

The BMCC Improvement Proposal is comprised of five sections as follows:

- *Section 1: About the Proposal*
- *Section 2: Council's Current Position;*
- *Section 3: Becoming Fit For The Future;*
- *Section 4: Expected Outcomes of the Improvement Plan; and*
- *Section 5: Implementation*

Section 1: About the Proposal

This section includes an Executive Summary and an assessment of Scale and Capacity. The Executive Summary presents an overall summary (up to 500 words) of the key points of the BMCC Proposal. It highlights the most important matters included in the proposal, including for example the strategies being implemented by the Council to ensure expenditure across the business (including increased income from the special variation) is effectively targeted to reduce long term costs and deliver best value services efficiently and effectively.

This section also describes how the Council does meet Scale and Capacity criteria to remain a stand-alone council.

Section 2: Council's Current Position

Sections 2.1 to 2.3 present the current position of the Council in meeting FFTF criteria. Section 2.1 presents a 500 word overview of the key characteristics of the local government area, the community's goals and priorities and the challenges faced into the future.

Section 2.2 presents the results of an assessment of the Strengths, Weaknesses, Opportunities and Threats (SWOT analysis) facing the Council and the City of Blue Mountains, developed in consultation with staff and with input from Councillors (Best Value Councillor Advisory Group Meeting of 28 May 2015).

Section 2.3 presents an assessment of the Council's performance in 2013-2014 and projected performance in 2016-2017 against FFTF Criteria measures and benchmarks. Where FFTF benchmarks have not been achieved, an explanation is provided on why this is the case e.g. historical constraints/context, council policies etc.

Section 3: Becoming Fit for the Future

Sections 3.1 to 3.3 present the Council's key four year strategies to improve its performance against each of the following FFTF criteria – Sustainability, Infrastructure and Service Management and Efficiency (the Council having already met the first criterion having Scale and Capacity).

In summary, the Council's Improvement Proposal primarily focuses on continuing to implement the existing strategies outlined within the Council's 10 year Resourcing Strategy, in particular the BMCC Six Point Strategy for Financial Sustainability. The Six Point Strategy has been successfully implemented since 2013, with significant improvement in the financial sustainability and asset management position of the Council.

Most recently, as part of the Council's Six Point Strategy (under Strategy 4: Increase Income), an application was successfully made to IPART for a special rate variation to obtain additional income to improve the overall financial sustainability of the Council and reverse the decline in the City's \$1 billion worth of built assets by addressing the significant asset funding backlog. Additional income obtained from the special variation will also be spent on improving emergency preparedness and response capability, continuing the funding of environmental programs and improving community services.

A key challenge facing the Council is to strengthen the governance and "best value" decision making processes that will continue to ensure all available revenue, including the income from the special variation, is correctly targeted to: reducing long term operating costs; managing priority risks; and delivering value for money services efficiently and effectively that meet assessed community needs and priorities. Supporting this work will be a continued focus on service and infrastructure planning.

The Council has developed an *Asset Management Improvement Plan* (AMIP) as part of its 10 year Asset Management Strategy. Implementing the AMIP is an important strategy and key component of the Improvement Proposal. A key focus of the AMIP is improving asset data required to inform asset planning including whole of life cycle asset management and Optimised Decision Making (ODM) relative to resource allocation.

A key initiative in the Improvement Proposal is progressing the formation of a Regional Strategic Alliance with Penrith and Hawkesbury Councils. This Alliance has potential to achieve significant benefits and cost savings for each of the participating councils from economies of scale and for enhanced sub regional planning and advocacy.

Section 3.4 of the proposal summarises the key improvement actions the Council will achieve in the first year of the Improvement Plan being 2016-2017. Actions need to link to specific milestones.

The template requires strategies, actions and impacts over the 2016-2017 to 2019-2020 timeframe, to align with the next cycle of IP&R.

Section 4: Expected Outcomes of the Improvement Plan

This section highlights the Council's anticipated improvement in performance against the FFTF benchmarks. Expected future performance over 2016-2017 to 2019-2020 is detailed for each of the FFTF benchmarks.

Section 5: Implementation

This section details "how" the Council plans to implement the Improvement Proposal. In particular, how the Council will oversight and ensure a coordinated approach to implementation of agreed actions and that these actions are integrated with the Council's future 4 year Delivery Program and 1 year Operational Plans.

Sustainability Assessment

Effects	Positive	Negative
Environmental	The Council's FFTF Improvement Proposal will enable enhanced capacity to deliver environmental outcomes within the Local Government Area in line with SBM 2025 objectives and strategies for Looking After Environment.	Nil
Social	The Council's FFTF Improvement Proposal will enable the Council to enhance its capacity to support and facilitate the delivery of enhanced social outcomes for the community in line with SBM 2025 objectives and strategies for Looking After People.	Nil

Effects	Positive	Negative
Economic	The Council's FFTF Improvement Proposal will enable the Council to enhance its capacity to support and facilitate the delivery of enhanced economic outcomes for the City in line with SBM 2025 objectives and strategies for Sustainable Economy.	Nil
Governance	The Council's FFTF Improvement Proposal supports achievement of the Council's Good Governance and Civil Leadership objectives and strategies.	Nil

Financial implications for the Council

The recommendations of this report support the Council achieving FFTF benchmarks by 2019-2020. The achievement of these benchmarks actively supports the financial, social, economic and environmental sustainability of the City of Blue Mountains into the future.

Adopting the Improvement Proposal for submission and implementation will enable the Council to more effectively meet and respond to the priorities of the community as expressed in SBM2025.

Legal and risk management issues for the Council

Implementation of the Council's FFTF Improvement Proposal will improve the financial sustainability of the Council and the renewal and maintenance requirements of the City's built and natural assets to be more effectively met – thereby significantly reducing financial and asset risk.

External consultation

The Council's engagement with the community on *Resourcing Our Future* was in effect engagement on options for the City to become FFTF. The results of this engagement have therefore informed the development of Council's Improvement Proposal. IPART has already assessed this community engagement process when it considered the Council's special variation application. In summary, the community was engaged on three different options for *Resourcing Our Future*. Each option balanced service levels to available revenue while managing risks. The engagement with community incorporated:

- a) Public exhibition and call for submissions – supported by information package mailed out to all ratepayers
- b) Independently conducted telephone survey
- c) Five independently facilitated and recorded community workshops across the Council's planning areas

Community consultation on the Council's FFTF Proposal

A webpage on FFTF has been developed with links to the Office of Local Government and IPART FFTF sites. The Council's FFTF Draft Improvement Proposal has been made available for public review on the Council's website and as part of the 23 June 2015 Business Paper. Community members wishing to provide comment on the Council's FFTF proposal can do so in two stages:

- To the Council before 30 June; and
- To IPART after 30 June 2015 once the Council's proposal has been lodged. Submissions to IPART will close on 31 July 2015.

Conclusion

The Council's FFTF Proposal provides a road map for achieving financial sustainability, effective management of infrastructure and efficient best value service delivery into the future – building on Integrated Planning work to date including community consultation on *Resourcing Our Future*.

Central to the Council's Improvement Proposal is the continued implementation of existing strategies from the Council's 10-year Resourcing Strategy, and in particular the *Six Point Strategy for Financial Sustainability*, which has been successfully implemented since 2013. A significant milestone of the *Six Point Strategy* was achieved in June 2015 with the successful outcome of the Council's application for a special variation to rates. Additional income from the special variation will be spent on improving the financial sustainability of the Blue Mountains into the future, reversing the decline in the City's \$1 billion worth of built assets, improving emergency preparedness and response capability, continuing the funding for environmental programs and improving community services.

In addition, the Council will continue to implement best value service delivery with a focus on targeting expenditure to reduce long term cost, manage risk and meet the assessed needs of the community cost effectively and efficiently.

The formation of a Regional Strategic Alliance with Penrith and Hawkesbury City Councils will provide significant opportunities for achieving efficiencies through economies of scale in joint procurement and other shared service provision initiatives. It will also strengthen coordinated planning and advocacy on sub regional planning.

By implementing the enclosed Improvement Proposal, the Council will be fit for the future and will support achievement of its vision and mission of *Building a successful future for the Blue Mountains and Improving the well-being of our community and the environment*.

ATTACHMENTS/ENCLOSURES

1	V5 Final Draft BMCC FFTF Improvement Proposal	15/112243	Enclosure
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Fit for the **Future**

Blue Mountains City Council Improvement Proposal

16 June 2015

DRAFT



Council details

Council Name: Blue Mountains City Council

Date of council resolution endorsing this submission: 23 June 2015

1.1 Executive summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

By 2019-20 BMCC will meet all FFTF benchmarks. Currently three of the seven benchmarks are met, with strategies in place to improve those not yet met (i.e. the Operating Performance Ratio, Building and Infrastructure Renewal Ratio, Infrastructure Backlog Ratio and Asset Maintenance Ratio).

The Council's Improvement Proposal focuses on continuing to implement key strategies in our updated *Resourcing Strategy 2014-2024* (see *Attachment 1*), in particular the **Six Strategies for Financial Sustainability** and the **Asset Management Improvement Plan**, within a **best value** service provision framework (see *Attachment 2*).

The Council's **Six Strategies for Financial Sustainability** have been successfully implemented since 2013, producing significant improvement in the financial sustainability and asset management position in a relatively short timeframe. As part of *Strategy 4: Increase Income*, an application was successfully made to IPART in 2015 for a special variation to obtain additional income to improve financial sustainability of the Council and reverse decline in the City's \$1 billion worth of built assets (see *Attachment 3*). Additional income obtained will also be spent on improving significant issues for our community including the high cost of emergency preparedness and response associated with being an area prone to natural disasters, continuing the funding of environmental programs critical for a City surrounded by a World Heritage area and improving community services.

A key strategy in the Improvement Proposal is the initiative of entering into a cooperative agreement to form a Regional Strategic Alliance with neighbouring Penrith City Council and Hawkesbury City Council to strengthen strategic capacity, achieve economies of scale, deliver significant business efficiencies and achieve a unified approach to sub-regional planning and advocacy.

Implementing the *Asset Management Improvement Plan* is a key strategy of this Proposal. Key focus areas of the AMIP include: improving asset information systems and data informing asset planning; whole of life cycle asset management; and strengthening Optimised Decision Making (ODM) to reduce costs and extend the life of the assets.

The challenge being addressed by the Council, and a key strategy of the Proposal, is strengthening “**best value**” resource allocation and service provision. The Council’s commitment to community is to ensure funding is targeted to reducing long term operating costs, managing priority risks and delivering value for money services, efficiently and cost effectively. Central to the Improvement Proposal is ongoing management of risks and reduction in long term costs given that the Council does not have sufficient funds to meet asset renewal and maintenance requirements of the existing \$1 billion worth of built assets over the next 10 years, even with the special variation. Addressing the Council’s infrastructure backlog requires funding being targeted to high risk asset renewal with a focus on achieving cost savings and efficiencies. While addressing the Council’s overall financial sustainability requires implementing all of the Council’s *Six Strategies for Financial Sustainability* simultaneously.

Supporting the best value resource allocation work will be a continued focus on service and infrastructure planning in consultation with community to establish a sustainable asset base that meets future needs. Over the next five years the Council will continue to engage community on required and affordable levels of service, implement best value service reviews to ensure cost effective services responsive to changing needs and address gaps in required service and infrastructure strategic planning (critical for guiding best value resource allocation).

Commencing in 2016-17, the annual business planning and budgeting process will be further strengthened to support integrated service and asset planning within a best value resource allocation framework. This work will be informed by the Council’s best value service provision framework (Attachment 2) and *Service Dashboards: Summary Service & Asset Plans (Attachment 4)* and the Service & Asset Plans underpinning them. The *Service Dashboards* are a key planning and communication tool showing how available funding is being allocated across services and the impact on service levels and risks to be managed.

Summary overview of expected improvement in performance

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark
Operating Performance Ratio (Greater than or equal to breakeven average over 3 years)	-6.5%	-3.9%	-1.2%	0.5%	YES Meets
Own Source Revenue Ratio (Greater than 60% average over 3 years)	85.0%	86.8%	87.5%	87.8%	YES Meets
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	30.0%	41.0%	60.0%	77.0%	YES Improving
Infrastructure Backlog Ratio (Less than 2%)	3.0%	3.0%	2.7%	2.0%	YES Improving
Asset Maintenance Ratio (Greater than 100% average over 3 years)	95%	95%	97%	98%	YES Improving
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	9.05%	8.11%	7.18%	6.22%	YES Meets
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure over time))	DECREASING	DECREASING	DECREASING	DECREASING	YES Meets

1.2 Scale and capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

YES



Yes, BMCC has the required scale and capacity to operate as a stand-alone Local Government Area. The ILGRP recommended “no change” for the City of Blue Mountains noting the Blue Mountains has “a specialised role in managing urban areas within National Parks.” BMCC would further argue that this “specialised role” merits much stronger recognition in terms of funding, resources and partnerships from other levels of government on a metropolitan, state and national basis.

The Blue Mountains is an area of outstanding natural values and one of only two cities in the world surrounded by a designated World Heritage Listed Area and the only council in NSW with the classification “urban fringe large”. The City has geographic scale, covering an area of 143,000 hectares of which 70% forms part of the Greater Blue Mountains World Heritage Area. The City’s population of 79,770 is projected to grow to 97,300 by 2031 (according to 2015 NSW DOP estimates).

The Council’s strategic capacity has been well demonstrated, as highlighted by the following key factors:

- Strong and effective Council leadership working in partnership with a highly engaged community, local organisations, state and federal agencies - demonstrated recently through the Council’s response to the 2013 bushfire events. In 2015 BMCC is still coordinating the Local Bushfire Recovery process, on behalf of the State Government, with affected local community and ensuring learnings are captured and processes updated;
- Strong local environmental planning and land use management of a City surrounded by World Heritage Listed National Park;
- Initiative in entering into a cooperative agreement to form a Regional Strategic Alliance with neighbouring Penrith City Council and Hawkesbury City Council to strengthen strategic capacity, achieve economies of scale, deliver significant business efficiencies and achieve a unified approach to sub-regional planning and advocacy;
- Proven track record in successful in-house planning, project management and delivery on time and budget of major multi-million dollar projects including the Blaxland Waste and Resource Recovery Facility, the Blue Mountains Theatre and Community Hub and the Blue Mountains Cultural Centre;
- Within available resources, effective management of \$1 billion worth of built assets and a natural environment supporting terrestrial and aquatic ecosystems including 10,000 ha of bush land, 300km of creeks, 20ha of open freshwater bodies, 500ha of endangered ecological communities and habitats for at least 90 rare and threatened species. The majority of the city’s natural assets form a critical buffer between urban and World Heritage Listed environmentally sensitive areas including Sydney Water catchment areas;

Scale & Capacity cont'd

- The Council has proven ability to attract and retain a highly skilled and productive workforce as evidenced by workforce productivity measures in the Council's Workforce Management Strategy. BMCC has developed its position as the employer of choice in the region, maximising the benefits from a highly skilled and engaged workforce.
- The Council has effectively implemented Integrated Planning and Reporting including:
 - A national award winning community engagement process underpinning the development of the City's Community Strategic Plan - *Sustainable Blue Mountains 2025*
 - A comprehensive 10 year Resourcing Strategy including *Six Strategies for Financial Sustainability* within the Council's Long Term Financial Plan – with successful implementation of a two stage approach to engaging community on increasing income through special rate variations and other strategies of avoiding shocks through sound financial and asset management planning, reviewing and adjusting service levels in consultation with community, managing borrowings responsibly and implementing partnerships and advocacy with other levels of government.
 - Asset Management Strategies and Plans including an *Asset Management Improvement Plan (AMIP)*
 - A Workforce Management Strategy that guides delivery of a highly safe, skilled, productive and engaged workforce that provides “value for money” services to the Blue Mountains community.
- The Council has implemented extensive community engagement on affordable and acceptable levels of service in 2010, 2012, and most recently in 2014 as part of *Resourcing Our Future* consultation, supported by comprehensive *Service Dashboards* (see *Attachment 2*) showing the impact of funding scenarios on service levels and associated costs, benefits and risks for the City and for Council service delivery.
- The Council's commitment to living within its means and delivering best value services efficiently and effectively in line with its *Blue Mountains City Council Service Framework: Guidelines for Achieving Best Value Services that Meet Community Needs (Attachment 3)*;
- The Council has implemented a comprehensive reform of the City's rating structure (which was previously extremely complex and not equitable) in consultation with community to create a simpler, more broadly uniform and fairer rating structure implemented over a three year period (2012-13 to 2014-15)
- There is strong recognition of the demonstrated capability of BMCC as a partner with State and Federal Governments is demonstrated by the proportion of grant funding received and significant projects undertaken in partnership with other levels of government - particularly in the area of grants for capital infrastructure and environmental management (e.g. Echo Point Revitalisation, Hazelwood Child Care Centre, Relocation of Lawson Township to facilitate RMS highway widening).
- BMCC has professional skills and capability to lead and manage change which it has developed as part of its management of the risks associated with being a City surrounded by World Heritage Listed areas frequently exposed to high levels of natural disaster risk.

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

Not Applicable

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words). You should reference your Community Strategic Plan and any relevant demographic data .

Key characteristics of Local Government Area (LGA)

The Blue Mountains LGA is located on the western fringe of Sydney and covers an area of 143,000 hectares. While the City of Blue Mountains is classified by the State as part of the Sydney Metropolitan area, its urban fabric is uncharacteristic of metropolitan Sydney. Approximately 70% of the LGA forms part of the Greater Blue Mountains World Heritage Area, with only 11% of land available for settlement. The City comprises 27 towns and villages spread over 100kms of mountainous ridgeline terrain, that also forms the main transport corridor between Sydney and the western plains. With a current population of almost 80,000, the City had the lowest population growth of all council areas in Greater Sydney (1.5%) between 2001 and 2011.

The City of Blue Mountains is one of the most highly visited tourist destinations in Australia, with over 3 million visitors a year. The Greater Blue Mountains World Heritage Area is promoted by the Australian Government as one of 16 national landscapes that are a “must see” nature tourism destination. Council's branding as *The City within a World Heritage National Park* reflects that this is an area of outstanding natural value, with exceptional beauty, biological and geological diversity, and cultural and spiritual values. The Blue Mountains natural environment adds immeasurably to the local, regional, state and national economy, with 80% of all international visitors citing “Australia's natural environment” as their main motivation for visiting. Tourism contributes \$560 million annually to the local economy alone and supports over 5,000 local jobs.

The Blue Mountains is one of only two cities in the world surrounded by a designated World Heritage Area, and sits within the Sydney drinking water catchment servicing 3.7 million people. With this World Heritage Listing comes inherent responsibilities, liabilities and costs for our community. The City's unique geography and ribbon-like settlement pattern has created an extensive interface with the surrounding National Park, accentuating the requirement for managing bushfire risk as well as urban development impacts on internationally significant bio-diversity. As highlighted by the devastating October 2013 bushfires, the Blue Mountains is one of the most bushfire-prone areas in Australia and is subject to major storm, wind, ice and snow events. This presents significant responsibilities and costs in managing and mitigating the impact of such natural disasters, likely to be exacerbated by climate change.

The socio-economic and demographic characteristics of residents vary greatly across the City, with marked changes in age and income level influencing the provision of services in different parts of the City. In the east of the City, closest to Sydney, there is a higher proportion of younger families than in the western villages which have attracted more retirees. This means that while the overall population profile of the City is ageing, the western villages of the Upper Mountains have an even higher proportion of older residents.

The dispersed settlement pattern across the City has resulted in a very high ratio of infrastructure per resident compared to most other urban councils. This has historically resulted in duplication of services and facilities across many towns to make them accessible to the majority of residents, and to service the needs of tourists. Despite the City's fringe location relative to Sydney, there is also significant expectation from the community for high levels of urban service. The proximity of significant natural areas has also influenced service provision both as a key driver of the local economy, where visitor facilities are an important part of attracting and servicing tourists, and as a significant risk to be managed through fire trails, asset protection zones, emergency service facilities and cliff top walks and lookouts.

Community goals, priorities and challenges

The community's goals, priorities and challenges are detailed in the Community Strategic Plan: *Sustainable Blue Mountains 2025* (SBM2025) (see *Attachment 1*). This plan has been shaped through extensive engagement with the community over a period of many years. The community's vision, as expressed in SBM2025, is for *A More Sustainable Blue Mountains by 2025, environmentally, socially and economically*. The Key Directions supporting this vision are:

- Looking after Environment;
- Using Land;
- Moving Around;
- Looking after People;
- Sustainable Economy; and
- Civic Leadership.

Within each of these Key Directions, the current and emerging issues, challenges and community priorities are clearly identified, along with overarching objectives and the strategies for achieving these goals. The Blue Mountains community understands and supports the environmental significance of the natural area in which they live. The Council's annual Community Survey assessing resident views on Council performance and service delivery, also asks residents about their top issues of concern at the local neighbourhood and whole City levels. Over the past three years, the top issues of concern at the neighbourhood level have focussed on transport infrastructure, traffic safety and congestion, and bushfire prevention. While at the City-wide level, in addition to concerns about roads and bushfire prevention, there have also been concerns about environmental sustainability and land use.

In 2014 the Council undertook comprehensive engagement with the community on how best to achieve affordable and acceptable levels of service into the future while living within our means. This engagement looked at various options for *Resourcing Our Future*, two of which included a special rate variation to fund the improvement and/or maintenance of service levels. The response from this consultation process was considerable, with more submissions than had ever been received through a public exhibition process previously. Approximately 80% of ratepayers supported maintaining and/or improving service levels and were willing to pay extra for this to be achieved, with a focus on: Maintaining and renewing built infrastructure and assets; Protecting and restoring the natural environment; Improving emergency preparedness and response; and Improving services to the community.

2.2 Key challenges and opportunities

Strengths

1	A Community Strategic Plan developed, reviewed and endorsed by community and informing IP&R process and documentation
2	Strong, effective and strategic Council leadership committed to implementing the IP&R process including improving financial sustainability, strategic asset management and providing best value service delivery
3	A financially viable Council managing \$1 Billion worth of built assets, achieving balanced annual cash budgets, with adequate reserves for known risks and commitments and a projected surplus Operating Result (including depreciation) by 2019-2020
4	A Regional Strategic Alliance with neighbouring Penrith City Council and Hawkesbury City Council to strengthen strategic capacity, achieve economies of scale, deliver significant business efficiencies and achieve a unified approach to sub-regional planning and advocacy
4	A " Best Value " approach to service provision – driving achievement of defined affordable levels of service that efficiently and cost effectively meet assessed needs – including addressing risk and reducing long term operating costs
5	An integrated and multi-pronged approach to financial sustainability through the Council adopted Six Strategies for Financial Sustainability
6	A highly engaged and productive workforce adaptable to change. The largest single employer in the Local Government Area (LGA).
7	The boundaries of the Blue Mountains LGA are logical and reflect natural and social boundaries. They make sense for the local community, for stewardship of the surrounding World Heritage Listed environment and for service provision.
8	Being a City surrounded by a World Heritage National Park, BMCC has significant expertise in environmental planning, capability and capacity .

Weaknesses

1	<p>TCorp 2013 assessment of Council's Financial Sustainability Rating in the short term is Weak with a Neutral Outlook.</p> <p>Operating results (including depreciation and excluding capital income) in deficit and operating costs trending at a greater rate than revenue</p>
2	<p>Large size of asset portfolio means that the cost of renewing assets exceeds our ability to fund renewal. Ability to maintain assets at required level is not supported by revenue available. Proportion of built assets in poor condition will increase from 21% to 37% in 10 years without additional income</p>
3	<p>Council responsible for maintenance of very large natural areas, tourist facilities and for Rural Fire Service and SES built assets</p>
4	<p>Twenty seven towns and villages spread along 100 km of mountainous terrain surrounded by the Greater Blue Mountains World Heritage Area. This has historically encouraged duplication of services and a higher proportion of facilities per person than elsewhere in NSW. Prior State and Federal Government one-off funding for community facilities, supporting community services, has not accounted for asset maintenance and renewal over their life-cycle.</p>

Opportunities

1	The LGA includes significant World Heritage Area which provides critical environmental services such as green space, water catchment areas and recreation opportunities for metropolitan Sydney which can attract funding from other levels of government and warrants further recognition and promotion as part of NSW and Australian Tourism.
2	Completion of Great Western Highway upgrade from Emu Plains to Katoomba in 2015
3	Federal grant funding and working with the private sector will continue to provide opportunities to renew and provide assets
4	BM LGA has a strong brand that the community identifies with and a comparative advantage in the areas of tourism, environment, heritage and the arts.
5	Highly engaged community willing to work in partnership and advocate for the well-being of the Blue Mountains community and environment

Threats

1	Exposure to high level of natural disaster risk which causes major shocks to the community and to the Council's budget e.g. when storms and bushfires occur. Extensive infrastructure needs to be maintained including fire trails and asset protection zones. Natural disaster resilience planning needs to be strengthened.
2	Grants and other funding from State and Federal Government are not guaranteed. Our income streams are not certain and are exposed to uncertainties related to changes in legislation and shifting of responsibility to local government, which are beyond the control of local government e.g. freezing of financial assistance grant and cuts to Family Day Care.
3	Significant increases to the statutory contributions to emergency services costs that Council has to pay (far greater than CPI)
4	Inadequate funding to maintain and renew \$1 billion of ageing infrastructure which may lead to asset failures. Council will need to implement all its <i>Six Strategies for Financial Sustainability</i> given that even with increased income from a Special Variation, the City still requires more funds to maintain and improve service levels.
5	Economy is not as diversified as it needs to be i.e. currently overly dependent on tourism which can be affected by natural disasters and other events
6	Continued outward migration of young adults and ageing population leads to an imbalanced demographic structure.

2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 Performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-10.7%	No	-6.5%	No. However, achieved in 2019-2020
Own Source Revenue Ratio (Greater than 60% average over 3 years)	80.4%	Yes	85.0%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	48.1%	No	30.0%	No. However, achieved in 2019-2020

If the Fit for the Future benchmarks are not being achieved, please indicate why. For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.

Operating Performance Ratio

This ratio has not been met due to:

1. Costs rising faster than revenue, constraints on revenue generation and cost shifting

Like many NSW councils, BMCC's ability to maintain financial sustainability is constrained due to a number of factors beyond its control. These factors include:

- Rate peg – for the past 37 years increases to the annual revenue for NSW councils has been constrained by rate pegging. As a result, NSW local government's share of the Australian taxation dollar has been decreasing since the 1960s. This is despite the fact that many major costs for councils have risen significantly in a number of areas. For example, for BMCC electricity and gas are estimated to have risen by 14.9% and 13.4% respectively in 2014-2015 however rate peg is only 2.3%.
- Cost shifting – it is estimated that over 2006/2007 to 2011/2012 the impact of cost shifting on BMCC is \$33.3M (average of \$5.5M per year). This includes the responsibility for maintaining Rural Fire Service and State Emergency Service buildings as well as the subsidy to the NSW Government for emergency management service provision in the City.
- Share of infrastructure responsibilities – local government in Australia is responsible for 36% local infrastructure but only has access to 3.5% of total taxation.
- Federal and State Government funding reductions – local governments are impacted by reductions to funding received from other levels of government. For example, the 2014 Australian Government Budget froze the indexation of the Financial Assistance Grants and ceased its contribution to the pensioner rates subsidy. It is estimated that this will impact BMCC by approximately \$2.9M loss in revenue over the next four years plus a \$1M ongoing loss.

2. Factors Unique to BMCC

The Blue Mountains Local Government Area is unique. As a result, BMCC faces additional costs to other NSW councils in servicing our community due to the following:

- Duplicated services – our 79,770 residents live across 27 towns and villages spread over 1,431km² and along 100km of mountainous terrain. As a result, many services and facilities are duplicated to ensure reasonable access by the majority of ratepayers. However, access remains an issue for many ageing residents living in isolated pockets, especially those with no car.
- Size of asset portfolio – BMCC manages a large portfolio of built assets, with an estimated value of \$1Billion and over 10,000 ha of bushland (including 500ha of endangered ecological communities and habitats for at least 90 rare and

threatened species) much of which includes or is surrounded by World Heritage Listed National Park.

- Stewardship role in managing impacts on World Heritage environment – Being surrounded by a World Heritage Area and forming the catchment for Sydney's drinking water, presents additional costs to the Council and the community in responsibly managing impacts of development on the environment, protecting and conserving internationally recognised natural values, and protecting drinking water.
- Management of emergencies and bushfires – due to its location within a National Park, the City is susceptible to major storm, wind and snow events as well as being one of the most bushfire prone areas in Australia. As a result, BMCC incurs additional expenses for managing our emergency risks and meeting our statutory obligations.
- Demands for increasing service levels – as a City located on the fringe of Sydney, residents expect levels of service similar to the metropolitan areas.
- Limited opportunity for increase in new rateable properties – population growth and land use development is constrained by the City's topography and location within a National Park. In fact, the number of new rateable properties has been declining over the past 10 years. As a result, essentially rating revenue only increases due to rate pegging,

Building and Infrastructure Asset Renewal

This ratio does not currently meet benchmark because BMCC has underfunded the renewal of its \$1Billion worth of assets for many years due to the financial challenges set out above. For BMCC to meet this ratio it would need to spend, on average, approximately \$16M (or 15% of its annual revenue) rather than the \$8M that it currently spends. Instead, BMCC has in the past prioritised the day to day needs of its community (by providing of a vast range of essential services in addition to facilities) against the longer term requirement for renewal of long lived assets.

The Council's 10 year Resourcing Strategy 2014-2024 (including the Long Term Financial Plan, Asset Management Strategy and Asset Management Improvement Plan) identifies required corrective action to ensure this ratio improves in the future.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 / 2014 Performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	1.7%	Yes	3.0%	No. However, achieved in 2019-2020
Asset Maintenance Ratio (Greater than 100% average over 3 years)	80.8%	No	95%	No. However, achieved in 2019-2020
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	7.6%	Yes	9.1%	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Infrastructure Backlog Ratio

This ratio does not meet benchmark due to significant underfunding of required asset renewal for reasons detailed in comments above on the Operating Ratio. It should be noted however, that following a review of this benchmark the Council is using the following definition to inform the Improvement Proposal: *The Infrastructure Backlog or cost to bring to satisfactory is the total unfunded cost to renew all high residual risk assets in the current risk register* (see Attachment 5).

This definition results in a much lower Bring to Satisfactory (BTS) amount and differs from Backlog definitions based on amount of infrastructure in Condition 4 (Poor) and Condition 5 (Very Poor) which would result in the Council having a BTS of more than \$183 million at 30 June 2014 with an Infrastructure Backlog Ratio of 0.19. Council's engagement with community on affordable and required service levels has shown that the community is often willing to accept assets in poor condition (e.g. cracked footpaths) as reasonable levels of service that may only require minor treatment (e.g. grinding of cracks on footpaths).

Asset Maintenance Ratio

This ratio does not meet benchmark due to underfunding of required maintenance – for reasons detailed in comments on the Operating Performance Ratio. BMCC has not had sufficient revenue to meet maintenance expenditure requirements. As well, the underfunding of asset renewal has in turn exacerbated and increased maintenance requirements.

2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ benchmark	2013 / 2014 Performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Decreasing	Yes	Decreasing	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why

Not applicable

3. How will your council become/remain Fit for the Future?

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Key Strategies:

- Continue to implement the BMCC 10 year Resourcing Strategy including simultaneously implementing the *Six Strategies for Financial Sustainability* in the Long Term Financial Plan.
- Implement a range of expenditure reduction and income generating strategies as detailed in the Council's Resourcing Strategy and summarised in this Improvement Plan, so that available operating revenues cover operating expenditure over the long term (including expenditure funding requirements of assets). By 2019/20 Council will achieve a financially responsible surplus where operating revenues are sufficient to cover operating expenditure. By 2023/24 Council will be in a much stronger position to address the significant infrastructure renewal and maintenance backlog and manage risk.
- Apply the Special Rate Variation using best value criteria and Optimised Decision Making to direct expenditure to improve funding of asset renewal and maintenance with a view to reducing long term operating costs and providing best value service delivery that meets the changing needs of the community.
- Continue to undertake prioritised service reviews targeted at services or service components that require adjustments to service levels to ensure that they are delivering the best value for the BMCC community.
- Progress development and implementation of a "knowledge management" strategy to identify the integrated financial, asset and corporate information requirements and best business systems to address them - including provision of required asset management information to inform asset planning and optimised decision making on resource allocation to reduce whole of lifecycle costs and extend life of assets. This will support for example, required updates of depreciation and useful lives of assets based on improved understanding of lifecycle requirements for each asset class.

Explain the key assumptions that underpin your strategies and expected outcomes.

- The annual cash budget will be balanced each year and, over ten years, the Operating Result (incl. depreciation) will be balanced.
- Council will proactively implement the Long Term Financial Plan.
- The extent of cost shifting from other levels of government will not increase.
- Population growth within the LGA will continue at the historic low level of around 0.15% each year.
- Inflation is assumed to be 3% over the forecast period. This is based on Reserve Bank of Australia forecasts.
- Interest rates are calculated at 5.22% over a five year period. This is based on Reserve Bank of Australia forecast.
- Growth in rate income outside of the Special Variation period is calculated at 3.15% (3% rate cap and 0.15% growth in rate base).
- The indexation of Financial Assistance Grants is frozen over the period 2014/15 to 2016/17. The increase after this period is 4% pa according to advice from the Office of Local Government.
- Wage costs do not increase above inflation, superannuation costs are indexed according to the Superannuation Guarantee (Administration) Amendment Act 2012.
- The rate of pensioner subsidy is stable at \$250 but the Australian Government contribution of 5% is removed.
- There are no multiple large scale bushfires or storm events resulting in extensive damage to dwellings and infrastructure.
- Evidence related to the useful life of assets will support more accurate identification of renewal timeframes.
- Accuracy of depreciation will improve.

Outline your strategies and outcomes in the table below.

3.1 Sustainability				
Objective	Strategies	Key milestones (4 years)	Outcome	Impact on other measures
A. Achieve and maintain a balanced Operating Result by 2019/20	1. Target expenditure of income using best value assessment to reduce long term operating costs	<ul style="list-style-type: none"> By 2016-2017 the annual business planning and budgeting process is driven by a best value resource allocation framework which includes a focus on risk management and service and asset planning By 2016-2017 the Council has strengthened its decision making and resource allocation to reduce whole of life cycle costs, maximise life of built assets and manage risks <i>Nb. Milestones beyond 2016-2017 generally to be determined with development of next four year Delivery Program (2017-2021) with new Council and community engagement – this applies for all strategy milestones below</i> 	Long term operating costs are reduced contributing to improvement in the Operating Performance Ratio from -0.065 in 2016-2017 to 0.005 in 2019-2020	<ul style="list-style-type: none"> Building and Infrastructure Asset Renewal Ratio improved Favourable impact on Real Operating Expenditure Ratio Infrastructure Backlog Ratio improved Asset Maintenance Ratio improved

3.1 Sustainability

Objective	Strategies	Key milestones (4 years)	Outcome	Impact on other measures
	<p>2. Continue to progress implementation of service planning and service reviews to ensure best value service provision that reduces cost, identifies efficiencies and productivity savings</p>	<ul style="list-style-type: none"> • Service reviews for parks, libraries and pools are significantly progressed including community engagement. • Continue to ensure any proposed new asset works are assessed against the best value criteria. • Ensure all assets are required for delivery of services and develop disposal strategies for any that are not required. • Undertake high level strategic review of services at Key Direction Level 	<p>Potential to contribute to improved Operating Performance Ratio from -0.065 in 2016-2017 to 0.005 in 2019-2020</p>	<ul style="list-style-type: none"> • Building and Infrastructure Asset Renewal Ratio improved • Favourable impact on Real Operating Expenditure Ratio • Infrastructure Backlog Ratio improved • Asset Maintenance Ratio improved

3.1 Sustainability

Objective	Strategies	Key milestones (4 years)	Outcome	Impact on other measures
	<p>3. Increase income through:</p> <ul style="list-style-type: none"> ➤ implementing the Council's: <ul style="list-style-type: none"> - Property Disposal and Investment Program - Commercial Property Portfolio - Tourist Parks - Roads & Maritime Service (BMCC is agent for RMS); and through ➤ Seeking grant funding that meets best value service provision ➤ Providing sound financial management of the Council's investments 	<ul style="list-style-type: none"> • By 2016-17 revised Property Disposal and Investment Program implemented by Community & Economic Branch with focus on property disposal, commercial property, enterprises and investment plans • By 2016-2017 key commercial activities are guided by 4-10 year business plans and strategies with financial profit targets • By 2017-2018 commence reviewing opportunities for introducing and/or increasing user pay where appropriate e.g. tourism facilities • Review and monitor investments to ensure best returns (while prudently managing risk) and implement the Council's adopted Investment Policy 	<p>Operating Performance Ratio improves from -0.065 in 2016-2017 to 0.005 in 2019-2020</p> <p>Existing funds used to attract and leverage additional grants and other funding (for assessed best value service delivery) to reduce funding required from ratepayers</p>	<p>Increased revenue (including grant funding) will improve:</p> <ul style="list-style-type: none"> • Own Source Revenue Ratio • Debt Service Ratio • Asset Maintenance Ratio • Building and Infrastructure Asset Renewal Ratio improved • Infrastructure Backlog Ratio improved <p>Reduced costs from asset disposal will improve:</p> <ul style="list-style-type: none"> • Real Operating Expenditure Ratio <p>Grant funding for operational purposes will be an unfavourable impact on:</p> <ul style="list-style-type: none"> • Real Operating Expenditure Ratio

3.1 Sustainability

Objective	Strategies	Key milestones (4 years)	Outcome	Impact on other measures
	4. Continue to lobby federal and state governments for reduced cost shifting, fair distribution of and increased access to funding for local government / BMCC	<ul style="list-style-type: none"> Lobby other levels of government Engagement of local members of Parliament. Regional Strategic Alliance strengthens role in lobbying for regional initiatives that support local communities 		<ul style="list-style-type: none">
B. Maintain and increase own source revenue at 80%	5. Continue to implement strategies that increase own source revenue - including maximising returns from commercial activities and Property Disposal and Investment Program	<ul style="list-style-type: none"> Refer to Item 3 above 	Own source revenue increases from 85% in 2016-2017 to 87.8% in 2019-2020	<ul style="list-style-type: none"> Operating Performance Ratio improved Building and Infrastructure Asset Renewal Ratio improved Infrastructure Backlog Ratio improved

3.1 Sustainability

Objective	Strategies	Key milestones (4 years)	Outcome	Impact on other measures
C. Improve the Building and Infrastructure Asset Renewal Ratio	6. Implement the Asset Management Improvement Plan (AMIP) – to guide and target required expenditure on asset renewal	<ul style="list-style-type: none"> 2016-2017 review and update the <i>Asset Management Improvement Plan</i> and report progress <p>Focus on:</p> <ul style="list-style-type: none"> Improving data that informs asset renewal planning and asset management Targeting expenditure to identified high residual risk required asset renewal Reducing whole of lifecycle costs and extending asset lives Updating / preparing required Asset Policy Strengthening asset risk management governance processes Identifying required intervention strategies 	<ul style="list-style-type: none"> Residual high risk asset renewal is funded Long term operating costs are reduced Building and Infrastructure Asset Renewal Ratio improved as expenditure on asset renewal is optimised in accordance with lifecycle expenditure requirements. Improved accuracy of: <ul style="list-style-type: none"> asset valuation and useful lives depreciation renewal cycles capitalisation of asset renewal expenditure 	<ul style="list-style-type: none"> Infrastructure Backlog Ratio improved Asset Maintenance Ratio improved Favourable impact on Real Operating Expenditure Ratio

3.1 Sustainability

Objective	Strategies	Key milestones (4 years)	Outcome	Impact on other measures
	7. Improve Asset Register and alignment with required asset renewal expenditure	<ul style="list-style-type: none"> By July 2017 Asset Register is materially improved through: <ul style="list-style-type: none"> Improving asset register data Identifying and implementing required revaluations– reviewing depreciation data including unit rates and assumptions on useful lives and unit costs 	<ul style="list-style-type: none"> More accurate depreciation - better reflecting true consumption of asset and better informing asset planning 	<ul style="list-style-type: none"> Operating Performance Ratio improved Infrastructure Backlog Ratio reduced Favourable impact on Real Operating Expenditure Ratio

3.2 Infrastructure and service management

Summarise your council's key strategies to improve performance against the infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

A key strategy is to address the Infrastructure Backlog through better targeting expenditure to addressing high residual risk asset renewal.

This will be supported by the update of the Council's Asset Management Improvement Plan, which will also improve identification of high risk asset renewal and optimal targeting of expenditure to reduce whole of life cycle costs and extend the life of the assets.

This information will support a methodology for calculating the Infrastructure Backlog based on:

1. Written down value
2. Bring to Satisfactory - defined as **unfunded high residual risk** associated with assets essential to achieving Council's Community Strategic Plan – Sustainable Blue Mountains 2025.

In 2014 the Council conducted extensive community consultation on options for *Resourcing Our Future*. This engagement focused on affordable and required service levels and the trade-offs involved in achieving both. The Blue Mountains community overwhelmingly supported a Special Variation in rates to improve and maintain service levels. A key strategy of the Improvement Plan is to continue to engage the community on required and affordable levels of service and infrastructure that best meet the needs of the community.

The introduction of a strategic approach to service review at the Key Direction level as part of the renewal of the Community Strategic Plan, and in consultation with community, will foster discussion and agreement on the services that need to be provided and the adjustments that can be made. It will also highlight those services, or parts of services, that have potential for efficiencies or adjustments in levels of service.

Ten year Asset Management Strategy / Plans have been prepared for all asset categories and will continue to be updated as required under IPR. These will ensure that BMCC services and infrastructure are provided in a sustainable manner and:

- Consider the risks and consequences of action and inaction when prioritising asset renewal or maintenance and when allocating funding

- Prioritise renewal and maintenance strategies that reduce lifecycle costs and risk while maintaining asset function
- Promote employee and councillor stewardship and governance of Asset Management
- Prioritise funding through consistent criteria
- Allocate resources to implement required Asset Management intervention strategies.

Council has been implementing Strategy 3: *Manage Borrowings Responsibly (as one of its key Strategies for Financial Sustainability)* since the LTFP identified that Council had reached its capacity to repay debt. The Special Variation for renewal of infrastructure in June 2013 replaced the previous program of borrowing \$2.3 million annually to fund asset maintenance and renewal works. The reduction in Loan Balance Outstanding from \$53.1 million to \$16.8 million by 2024/5 will allow Council to further strengthen its financial capabilities. The Debt Service Ratio will continue to just above 5% by 2020/21 (subject to Council consideration of incurring debt as part of specific asset renewal and upgrade programs reflecting the long term benefit of infrastructure and facilities and inter-generational equity in their funding) through application of financial strategies including:

- Ceasing new loan borrowings in the short to medium term
- Annual reviews of the Council's borrowing capacity and consideration of loans only after a comprehensive business case
- Reviewing and refinancing existing loans interest rates and conditions
- Using subsidised loan funding from the NSW Government, where effective
- Retiring or reducing debt by managing cash and cash equivalent reserve funds
- Directing any one-off surplus cash to reducing borrowings where it is effective to do so.

Explain the key assumptions that underpin your strategies and expected outcomes

- Special Schedule 7 will be revised to provide a more accurate assessment of Council's Infrastructure and Asset Backlog based on high residual asset renewal risk and an evidence based assessment of asset life.
- Engagement with community will identify acceptable levels of service that will in some cases be less than the OLG condition standards
- Engagement with community will assist in identifying assets that are of lower priority and have relatively less impact on user satisfaction with services
- Strategies to harness the willingness of visitors to pay for services will be considered and introduced where effective.

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management				
Objective	Strategies	Key milestones	Outcome	Impact on other measures
D. Improve Infrastructure Backlog Ratio	8. Address the infrastructure backlog through targeting available revenue to residual high risk asset renewal using best value evidence based assessment	<ul style="list-style-type: none"> Service and infrastructure planning informs asset planning and required expenditure on asset renewal Asset Management Plans and Asset Management Risk Registers updated annually to identify and target 'high risk' renewal expenditure 	<ul style="list-style-type: none"> Contributes to reduction in infrastructure backlog from 3.0% in 2016-17 to 2.0% in 2019-20 	<ul style="list-style-type: none"> Operating Performance Ratio improved Infrastructure Backlog Ratio improved Asset Maintenance Ratio improved Favourable impact on Real Operating Expenditure Ratio

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
	<p>9. Continue to engage with community on required and affordable levels of service and infrastructure to ensure best value service provision that meets changing community needs</p>	<ul style="list-style-type: none"> 2016- 2017 – complete End of Council Term and State of City Reports to inform implementation of <i>Sustainable Blue Mountains 2025</i> 2016-2017 – Engage community through Community Panels, or the like, on affordable service levels and trade-offs 	<ul style="list-style-type: none"> Community engaged on update of Integrated Plans and required and affordable levels of service assessed Supports achievement of best value services that meet changing needs of community Options for achieving improved financial sustainability while delivering best value service requirements considered 	<p>Potential favourable impact on:</p> <ul style="list-style-type: none"> Operating Performance Ratio improved Infrastructure Backlog Ratio improved Favourable impact on Real Operating Expenditure Ratio
E. Improve Asset Maintenance Ratio	<p>10. Fund required maintenance using evidence based best value expenditure requirement assessment</p>	<ul style="list-style-type: none"> Implement agreed maintenance service level standards and monitor and report performance Implement best value assessment of maintenance expenditure requirements 	<ul style="list-style-type: none"> Improves Asset Maintenance Ratio from 95% in 2016-2017 to 98% in 2019-2020 through appropriate investment in asset maintenance. Service and asset planning informs development and updating of required 	<ul style="list-style-type: none"> Operating Performance Ratio improved in long-term Building and Infrastructure Asset Renewal Ratio improved Infrastructure Backlog Ratio improved Favourable impact on Real Operating Expenditure Ratio in

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
			maintenance service level standards <ul style="list-style-type: none"> • Expenditure on assets is assessed through best value resource allocation decision making processes • Maintenance spend is prioritised over asset renewal spend • Asset renewal spend is prioritised over new / upgraded assets 	long-term
F. Improve/ Maintain Debt Service Ratio within Council's LTFP targets	11. Implement the Council's endorsed Borrowing Strategy	Annual and ongoing: <ul style="list-style-type: none"> • Borrowing capacity reviewed annually • Opportunities taken to reduce debt through one-off savings or appropriate use of cash reserves • New borrowings supported by sound business case 	<ul style="list-style-type: none"> • Debt Service Ratio reduced from 9.05% in 2016-2017 to 6.22% in 2019-2020. • Council rebuilds capacity to borrow (make required interest and principal payments) as it generates Operating Surplus after 2020 	<ul style="list-style-type: none"> • Operating Performance Ratio improved • Favourable impact on Real Operating Expenditure Ratio

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
		<ul style="list-style-type: none"> • Subsidised state government / TCorp loan funding used where effective • All borrowings managed against industry benchmarks taking into account capacity of the Council to make interest and principal repayments 		

3.3 Efficiencies

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

The Regional Strategic Alliance with neighbouring Penrith City Council and Hawkesbury City Council is a key strategy that will strengthen strategic capacity, achieve economies of scale, deliver significant business efficiencies and achieve a unified approach to sub-regional planning and advocacy.

The delivery of Best Value Services is a key focus of the Council's service delivery and is supported by the *BMCC Service Framework: Guidelines for Best Value Service Delivery* adopted by the Council in June 2013. Best value services are ones that are of appropriate quality, cost effective, value for money and responsive to the needs and requirements of service users and the general community. The aim is for the Council's service delivery to be targeted and responsive to the needs of users, with each Service having:

- Defined quality and cost standards
- Defined service levels and performance outcomes
- Demonstrable commitment to continuous improvement, efficiency and effectiveness.

Decision making for best value services is based on the following criteria:

- Meets financial strategy
- Manage risks and avoid shocks
- Minimise life cycle and operational costs
- Meets assessed needs
- Builds internal capacity and capability.

Council has identified the provision of services in-house as a key strategy in containing costs. This also provides benefits of efficiency, flexibility, economy of scale, increased control over service provision and reduced costs. However, a range of service delivery modes are used to ensure that all services are provided in the most efficient and effective manner. These include:

- Participation in joint ventures and public/ private partnerships
- Shared service provision
- Outsourcing where appropriate
- Strategic partnerships

- Peer review
- Establishment of incorporated entities
- Commercial activities that generate income
- Limited use of consultants and contractors.

Council has developed a Continuous Improvement framework and all efficiency savings are tracked through this process. Through this framework \$4.75 million of savings have been identified in the 2016/17 year.

Explain the key assumptions that underpin your strategies and expected outcomes

- Future projected population used to calculate Real Operating expenditure Per Capita has been based on population projections for the City of Blue Mountains from the NSW Department of Planning.
- Additional revenue from the determination on the Special Variation will be used to improve service levels, and this additional expenditure has been excluded from the calculation of this benchmark (being a net IPR amount) .
- In-house delivery of services will continue to be the preferred delivery method of service delivery if it is cost efficient and effective. Other means of service delivery will be considered as appropriate and relative to cost benefit analysis.
- The Council will continue to strengthen its “best value service provision framework” including governance framework to support best value resource allocation and a rolling program of best value service reviews will continue to be implemented to achieve targeted savings, efficiencies and productivity improvements.
- A new Organisational Business Excellence Framework will be developed commencing in 2015-2016 including work redesign, cost saving and productivity efficiency initiatives
- The Council will continue to maximise opportunities for gaining cost savings and efficiencies through the Regional Strategic Alliance with Penrith and Hawkesbury and through use of procurement aggregators, joint procurement through Westpool and WSROC.

Outline your strategies and outcomes in the table below.

3.3 Efficiencies

Objective	Strategies	Key milestones	Outcome – reduction in operating expenditure	Impact on other measures
G. Decrease real Operating Expenditure per capita over time.	12. Regional Strategic Alliance between Blue Mountains, Penrith and Hawkesbury councils to drive strategic opportunities, capitalise on economies of scale and enhance sub-regional planning and advocacy.	<ul style="list-style-type: none"> Implement Regional Strategic Alliance initiatives that reduce ongoing costs and achieve efficiencies through economies of scale e.g. joint procurement and/ or shared service provision Sub-regional planning strategy that recognises and maximises potential of all 3 councils developed 	<p>Contributes to Real Operating Expenditure Ratio favourable decline from 0.99 in 2016-2017 to 0.94 in 2019-2020</p> <ul style="list-style-type: none"> Operating expenditure expected to reduce as a result of economies of scale Buying costs minimised through participation in joint procurement with focus on electricity and asphalt. Reduction in operating expenditure through economies of scale generated by joint negotiation of insurance. 	<ul style="list-style-type: none"> Operating Performance Ratio improved Building and Infrastructure Asset Renewal Ratio improved Infrastructure Backlog Ratio improved Asset Maintenance Ratio improved

3.3 Efficiencies

Objective	Strategies	Key milestones	Outcome – reduction in operating expenditure	Impact on other measures
G. Decrease real Operating Expenditure per capita over time through working strategically to leverage economies of scale	13. Implement the Council's Procurement Strategy	<ul style="list-style-type: none"> • Maintain organisation priority on Strategic Procurement • Implement revised procurement policy framework. • Continue maximising benefits of joint procurement of insurance through membership of the Westpool insurance group and procurement opportunities through WSROC and other procurement aggregators • Continue to implement contract management efficiency initiatives e.g. electricity. • Continue service review of fleet purchase and management costs 	<ul style="list-style-type: none"> • Contributes to Real Operating Expenditure Ratio favourable decline from 0.99 in 2016-2017 to 0.94 in 2019-2020 • The Council maximises all efficiency and business improvement opportunities through the Organisational Business Excellence/Improvement Framework 	<ul style="list-style-type: none"> • Operating Performance Ratio improved

3.3 Efficiencies

Objective	Strategies	Key milestones	Outcome – reduction in operating expenditure	Impact on other measures
G. Decrease real Operating Expenditure per capita over time.	14. Continue to implement business and process improvement initiatives that reduce costs, improve productivity and achieve best value effective and efficient service delivery	By 2016-17: <ul style="list-style-type: none"> Organisational Business Excellence/ Improvement framework developed Work redesign and productivity efficiency initiatives implemented Continue tracking of productivity and efficiency initiatives 	<ul style="list-style-type: none"> Contributes to Real Operating Expenditure Ratio favourable decline from 0.99 in 2016-2017 to 0.94 in 2019-2020. Business and process improvement efficiencies decrease real operating expenditure by \$540,000 in 2015/16. 	<ul style="list-style-type: none"> Operating Performance Ratio improved
G. Decrease real Operating Expenditure per capita over time.	15. Implement Waste Service review action for reducing Domestic Waste Charge to ratepayers through changing from a weekly to a fortnightly recycling service (with a larger recycling bin)	By 2016-17: <ul style="list-style-type: none"> NetWaste tender implemented with change to fortnightly 240L kerb-side recycling service. 	<ul style="list-style-type: none"> Contributes to Real Operating Expenditure Ratio favourable decline from 0.99 in 2016-2017 to 0.94 in 2019-2020. Landfill life extended Saving of \$30 per ratepayer per annum Domestic Waste Charge reduced by approx. \$1 Million in savings per annum 	<ul style="list-style-type: none"> Operating Performance Ratio improved Unfavourable impact on Own Source Revenue ratio – as savings from initiative passed on to ratepayers.

3.4 Improvement Action Plan – 2016/17

Summarise the key improvement actions that will be achieved in the first year of your plan.

NB: a more detailed action plan is required to be attached identifying the costs/benefits and risks associated with the action and the assumptions that underpin these estimates. The financial modelling for the Action Plan should also be attached.

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
A. Achieve and Maintain a balanced Operating Result by 2019/20	1. Target expenditure of income smartly using best value assessment to reduce long term operating costs	1.1 The annual business planning and budgeting process is strengthened to ensure integrated service and asset planning, including risk management, drives best value resource allocation that reduces long term costs <i>2013-17 DP; Pages 97, 98, 105 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Best value governance framework in place and guiding resource allocation • Service and Asset Plans updates to inform annual budget process • Operating Plan including budget complete within best value resource allocation
		1.2 Council is applying optimised decision making to target asset expenditure so that it reduces whole of life cycle costs and maximises life of built assets. <i>2013-17 DP: pages 97, 98, 105 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Optimised Decision Making asset management framework in place • Improved “whole of life cycle” asset planning and management data available to inform allocation and timing of expenditure

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
A. Achieve and Maintain a balanced Operating Result by 2019/20	2. Continue to progress implementation of service planning and service reviews to ensure best value service provision that reduces cost, identifies efficiencies and productivity savings	2.1 Community engagement on service reviews for pools, parks, libraries and Family Day Care commenced <i>2013-17 DP: pages 67, 84, 82, 86, 97, 98 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • New Council in place September 2016 & briefed on service reviews • Report to Council on proposed engagement strategies • Community engagement on service reviews commenced
		2.2 Progress high level review of services at Key Direction level <i>2013-17 DP: pages 67, 84, 82, 86, 97, 98 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Complete high level review at Key Direction level in July-August • New Council briefed on outcome of Key Direction reviews • Implement community engagement on updated IPR documents
		2.3 As part of any service reviews – confirm whether existing assets supporting service delivery are required and develop appropriate disposal strategies for any assets that are not required. <i>2013-17 DP: pages 67, 84, 82, 86, 97, 98, 105 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Ensure any service reviews undertaken confirm assets required to meet recommended service delivery strategies • Disposal strategies completed where required

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
A. Achieve and Maintain a balanced Operating Result by 2019/20	3. Increase income through: <ul style="list-style-type: none"> ➤ implementing the Council's: <ul style="list-style-type: none"> - Property Disposal and Investment Program - Commercial Property Portfolio Business Plan - Tourist Parks Business Plan - Roads & Maritime Service Business Plan (BMCC is agent for RMS); ➤ Seeking grant funding that meets best value service provision and does not add to long term operational costs ➤ Providing sound financial management of the Council's investments 	3.1 By 2016-2017 key commercial activities are guided by 4-10 year business plans and strategies with financial targets for profit <i>2013-17 DP: pages 92-93, 104, 109 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Complete 4-10 year commercial activity business plans with financial targets for profit

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
		3.2 Implement income generating Council service activities to achieve projected revenue <i>2013-17 DP: pages 92-93, 104, 109 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Implement Council planned service delivery for: <ul style="list-style-type: none"> ➢ Property Disposal and Investment Program ➢ Commercial Property Portfolio ➢ Tourism Parks ➢ Roads & Maritime Service (BMCC is agent for RMS)
		3.3 Monitor and seek grants that align with assessed service provision <i>2013-17 DP: pages 103-104, (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Monitor grant opportunities • Apply for grants that support best value service provision and the Council's financial strategies
		3.4 Provide sound financial management of the Council's investments <i>2013-17 DP: Page 103 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Review and monitor investments to ensure best returns • Implement the Council's adopted Investment Policy •

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
A. Achieve and Maintain a balanced Operating Result by 2019/20	4. Continue to lobby federal and state governments for reduced cost shifting, fair distribution of and increased access to funding for local government / BMCC	4.1 Advocate and lobby as appropriate and required <i>2013-17 DP: pages 98 and 103 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Advocate and lobby as appropriate and required • Regional Strategic Alliance develops role in lobbying for region
B. Maintain & increase own source revenue at 80%	5. Continue to implement strategies that increase own source revenue including maximising returns from Commercial Activities and Property Disposal and Investment Program	<i>See actions 3.1, 3.2 and 3.3 above and associated milestones, costs. Benefits, risks and assumptions</i>	

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
C. Improve the Building and Asset Renewal Ratio	6. Implement the Asset management Improvement Plan – to guide and target required expenditure on asset renewal	6.1 Review and update Asset management Improvement Plan (AMIP), implement 2016-17 actions and report progress <i>2013-17 DP; Page 105 (includes links to SBM 2025)</i> <i>2014-2024 Resourcing Strategy – Asset Management Strategy, Section 4.8.4: Asset Management Improvement Plan, pages 198-201</i>	Implement 2016-17 AMIP actions – key action areas to include: <ul style="list-style-type: none"> • Implementing annual update of asset plans / asset risk registers • Improving quality of asset data / information • Implementing optimised Decision Making to reduce whole of lifecycle costs & extend asset life • Updating / preparing required Asset Policies and Procedures • Identifying required intervention strategies
C. Improve the Building and Asset Renewal Ratio	7. Improve asset registers and alignment with required asset renewal expenditure	7.1 Undertake asset revaluations to ensure accurate useful life and depreciation data <i>2013-17 DP: Page 105 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Improve asset register data • Identify required revaluations and prepare data – review depreciation data including unit rates and assumptions on useful lives and unit costs • Implement asset revaluation(s) as required

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
D. Improve Infrastructure Backlog Ratio	<p>8. Address the infrastructure backlog through targeting available revenue to residual high risk asset renewal using best value evidence based assessment</p> <p><i>Nb. Assumes “core: required maintenance expenditure (tested through best value assessment) has first been met</i></p>	<p>8.1 Service infrastructure and asset planning informs the identification of asset renewal requirements</p> <p><i>2013-17 DP: Page 105 (includes links to SBM 2025)</i></p>	<ul style="list-style-type: none"> • Complete programmed service, infrastructure and asset planning work / strategies
		<p>8.2 Service & Asset Management Plans and risk registers updated annually to identify and target ‘high risk’ asset renewal expenditure</p> <p><i>2013-17 DP: Page 105 (includes links to SBM 2025)</i></p> <p><i>2014-2024 Resourcing Strategy – Asset Management Strategy, Section 4.8.4: Asset Management Improvement Plan, pages 198-201</i></p>	<ul style="list-style-type: none"> • Asset Management Plans and risk registers updated

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
	9. Continue to engage with community on required and affordable levels of service and infrastructure to ensure best value service provision that meets changing community needs	9.1 Engage community on update of <i>Sustainable Blue Mountains 2025</i> , and the Council's 10 year Resourcing Strategy and four year Delivery Program <i>2013-17 DP: Page 97 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Complete End of Council Term and State of City Reports to inform update of Integrated Plans • New Council adopts methodology for engaging community on update of community Strategic Plan and Resourcing Strategy – required and affordable levels of services considered
E. Improve Asset Maintenance Ratio	10. Fund required maintenance using evidence based best value expenditure requirement assessment	10.1 Implement agreed maintenance service level standards and monitor and report on performance <i>2013-17 DP: all Key Directions - service areas with maintenance requirements (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Complete programmed asset maintenance work and within available resources meet agreed service level standards
		10.2 Implement best value assessment of maintenance expenditure requirements <i>2013-17 DP: all Key Directions - service areas with maintenance requirements (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Required annual budget allocation to maintenance is determined using evidence based best value assessment process

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
F. Improve / maintain Debt Ratio within LTFP targets	11. Implement the Council's endorsed Borrowing Strategy	11.1 Implement Borrowing Strategy – required actions for 2016-17 <i>2013-17 DP: Page 103 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Annual review of borrowing capacity • Consider using ant surplus end of year cash funds to reduce borrowings • Any new borrowings supported by sound business case approved by the Council • Cash reserves used to reduce existing borrowings or the need to undertake new borrowings • Subsidised Sate Govt / TCorp loan funding used where effective • All borrowings managed against industry benchmarks taking into account capacity of the Council to make interest and principal repayments
G. Decrease Real Operating Expenditure per capita over time	12. Regional Strategic Alliance between Blue Mountains, Penrith and Hawkesbury councils to drive strategic opportunities, capitalise on economies of scale and enhance sub-regional planning and advocacy.	12.1 Implement Regional Strategic Alliance initiatives that reduce ongoing costs and achieve efficiencies through economies of scale e.g. joint procurement and/or shared service provision <i>2013-17 DP: Page 15</i>	<ul style="list-style-type: none"> • In consultation with Penrith and Hawkesbury council: <ul style="list-style-type: none"> - Investigate and agree projects and initiatives - Develop Regional Alliance Action Plan - Implement 2016-17 agreed projects and efficiency initiatives - Monitor and report achievements

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
G. Decrease Real Operating Expenditure per capita over time	13. Implement the Council's Procurement Strategy	13.1 Implement Procurement Strategy actions for 2016-17 <i>2013-17 DP: Pages 110, 112 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • New organisation structure for Strategic Procurement in place • Procurement strategy /policy framework reviewed. • Procurement of insurance through membership of the Westpool Insurance group continued • Contract management efficiency initiatives implemented • Review of energy contracts and energy efficiency projects commenced • Continue review of fleet procurement and management both heavy and light vehicles
G. Decrease Real Operating Expenditure per capita over time	14. Continue to implement business and process improvement initiatives that reduce costs, improve productivity and achieve best value effective and efficient service delivery	14.1 Implement Organisational Business Excellence/ Improvement framework including work redesign and productivity efficiency initiatives <i>2013-17 DP: Page 15</i>	<ul style="list-style-type: none"> • Implement 2016-17 business excellence improvement initiatives • Track savings, efficiencies and productivity improvements

Action Plan – Year 1: 2016/17			
Objective	Strategy	Actions	Milestones
G. Decrease Real Operating Expenditure per capita over time	16. Reduce domestic waste charge to residents through changing from a weekly to a fortnightly recycling service (with a larger recycling bin)	15.1 NetWaste tender implemented with change to fortnightly 240L kerb-side recycling service. <i>2013-17 DP: Pages 47-48 (includes links to SBM 2025)</i>	<ul style="list-style-type: none"> • Fortnightly recycling service implemented

Outline the process that underpinned the development of your Action Plan. For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan

The BMCC Improvement Proposal and 2016-2017 Action Plan were developed by the BMCC FFTF Project Team, comprising key staff from across the organisation. This Project Team was guided by the FFTF Project Steering Group which comprised the General Manager, the Chief Financial Officer (Project Manager), the Group Manager, Integrated Planning and Finance, the Director, City and Community Outcomes and the Group Manager, People and Systems. Two meetings were held with Councillors on the BMCC FFTF Improvement Proposal through monthly Best Value Councillor Advisory Group meetings held in April and May 2015. A separate workshop with a wider cross section of staff was specifically held to obtain staff input on the SWOT analysis. Councillors also provided input into the SWOT analysis through the 28 May 2015 Best Value Councillor Advisory Group meeting.

The modelling of asset related financial benchmarks was assisted by Jeff Roorda and Associates (JRA) who were engaged to provide an independent assessment of Blue Mountains City Council's capacity to sustainably deliver infrastructure based services to its community. In particular, JRA assessed two primary indicators of financial sustainability being depreciation compared with asset renewal expenditure and the Council's Infrastructure Backlog.

The development of the BMCC Improvement Proposal and 2016-2017 Action Plan builds upon the extensive Integrated Planning and Reporting work undertaken since 2010, and in particular in 2014, as part of the Resourcing Our Future community engagement. This included a comprehensive consultation with the Blue Mountains community on preferred levels of service, and willingness to pay for these services through a special variation to rates. It also included a comprehensive review and update of our Integrated Planning documents, to test the impacts of the three options/ revenue scenarios on which the consultation was based.

Collaboration on FFTF strategies and actions has also occurred between key representatives from Blue Mountains City Council, Penrith City Council and Hawkesbury City Council through the new Regional Strategic Alliance between these councils. This Alliance provides significant opportunities for achieving efficiencies through economies of scale in joint procurement and shared service provision initiatives. It will also strengthen coordinated sub-regional planning and advocacy as evidenced already through the two workshops held between the three councils to support development of FFTF Improvement Proposals. The Council will consider the Fit for the Future Improvement Proposal and Action Plan at the Ordinary Meeting of Council on 23 June 2015.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them. For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards

This Improvement Action Plan has been informed by comprehensive integrated planning work undertaken, including the 2014 community engagement on Options for Resourcing Our Future. Three alternative options or resourcing scenarios were put to the community including:

- Option 1 - Service Levels Improved (Special Variation)
- Option 2 - Service Levels Maintained (Special Variation)
- Option 3 - Service Levels Reduced (no Special Variation)

There was overwhelming support from the community for the Council to proceed with a Special Variation, including majority support for Option 1, which became the basis for the Council's successful application to IPART in 2015.

However, it should be noted that other Options were also modelled that more fully addressed the funding requirement of the City to meet its infrastructure funding backlog and improve financial sustainability. These Options were not pursued following consideration of capacity of ratepayers to bear additional financial impacts. Further, the 2015 Special Variation was carefully planned as the second stage to a two stage approach to using Special Variations to increase income over 2013 to 2019.

As detailed in Council's Resourcing Strategy, integrated planning has shown that addressing the financial and asset management challenges of the Council and the City of Blue Mountains, requires a multi-pronged approach over the next 5-10 years including simultaneously implementing all of the Council's *Six Strategies for Financial Sustainability*.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark
Operating Performance Ratio (Greater than or equal to breakeven average over 3 years)	-6.5%	-3.9%	-1.2%	0.5%	YES Meets
Own Source Revenue Ratio (Greater than 60% average over 3 years)	85.0%	86.8%	87.5%	87.8%	YES Meets
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	30.0%	41.0%	60.0%	77.0%	YES Improving
Infrastructure Backlog Ratio (Less than 2%)	3.0%	3.0%	2.7%	2.0%	YES Improving
Asset Maintenance Ratio (Greater than 100% average over 3 years)	95%	95%	97%	98%	YES Improving
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	9.05%	8.11%	7.18%	6.22%	YES Meets
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure over time))	DECREASING	DECREASING	DECREASING	DECREASING	YES Meets

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why. For example, historical constraints, trade-offs between criteria, longer time required.

All set benchmarks are met by 2019-2020.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3?

- The Fit for Future Improvement Plan will be incorporated into the appropriate Integrated Planning and reporting documents and processes.
- The Integrated Planning and Finance Group under the direction of the Group Manager, will monitor and report on implementation of the *Improvement Proposal* to the Executive Leadership Team.
- Progress in implementing the Action Plan will be reported in the BMCC Annual Report.

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Minutes of the Ordinary Meeting of Council of the City of Blue Mountains, held in the Chambers on Tuesday, 23 June 2015, commencing at 7.30pm.

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There were present:

The Mayor (Councillor Greenhill) in the Chair, and Councillors Begg, Bennett, Christie, Fell, Hollywood, Luchetti, McGregor, Myles, Shrubb, Van der Kley, Von Schulenburg.

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In attendance:

General Manager; Director City Services; Director City & Community Outcomes; Director Development Health & Customer Services; Group Manager, People & Systems, Group Manager Integrated Planning and Finance; Director-Blue Mountains Cultural Centre & Blue Mountains Theatre and Community Hub; Executive Officer; Chief Financial Officer: Manager Assets Planning; Executive Principal; Senior Town Planner; Manager City Planning; Manager Library and Community Services; Communications Officer; Project Support Officer Governance Publications; Ranger; Ranger.

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Prayer/Reflection:

The Prayer/Reflection was read by the Mayor, as was the acknowledgement of the traditional owners, the Darug and Gundungurra people.

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MINUTE NO. 561

Procedural - Procedural Motion

A MOTION was MOVED by Councillors Fell and Christie:

That the Council endorses for Youth Councillor, Grace Faulder, to co-chair as the Assistant Mayor for the start of the Ordinary meeting of the Council held 23 June 2015.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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Apologies

A MOTION was MOVED by Councillors

Nil

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MINUTE NO. 562**Confirmation of Minutes - Ordinary Meeting – 19 May 2015**

A MOTION was MOVED by Councillors Fell and Bennett:

That the Minutes of the Ordinary Meeting of 19 May 2015 be confirmed.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 563**Confirmation of Minutes - Extraordinary Meeting – 2 June 2015**

A MOTION was MOVED by Councillors Van der Kley and McGregor:

That the Minutes of the Extraordinary Meeting of 2 June 2015 be confirmed.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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Declarations of Interest – Ordinary Meeting, 23 June 2015

Councillor Hollywood declared a non-significant, non-pecuniary interest with respect to Item 12:

“I am declaring that my former employer is mentioned in one element of the report, and I will be remaining in the Chamber for the debate and vote.”

Councillor Fell declared a non-significant, non-pecuniary interest with respect to Item 18 and 19:

“I am declaring that my partner is a member of the 377 committee therefore I will be leaving the Chamber for the debate and the vote.”

Councillor Luchetti declared a significant, pecuniary interest with respect to Item 20:

“I am declaring that my wife is a Family Day Care provider therefore I will be leaving the Chamber for the debate and the vote.”

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MINUTE NO. 564

MM1. 15/114274. Anzac Day Parades across the Blue Mountains

A MOTION was MOVED by Councillors Greenhill and Van der Kley:

1. That Council writes to all RSL Sub Branches and Groups organising Anzac Day marches stating the Council’s continued support for the right of all villages to hold their respective Anzac Day marches;
2. That the Council notes that, under the delegation of the General Manager, Council Officers would be pleased to attend any meeting with RSL Sub-Branched, Anzac Day march organisers and relevant stakeholder agencies to discuss event traffic arrangements for 2016; and
3. That the Council writes to appropriate State and Federal members seeking their support and financial contribution towards securing a sustainable financial base for Blue Mountains based organisations involved in the delivery of ANZAC, Remembrance Day and Vietnam Veterans Day events.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 565**MM2. 15/115036. Advice from the Advisory Committee for Greater Blue Mountains World Heritage Area**

A MOTION was MOVED by Councillors Greenhill and Van der Kley:

1. That the Council notes the advice received from the Greater Blue Mountains World Heritage Area Advisory Committee with respect to the importance of retaining provisions within Blue Mountains Draft Local Environmental Plan 2015 (DLEP) that aim to manage the impact of development within the City on the Greater Blue Mountains World Heritage Area (GBMWhA);
2. That the Council makes representation to the Hon. Greg Hunt, Commonwealth Minister for the Environment, to support the retention of the provisions relating to the protection of the GBMWhA in the DLEP;
 - a) Citing the 'Operational Guidelines for the Implementation of the World Heritage';
 - b) Citing the 'Greater Blue Mountains World Heritage Area Strategic Plan';
 - c) Including the letter of advice from GBMWhAC; and
 - d) Drawing the attention of the Minister to the potential for the decision by the NSW Government to remove those provisions to trigger a section 68 referral under the Environment Protection and Biodiversity Conservation Act 1999; and
3. That the Council makes representations to the Hon. Rob Stokes NSW Minister for Planning, and to the Hon. Mark Speakman, Minister for the Environment, including the advice of the GBMWhA Advisory Committee which draws the attention of the Minister to the provisions of the abovementioned Operational Guidelines and Strategic Plan, and to the potential for the decision to remove those provisions designed to achieve the desired outcomes for the WHA to trigger a section 68 referral under the Environment Protection and Biodiversity Conservation Act 1999;
4. That the GBMWhA Advisory Committee be thanked for their advice and invited to convey their views directly to the Hon. Greg Hunt, Commonwealth Minister for the Environment and the Hon. Rob Stokes, NSW Minister for Planning, and to the Hon. Mark Speakman, Minister for the Environment, by the means they consider most appropriate and to provide the Council with a copy of that correspondence; and
5. That the Council writes to local, State and Federal members providing them with copies of the submission in points 2 and 3.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 566**1. 15/82791. Confidential Business Paper - Organisation Structure Proposal**

A MOTION was MOVED by Councillors Begg and McGregor:

1. That Item 1 in the Confidential Business Paper be deferred for consideration until all other business of this meeting has been concluded.
2. That the Council close part of the Council Meeting for consideration of Item1 in the Confidential Business Paper 'Organisation Structure Proposal' pursuant to the provisions of Section 10A(2)(a) of the Local Government Act 1993, as the report contains, and discussion is likely to involve:
 - (a) personal matters concerning particular individuals (other than councillors).

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 567**2. 15/79455. Adoption of Delivery Program 2013-2017 and Operational Plan 2015-2016**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council notes the outcomes of the public exhibition of the Draft Delivery Program 2013-2017 and Operational Plan 2015-2016 as summarised in Attachment 1;
2. That the Council endorses the recommended changes to the Draft Delivery Program 2013-2017 and Operational Plan 2015-2016, outlined in Attachment 2; and
3. That the Council adopts the Delivery Program 2013-2017 Operational Plan 2015-2016 including the changes in Attachment 2, incorporating the outcomes of the Independent Pricing and Regulatory Tribunal determination and the Council's separate resolution (Minute No. 558, 2/6/15) endorsing of the special rate variation, and approves:
 - a) The proposed 2015-2016 actions and projects as detailed in Section 3 and Section 4 of the Delivery Program / Operational Plan;
 - b) The 2015-2016 budget and proposed expenditure as detailed in Section 4 and Section 5 of the Delivery Program / Operational Plan;

- c) The making and levying of ordinary rates on the land value of rateable land in 2015-2016 as detailed in Section 5 of the Delivery Program / Operational Plan; and
- d) The fees and charges as detailed in the separate document Fees and Charges 2015-2016; and

4. That the documents are finalised based on the adopted recommended changes, and distributed as required.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 568

S1. 15/84707. Fit for the Future Submission

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council endorses the enclosed Improvement Proposal as the Council's response to the NSW State Government's Fit for the Future Reform Program;
2. That the Council approves submission of the Improvement Proposal to the Independent Pricing and Regulatory Tribunal (IPART) for assessment by 30 June 2015, subject to further required amendment as deemed necessary by the General Manager; and
3. That the Council forwards a copy of the submission to the NSW Parliamentary Inquiry (General Purpose Standing committee No. 6) on the NSW local government Fit for the Future Reform Program.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	

Begg
McGregor
Shrubb

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MINUTE NO. 569

3. 15/71365. Rates and Annual Charges Hardship Relief

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council notes the outcomes of the review of the Rates and Annual Charges Hardship Relief Policy outlined in this report;
2. That the Council adopts the revised Rates and Annual Charges Hardship Relief Policy and the application forms provided in Attachment 1, 2 and 3;
3. That the Council endorses the promotion of the Rates and Annual Charges Hardship Relief Policy with the community as outlined in the report; and
4. That the Council, in partnership with Local Government NSW, continues to advocate to the Federal Government for an increase in the Pensioner Concession Rebate.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 570

4. 15/100693. Performance of Invested Monies For May 2015

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council receives the report on the performance of invested monies for May 2015; and
2. That the Council notes the certificate of the Responsible Accounting Officer.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
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Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 571

5. 15/98157. Productivity Commission Final Report - Review of the Natural Disaster Relief and Recovery Arrangements

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council writes to the Federal Minister for Justice, the Hon Michael Keenan MP, expressing concern about certain recommendations contained in the Productivity Commission's review of the Australian Government Natural Disaster Relief and Recovery Arrangements (NDRRA), particularly those recommendations that shift disaster recovery costs to State and Local Governments;
2. That the Council requests that the Federal Minister for Justice meet with Council to discuss these concerns; and
3. That the Council writes to the Federal Member for Macquarie, Louise Markus MP, and Senator Doug Cameron, providing a copy of this report to bring the Council's concerns to their attention and to seek their support for policy change that does not financially disadvantage Councils.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 572**6. 15/90782. Section 94A Community Infrastructure Contributions Plan (Development Contributions Plan)**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council adopts the Section 94A Community Infrastructure Contributions Plan (Development Contributions Plan) in Enclosure 1 with commencement proposed for 1 July 2015; and
2. That the Council receives a report on the Section 94A Community Infrastructure Contributions Plan (Development Contributions Plan) at the meeting of April 2017 detailing progress of works against the Works Schedule in Appendix C and proposed amendments to the Plan in accordance with relevant legislation.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 573**7. 15/94515. Privacy Management Plan for Adoption**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

That the Council adopts the Privacy Management Plan.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

MINUTE NO. 574**8. 15/91204. Resignation of Town Crier**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council acknowledges the resignation of the Blue Mountains City Official Town Crier, Mr Dennis Hitchen who has performed the duties of the role for 20 years;
2. That the Council thanks Mr Dennis Hitchen for his contribution and service to the Blue Mountains community and the promotion of tourism in the Blue Mountains with a Certificate of Appreciation from the Mayor and General Manager; and
3. That the Council resolves not to reinstate the position of Town Crier given that there is not a requirement for this position at contemporary civic events.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 575**9. 15/98825. Community Assistance Donations/Recommendation by Councillor**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

That the Council endorses the following community assistance donations from the Mayoral and Councillor funds:

Organisation	Amount
Mountains Outreach Community Services	\$180.00
Leura Garden Festival	\$800.00
Springwood Neighbourhood Centre	\$400.00
Blue Mountains Football Club	\$300.00
Blaxland Redback Football Club	\$500.00
Hazelbrook/Lawson Girl Guides	\$330.00
Lawson Swimming Club	\$100.00
Blackheath Rhododendron Festival	\$100.00
Greening Bathurst	\$1900.00
Springwood High School	\$500.00
Rotary Club of Springwood	\$233.30

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 576

10. 15/39456. Update on the Stronger Families Alliance achievements 2013-2014 and the incorporation of a Youth Strategy into the revised Child, Youth & Family Plan

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council endorse the Child, Youth and Family Plan's - Project Plan, including the consultation process, as detailed in this report;
2. That the Council receives an annual update on the Stronger Families Alliance's achievements and challenges in developing and implementing the Child, Youth and Family Plan, reporting next in June 2016;
3. That the Council writes to the Hon. Brad Hazzard, Minister for Family and Community Services (FACS), the Hon. Stuart Ayres, Member for Penrith and Ms Trish Doyle, Member for the Blue Mountains:
 - a) acknowledging FACS's longstanding partnership with the Council working jointly on Blue Mountains community service priorities; and
 - b) requesting that the financial salary subsidies provided by FACS to BMCC's Children and Family Services Development Officer and the Youth Services Development Officer, are extended into the future, beyond the completion of the current funding agreements on 30 June 2016, to ensure the continuation of these vital services.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	

Hollywood
Van der Kley
Begg
McGregor
Shrubb

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MINUTE NO. 577

11. 15/71478. Megalong Cemetery - Aboriginal Place Nomination

The meeting was addressed by: Aunty Sharon Halls, Dennis Barber

A MOTION was MOVED by Councillors Myles and Luchetti:

1. That the Council supports the nomination of Megalong Valley Cemetery as an Aboriginal Place and formally informs the NSW Office of Environment and Heritage (OEH) of this position;
2. That the Council approves the development of the OEH led Megalong Valley Cemetery Aboriginal Place Management Plan in consultation with relevant Aboriginal stakeholders and the General Manager, or his delegate;
3. That the Council provides in-principle support for new burials in the Megalong Valley Cemetery under set conditions as determined in the proposed Megalong Valley Cemetery Aboriginal Place Management Plan;
4. That the Council receives the Megalong Valley Cemetery Aboriginal Place Draft Management Plan for consideration upon its completion; and
5. That the Council receives a briefing on the Council's approach to fees for the proposed Megalong Valley Cemetery Aboriginal Place Management Plan and that the Council receives a further report back to the Council.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 578**12. 15/85948. Impact of Department of Social Services Funding changes to the Blue Mountains**

The meeting was addressed by: Angelique Sasagi

A MOTION was MOVED by Councillors Hollywood and Van der Kley:

That the Council writes to the Hon. Scott Morrison, the Minister of Social Services, Mrs Louise Markus, Member for Macquarie and Senator Doug Cameron, requesting that the Department of Social Services (DSS):

- a) restores funding to the Blue Mountains Family Support Service and Gateway Family Service; and**
- b) reconsiders calling for competitive tenders for all DSS funded programs, and that such processes recognise the benefits of small, locally based, not-for-profit NGOs in providing community services to the most vulnerable and disadvantaged in the Blue Mountains community.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 579**13. 15/85981. Community Assistance Program 2015**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

- 1. That the Council notes this report; and**
- 2. That, pursuant to Section 356 (1) of the Local Government Act 1993, the Council provides grant funding assistance under the Community Assistance Program 2014-2015, as detailed in the recommendations of the Councillor Advisory Committee, to the community organisations, as detailed in Attachment 1.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	

Von Schulenburg
 Fell
 Luchetti
 Myles
 Bennett
 Hollywood
 Van der Kley
 Begg
 McGregor
 Shrubb

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MINUTE NO. 580

14. 15/86136. Bicentenary Crossings Update

A MOTION was MOVED by Councillors Myles and Fell:

That the Council defers Item 14 on the Bicentenary crossing commemorations for two meeting cycles to allow for the Councillors to be briefed on the matter.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 581

15. 15/89452. Blue Mountains City of The Arts Trust 2015 Grants Program Recommendations

A MOTION was MOVED by Councillors McGregor and Shrubb:

That the Council, as Trustee of the Blue Mountains City of the Arts Trust, accepts the recommendations of the Blue Mountains City of the Arts Trust Grants Assessment Panel and approves the allocation of funding to the applicants as outlined in this report.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	

Von Schulenburg
Fell
Luchetti
Myles
Bennett
Hollywood
Van der Kley
Begg
McGregor
Shrubb

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MINUTE NO. 582

16. 15/94500. NSW Government Funding of Public Libraries

A MOTION was MOVED by Councillors Shrubb and McGregor:

1. That Council continues its support to the public library funding campaign originally mounted by the NSW Public Library Association for increased State funding to local government for public libraries; which includes the display of the petition contained at Attachment 1; and
2. That Council provides support to the campaign mounted by the NSW Public Library Associations for increased State funding to local government for public libraries by making representation to the local State Members for Blue Mountains Trish Doyle and for Penrith Stuart Ayres and NSW Minister for Arts the Hon. Troy Grant requesting their support for the need for additional funding from the NSW State Government for the provision of public library services.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors		Councillors
	Greenhill	
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 583

17. 15/96890. Blue Mountains Youth Council 2015-2017

The meeting was addressed by: Paul Mukhin, Benjamin McGrory

A MOTION was MOVED by Councillors Christie and Bennett:

1. That the Council receives and notes this report;
2. That the Council thanks the 2011-2014 Blue Mountains Youth Council for their contribution towards youth programs and creating a positive image for the young people of the Blue Mountains; and
3. That the Council endorses the membership of the thirteen Youth Councillors on the 2015-2017 Blue Mountains Youth Council, being: Lemuel Appel, Kate Atkinson, Grace Faulder, Joey Jones-Romeo, Benjamin McGrory, Zoe Mikulandra, Ruby Moria, Liam Moskvitch, Paul Mukhin, Kiralee Roscoe-Bynon, Aleksandrs Titovs, Samuel Wilson and Brodie Wylde.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 584

18. 15/97054. Braemar House & Gallery 377 Committee - Resignations

A MOTION was MOVED by Councillors Luchetti and Myles:

That the Council formally accepts the resignations received from Ms Lucy Dixon, Ms Maureen Watson, Ms Pam Crafoord and Ms Sandra Ebbeling of the Braemar House and Gallery 377 Committee, and acknowledges the service of the outgoing committee members with a letter of appreciation.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

With Councillor Fell out of the chambers

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MINUTE NO. 585**19. 15/88928. Review of the Operations of Braemar Gallery, Springwood**

A MOTION was MOVED by Councillors Luchetti and Myles:

1. That the Council receives this report;
2. That the Council discontinues the Braemar Gallery 377 Committee and thanks committee members Annabelle Solomon, Louise Kerr, Colin Brest, Caren Berzins, Kerry Beaumont, Victoria Rausher, Rona Hulbert and Alison Orme for their service; and
3. That the Council adopts Option 2 as outlined in this report as the preferred model for the ongoing Braemar Gallery operations and that a further report on the establishment and composition of the Braemar Gallery Advisory Committee, the governance structure and funding requirements is provided.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

With Councillor Fell out of the chambers

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MINUTE NO. 586**20. 15/106202. Confidential Business Paper - Family Day Care Service**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That Item 20 in the Confidential Business Paper be deferred for consideration until all other business of this meeting has been concluded.
2. That the Council close part of the Council Meeting for consideration of Item 20 in the Confidential Business Paper 'Family Day Care Service' pursuant to the provisions of Section 10A(2)(d ii) of the Local Government Act 1993, as the report contains, and discussion is likely to involve:
 - (d ii) commercial information of a confidential nature that would, if disclosed confer a commercial advantage on a competitor of the Council.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	

Von Schulenburg
 Fell
 Luchetti
 Myles
 Bennett
 Hollywood
 Van der Kley
 Begg
 McGregor
 Shrubb

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MINUTE NO. 587

21. 14/233119. Heritage Review

A MOTION was MOVED by Councillors Van der Kley and Bennett:

1. That the Council notes the status of the Heritage Review 2016/2017;
2. That the Council endorses the scope, methodology and time frame for the delivery of the Heritage Review 2016/2017;
3. That the Council receives a further report on the progress of Heritage Review 2016/2017 and the details of the Community Consultation Strategy; and
4. That the Council receives the recommendations of the Heritage Review 2016/2017 for endorsement as a planning proposal to amend “Blue Mountains Local Environment Plan 2015” by proposing changes to its heritage schedule and maps.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 588

22. 15/89064. Development Application No. S/12/2015 for a two lot boundary adjustment on Lot 42 DP 2135, Lot 43 DP 2135, 81-81A Great Western Highway, Mt Victoria

A MOTION was MOVED by Councillors Van der Kley and Bennett:

That the Development Application No. S/12/2015 for a two lot boundary adjustment on Lot 42 DP 2135, Lot 43 DP 2135, 81-81A Great Western Highway, Mount Victoria be determined pursuant to S.80 of the Environmental Planning and Assessment Act 1979 by the granting of consent subject to conditions shown in Attachment 1 to this report.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 589

23. 15/101079. State Environmental Planning Policy No.1 (SEPP) Variations

A MOTION was MOVED by Councillors Van der Kley and Bennett:

That the Council receives and notes this report.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 590**24. 15/96661. Garage Sale Trails**

A MOTION was MOVED by Councillors Van der Kley and Bennett:

That, noting that the Council participated in the Garage Sale Trail on a trial basis in 2012, and delivered a similar locally based initiative in the same year, Second Hand Saturday, and the subsequent evaluation report provided to Council on the relative merit of the programs, Council receives a further report on the viability of holding a similar event in the 2015-16 financial year, premised on such an activity being a value for money way of reducing waste to landfill.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 591**25. 15/99504. Précis of Selected Correspondence**

A MOTION was MOVED by Councillors Myles and Luchetti:

That the Précis of Selected Correspondence be received and appropriate letters forwarded where necessary.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

* * * * *

Matter of Urgency

That the Council now consider a matter arising in relation to Peninsula Road, Valley heights, that has been ruled by the Mayor to be a matter of great urgency.

MINUTE NO. 592**Procedural - Matter of Urgency**

A MOTION was MOVED by Councillors Myles and Fell:

That the Council writes to the Hon Duncan Gay, Minister for Roads, Maritime and Freight, with copies to Trish Doyle, Member for the Blue Mountains, Louise Markus, Federal Member for Macquarie and Senator Doug Cameron, Senator for NSW, taking issue with the correspondence regarding Peninsula Road, Valley Heights, that the letter is written under the signature of the Mayor, and that Mayor and General Manager settle the terms.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

* * * * *

Matter of Urgency

That the Council now consider a matter arising in relation to bike trail in the BMCC LGA, that has been ruled by the Mayor to be a matter of great urgency.

MINUTE NO. 593**Procedural - Matter of Urgency**

A MOTION was MOVED by Councillors Greenhill and Christie:

That the Council urgently writes to the Crown Lands Division calling for any actions to cease that result in affecting or removing bike trails of any type in Mount Riverview or elsewhere in the Blue Mountains local government area until such a time as the Council has been briefed and consulted.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	

Fell
 Luchetti
 Myles
 Bennett
 Hollywood
 Van der Kley
 Begg
 McGregor
 Shrubb

* * * * *

Matter of Urgency

That the Council now consider a matter arising in relation to Buckwell – May proposals for Mount Victoria, that has been ruled by the Mayor to be a matter of great urgency.

MINUTE NO. 594

Procedural - Matter of Urgency

A MOTION was MOVED by Councillors McGregor and Shrubb:

That the Council writes to the Roads and Maritime Services requesting the results of the analysis of the "Buckwell - May" proposals for the Mount Victoria Great Western Highway safety upgrade.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 595

Procedural – Move into Confidential Session

A MOTION was MOVED by Councillors Van der Kley and Hollywood:

- 1. That the Meeting move into a Confidential Session;**
- 2. That pursuant to the provisions of Section 10A(2) (a) (dii) of the Local Government Act 1993, as the report contains and discussion is likely to involve:**

- (a) Personal matters concerning particular individuals (other than councillors).
 - (dii) Commercial information of a confidential nature that would, if disclosed confer a commercial advantage on a competitor of the Council; and
3. That the correspondence and reports relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the Local Government Act 1993.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

* * * * *

MINUTE NO. 596

1. 15/82791. Confidential Business Paper - Organisation Structure Proposal

A MOTION was MOVED by Councillors Van der Kley and Fell:

1. That the Council approves the proposed organisational structural changes outlined in the report to:
 - continue to strengthen the ability to deliver on Council's Priorities Outcomes;
 - continue to improve operational effectiveness and efficiency;
 - continue to improve risk management and compliance with related legislative requirements; and
 - position the organisation to deliver the outcomes of the recently approved Special Rate Variation and be Fit for the Future.
2. That the Council approves the redesigned structure outlined in the report and associated management positions as a result;
3. That the Council notes the proposed changes will not increase the number of management roles and will be delivered within the current budget parameters;
4. That the General Manager be authorised to determine the details of the functions and final makeup of the changes in the Directorates, Groups and Branches;
5. That the General Manager consults directly with affected employees, the Staff Consultative Committee and relevant Unions of the proposed changes;
6. That the General Manager informs all employees of the proposed changes; and
7. That the end of Q1 2015 – 2016, is the intended effective commencement date for the new structure noting that some changes will be progressively implemented from 1 July 2015 to ensure the implementation process is as seamless as possible.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

* * * * *

MINUTE NO. 597

20. 15/106202. Confidential Business Paper - Family Day Care Service

A MOTION was MOVED by Councillors Van der Kley and Hollywood:

- 1. That the Council notes the contents of this report and affirms its support for the maintaining a capability and capacity to deliver this service within the broad parameters set out in this report; and**
- 2. That the Council receives an update on the Service Performance and forecasts as part of the consideration of the Draft Operational Plan for 2016-2017.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

* * * * *

MINUTE NO. 598

Procedural – Return to Public Meeting

A MOTION was MOVED by Councillors Van der Kley and Christie:

That the Meeting be reopened to the Public.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

* * * * *

MINUTE NO. 599

Procedural – Question that Meeting Close

A MOTION was MOVED by Councillors Begg and Christie:

That as there was no further business before the Ordinary Meeting of Tuesday, 23 June 2015, the meeting closed at 9:44pm.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

* * * * *

I confirm that these minutes, consisting of this page 27 and the previous 26 pages, were confirmed at the Ordinary Meeting of the Council on 21 July 2015.

Chairman: Mayor Mark Greenhill..... Date.....

Assessment of Council Fit for the Future Proposals

Local Government — Final Report
October 2015

Assessment of Council Fit for the Future Proposals

Local Government — Final Report
October 2015

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Ms Catherine Jones

Mr John Comrie

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Summary

The NSW Government has asked IPART to undertake the role of the Expert Advisory Panel in assessing local government Fit for the Future (FFTF) proposals.¹ The FFTF reforms aim to improve the strength and effectiveness of local government in providing services and infrastructure that communities need.²

This report sets out our assessment of whether local councils are fit or not fit for the future based on the proposals submitted. In undertaking the assessments we have used the Independent Local Government Review Panel's (ILGRP's) options for reform as a starting point for our analysis.

The NSW Government has announced that councils which are assessed as fit will have access to a range of benefits including a streamlined rate variation process, a State Government borrowing facility, priority for other government funding and grants, and eligibility for additional devolved planning powers.³ Funding will also be provided by the NSW Government to assist with the transitional costs of merging, establishing regional Joint Organisations (JO), and assisting regional and rural councils.⁴

The assessments will now be considered by the NSW Government in determining the next stage of the reform process.

Key findings

We received 139 local council proposals from 144 councils including:

- ▼ four Merger Proposals (involving nine councils)
- ▼ 115 Council Improvement Proposals, and
- ▼ 20 Rural Council Proposals.⁵

¹ The NSW Government's terms of reference for the review is at Appendix A.

² Office of Local Government (OLG), *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 15.

³ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, pp 14-15.

⁴ Ibid.

⁵ Council proposals can be found on the IPART website at www.ipart.nsw.gov.au

We assessed 52 proposals as being fit for the future, which represents 37% of the proposals received.⁶ To be assessed as fit, councils must have demonstrated they have sufficient scale and capacity and are financially sustainable.

All four Merger Proposals we received were assessed as fit because they:

- ▼ would deliver substantial benefits to their local communities when compared to the councils standing alone, and
- ▼ were generally the best available options for the relevant councils as neighbouring councils did not elect to join the Merger Proposals.

We assessed 87 proposals as not being fit for the future, which represents 63% of the proposals received.

Of the 87 proposals assessed as not fit:

- ▼ 60 were assessed as not having sufficient scale and capacity, but did meet the financial criteria
- ▼ 18 were assessed as having sufficient scale and capacity, but did not meet the financial criteria, and
- ▼ 9 were assessed as not having sufficient scale and capacity and not meeting the financial criteria.

The main reasons for councils being assessed as not having sufficient scale and capacity were because:

- ▼ A merged entity would have greater scale and strategic capacity to better partner with other levels of government in providing key infrastructure and social services.
- ▼ A merged entity could better integrate planning and development, resulting in improved planning decisions and enhanced economic growth.
- ▼ The merger option and the business case for the merger commissioned by the council showed substantial gains. Despite this, most councils did not submit a Merger Proposal.
- ▼ Our analysis and the analysis undertaken by our independent economic consultants, Ernst & Young, indicated the merger option would provide large net benefits to the local communities.
- ▼ The council's proposal to remain a stand-alone council was not at least as good as the preferred merger option.
- ▼ The efficiency improvements in the council's proposal could be realised under the merger option, and the merger option could provide significant further benefits to residents.

⁶ Details of the assessment for each council can be found in Chapter 2 and Appendix C.

In addition to these reasons, in non-metropolitan areas, a number of councils were assessed as not having sufficient scale and capacity because the council's population is declining or static and is forecast to be below 10,000 by 2031. A population of this size would be likely to affect a council's efficiency and strategic capacity to meet the future needs of its community.

For both Metropolitan Sydney and non-metropolitan councils, the main reason councils did not meet the financial criteria was generally because they forecast an operating deficit throughout the period, including in the benchmark year of 2019-20, and other factors suggest the council has a weak financial position.⁷

As discussed further below, most Metropolitan Sydney councils were assessed as not fit because they did not demonstrate they had sufficient scale and capacity. In contrast, in non-metropolitan areas, a number of councils were assessed as not fit as they did not meet the financial criteria.

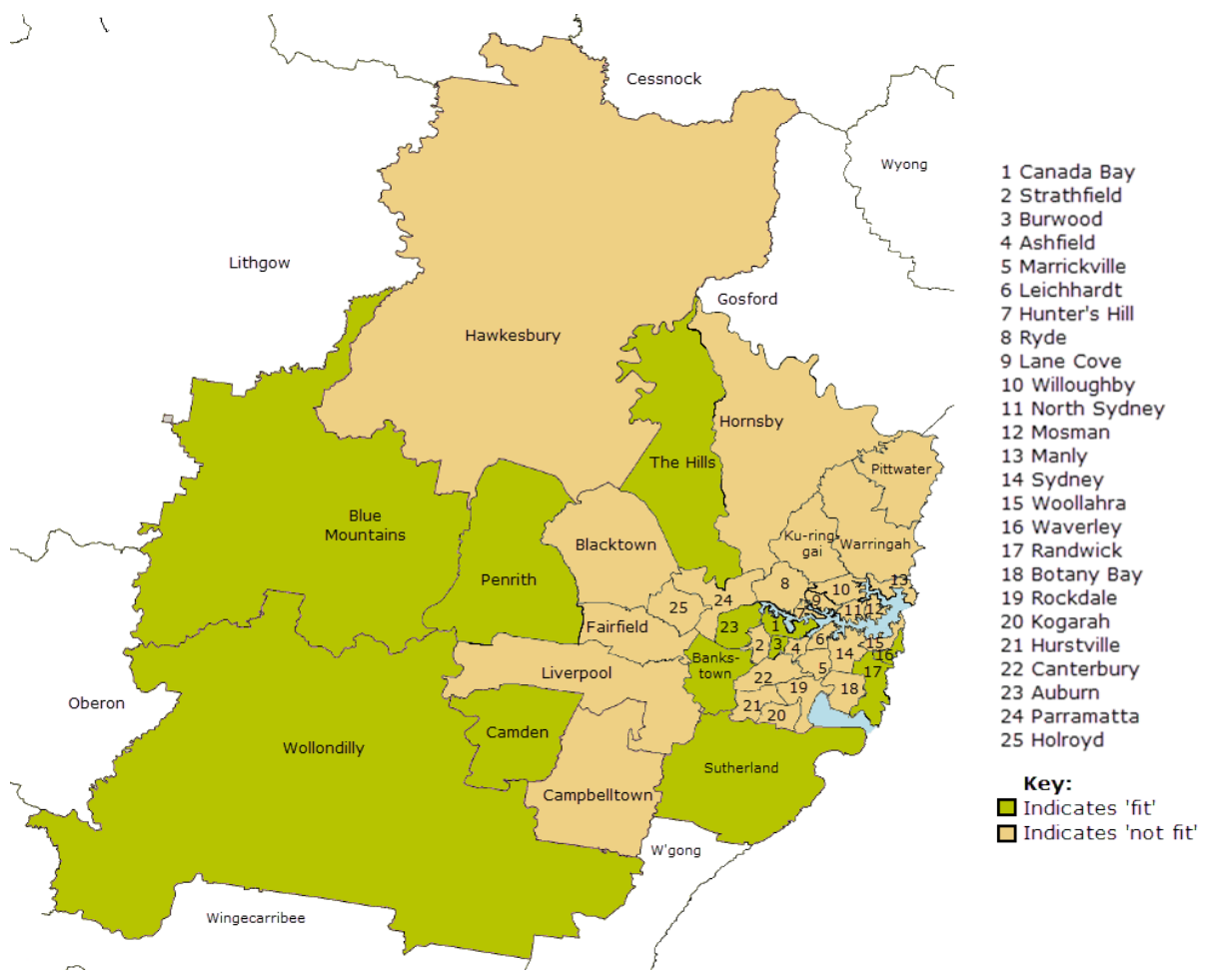
The assessment for each council can be found in Tables 1 to 7 below.

Metropolitan Sydney

In Metropolitan Sydney, we received 38 proposals, which included two Merger Proposals and 36 Council Improvement Proposals. As set out in Figure 1 below, we assessed 9 proposals as fit and 29 proposals as not fit in Metropolitan Sydney.

⁷ For rural councils (councils in OLG Groups 8 to 11 and those choosing to submit a Rural Council Proposal) the benchmark year for the operating performance ratio was 2024-25. However, for all other measures and councils the benchmark year was 2019-20.

Figure 1 Metropolitan Sydney assessments



Metropolitan Sydney: Merger Proposals

We received Merger Proposals from:

- ▼ Randwick City Council (Randwick) and Waverley Council (Waverley), and
- ▼ Auburn City Council (Auburn), Burwood Council (Burwood) and City of Canada Bay Council (Canada Bay).

We have assessed the merger of Randwick and Waverley as fit because the merger:

- ▼ Would deliver substantial benefits to their local communities when compared to the councils standing alone.
- ▼ Does not preclude the ILGRP's preferred option of a Global City Council should this merger be adopted. However, we note Waverley and Randwick have indicated they do not support a merger with the Council of the City of Sydney (City of Sydney).

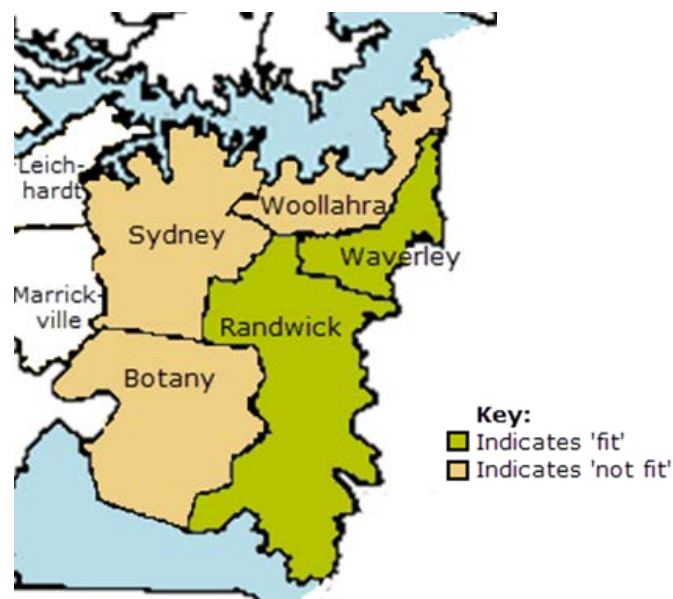
- ▼ Was the best available option for these councils given neighbouring councils did not elect to join the Merger Proposal.
- ▼ Builds on existing collaborations between Waverley and Randwick, which share communities of interest and similar geography.

Nonetheless, we observe that greater benefits would be realised from including the other neighbouring councils in this merger, including Woollahra Municipal Council (Woollahra), City of Botany Bay Council (Botany Bay), and the City of Sydney, should the Government adopt the Global City Council option.

Over a 20-year timeframe, Ernst & Young's analysis suggests:

- ▼ a merger of Randwick and Waverley could provide net present value (NPV) benefits of \$99 million
- ▼ a merger of Randwick, Waverley, Woollahra and Botany Bay could provide NPV benefits of \$218 million, while
- ▼ a merger of Randwick, Waverley, Woollahra, Botany Bay and City of Sydney to form a Global City Council could provide NPV benefits of \$283 million.

Figure 2 Global City Council



We have also assessed the Merger Proposal from Auburn, Burwood and Canada Bay as fit because the merger:

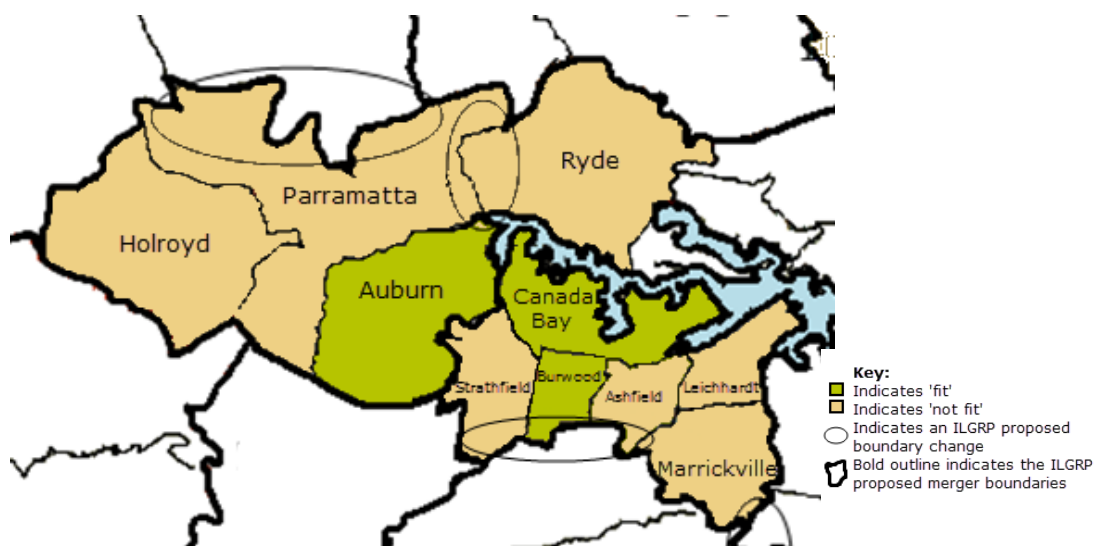
- ▼ Would deliver substantial benefits to their local communities when compared to the councils standing alone.
- ▼ Is forecast to improve the operating performance of the councils compared with each council standing alone, and in the absence of rate increases.
- ▼ Was the best available option for these councils given neighbouring councils did not elect to join the Merger Proposal.

This merger is consistent with the NSW Government's *Fit for the Future – A roadmap for Stronger, Smarter Councils*, which identifies voluntary mergers as an option to become FFTF.⁸ As noted above, the Government is also providing incentives and support to enable councils to pursue voluntary mergers.⁹

We understand Auburn, Burwood and Canada Bay consider the Merger Proposal would result in better outcomes for the community with Strathfield Municipal Council (Strathfield) included and they are advocating for its inclusion in the merger.

Over a 20-year timeframe, our analysis, using information provided by the councils, suggests a merger of Auburn, Burwood and Canada Bay could provide NPV benefits of \$114 million. A merger which includes Strathfield is likely to yield additional benefits.

Figure 3 Auburn, Burwood and Canada Bay merger proposal



⁸ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 10.

⁹ Ibid.

Metropolitan Sydney: City of Sydney

City of Sydney submitted a Council Improvement Proposal to remain a stand-alone council. City of Sydney meets the financial criteria overall as a stand-alone council and its current and projected financial performance is strong. It also demonstrated it has the ability to proactively partner with the government to undertake significant infrastructure and urban renewal projects, such as the Green Square development.

However, we have assessed City of Sydney as not meeting the scale and capacity criterion against the Global City Council option, and therefore as not fit.

A Global City Council may better integrate planning and development across the eastern suburbs and central Sydney as the central business district (CBD) expands. It would also provide for better partnering with other levels of government for key infrastructure, such as the Sydney Light Rail Project and the second Sydney Harbour rail crossing.

Should the Government adopt the Global City Council option, the following issues might require consideration:

- ▼ The extent to which the Global City Council should be given control over key infrastructure such as the Sydney Opera House, Barangaroo, Port Botany, Circular Quay and Darling Harbour to enable it to operate effectively as a Global City Council, as this infrastructure is currently administered by bodies separate to local councils.
- ▼ How to ensure the development and growth of the CBD and surrounding areas continues. This may require changes and enhancements to the *City of Sydney Act 1988*. In addition, the implications for business voting within the Global City Council may need to be considered, as the *City of Sydney Act 1988* will allocate two votes to businesses in local council elections in the City of Sydney from 2016.
- ▼ Measures to ensure the significant council revenues generated from businesses in the Sydney CBD are spent efficiently to realise the key objectives of the Global City Council.

If the Global City Council option is not adopted, City of Sydney has sufficient scale and capacity to stand alone and would be fit as a stand-alone council.

Metropolitan Sydney: Council Improvement Proposals

Of the 36 Council Improvement Proposals we received in Metropolitan Sydney (including City of Sydney), we assessed seven as fit and 29 as not fit.

Councils assessed as fit

We assessed seven Council Improvement Proposals as fit in Metropolitan Sydney. All of these councils are in Outer Metropolitan Sydney, other than Bankstown City Council. These councils include:

- ▼ Bankstown City Council
- ▼ Blue Mountains City Council
- ▼ Camden Council
- ▼ The Hills Shire Council
- ▼ Penrith City Council
- ▼ Sutherland Shire Council, and
- ▼ Wollondilly Shire Council.

These councils were assessed as fit because:

- ▼ remaining a stand-alone council was consistent with the ILGRP's preferred option, or
- ▼ our analysis did not identify a merger alternative that was better than remaining a stand-alone council, and
- ▼ they met the financial criteria overall.

In the case of Blue Mountains City Council and Wollondilly Shire Council, whilst their current financial performance is poor, their projected financial performance shows significant improvement. This is due primarily to recently approved large special variations which increased the general income Blue Mountains City Council and Wollondilly Shire Council can collect from their communities, by 28.5% and 38.8% respectively above the rate peg, over the next few years.

In the case of Camden Council, the council is managing large increases in its population which has adversely affected its short term financial performance. We have taken this into account in undertaking the assessment against the financial criteria and have assessed it as meeting the financial criteria overall.

Councils assessed as not fit due to insufficient scale and capacity

We assessed all Inner Metropolitan Sydney councils that had a preferred merger option, but submitted a stand-alone proposal, as not fit, as they did not meet the scale and capacity criterion. As outlined in Table 2 below, we assessed 26 of the 36 Council Improvement Proposals in Metropolitan Sydney as not fit, because the alternative merger option identified and considered in business cases by the councils showed substantial gains that were greater than each council remaining a stand-alone council. For these councils, it is likely that structural changes would be required to enable these councils to be assessed as meeting the scale and capacity criterion.

The ILGRP's preferred mergers could provide a range of benefits to the community including:

- ▼ more effective and efficient service delivery
- ▼ improved delivery of major infrastructure
- ▼ more integrated strategic planning and policy development
- ▼ more effective partnering with government, and
- ▼ stronger advocacy for local communities.

In addition to these benefits, our indicative analysis suggests \$1.8 billion to \$2.0 billion in NPV benefits could be realised over 20 years if the ILGRP's preferred Metropolitan Sydney mergers occurred. This analysis was undertaken by using the merger business cases provided by councils and estimating the NPV benefits using a consistent 20-year timeframe and discount rate.¹⁰

We have also commissioned Ernst & Young to develop its own estimates of the potential financial benefits of the Metropolitan Sydney mergers. This analysis indicated \$1.3 billion in NPV benefits could be realised over 20 years. The differences between IPART's estimates and Ernst & Young's estimates represent differences in the assumptions and methodologies used by the councils' consultants and Ernst & Young. However, both estimates suggest substantial net financial gains are likely to arise from these mergers.

Some councils, such as Hornsby Shire Council and Warringah Council, supported the ILGRP's proposed reforms, but were unable to submit a Merger Proposal as they could not reach agreement with neighbouring councils to merge.

¹⁰ A discount rate of 9.5% nominal (7% real) was used in the IPART estimates, with an assumption that the merger takes effect from 2016-17. We note the merger business cases commissioned by councils, which formed the basis of the IPART estimates, have been undertaken by a range of different consultants, using different assumptions, methodologies and timeframes. As a result, our estimates have recalculated the NPVs for these business cases using a consistent 20-year timeframe and discount rate.

A number of councils commissioned business cases of alternative merger options and structural changes to those identified by the ILGRP. Some of these alternative merger options showed there could be substantial benefits from these options. However, despite these potential gains, most Metropolitan Sydney councils did not submit a Merger Proposal.

Hunter's Hill Council, Lane Cove Municipal Council and City of Ryde Council submitted a proposal for a Joint Regional Authority (JRA) as an alternative to a merger. Under the proposed JRA, the councils would share services and centralise planning and development. Our analysis suggests the preferred merger, which would also include Mosman Municipal Council, North Sydney Council and Willoughby City Council, would improve the capacity of the relevant councils to partner effectively with government and undertake strategic planning and development for the Lower North Shore region. The JRA is also likely to provide a lower level of efficiency savings compared to the large gains available from the preferred merger of \$280 million over 20 years on a NPV basis.¹¹ As we assessed standing alone in the proposed JRA would not be as good as, or better than, the preferred merger, we assessed Hunter's Hill Council, Lane Cove Municipal Council and City of Ryde Council as not meeting the scale and capacity criterion, and not fit.

Councils assessed as not fit due to not meeting the financial criteria

We assessed three Council Improvement Proposals in Metropolitan Sydney as not fit because they did not demonstrate they met the financial criteria overall. These councils are all in Outer Metropolitan Sydney and include:

- ▼ Blacktown City Council
- ▼ Campbelltown City Council, and
- ▼ Hawkesbury City Council.

As these councils were assessed as satisfying the scale and capacity criterion, strategies to improve their financial performance should enable them to become fit. This could include measures to promote financial sustainability, by reducing costs and increasing revenues. However, the strategies that could be adopted will depend on each council's circumstances and the Government's priorities.

In general, most Metropolitan Sydney councils demonstrated their current and forecast financial performance was relatively strong.

¹¹ This analysis was based on a business case jointly commissioned by Lane Cove Municipal Council, Hunter's Hill Council, City of Ryde Council, Mosman Municipal Council and Willoughby City Council. North Sydney Council was also part of the preferred ILGRP merger, but was not involved in the commissioning of this business case.



Non-metropolitan councils: Merger Proposals

We received Merger Proposals from:

- ▼ Young Shire Council (Young) and Boorowa Council (Boorowa). This Merger Proposal also included Harden Shire Council without its agreement.
- ▼ Cootamundra Shire Council (Cootamundra) and Harden Shire Council (Harden).

We assessed both these Merger Proposals as fit because:

- ▼ the mergers would deliver substantial benefits to their local communities when compared to the councils standing alone
- ▼ the proposed merger populations are projected to be consistent with the ILGRP's rule of thumb of close to or above 10,000 for non-metropolitan council populations by 2031, and
- ▼ in the case of Young and Boorowa, it was the best available option for these councils given neighbouring councils did not wish to join the Merger Proposal.

Our assessment of fit for the Young and Boorowa Merger Proposal is dependent on Young and Boorowa resolving to merge in the absence of Harden. In the event agreement cannot be reached, we find the councils are deemed not fit, as they have not demonstrated scale and capacity as stand-alone councils.

Over a 20-year timeframe, our analysis, based on information provided by the merging councils, suggests:

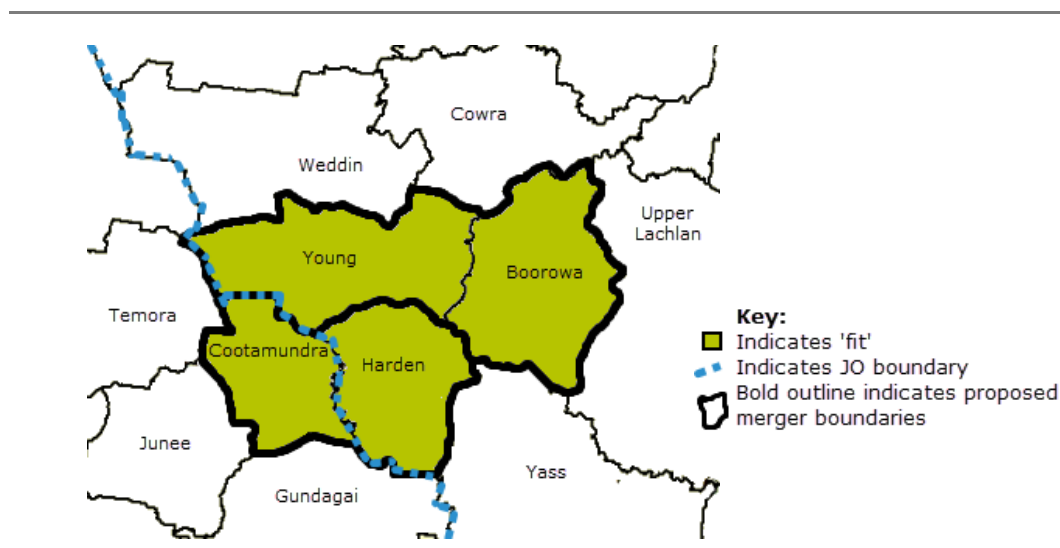
- ▼ a merger of Young and Boorowa could provide benefits of \$31 million on a NPV basis,¹² while
- ▼ a merger of Cootamundra and Harden could provide benefits of \$11 million on a NPV basis.¹³

Young has indicated it supports a four-way merger between Young, Boorowa, Harden and Cootamundra. However, Cootamundra has rejected this option on the basis that it changes the focus of Cootamundra and the southern half of Harden away from the Riverina region. Based on the information provided by the councils we consider a four-way merger is likely to deliver larger gains to the community than the current two Merger Proposals.

¹² This NPV is based on an estimate by IPART using the business case provided by Young and Boorowa in their Merger Proposal.

¹³ This NPV is based on an estimate by IPART using the business case provided by Cootamundra and Harden in their Merger Proposal.

Figure 5 Merger proposals from Young/ Boorowa and Cootamundra/Harden



Non-metropolitan councils: Council Improvement Proposals

In relation to the 79 Council Improvement Proposals we received in non-metropolitan areas, we assessed 32 as fit and 47 as not fit.

Councils assessed as fit

We assessed 32 Council Improvement Proposals as fit in non-metropolitan areas. The councils that were assessed as fit are spread across all regions in NSW. These councils were generally assessed as fit because:

- ▼ remaining a stand-alone council was consistent with the ILGRP's options for reform or
- ▼ our analysis has not identified evidence for a better alternative to the council's proposal to stand alone, and
- ▼ they met the financial criteria overall.

Councils in non-metropolitan areas were generally more likely to meet the scale and capacity criterion than councils in Metropolitan Sydney. This is because the ILGRP identified fewer preferred merger options in non-metropolitan areas. Councils that did not have a preferred merger option were still required to explore the merger option. However, these councils were not required to demonstrate that standing alone was as good as, or better than, the merger option. As a result, less evidence was required from councils in non-metropolitan areas in relation to these merger options.

We also observe the efficiency gains from enhanced service delivery, integrated planning and development, and partnering with other levels of government in non-metropolitan areas will typically not be as large relative to those in Metropolitan Sydney.

Councils assessed as not fit due to insufficient scale and capacity

We assessed 28 Council Improvement Proposals in non-metropolitan areas as not fit because they did not have sufficient scale and capacity. This was generally because:

- ▼ the alternative merger option showed substantial gains that were greater than the council remaining a stand-alone council, or
- ▼ the council's population was forecast to decline to below 10,000 by 2031, which would be likely to undermine its scale to efficiently deliver services to the local community, and its long term strategic capacity to partner with other levels of government.

It is likely structural changes would be needed to enable these councils to be assessed as meeting the scale and capacity criterion.

Councils assessed as not fit due to not meeting the financial criteria

We assessed 13 Council Improvement Proposals as not fit in non-metropolitan areas as they did not meet the financial criteria overall. For these councils, improvements to their financial performance could enable them to become fit. For example, this could include measures to reduce costs through structural changes or by sharing services with neighbouring councils. However, as noted above, the appropriate strategies for each council will depend on their circumstances and the Government's policies.

Councils assessed as not fit due to not meeting the financial criteria and insufficient scale and capacity

We assessed six Council Improvement Proposals in non-metropolitan areas as not fit because they did not meet both the scale and capacity criterion and the financial criteria overall. For these councils, both structural changes and improvements to financial performance may be required to enable these councils to become fit.

Non-metropolitan councils: Rural Council Proposals

In relation to the 20 Rural Council Proposals we received, we assessed nine proposals as being fit as Rural Councils and 11 proposals as not fit. Figure 6 sets out a map outlining the councils which submitted Rural Council Proposals and the assessments for these councils.

Under such circumstances, structural changes would be required to enable these councils to become fit.

We assessed 11 Rural Council Proposals as not fit. Of these 11 Rural Council Proposals:

- ▼ Six proposals did not meet the scale and capacity criterion. This was because in most cases there was an alternative merger option that showed substantial gains that were greater than the council standing alone as a Rural Council.
- ▼ Two proposals did not meet the financial criteria overall.
- ▼ Three proposals did not meet either the scale and capacity criterion or the financial criteria overall.

For the councils that did not meet the financial criteria overall, it is likely substantial changes would be required to enable these councils to become fit. This is because these councils did not meet the financial criteria overall, in spite of the greater flexibility provided to rural councils under the assessment approach.

What process have we followed?

Consistent with the NSW Government's Terms of Reference and our Methodology Paper¹⁴, we assessed the council proposals against the following criteria:

1. scale and capacity to engage effectively across community, industry and governments, and
2. sustainability
3. effectively managing infrastructure and delivering services for communities
4. efficiency.

The NSW Government has established the 'scale and capacity' criterion as the threshold criterion for councils, which requires councils to meet this criterion to be assessed as fit. Further, councils must also meet the remaining three financial criteria on an overall basis to be assessed as fit.

¹⁴ Our final methodology paper for this review was published on 5 June 2015. See: IPART, *Methodology for Assessment of Council Fit for the Future Proposals - Methodology Paper*, June 2015.

What does the rest of this report cover?

The report is structured as follows:

- ▼ Chapter 1 discusses our approach to the assessments and the proposals we received
- ▼ Chapter 2 outlines the assessments for each council on a regional basis
- ▼ Chapter 3 sets out monitoring and reporting issues on FFTF projections
- ▼ Appendix A sets out the NSW Government's Terms of Reference
- ▼ Appendix B outlines the FFTF financial criteria and issues we have considered in assessing proposals against the financial criteria
- ▼ Appendix C provides further detail on the assessment for each council against the FFTF criteria
- ▼ Appendix D provides further detail on the merger business cases
- ▼ Appendix E includes Ernst & Young's consultant report on the benefits of the Metropolitan Sydney mergers.

Assessment of councils: Metropolitan Sydney councils

Table 1 Metropolitan Sydney Merger Proposals

Councils	ILGRP preferred option	Assessment
Randwick City and Waverley	Merge to form a Global Sydney council	Fit
Auburn City Burwood City of Canada Bay	Auburn to merge with Holroyd, Parramatta, Ryde (part) and The Hills (part); Burwood and Canada Bay to merge with Ashfield, Leichhardt, Marrickville and Strathfield	Fit

Note: Bold indicates an ILGRP preferred option.

Table 2 Inner Metropolitan Sydney Councils

Region	ILGRP preferred option	Councils	Assessment
Global City	Amalgamate with Randwick City and Waverley Council	City of Botany Bay	Not fit
		City of Sydney	Not fit as a Global City Council
		Woollahra Municipal	Not fit
Inner West	Amalgamate with City of Canada Bay and Burwood	Ashfield	Not fit
		Leichhardt Municipal	Not fit
		Marrickville	Not fit
		Strathfield	Not fit
West Central	Amalgamate with Auburn, City of Ryde (part) and The Hills (part)	Holroyd City	Not fit
		Parramatta City	Not fit
Lower North Shore	Amalgamate	Hunter's Hill	Not fit
		Lane Cove	Not fit
		Mosman Municipal	Not fit
		North Sydney	Not fit
		City of Ryde	Not fit
		Willoughby City	Not fit
Northern Suburbs	Amalgamate	Hornsby Shire	Not fit
		Ku-ring-gai	Not fit
Northern Beaches	Amalgamate	Manly	Not fit
		Pittwater	Not fit
		Warringah	Not fit
South West	Amalgamate	Fairfield City	Not fit
		Liverpool City	Not fit
Southern	Amalgamate	City of Canterbury	Not fit
		Hurstville City	Not fit
		Kogarah City	Not fit
		Rockdale City	Not fit
Bankstown	No change	Bankstown City	Fit

Note: Bold indicates an ILGRP preferred option.

Table 3 **Outer Metropolitan Sydney Councils**

Council	ILGRP preferred option	Assessment
Blacktown City	No change	Not fit
Blue Mountains City	No change	Fit
Camden	No change	Fit
Campbelltown City	No change	Not fit
Hawkesbury	No change	Not fit
Penrith City	No change	Fit
Sutherland Shire	No change	Fit
The Hills Shire	No change	Fit
Wollondilly Shire	No change	Fit

Note: Bold indicates an ILGRP preferred option.

Assessment of councils: Non- metropolitan councils

Table 4 **Non- metropolitan Merger Proposals**

Councils	ILGRP preferred option	Assessment
Young Shire and Boorowa	Merge with Boorowa, Harden and Young	Fit
Cootamundra Shire and Harden Shire*	Merge with Boorowa and Young	Fit

Notes: Bold indicates an ILGRP preferred option. *The ILGRP did not have a preferred option for Cootamundra.

Table 5 Hunter, Central Coast and Illawarra Councils

Region	Council	ILGRP options	Assessment
Hunter	Cessnock City	Council in JO	Fit
	Dungog Shire	Merge with Maitland or Council in JO ^a	Not fit
	Lake Macquarie City	Amalgamate with Newcastle or Council in JO ^a	Not fit
	Maitland City	Merge with Dungog or Council in JO ^a	Not fit
	Muswellbrook Shire	Council in JO	Fit
	Newcastle City	Amalgamate with Lake Macquarie or Council in JO ^a	Not fit
	Port Stephens	Council in JO	Fit
	Singleton	Council in JO	Fit
	Upper Hunter Shire	Council in JO	Fit
Central Coast	Gosford City	Amalgamate with Wyong or a multi-purpose JO (no separate water corporation until other options properly evaluated)	Not fit
	Wyong City	Amalgamate with Gosford or a multi-purpose JO (no separate water corporation until other options properly evaluated)	Not fit
Illawarra	Kiama Municipal	Council in a JO (if future amalgamation – with Shoalhaven, noting its inclusion in South East-Tablelands region)	Not fit
	Shellharbour City	Council in a JO (amalgamate if future options need to be revisited)	Not fit
	Wollongong City	Council in a JO (amalgamate if future options need to be revisited)	Fit

^a Possible boundary change included.

Notes: Bold indicates an ILGRP preferred option. JO stands for Joint Organisation.

The ILGRP did not include a table of options for the Hunter, Central Coast and Illawarra regions. Instead, the ILGRP included a discussion of these councils in its report.

Table 6 Non- metropolitan councils¹⁵

Region	Council	ILGRP options	Assessment
Northern Rivers	Ballina Shire	Council in Northern Rivers JO	Fit
	Byron Shire	Council in Northern Rivers JO	Fit
	Lismore City	Council in Northern Rivers JO or merge with Kyogle	Fit
	Richmond Valley	Council in Northern Rivers JO or merge with Kyogle	Fit
	Tweed Shire	Council in Northern Rivers JO	Not fit
North Coast	Bellingen Shire	Council in North Coast JO	Not fit
	Clarence Valley	Council in North Coast JO	Not fit
	Coffs Harbour City	Council in North Coast JO	Fit
	Nambucca Shire	Council in North Coast JO	Fit
Mid-North Coast	Gloucester Shire	Council in Mid-North Coast JO or merge with Great Lakes and/or Greater Taree	Not fit
	Great Lakes Shire	Council in Mid-North Coast JO or merge with Gloucester	Fit
	Greater Taree City	Council in Mid-North Coast JO or merge with Gloucester	Not fit
	Kempsey Shire	Council in Mid-North Coast JO	Not fit
	Port Macquarie-Hastings	Council in Mid-North Coast JO	Fit
New England	Armidale Dumaresq	Council in New England JO or merge with Guyra	Not fit
	Glen Innes Severn	Council in New England JO	Fit
	Inverell Shire	Council in Namoi JO	Fit
	Tenterfield Shire	Council in New England JO	Not fit
	Uralla Shire	Council in New England JO or merge with Walcha	Not fit
Namoi	Gunnedah Shire	Council in Namoi JO	Fit
	Gwydir Shire	Council in Namoi JO or merge with Moree Plains	Not fit
	Liverpool Plains Shire	Council in Namoi JO or merge with Gunnedah	Not fit
	Moree Plains Shire	Council in Namoi JO or merge with Gwydir	Fit
	Narrabri Shire	Council in Namoi JO	Fit
	Tamworth Regional	Council in Namoi JO	Fit
Orana	Dubbo City	Council in Orana JO or merge with Wellington and/or Narromine	Fit
	Narromine Shire	Council in Orana CC or merge with Dubbo	Not fit
	Warrumbungle Shire	Council in Orana JO	Not fit
	Wellington	Council in Orana JO or merge with Dubbo	Not fit

¹⁵ This excludes Rural Council Proposals and councils in the Hunter, Central Coast and Illawarra.

Region	Council	ILGRP options	Assessment
Central West	Bathurst Regional	Council in Central West JO or merge with Oberon	Fit
	Blayney Shire	Council in Central West JO or merge with Orange	Not fit
	Cabonne	Council in Central West JO or merge with Orange	Not fit
	Cowra	Council in Central West JO or merge with Weddin	Fit
	Forbes Shire	Council in Central West JO; merge with Weddin	Not fit
	Lachlan Shire	Council in Central West JO or merge with Parkes	Not fit
	Lithgow City	Council in Central West JO	Not fit
	Mid-Western Regional	Council in Central West JO	Not fit
	Oberon	Council in Central West JO or merge with Bathurst	Not fit
	Orange City	Council in Central West JO or merge with Cabonne and/or Blayney	Not fit
	Parkes Shire	Council in Central West JO or merge with Lachlan	Fit
Tablelands	Goulburn Mulwaree	Council in Tablelands JO	Not fit
	Upper Lachlan Shire	Council in Tablelands JO or merge with Goulburn-Mulwaree	Not fit
	Wingecarribee Shire	Council in Tablelands JO	Fit
	Yass Valley	Council in Tablelands JO	Not fit
Riverina	Bland Shire	Council in Riverina JO or merge with Coolamon and/or Temora	Not fit
	Junee Shire	Council in Riverina JO or merge with Cootamundra	Not fit
	Temora Shire	Council in Riverina JO or merge with Coolamon and/or Bland	Not fit
	Tumut Shire	Council in Riverina JO or merge with Gundagai and Tumbarumba	Not fit
	Wagga Wagga City	Council in Riverina JO or merge with Lockhart	Fit
Murrumbidgee	Griffith City	Council in Murrumbidgee JO or merge with Murrumbidgee	Not fit
	Leeton Shire	Council in Murrumbidgee JO or merge with Narrandera	Fit
	Narrandera Shire	Council in Murrumbidgee JO or merge with Leeton	Not fit
Mid-Murray	Berrigan Shire	Council in Mid-Murray JO or merge with Jerilderie	Not fit
	Deniliquin	Council in Mid-Murray JO or merge with Conargo/Murray and Wakool	Not fit
	Murray Shire	Council in Mid-Murray JO or merge with D'quin/Conargo and Wakool	Not fit

Region	Council	ILGRP options	Assessment
Upper Murray	Albury City	Council in Upper Murray JO or merge with Greater Hume (part or all)	Fit
	Corowa Shire	Council in Upper Murray JO or merge with Urana	Not fit
	Greater Hume Shire	Council in Upper Murray JO or merge part or all with Albury	Fit
South East	Bega Valley Shire	Council in South East JO	Fit
	Cooma-Monaro Shire	Council in South East JO or merge with Bombala and Snowy River	Not fit
	Eurobodalla Shire	Council in South East JO	Fit
	Palerang	Council in South East JO or merge with Queanbeyan	Not fit
	Queanbeyan City	Council in South East JO or merge with Palerang	Not fit
	Shoalhaven City	Council in South East JO	Fit
	Snowy River Shire	Council in South East JO or merge with Bombala/Cooma-M	Not fit

Note: Bold indicates an ILGRP preferred option. JO stands for Joint Organisation.

Table 7 Rural Council Proposals

Region	Council	ILGRP options	Assessment
Northern Rivers	Kyogle ^a	Council in Northern Rivers JO or merge with Lismore or Richmond Valley	Not fit
New England	Guyra Shire	Council in New England JO or merge with Armidale	Not fit
	Walcha Shire	Merge with Uralla or Rural Council in New England JO	Not fit
Orana	Bogan Shire	Rural Council in Orana JO or merge with Warren	Fit as a Rural Council
	Coonamble Shire	Rural Council in Orana JO or merge with Gilgandra	Fit as a Rural Council
	Gilgandra Shire	Rural Council in Orana JO or merge with Coonamble	Fit as a Rural Council
	Warren Shire	Rural Council in Orana JO or merge with Bogan	Fit as a Rural Council
Central West	Weddin Shire	Rural Council in Central West JO or merge with Forbes or Cowra	Not fit
Riverina	Coolamon Shire	Rural Council in Riverina JO or merge with Bland and/or Temora	Fit as a Rural Council
	Gundagai Shire	Merge with Tumut or Rural Council in Riverina CC	Not fit
	Lockhart Shire	Rural Council in Riverina JO or merge with Wagga Wagga	Fit as a Rural Council
	Tumbarumba Shire	Rural Council in Riverina JO or merge with Tumut/Gundagai	Fit as a Rural Council
Mid-Murray	Conargo Shire	Merge with Deniliquin and Murray or Rural Council in Mid-Murray JO	Not fit
	Jerilderie Shire	Merge with Berrigan or Rural Council in Mid-Murray JO	Not fit
	Wakool Shire	Rural Council in Mid-Murray JO or merge with Murray/Conargo/Deniliquin	Fit as a Rural Council
Murrumbidgee	Carrathool Shire	Rural Council in Murrumbidgee JO or merge with Griffith	Fit as a Rural Council
	Hay Shire	Rural Council in Murrumbidgee JO	Not fit
	Murrumbidgee Shire	Merge with Griffith or Rural Council in Murrumbidgee JO	Not fit
Upper Murray	Urana Shire	Merge with Corowa or Rural Council in Upper Murray JO	Not fit
South East	Bombala	Merge with Cooma-M and Snowy R or Rural Council in South East JO	Not fit

^a Kyogle submitted a Rural Council Proposal. However, the ILGRP did not identify this as one of the options for the council. We assess Kyogle as not fit as a Rural Council nor fit as a stand-alone council.

Note: Bold indicates an ILGRP preferred option. JO stands for Joint Organisation.

1 Assessment approach and proposals received

This chapter sets out:

- ▼ the context for this review
- ▼ the approach we have undertaken in assessing councils' proposals
- ▼ details of the proposals we received, and
- ▼ public consultation on the proposals received.

1.1 Context for the review

The NSW Government has asked IPART to undertake the role of the Expert Advisory Panel in assessing local government FFTF proposals.¹⁶ The FFTF reforms aim to improve the strength and effectiveness of local government in providing services and infrastructure that communities need.¹⁷

The starting point for our analysis is the review of the sector undertaken by the ILGRP in 2012 and 2013. The ILGRP outlined a range of options for governance models, structural arrangements, and boundary changes to increase the strategic capacity of councils and reform the local government sector.

For communities, high capacity local councils can more effectively:

- ▼ deliver quality services and infrastructure
- ▼ prepare soundly-based plans for the future
- ▼ help support local jobs and economic growth
- ▼ represent the diverse needs of different groups
- ▼ influence state and federal government decisions to achieve local and regional objectives, for example in transport and housing, and
- ▼ keep rates and charges at affordable levels and maximise the benefits from spending those revenues.¹⁸

¹⁶ The Terms of Reference for the review are included in Appendix A.

¹⁷ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 5.

¹⁸ ILGRP, *Revitalising Local Government: Final Report of the NSW Independent Local Government Review Panel* (ILGRP Final Report), October 2013, p 30.

The NSW Government has announced that councils which are assessed as fit for the future will have access to a range of benefits including 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.¹⁹ There is also funding being provided by the NSW Government to assist with the transitional costs of merging, establishing regional JOs, and assisting regional and rural councils.²⁰

1.2 The assessment approach

Our role as the Expert Advisory Panel is to ensure a consistent, impartial and balanced assessment of councils' FFTF proposals. We assessed council proposals in line with:

- ▼ the NSW Government's Terms of Reference, which require us to provide a report to the NSW Government by 16 October 2015
- ▼ our Methodology Paper, which set out how we would assess council proposals, and
- ▼ previous papers relating to the reform of the NSW local government sector, including the ILGRP's Final Report.

Each council was required to submit one of the following types of proposals for assessment after considering the ILGRP's proposed reform options:

- ▼ Merger Proposal - for councils proposing to merge 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, or are proposing improvements to achieve scale and capacity without merging with another council.
- ▼ Rural Council Proposal - for councils with 'Rural Council Characteristics', which need to demonstrate plans to achieve real change and improve their capacity and sustainability.²¹

Council proposals were required to be submitted to IPART by 30 June 2015.²²

¹⁹ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, pp 14-15.

²⁰ Ibid, p 14.

²¹ OLG 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.

²² The eight councils in Far Western NSW (Balranald Shire Council, Bourke Shire Council, Brewarrina Shire Council, Broken Hill City Council, Central Darling Shire Council, Cobar Shire Council, Walgett Shire Council, and Wentworth Shire Council) were not required to submit a proposal and no proposals were received from these councils. County councils were also not required to submit a proposal as they are not part of the Fit for the Future process.

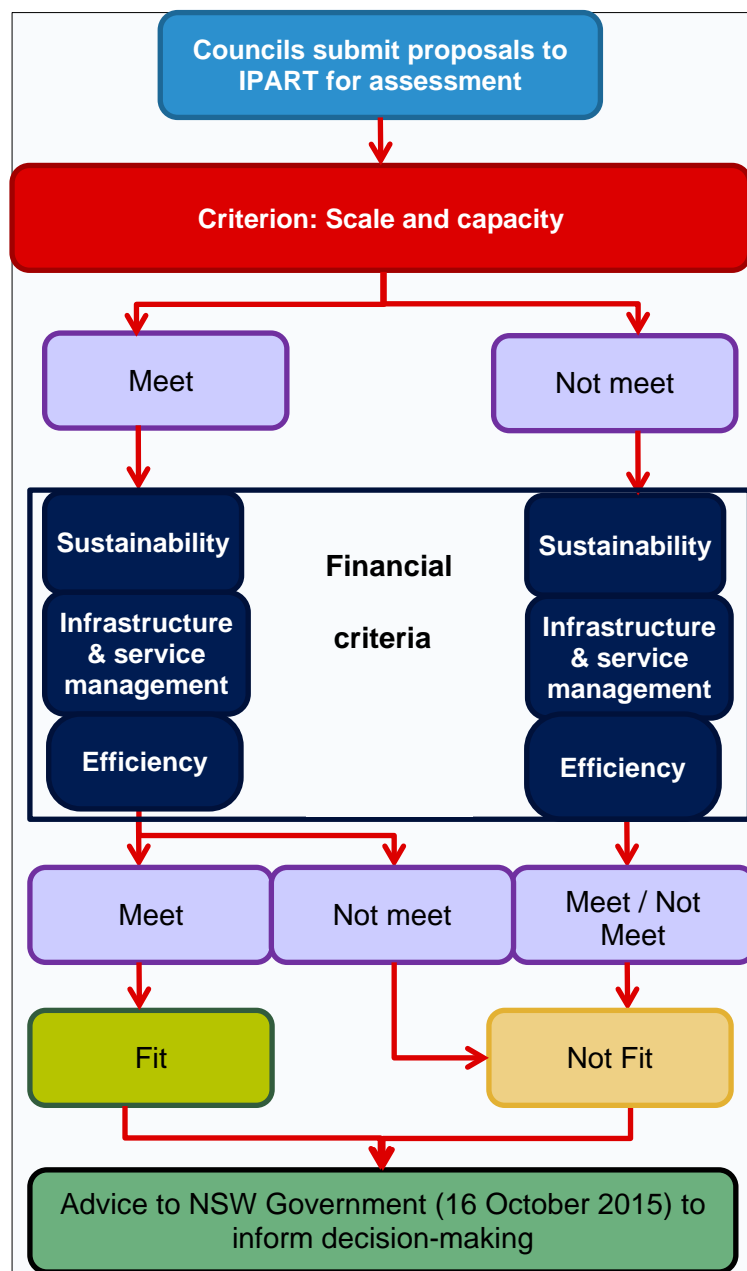
We assessed each proposal in relation to whether they have the scale and capacity criterion to engage effectively across community, industry and governments. We also assessed proposals against three financial criteria:

- ▼ sustainability
- ▼ effectively managing infrastructure and delivering services for communities, and
- ▼ efficiency.

Figure 1.1 outlines how we assessed proposals against these criteria in making our assessment of whether each council is fit or not fit for the future.

The assessment of each council is set out in Chapter 2, with further detail in Appendix C.

Figure 1.1 IPART's FFTF assessment process



1.2.1 Criterion 1: Scale and capacity

As shown in Figure 1.1, the NSW Government established 'scale and capacity' as the threshold criterion for councils. As a result, councils must demonstrate they satisfy the scale and capacity criterion to be considered fit. Accordingly, we assessed councils that did not satisfy the scale and capacity criterion as not fit, even if they met the remaining financial criteria (sustainability, infrastructure and service management and efficiency).

Our analysis of proposals against the scale and capacity criterion considered whether:

- ▼ the council's proposed option is at least as good as the ILGRP's preferred option
- ▼ the council explored merger options where they were identified
- ▼ the proposal demonstrates the council can achieve the key elements of strategic capacity in Box 1.1, and
- ▼ the proposal demonstrates the council has sufficient scale.

In considering the Merger Proposals we received, we also took into account whether the proposed mergers would strengthen the ability for councils to provide the services and infrastructure that communities need, relative to remaining a stand-alone council. This is consistent with the NSW Government's reform agenda.²³

For non-metropolitan councils, we have taken into account the scale objectives identified by the ILGRP. The ILGRP identified a 'rule of thumb', which indicated the great majority of councils should have populations close to or greater than 10,000 by 2036.²⁴ The ILGRP also noted that a population of less than around 5,000 is unlikely to support a stand-alone council as governance costs will consume too great a proportion of total revenue.²⁵

For a number of non-metropolitan councils, the ILGRP identified an option for the council to remain a stand-alone council in a JO. The NSW Government is currently working with local councils on the pilot of five JOs.²⁶ These pilots will assist the NSW Government in developing the final JO Model which will be implemented from September 2016, with 15 JOs to be established across NSW.²⁷

²³ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 5.

²⁴ ILGRP Final Report, p 111. In general, we used the NSW Department of Planning and Environment's current and forecast populations for each council in assessing a council's scale, but have also considered other forecasts provided by councils.

²⁵ Ibid.

²⁶ JOs are currently being piloted in the Central NSW, Hunter, Illawarra, Namoi and Riverina. For further details on these JOs see: <http://www.fitforthefuture.nsw.gov.au/joint-organisations>

²⁷ OLG, *Joint Organisations: Emerging Directions Paper*, September 2015; OLG, *Joint Organisations: A roadmap for intergovernmental collaboration in NSW*, September 2014.

Box 1.1 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 Final Report, p 32.

Rural Council Proposals

In assessing Rural Council Proposals against the scale and capacity criterion, we considered if:

- ▼ the majority of Rural Council Characteristics, set out below in Box 1.2, were met²⁸, and
- ▼ the plans the council proposed to improve its capacity and sustainability were reasonable and likely to be achievable in the timeframes proposed.

The ‘Rural Council Model’ developed by the ILGRP was considered to be an alternative to mergers in some rural and remote areas. This model is based on reducing the regulatory and compliance burden on Rural Councils, by the JO or a partner council performing most of the higher level functions of Rural Councils.²⁹

The assessment of Rural Councils against the scale and capacity criterion is contingent on the Government adopting a Rural Council model. If a Rural Council model is not adopted, it is likely that most Rural Councils would be assessed as not meeting the scale and capacity criterion, and as a result, not fit.

²⁸ As noted in the Methodology Paper, we have placed particular emphasis on whether the council has demonstrated it has: a small and static or declining population spread over a large area (Characteristic 1) and, there are limited options for mergers (Characteristic 9).

²⁹ For example, the ILGRP noted Rural Councils could either fully share administration with an adjoining council or have extensive resource-sharing as part of a JO. See: ILGRP Final Report, pp 92-93.

Box 1.2 Rural Council Characteristics

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: FFTF Guidance material for Completing Template 3: Rural Council Proposal pp 11-12.

1.2.2 Criteria 2 to 4: sustainability, infrastructure and service management and efficiency

The other three criteria we used to assess council proposals are financial criteria. Each of these criteria includes one or more measures. These criteria include:

- ▼ **Sustainability.** This criterion reflects whether the council will generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities. The measures for this criterion include:
 - Operating Performance Ratio.
 - Own Source Revenue Ratio.
 - Building and Infrastructure Asset Renewal Ratio.
- ▼ **Effective infrastructure and service management.** This reflects the council's ability to maximise return on resources and minimise unnecessary burden on the community and business, while working to leverage economies of scale and meet the needs of communities. The measures for this criterion include:
 - Infrastructure Backlog Ratio.
 - Asset Maintenance Ratio.
 - Debt Service Ratio.
- ▼ **Efficiency.** This reflects the council's ability to provide services and deliver infrastructure in a manner that achieves value for money for current and future ratepayers. The measure for this criterion includes:
 - Real Operating Expenditure.

The assessment for each council against the financial criteria was based on the council's forecast performance against defined benchmarks for each measure. In general, councils were required to demonstrate that they met the benchmarks or demonstrated improvement towards meeting the benchmarks within five years, ie, by 2019-20.³⁰

We have assessed councils on whether they have met these financial criteria on an overall basis, taking into account:

- ▼ which financial benchmarks are met
- ▼ the degree to which any financial benchmarks are not met
- ▼ the degree of improvement in meeting some of the benchmarks³¹, and
- ▼ long term sustainability factors.³²

We consider a council's operating performance ratio provides a key measure of financial sustainability and is a benchmark FFTF councils should meet. As a result, we have emphasised the importance of a council meeting the operating performance ratio in assessing whether councils have met the financial criteria overall.

Appendix B provides further details on these criteria and the considerations we have taken into account in assessing council proposals against these criteria.

Data issues

We were largely dependent on the information provided by the councils in assessing each council against the financial criteria overall. Where possible, we have tried to test and verify the assumptions made by the councils in their proposals through examination of long term financial reports, other available data, and discussions with councils.

³⁰ As set out in our Methodology Paper, rural councils (councils in OLG Groups 8 to 11 and those choosing to submit a Rural Council Proposal) were given longer timeframes, i.e., a further five years to 2024-25 to demonstrate they met the benchmark for the operating performance ratio. Councils in OLG Groups 8 to 11 were also provided with greater flexibility in meeting the own source revenue and real operating expenditure measures. As noted in our Methodology Paper, we have considered the inclusion of Federal Assistance Grants in assessing own source revenue for these councils. We have also taken into account the impact of falling populations on the real operating expenditure measure. Further, we have taken into account that operational savings may not be practical in the short term for rural councils and councils submitting a Merger Proposal. See: Methodology Paper, pp 42-43, 47.

³¹ As set out in Appendix B, some of the measures in the financial criteria require councils to meet the benchmark or improve their performance against the benchmark, while for other measures the council must meet the benchmark.

³² We note that OLG and the NSW Treasury Corporation (TCorp) have advised councils in FFTF workshops that they should be aiming for improvement in their overall sustainability rather than meeting all the benchmarks. This was identified in TCorp's submission (see TCorp submission to IPART Consultation Paper, May 2015, pp 1-2). We consider our approach to assessing how councils satisfy the other criteria overall is consistent with TCorp's advice.

When attributing a level of confidence to a council's figures, we have assessed the council's overall approach, the reasonableness of assumptions, and sourced independent material. Where necessary, we have re-calculated ratios based on differing assumptions from those used by councils, where the assumptions used might not be considered reasonable.

1.2.3 Other considerations

During our assessment of proposals, we have also considered other factors in addition to the four criteria discussed above. These included:

- ▼ the social and community context of the council
- ▼ how the council consulted with its community regarding its proposal or alternative options as relevant, and the outcomes from these consultations
- ▼ the impact of the council's water utility and sewer business on its General Fund performance and overall scale and capacity, where the council also has a water utility and sewer function, and
- ▼ the submissions received on each council's proposal.³³

We have also requested additional information from most councils and held in person meetings with a number of councils either at their request, or to clarify and illuminate key issues. We met with all councils that requested meetings. A list of all the councils we met with during the assessment process is set out in Table 1.1.

³³ Copies of submissions received on each council's proposal are available on the IPART website at www.ipart.nsw.gov.au

Table 1.1 Council meetings held during IPART's assessment process

Council	Date
Holroyd City Council	May 2015
Lake Macquarie City Council	
Great Lakes Council	
Warringah Shire Council	
Lane Cove Municipal, Hunter's Hill Council, City of Ryde Council	
Liverpool City Council	
Gosford City Council	
Randwick City Council and Waverley Council	July 2015
Fairfield City Council	August 2015
Armidale Dumaresq Council	
Bankstown City Council	
Queanbeyan City Council	
Auburn, Burwood and Canada Bay	
The Hills Shire Council	September 2015
City of Sydney Council	
Penrith City Council	
Pittwater Council	
Snowy River Shire Council	October 2015

1.3 Council proposals received

We received 139 council proposals from 144 councils including:

- ▼ Four Merger Proposals (involving nine councils)
- ▼ 115 Council Improvement Proposals, and
- ▼ 20 Rural Council Proposals.

The proposals we received differed significantly from the options identified by the ILGRP. Most councils decided to remain a stand-alone council and submitted a Council Improvement Proposal or a Rural Council Proposal, rather than a Merger Proposal.

Only 3% of the proposals we received were Merger Proposals. In comparison, 41% of the ILGRP's options for reform were preferred mergers and a further 29% were merger options that should be equally explored with the stand-alone option.

The ILGRP identified a preference for 30% of councils to remain stand-alone councils. In contrast, 83% of the proposals we received were Council Improvement Proposals, with a further 14% of proposals received for councils to stand-alone as a Rural Council.

A number of councils commissioned business cases, which explored the preferred merger as well as alternative merger options. As councils used different consultants, the business cases provided used different assumptions, timeframes and methodologies in estimating the NPV of the costs and benefits of particular mergers. We have undertaken additional analysis to estimate the NPV of these business cases on a more consistent basis, which has also involved adjusting underlying assumptions in some cases.

We have also commissioned economic consultants, Ernst & Young, to independently estimate the NPV of a number of merger options for Metropolitan Sydney councils. This analysis by Ernst & Young was used to sensitivity test the business cases provided by the councils. Ernst & Young also reviewed the merger business cases submitted by Metropolitan Sydney councils and IPART's analysis of these business cases. There are some differences in the approaches used by councils, and therefore IPART, and Ernst & Young. For instance, Ernst & Young has used a top down approach to independently estimate the NPV of merger options, while IPART's approach was based on standardising the business cases provided by councils. Further detail in relation to our analysis of these business cases is set out in Chapter 2 and Appendix D. A copy of Ernst & Young's report is at Appendix E.

1.3.1 Improvements proposed by councils in their proposals

Councils included a range of strategies in their proposals to improve their scale and capacity and financial performance. We note if these strategies were not adopted, a number of councils would be unlikely to meet the financial criteria overall based on their current performance. As outlined in Chapter 3, OLG will undertake monitoring of councils' performance, which will be a key component in managing the reform process.³⁴

Common strategies proposed by councils to improve their performance included:

- ▼ Increases to their general income through special variations (SVs)³⁵ and/or increasing user fees and charges.
- ▼ Changes to the approach used to determine asset maintenance requirements, to reduce the cost and volume of asset maintenance and renewals.
- ▼ Efficiency improvements, such as reviews of services and functions, to reduce costs.
- ▼ Sharing services with neighbouring councils or through a JO to improve the council's capacity and reduce costs.

³⁴ OLG undertakes reporting of council performance each year in the 'Your Council' report.

³⁵ See sections 508A and 508(2) of the *Local Government Act 1993*.

Some councils that submitted a Rural Council Proposal have identified projects to improve their performance that they consider may be suitable for grants under the NSW Government's Innovation Fund. This Fund is open to councils in regional NSW with a population of less than 10,000, with priority given to councils which have been assessed as fit.³⁶ This Fund is subject to a separate application process.³⁷ We have not referred any projects to this Fund as part of our process.

In assessing the improvement strategies proposed by councils, we considered whether they were reasonable and likely to be achievable in the timeframes proposed. Where we have assessed these as not reasonable or unrealistic, we have sometimes assessed councils as not meeting the financial criteria overall, and as a consequence, not fit.

1.3.2 Assumptions relating to proposed SVs in proposals

Where a council has assumed a future SV in its proposal, as well as considering the reasonableness of this assumption, we have also taken into account:

- ▼ other actions taken by the council to reduce costs or increase revenue
- ▼ the amount and frequency of any previously approved SVs
- ▼ their current rates relative to the average rates of their peers
- ▼ whether there were alternative options to improve general income, and
- ▼ whether the council has included its assumed SV in its long term financial plan and commenced community consultation on the proposed SV.

However, if a council has assumed a future SV and we have assessed the council as fit, this does not mean we will approve this future SV. SV applications are subject to a separate approval process and criteria, which is outside the FFTF process.

Some councils have not assumed SVs in their proposals. In these cases, we have assessed the council proposals as they are, on the basis of the council's own financial planning and projections.

Whilst some councils may have been assessed as meeting the financial criteria and fit on the basis of assumed SV increases, it does not mean this course of action is necessarily the best option for local communities under the current reform agenda.

³⁶ OLG, *Innovation Fund Guidelines*, May 2015.

³⁷ The application process for the Innovation Fund will commence in November 2015. See: OLG, *Innovation Fund Guidelines*, May 2015.

A large number of councils have proposed substantial future increases to general income to meet the financial criteria. There is a risk councils have proposed future SVs to improve their financial performance, and may not have fully considered whether alternative structures for the local government area, such as a merger, may be a better outcome. Structural changes could achieve similar or larger improvements to a council's general income and reduce the need for, and size of, potential SV increases, which could limit the impact of higher rates on the community.

This was apparent during the assessment process. For example:

- ▼ The merger of Auburn, Burwood and Canada Bay is forecast to result in an improvement in the operating performance ratio of the merged council from -0.4% in 2014-15 to 3.1% in 2019-20, and 4% over the long term because of merger efficiencies.
- ▼ Similarly, the merger of Randwick and Waverley is forecast to result in an improvement in the operating performance ratio of the merged council from 1.7% in 2014-15 to 11.4% in 2019-20, mainly driven by merger efficiencies.
- ▼ In addition, Young and Boorowa have provided analysis to IPART showing a merger between the councils (and including Harden) would result in an improvement in the operating performance ratio from -3.7% in 2014-15 to 6.5% in 2019-20³⁸, and about 5% over the long term due to merger efficiencies.

1.4 Public consultation on council proposals

Public consultation on council's FFTF proposals was undertaken over July 2015 and 1570 submissions were received by the 31 July 2015 closing date.³⁹ In addition, 52 submissions were received either before the consultation process or following the closing date.⁴⁰ All of the submissions received were considered as part of the assessment process.⁴¹

Close to 90% of the submissions received during the consultation process related to councils in the Metropolitan Sydney area, with a third of all submissions received relating to City of Sydney Council's proposal. Table 1.2 sets out the top 10 council areas which received the most submissions during the consultation process. A number of council proposals received no submissions, with 75 out of the 139 council proposals receiving no submissions on their proposals.⁴²

³⁸ The operating performance ratio figures are annual figures, as the proposal did not include three year averages.

³⁹ Submissions received during the consultation process are published on the IPART website at www.ipart.nsw.gov.au. Confidential submissions have not been published.

⁴⁰ This takes into account late submissions received as at 10 October 2015.

⁴¹ However, only those submissions received during the consultation process were published on the IPART website.

⁴² This takes into account early and late submissions received outside of the consultation process.

Table 1.2 Top 10 council areas by number of submissions received⁴³

Council	Number of submissions received
City of Sydney Council	520
Strathfield Municipal Council	204
Leichhardt Municipal Council	190
Auburn City Council	121
Bankstown City Council	94
Pittwater Council	47
Marrickville Council	40
Lake Macquarie City Council	31
Woollahra Municipal Council	27
Hunter's Hill Council	23

Most submissions received were from private individuals and community groups, with some businesses and councils also providing submissions.

The themes across submissions received across all council areas were relatively consistent, with the majority of submissions supporting their council's position to remain a stand-alone council. This is broadly consistent with the community consultation conducted by councils in developing their FFTF proposals. The main reasons outlined in submissions for supporting their council's position to stand-alone included:

- ▼ satisfaction with their council's current performance
- ▼ concern about the potential for loss of representation and focus on local issues following a merger
- ▼ concern about the potential costs of a merger and doubt that the anticipated efficiency benefits of a merger would arise, and
- ▼ concerns about the potential for reduced services and higher rates following a merger.

Some submissions supported their council merging with other councils. This was generally because the stakeholder considered their council was performing poorly and a merger would assist to improve services, financial management, and the quality of leadership.

However, most of the submissions received in relation to the voluntary mergers proposed by Randwick/Waverley and Auburn/Burwood/Canada Bay did not support these mergers. In relation to both of these voluntary mergers, stakeholders raised concerns about the lack of community consultation that had been undertaken. No submissions were received in relation to the two other Merger Proposals we received from Young/Boorowa, and Cootamundra/Harden.

⁴³ The submissions in this list do not include early and late submissions received outside of the consultation process.

2 Assessments by region

In this chapter, we provide further detail on our assessment of whether each council is fit or not fit for the future. We discuss our findings by the NSW regions including:

- ▼ Metropolitan Sydney, which we discuss by the following areas:
 - Global City
 - Inner Metropolitan Sydney
 - Outer Metropolitan Sydney
- ▼ Central Coast, Hunter and Illawarra, and
- ▼ Non-metropolitan regions.⁴⁴

The individual council assessments can be found in Appendix C.

2.1 Metropolitan Sydney

There are 41 councils in Metropolitan Sydney. For the majority of these (31), the ILGRP proposed merger options for investigation, as a preferred starting point. The remaining 10 councils include a number of councils in Outer Metropolitan Sydney. The ILGRP suggested these councils could remain stand-alone and did not propose preferred mergers for these councils, although it noted some merger options could be considered in the longer term.

Many Metropolitan Sydney councils submitted business cases with their proposals, which assessed the costs and savings of the merger options identified by the ILGRP. We conducted additional analysis where this information was provided and estimate \$1.8 billion to \$2.0 billion in NPV benefits could be realised over 20 years if the ILGRP's preferred Metropolitan Sydney mergers were to occur. Ernst & Young also estimates these mergers could yield substantial financial gains with \$1.3 billion in NPV benefits over 20 years.

Table 2.1 provides a summary of the business case analysis for selected merger options for Sydney Metropolitan councils.

⁴⁴ The assessments are based on council proposals which can be accessed on the IPART website at: www.ipart.nsw.gov.au.

Table 2.1 Estimates of NPV - Selected merger options for the Sydney Metropolitan area

Merger option	Council consultant	IPART 20-year NPV estimate using standardised assumptions based on council consultant business cases	Ernst & Young 20-year independent NPV estimate using standard assumptions (mid-point of range)
ILGRP preferred merger options		\$ million	\$ million
Randwick, Waverley, Woollahra, Botany Bay, City of Sydney Council	Randwick Council	416	283
Ashfield, Burwood, Canada Bay, Leichhardt, Marrickville, Strathfield	Morrison Low	396	194
Hunter's Hill, Lane Cove, Mosman, North Sydney, Willoughby, Ryde (part)	Morrison Low ^a	280	187
Auburn, Holroyd, Parramatta, The Hills (part), Ryde (part)	Morrison Low ^a	254	150
Hornsby, Ku-ring-gai	KPMG	61	88
Manly, Warringah, Pittwater	KPMG	116	116
	SGS Economics & Planning	265	
Canterbury, Kogarah, Rockdale, Hurstville	Morrison Low	280	172
Fairfield, Liverpool	Fairfield City Council	NA ^b	131
Total benefits		1,803 – 1,953^{c,d}	1,323
Other selected mergers		\$ million	\$ million
Bankstown, Canterbury	Bankstown City Council	70	86
The Hills, Hawkesbury	NA	NA	60
Gosford, Wyong	Third Horizon	101	196

^a Uses efficiency realised scenario.

^b Fairfield estimated cumulative costs of \$27 million from a merger with Liverpool. We consider assumptions underlying the estimate to be based on a limited sample and contrary to other information provided to IPART regarding benefits from mergers.

^c The summation of the IPART calculations for the ILGRP mergers reflects the different underlying methodologies used by the different consultants.

^d The sum of the IPART calculations excludes Fairfield – Liverpool.

Note: The council consultants and Ernst & Young note there is an array of risks about the estimates. The IPART calculation of net present value uses the consultant's information and base data, with adjustments to some assumptions, and a consistent 20-year forecast period and a 9.5% nominal (7.0% real) discount rate. The IPART calculations are based on submitted business cases and are subject to the limitations of the models and data on which they are based. Refer to Appendix D for a full list of assumptions and limitations.

Source: IPART, Ernst & Young.

Notwithstanding the estimated NPV of the ILGRP's preferred mergers is high, we received only two Merger Proposals (involving five councils) in Metropolitan Sydney and 36 Council Improvement Proposals for councils to stand-alone.

Our analysis finds:

- ▼ both Merger Proposals are fit
- ▼ seven councils submitting Council Improvement Proposals are fit, and
- ▼ 29 councils submitting Council Improvement Proposals are not fit.

2.1.1 Global City

The ILGRP considered the expansion of the cities of Sydney and Parramatta to be a centerpiece of local government reform.⁴⁵ It argued against a small 'CBD council' and discussed the concept of a 'Global Capital City' with attributes listed in Box 2.1.

Figure 2.1 Global City Council

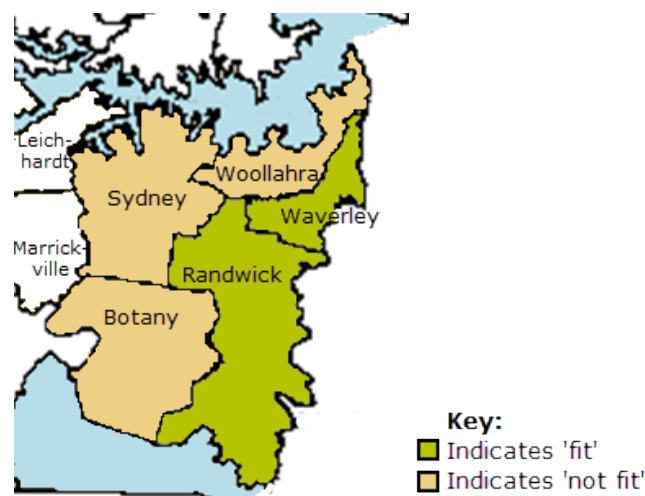


Figure 2.1 shows the five metropolitan councils that were identified to merge into a 'Global Capital City', ie, City of Sydney, Randwick City Council, City of Botany Bay Council, Waverley Council and Woollahra Municipal Council.

⁴⁵ ILGRP Final Report, p 99.

A merger of these councils results in a forecast population of 653,250 by 2031.⁴⁶ The prospective Global City Council incorporates the whole of the eastern suburbs, south to Sydney Airport, Port Botany, nearly all the iconic locations and features that contribute to Sydney's global identity⁴⁷ and much of the supporting infrastructure. The ILGRP suggested that a Global City Council could 'become a highly capable and well-resourced partner of the State government in projecting Sydney's image, fostering economic development and providing essential infrastructure.'⁴⁸

Our assessment of this group of councils considers if each submitted proposal is consistent with, or better than, the option to merge to form a Global City Council. This is in line with our published assessment methodology.

Box 2.2 Key Attributes of a Global Capital City

Physical size – area encompasses a broad area and cross-section of inner metropolitan suburbs, including iconic locations of global significance.

Hierarchy – include major infrastructure and facilities that are at the peak of the hierarchy for that function (government, transport, health, education, business, recreation, culture etc).

Leadership – 'first amongst equals' of metropolitan councils due to the importance of its decisions, geographic scale, budget and responsibilities, reputation and profile, and relationship to political, business and civic leaders.

Strategic capacity – ability to manage major regional facilities and undertake or facilitate major economic and infrastructure development to address the changing needs of the inner metropolitan region.

Global credibility – a leader in the Asia Pacific and maximise opportunities to partner or compete as required with other global capital cities in the race for capital investment and international reputation.

Governability – attracts the best of candidates for political leadership, with a broad, diverse and balanced constituency that will facilitate good governance.

Partnership with the State – not be so large as to challenge the primacy of the State, but have the stature, maturity and skills to be a respected partner and to develop a productive working relationship with state and federal agencies.

Source: ILGRP Final Report, Box 36, p 100.

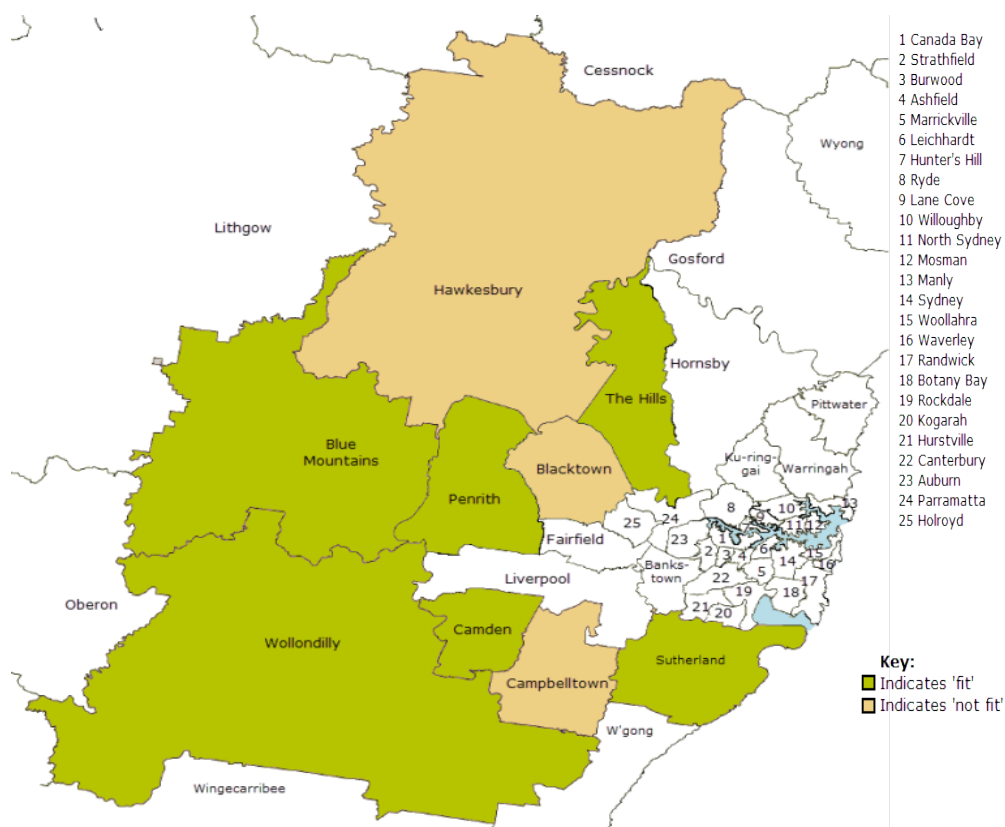
⁴⁶ DP&E.

⁴⁷ As discussed below, the Government would need to consider the extent to which the Global City Council should be given control over key infrastructure.

⁴⁸ ILGRP Final Report, p 100.

2.1.3 Outer Metropolitan Sydney

Figure 2.11 Outer Metropolitan Sydney council assessments



There are nine councils on Sydney's fringes which we assessed as part of Outer Metropolitan Sydney (Figure 2.11).

For some councils in this group, the ILGRP noted there was merit in retaining them as stand-alone councils, as they are responsible for a mix of growing urban centres and rural or natural areas (including water catchments) that provide important 'green spaces' around the metropolitan complex.⁵⁴ However, the ILGRP also noted some merger options could be considered in the longer term.

⁵⁴ ILGRP Final Report, p 102.

Blue Mountains, Camden, Penrith, Sutherland, The Hills and Wollondilly

We find Blue Mountains City Council (Blue Mountains), Camden Council (Camden), Penrith City Council (Penrith), Sutherland Shire Council (Sutherland), The Hills and Wollondilly Shire Council (Wollondilly) are fit for the future. All of these councils meet the scale and capacity criterion as well as the financial criteria overall.

In 2015-16, relatively large SVs were approved for Blue Mountains and Wollondilly respectively, of 28.5% and 38.8% above the rate peg, over four years (40.3% and 50.7% respectively including the rate peg). This additional revenue assists these councils to meet the operating performance benchmark by 2019-20.

Although Camden is not expected to meet the benchmarks for a number of measures by 2019-20, including the operating performance benchmark, its reported financial performance has been adversely affected by its forecast population growth. Camden is forecast to be the fastest growing council in NSW and expected to grow by 5.1% on average a year, which will increase its population from 58,450 in 2011 to 162,350 in 2031.⁵⁵ This results in growth of almost 180% between 2011 and 2031. We assess Camden as meeting the financial criteria overall as its inability to meet a number of benchmarks has been affected by its expected high population growth as opposed to underlying structural issues. In the long term, as Camden's growth rates moderate to more normal levels, it would likely meet the operating performance benchmark based on current data.

The Hills' proposal to stand alone is consistent with the ILGRP's preferred option of 'no change'. We therefore assess that it meets the scale and capacity criterion.⁵⁶

The ILGRP's report included a possibility for The Hills to merge with Hawkesbury in the longer term. Ernst & Young calculated that a merger between these two councils could produce benefits of \$60 million over 20 years in NPV terms. The Hills also submitted its preferred option for boundary changes, but we did not assess the NPV of these changes due to insufficient information.

Blacktown, Campbelltown and Hawkesbury

We find Blacktown City Council (Blacktown), Campbelltown Council (Campbelltown) and Hawkesbury City Council (Hawkesbury) are not fit for the future based on these councils not meeting the financial criteria overall. However, all three councils met the scale and capacity criterion.

⁵⁵ NSW Department of Planning and Environment, *New South Wales State and Local Government Area Population Projections 2014*.

⁵⁶ However, we note there may be alternative merger options which could yield significant net benefits.

While Blacktown satisfies the infrastructure and service management criterion and the efficiency criterion, it does not satisfy the sustainability criterion based on its forecast of continuing operating deficits and a building and infrastructure renewal ratio significantly below the benchmark by 2019-20. For this reason it does not satisfy the financial criteria overall.

Blacktown's operating performance ratio is forecast to decrease from -5.6% in 2014-15 to -8.4% in 2019-20. If the interest income on section 94 reserves is removed, this ratio decreases further to -10% in 2019-20. The trend in growing operating deficits will have a significant impact on the council's financial sustainability and ability to address asset renewals over the long term. The council has forecast its building and infrastructure renewal ratio will be 38.6% by 2019-20, which is significantly below the benchmark of 100%. Blacktown's long term financial plan forecasts a significant asset renewal funding gap of around \$140 million by 2025-26, which is expected to increase further to \$626 million by 2035.

A factor adding to the council's poor operating performance is its depreciation expense, which is forecast to grow because of the accumulation of new assets to support population growth. Blacktown's depreciation rates are based on weighted average useful asset lives of approximately 60 years, which is reasonable.⁵⁷ The accumulation of new assets is normal for a growth council.⁵⁸ Given its scale and capacity and revenue raising ability we consider that there are many options for Blacktown to become fit in future years. This includes exploring revenue and cost-reduction opportunities, refinements to asset management planning, and efficient use of debt for capital and infrastructure projects.

Campbelltown did not meet the financial criteria overall based on a negative and declining operating performance ratio which does not meet the benchmark by 2019-20. Its operating performance ratio is forecast to improve from -0.9% in 2014-15 to 2.0% in 2016-17, but then declines significantly to -2.4% by 2019-20. It is then forecast to deteriorate further to -3.5% by 2024-25. It also forecasts not meeting the building and infrastructure asset renewal benchmark, although it reports it is funding 100% of its renewal requirements in accordance with its Asset Management Plan.

⁵⁷ Accounting standards require councils to regularly review assumed useful asset lives and the depreciation methodology and rates used. This enables the reliability of annual depreciation estimates to be enhanced based on past actual asset performance.

⁵⁸ The forecast population growth in the Blacktown LGA is 51.5% based on DPE projections over the period from 2011 to 2031. This is not as large as other councils such as Camden which is projected to grow by 178% over the same period.

Campbelltown notes its modelling assumes no significant new capital expenditure over the outlook period which may not be reasonable. It notes its focus is on eliminating the infrastructure backlog and annual maintenance gap. Campbelltown's need to undertake additional new capital expenditure to meet population growth may be mitigated to some extent, as a number of infrastructure projects will likely be delivered by other government agencies and developers. However, additional capital expenditure will likely be required to meet Campbelltown's population growth, which would have an adverse impact on its operating performance ratio through increased depreciation.

Growth in Campbelltown may be bolstered over the long run by the Glenfield to Macarthur Priority Urban Renewal Corridor initiative and the Greater Macarthur Land Release Preliminary strategy. These developments, if progressed, will provide scope for significant additional dwellings. The timing of most of the potential housing development is uncertain, with additional preparatory work required before much of the development could proceed.

For these reasons, and the recent announcement of the strategy, Campbelltown's forecasts in its long term financial plan and proposal do not include the substantive part of these potential developments. These developments will require additional infrastructure spending. The funding mechanism for the additional infrastructure is uncertain, but it is expected Campbelltown will draw on state government funding and voluntary planning agreements to fund this infrastructure.

We assessed Hawkesbury as meeting the scale and capacity criterion as its proposal is consistent with the ILGRP's preferred option for no change. However, Hawkesbury did not meet the financial criteria overall based on its negative operating performance ratio of -1.1% in 2019-20. In addition, the improvement in its operating performance relies on a proposed SV of 16.0% above the rate peg over five years from 2017-18 (29.7% including the rate peg) to approach break-even, as well as unspecified service level reductions to fund asset maintenance and renewals.

As shown in Table 2.1 above, analysis by Ernst & Young suggests a merger between Hawkesbury and The Hills may be a better alternative to Hawkesbury's proposal to stand alone.

3 Monitoring and reporting of FFTF projections

This chapter sets out issues relating to the monitoring and reporting of councils' FFTF projections following our assessment process.

3.1 Monitoring and reporting process

Becoming a FFTF council is a process that will take time, particularly if structural change is proposed. There are also benefits from assessing a council's performance over time to ensure continued financial sustainability and effective and efficient service delivery.

As discussed in Chapter 1, most councils have proposed a range of strategies to improve their performance in their proposals. The assessment of whether a council is fit has been predicated on the assumption these strategies would be implemented. In some instances, these strategies will require significant change to implement new structures, approaches, and functions which may be challenging and require an extended transition period.

The NSW Government has indicated that strengthening the audit requirements for the local government sector will assist to identify trends and opportunities for improvement.⁷¹ The Government has also noted it recognises the potential value in giving the Auditor-General responsibility for the audit of councils' financial statements to:

- ▼ improve quality, consistency, timeliness and financial management more generally, and
- ▼ ensure the provision of reliable data that can be used for sustainability assessments and benchmarking.

⁷¹ OLG, NSW Government Response – *Independent Local Government Review Panel recommendation – Local Government Acts Taskforce recommendations*, September 2014, p 8.

OLG expects to implement this new regime following further consultation with the local government sector and legislative change.⁷² OLG is currently developing a new performance measurement framework to help communities understand how well their council is performing.⁷³

In response to our Consultation Paper, various stakeholders made a number of suggestions regarding how the auditing process for FFTF performance should be implemented. Stakeholders generally considered this should occur:

- ▼ after other sector reforms are implemented, including the Integrated Planning and Reporting (IP&R) Guidelines and legislative reforms, and
- ▼ with established performance guidelines, developed in consultation with the sector.⁷⁴

Other stakeholders noted:

- ▼ auditing should not commence until there is a review of the most appropriate asset-related measures to report on
- ▼ there should be reporting of council skill levels, and
- ▼ any monitoring should have a positive focus, like the Promoting Better Practice Program.

3.1.1 Proposed monitoring and reporting process

Following the assessment process, the monitoring and reporting of councils' performance against their FFTF proposals could operate as follows:

- ▼ Councils would report their performance in their Annual Reports.⁷⁵
- ▼ OLG would monitor councils' performance. Councils' FFTF projections and performance against these projections will be collected annually by OLG.⁷⁶ The performance of councils would be publicly reported each year by OLG.⁷⁷
- ▼ The Auditor-General would be empowered to undertake performance audits of the NSW local government sector.⁷⁸

⁷² OLG, NSW Government Response – *Independent Local Government Review Panel recommendation – Local Government Acts Taskforce recommendations*, September 2014, pp 4-8.

⁷³ OLG, *Local Government Performance Measurement Framework* at: <http://www.olg.nsw.gov.au/strengthening-local-government/supporting-and-advising-councils/local-government-performance-measurement-framework>, accessed on 7 October 2015.

⁷⁴ A number of submissions including metropolitan and regional councils, some ROCs and an Engineering Association.

⁷⁵ Councils are required to report their financial performance in their Annual Report. See: OLG, 2013, *Strengthening councils and communities: Discussion Paper*, November 2013, pp 4-5.

⁷⁶ OLG has requested councils' provide their FFTF projections and financial performance against these projections in its financial data collection for 2014-15.

⁷⁷ OLG undertakes reporting of council performance each year in the 'Your Council' report.

⁷⁸ OLG, NSW Government Response – *Independent Local Government Review Panel recommendation – Local Government Acts Taskforce recommendations*, September 2014, p 8.

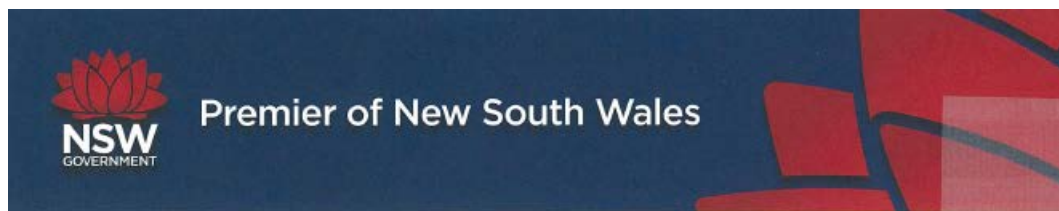
OLG is currently working with the Audit Office of NSW to facilitate the implementation of the audit function.⁷⁹ The scope of audits would need to be clearly defined to ensure the costs do not exceed the benefits.

The implications of the assessments and of a council not meeting its FTFF projections will be matters for the NSW Government.

⁷⁹ Ibid.

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.

B | Fit for the Future financial criteria

This appendix outlines:

- ▼ a table with the FFTF financial criteria and benchmarks that were used to assess council proposals, and
- ▼ a discussion of the considerations we have taken into account in assessing proposals against these criteria.

Table B.1 Fit for the Future Financial Criteria

Criteria	Performance measure	Definition	Benchmark	Metropolitan/ regional councils	Rural councils ^a	Merger case ^b
Sustainability	Operating Performance Ratio	Net continuing operating result ^a (excl capital grants and contributions) Total continuing operating revenue ^a (excl capital grants and contributions)	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	Total continuing operating revenue ^a (excl all grants and contributions) Total continuing operating revenue ^a (incl capital grants and contributions)	Greater than 60% average over 3 years	Must meet within 5 years	Plan to improve within 5 years and consideration of FAGs	Must meet within 5 years for non-rural councils Plan to improve within 5 years and consideration of FAGs for rural councils
	Building & Infrastructure Asset Renewal Ratio	Asset renewals (building and infrastructure) Depreciation, amortisation and impairment (building and infrastructure)	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

Criteria	Performance measure	Definition	Benchmark	Metropolitan/ regional councils	Rural councils ^a	Merger case ^b
Infrastructure and service management	Infrastructure Backlog	Estimated cost to bring assets to satisfactory condition	Less than 2%	Meet or improve/ inform within 5 years	Meet or improve/ inform within 5 years	Meet or improve/ inform within 5 years
		Total written down value of infrastructure, buildings, other structures, depreciable land, and improvement assets				
	Asset Maintenance	Actual 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
		Required asset maintenance				
	Debt Service	Cost of debt service (interest expense and principal repayments)	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
		Total continuing operating revenue ^a (excl capital grants and contributions)				

Criteria	Performance measure	Definition	Benchmark	Metropolitan/ regional councils	Rural councils ^a	Merger case ^b
Efficiency	Real operating expenditure per capita ^b	Operating expenditure ^a Population ^c	A decrease in Real Operating Expenditure per capita over time	Must demonstrate operational savings (net of IP&R supported service improvements) over 5 years	Must demonstrate operational savings (net of IP&R supported service improvements) over 5 years but may not be practical in short term	Demonstrate operational savings (net of IP&R supported service improvements) over 5 years but may not be practical in short term

^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.

^b Expenditure is deflated by the CPI (for 2009 to 2011) and the Local Government Cost Index (2011 to 2014), as published by IPART.

^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.

Note: The benchmarks are to be applied as rolling averages. 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.

Rural councils include rural councils classified in OLG Groups 8, 9, 10 and 11 and those councils which submit a Rural Council Proposal. For mergers, we have also considered whether meeting each of the benchmarks is practical in the short term for the new council.

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

B.1 Considerations in assessing the financial criteria

This section sets out a discussion of the considerations we have used in assessing council proposals against each of the financial criteria.

B.1.1 Criterion 2: Sustainability

Table B.2 Sustainability criterion – measures and definitions

Measure	Definition
Operating Performance Ratio	Core measure of financial sustainability – indicates a council's capacity to meet ongoing operating expenditure requirements.
Own Source Revenue Ratio	Councils with higher own source revenue have a 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.

Some considerations:

- ▼ The Operating Performance Ratio is a key measure councils should be aiming to meet over time. However, this measure is influenced by depreciation, which is an accounting measure of the estimated consumption of the service potential of an entity's asset base during a period. It can often represent about 25% of a council's annual operating expenses. Thus, changes to a council's approach in estimating depreciation may have a material effect on the Operating Performance Ratio.
- ▼ We have also taken into account the impact of interest income from works-in-kind agreements and voluntary planning agreements provided by developers to deliver infrastructure. Interest income from developer contributions may overstate a council's operating performance as this income cannot be used for council operations, but is included in operating performance figures.
- ▼ Depreciation is based on ex-ante estimates of an asset's useful life. As a result, it may not reflect ex-post consumption of an asset's service potential within periods or over time. However, accounting standards do require councils to regularly review assumed useful asset lives and the depreciation methodology and rates used based on actual asset performance, in order to enhance the reliability of annual depreciation estimates. There is nevertheless currently considerable difference in the approaches used to calculate depreciation between councils.

- ▼ The Own Source Revenue Ratio may be below the benchmark for different reasons in metropolitan and non-metropolitan areas. Metropolitan growth councils may be receiving capital grants from developers which adversely affect their performance in relation to this measure. For non-metropolitan councils, the legislated Federal Assistance Grants (FAGs) provide a large source of relatively stable and reliable income, and their exclusion may artificially reduce a council's measured relative performance. For this reason, we have considered the impact of FAGs in considering the Own Source Revenue performance of regional and rural councils in OLG Group 8 to 11.
- ▼ The Building & Infrastructure Asset Renewal Ratio does not take into account that councils may experience peaks and troughs in renewal needs over time, and it may not be prudent to bring forward renewal expenditure to meet the benchmark. In practice, renewal expenditure programs should be based on a sound Asset Management Plan. Further, councils should ensure the community supports and is willing to pay for the scale of renewals proposed by routinely seeking their views on service standards.

B.1.2 Criterion 3: Effective Infrastructure and Service Management

Table B.3 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 ^a	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.

^a We consider that debt is used wisely when it is used reasonably in conjunction with established, sound, Asset Management Plans.

Some considerations:

- ▼ The Infrastructure Backlog Ratio is difficult to measure objectively because condition assessments are subjective and should be based on the community's preferences regarding asset quality, cost and service levels, their willingness to pay, and a risk based assessment and approach to the provision of community infrastructure. We consider councils with a sound financial position should not be reporting a significant infrastructure backlog over the long term. Infrastructure provision by a council is a balance between the community's wants compared with its needs and the ability of the council to raise sufficient revenue to pay for assets.

- ▼ We have exercised care when assessing the Infrastructure Backlog Ratio because it is clear that there are widespread differences between councils in their approach to its determination.
- ▼ The Asset Maintenance Ratio has been used to inform our holistic assessment of the seven measures in the financial criteria. A council may spend on maintenance yet not renew its assets. As a result, the Infrastructure Backlog Ratio may increase even though the Asset Maintenance Ratio is technically being met.
- ▼ The Debt Service Ratio should be based on sound treasury management, which needs to distinguish between how debt is used and the extent of debt taken on by the council. A council that takes on debt to meet the benchmark is not necessarily in a better financial position than a council that does not take on debt where it may be able to fund its needs through recurring income and reserves. Debt should also be used to share the cost of long lived assets between current and future users to maintain inter-generational equity.

B.1.3 Criterion 4: Efficiency

Table B.4 Efficiency criterion – measures and definitions

Measure	Definition
Real Operating Expenditure (Opex) per capita	Indicates how well the council is using economies of scale and managing service levels to achieve efficiencies.

Some considerations:

- ▼ The Real Opex per capita ratio measures the council's performance over time. Due to differences in the level, standard and range of services provided, it is difficult to compare this ratio across councils.
- ▼ Councils should not reduce service levels or quality in order to decrease their expenditure and meet this benchmark.

Increases in this ratio are permissible, where it efficiently reflects the local community's desire for increased levels of service from their local council. Increases may also occur where the council's population is declining.

B.2 Methodological changes in asset maintenance and renewals

We note a number of councils are consulting with their community to determine if a lower standard of assets (such as roads) is acceptable. If so, under the OLG's IP&R Guidelines, councils may then maintain or renew assets to a 'satisfactory' condition (condition 3), rather than a 'good' condition (condition 2).

This altered approach to asset management effectively reduces both the costs and volume of asset maintenance and renewals over the medium term. This has the effect of improving a council's performance against the financial criteria by:

- ▼ Extending asset lives and reducing depreciation on a yearly basis. This improves performance against the Operating Performance Ratio and the Building & Infrastructure Asset Renewal Ratio.
- ▼ Reducing the expenditure required to bring assets to an acceptable standard, which decreases the council's Infrastructure Backlog Ratio.
- ▼ Possibly reducing required asset maintenance, which improves performance against the Asset Maintenance Ratio without increasing current expenditure.

As a result, many councils are showing improvements across a number of the ratios. In considering these changes, we have examined whether the assumptions used by the council are reasonable. Some councils have also had their altered approach to asset management externally reviewed by consultants. In undertaking the assessments, we have generally accepted these improvements, notwithstanding the fact they are largely a result of a changed approach to asset maintenance and renewal. This is because the new practices are likely to be acceptable to the community, more efficient, and consistent with the OLG's IP&R Guidelines.

C Council assessments

This appendix sets out tables summarising the assessment of each council as follows:

- ▼ Metropolitan Sydney councils:
 - Merger Proposals
 - Inner Metropolitan Sydney
 - Outer Metropolitan Sydney.
- ▼ Non-metropolitan councils
 - Merger Proposals
 - Hunter, Central Coast and Illawarra
 - Non-metropolitan proposals
 - Rural Council Proposals.

The appendix also includes detail on the assessment for each council against each criteria, which are set out in alphabetical order.

C.1 Metropolitan Sydney assessments

Table C.1 Merger Proposals

Councils	ILGRP preferred option	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Randwick City and Waverley	Merge to form a Global Sydney council	Fit	✓	✓	✓	✓	✓
Auburn City Burwood City of Canada Bay	Auburn to merge with Holroyd, Parramatta, Ryde (part) and The Hills (part); Burwood and Canada Bay to merge with Ashfield, Leichhardt, Marrickville and Strathfield	Fit	✓	✓	✓	✓	✓

Note: Bold indicates an ILGRP preferred option.

Table C.2 Inner Metropolitan Sydney

Region	ILGRP preferred option	Council	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Global City	Amalgamate with Randwick City and Waverley Council	City of Botany Bay	Not fit	x	✓	✓	✓	✓
		City of Sydney	Not fit as a Global City Council	x	✓	✓	✓	✓
		Woollahra Municipal	Not fit	x	✓	✓	✓	✓
Inner West	Amalgamate with City of Canada Bay and Burwood	Ashfield	Not fit	x	✓	✓	✓	x
		Leichhardt Municipal	Not fit	x	✓	✓	✓	✓
		Marrickville	Not fit	x	✓	✓	✓	✓
		Strathfield	Not fit	x	✓	✓	✓	✓

Region	ILGRP preferred option	Council	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
West Central	Amalgamate with Auburn, City of Ryde (part) and The Hills (part)	Holroyd City	Not fit	x	✓	✓	✓	✓
		Parramatta City	Not fit	x	✓	✓	✓	✓
Lower North Shore	Amalgamate	City of Ryde	Not fit	x	✓	✓	✓	✓
		Hunter's Hill	Not fit	x	✓	✓	✓	✓
		Lane Cove	Not fit	x	✓	✓	✓	✓
		Mosman Municipal	Not fit	x	✓	✓	✓	✓
		North Sydney	Not fit	x	✓	✓	✓	x
		Willoughby	Not fit	x	✓	✓	x	✓
Northern Suburbs	Amalgamate	Hornsby	Not fit	x	✓	✓	✓	✓
		Ku-ring-gai	Not fit	x	✓	✓	✓	✓
Northern Beaches	Amalgamate	Manly	Not fit	x	✓	✓	✓	✓
		Pittwater	Not fit	x	✓	✓	✓	✓
		Warringah	Not fit	x	✓	✓	✓	✓
South West	Amalgamate	Fairfield	Not fit	x	✓	✓	✓	✓
		Liverpool	Not fit	x	✓	✓	✓	✓
Southern	Amalgamate	Canterbury	Not fit	x	✓	✓	✓	✓
		Hurstville	Not fit	x	✓	✓	✓	✓
		Kogarah	Not fit	x	✓	✓	✓	✓
		Rockdale	Not fit	x	✓	✓	✓	✓
Bankstown	No change	Bankstown	Fit	✓	✓	✓	✓	✓

Note: Bold indicates an ILGRP preferred option.

Table C.3 Outer Metropolitan Sydney

Council	ILGRP preferred option	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Blacktown City	No change	Not fit	✓	x	x	✓	✓
Blue Mountains City	No change	Fit	✓	✓	✓	✓	✓
Camden	No change	Fit	✓	✓	✓	✓	✓
Campbelltown City	No change	Not fit	✓	x	x	✓	✓
Hawkesbury	No change	Not fit	✓	x	x	✓	✓
Penrith City	No change	Fit	✓	✓	✓	✓	✓
Sutherland Shire	No change	Fit	✓	✓	✓	✓	✓
The Hills Shire	No change	Fit	✓	✓	✓	✓	✓
Wollondilly Shire	No change	Fit	✓	✓	✓	✓	✓

Note: Bold indicates an ILGRP preferred option.

C.2 Non-metropolitan councils

Table C.4 Merger Proposals

Councils	ILGRP preferred option	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Young Shire and Boorowa	Merge with Boorowa, Harden and Young	Fit	✓	✓	✓	✓	✓
Cootamundra Shire and Harden Shire*	Merge with Boorowa and Young	Fit	✓	✓	✓	✓	✓

Note: Bold indicates an ILGRP preferred option. *The ILGRP did not have a preferred option for Cootamundra.

Table C.5 Hunter, Central Coast and Illawarra

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Hunter	Cessnock City	Council in JO	Fit	✓	✓	✓	✓	✓
	Dungog Shire	Merge with Maitland or Council in JO ^a	Not fit	✗	✗	✗	✓	✗
	Lake Macquarie City	Amalgamate with Newcastle or Council in JO ^a	Not fit	✗	✓	✓	✓	✓
	Maitland City	Merge with Dungog or Council in JO ^a	Not fit	✗	✓	✓	✓	✓
	Muswellbrook Shire	Council in JO	Fit	✓	✓	✓	✓	✓
	Newcastle City	Amalgamate with Lake Macquarie or Council in JO ^a	Not fit	✗	✓	✓	✓	✓
	Port Stephens	Council in JO	Fit	✓	✓	✓	✓	✓
	Singleton	Council in JO	Fit	✓	✓	✓	✓	✓
	Upper Hunter Shire	Council in JO	Fit	✓	✓	✓	✓	✓
Central Coast	Gosford City	Amalgamate with Wyong or a multi-purpose JO (no separate water corporation until other options properly evaluated)	Not fit	✗	✓	✓	✓	✓
	Wyong City	Amalgamate with Gosford or a multi-purpose JO (no separate water corporation until other options properly evaluated)	Not fit	✗	✓	✓	✓	✓

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Illawarra	Kiama Municipal	Council in a JO (if future amalgamation – with Shoalhaven, noting its inclusion in South East-Tablelands region)	Not fit	✓	✗	✗	✓	✗
	Shellharbour City	Council in a JO (amalgamate if future options need to be revisited)	Not fit	✓	✗	✗	✓	✓
	Wollongong City	Council in a JO (amalgamate if future options need to be revisited)	Fit	✓	✓	✓	✓	✓

^a Possible boundary change included.

Note: Bold indicates an ILGRP preferred option. JO stands for Joint Organisation.

*The ILGRP did not include a table of options for the Hunter, Central Coast and Illawarra regions. Instead the ILGRP included a discussion of these councils in its report.

Table C.6 Non-metropolitan councils⁸⁰

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Northern Rivers	Ballina Shire	Council in Northern Rivers JO	Fit	✓	✓	✓	✓	✓
	Byron Shire	Council in Northern Rivers JO	Fit	✓	✓	✓	✓	✓
	Lismore City	Council in Northern Rivers JO or merge with Kyogle	Fit	✓	✓	✓	✗	✓
	Richmond Valley	Council in Northern Rivers JO or merge with Kyogle	Fit	✓	✓	✓	✓	✓
	Tweed Shire	Council in Northern Rivers JO	Not fit	✓	✗	✗	✗	✓

⁸⁰ This excludes Rural Council Proposals and councils in the Hunter, Central Coast and Illawarra.

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
North Coast	Bellingen Shire	Council in North Coast JO	Not fit	✓	✗	✗	✓	✓
	Clarence Valley	Council in North Coast JO	Not fit	✓	✗	✗	✗	✓
	Coffs Harbour City	Council in North Coast JO	Fit	✓	✓	✓	✓	✓
	Nambucca Shire	Council in North Coast JO	Fit	✓	✓	✓	✓	✓
Mid-North Coast	Gloucester Shire	Council in Mid-North Coast JO or merge with Great Lakes and/or Greater Taree	Not fit	✗	✗	✗	✓	✓
	Great Lakes Shire	Council in Mid-North Coast JO or merge with Gloucester	Fit	✓	✓	✓	✓	✓
	Greater Taree City	Council in Mid-North Coast JO or merge with Gloucester	Not fit	✓	✗	✗	✗	✓
	Kempsey Shire	Council in Mid-North Coast JO	Not fit	✓	✗	✗	✗	✓
	Port Macquarie-Hastings	Council in Mid-North Coast JO	Fit	✓	✓	✓	✗	✓
New England	Armidale Dumaresq	Council in New England JO or merge with Guyra	Not fit	✗	✗	✗	✓	✓
	Glen Innes Severn	Council in New England JO	Fit	✓	✓	✓	✓	✓
	Inverell Shire	Council in Namoi JO	Fit	✓	✓	✓	✓	✓
	Tenterfield Shire	Council in New England JO	Not fit	✓	✗	✗	✓	✓
	Uralla Shire	Council in New England JO or merge with Walcha	Not fit	✗	✓	✓	✓	✓

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Namoi	Gunnedah Shire	Council in Namoi JO	Fit	✓	✓	✓	✓	✓
	Gwydir Shire	Council in Namoi JO or merge with Moree Plains	Not fit	✗	✗	✗	✓	✓
	Liverpool Plains Shire	Council in Namoi JO or merge with Gunnedah	Not fit	✗	✓	✓	✓	✓
	Moree Plains Shire	Council in Namoi JO or merge with Gwydir	Fit	✓	✓	✓	✓	✓
	Narrabri Shire	Council in Namoi JO	Fit	✓	✓	✓	✓	✓
	Tamworth Regional	Council in Namoi JO	Fit	✓	✓	✓	✓	✓
Orana	Dubbo City	Council in Orana JO or merge with Wellington and/or Narromine	Fit	✓	✓	✓	✓	✓
	Narromine Shire	Council in Orana CC or merge with Dubbo	Not fit	✗	✓	✓	✓	✓
	Warrumbungle Shire	Council in Orana JO	Not fit	✓	✗	✗	✓	✗
	Wellington	Council in Orana JO or merge with Dubbo	Not fit	✗	✓	✓	✓	✓

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Central West	Bathurst Regional	Council in Central West JO or merge with Oberon	Fit	✓	✓	✓	✓	✓
	Blayney Shire	Council in Central West JO or merge with Orange	Not fit	✗	✓	✓	✓	✓
	Cabonne	Council in Central West JO or merge with Orange	Not fit	✗	✓	✓	✓	✓
	Cowra	Council in Central West JO or merge with Weddin	Fit	✓	✓	✓	✓	✓
	Forbes Shire	Council in Central West JO; merge with Weddin	Not fit	✗	✓	✓	✓	✓
	Lachlan Shire	Council in Central West JO or merge with Parkes	Not fit	✗	✓	✓	✓	✓
	Lithgow City	Council in Central West JO	Not fit	✓	✗	✗	✓	✗
	Mid-Western Regional	Council in Central West JO	Not fit	✓	✗	✗	✗	✓
	Oberon	Council in Central West JO or merge with Bathurst	Not fit	✗	✓	✓	✓	✓
	Orange City	Council in Central West JO or merge with Cabonne and/or Blayney	Not fit	✗	✓	✓	✓	✓
	Parkes Shire	Council in Central West JO or merge with Lachlan	Fit	✓	✓	✓	✓	✗
Tablelands	Goulburn Mulwaree	Council in Tablelands JO	Not fit	✓	✗	✗	✓	✓
	Upper Lachlan Shire	Council in Tablelands JO or merge with Goulburn-Mulwaree	Not fit	✗	✓	✓	✓	✓
	Wingecarribee Shire	Council in Tablelands JO	Fit	✓	✓	✓	✓	✓
	Yass Valley	Council in Tablelands JO	Not fit	✓	✗	✗	✓	✓

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Riverina	Bland Shire	Council in Riverina JO or merge with Coolamon and/or Temora	Not fit	x	✓	✓	x	✓
	Junee Shire	Council in Riverina JO or merge with Cootamundra	Not fit	x	✓	✓	✓	✓
	Temora Shire	Council in Riverina JO or merge with Coolamon and/or Bland	Not fit	x	✓	✓	✓	✓
	Tumut Shire	Council in Riverina JO or merge with Gundagai and Tumbarumba	Not fit	x	✓	✓	✓	✓
	Wagga Wagga City	Council in Riverina JO or merge with Lockhart	Fit	✓	✓	✓	x	✓
Murrumbidgee	Griffith City	Council in Murrumbidgee JO or merge with Murrumbidgee	Not fit	x	✓	✓	✓	✓
	Leeton Shire	Council in Murrumbidgee JO or merge with Narrandera	Fit	✓	✓	✓	✓	✓
	Narrandera Shire	Council in Murrumbidgee JO or merge with Leeton	Not fit	x	✓	✓	✓	x
Mid-Murray	Berrigan Shire	Council in Mid-Murray JO or merge with Jerilderie	Not fit	x	✓	✓	✓	✓
	Deniliquin	Council in Mid-Murray JO or merge with Conargo/Murray and Wakool	Not fit	x	✓	✓	✓	✓
	Murray Shire	Council in Mid-Murray JO or merge with D'quin/Conargo and Wakool	Not fit	x	✓	✓	✓	✓
Upper Murray	Albury City	Council in Upper Murray JO or merge with Greater Hume (part or all)	Fit	✓	✓	✓	✓	✓
	Corowa Shire	Council in Upper Murray JO or merge with Urana	Not fit	x	✓	✓	✓	✓
	Greater Hume Shire	Council in Upper Murray JO or	Fit	✓	✓	✓	✓	✓

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
		merge part or all with Albury						
South East	Bega Valley Shire	Council in South East JO	Fit	✓	✓	✓	✓	✓
	Cooma-Monaro Shire	Council in South East JO or merge with Bombala and Snowy River	Not fit	✗	✗	✗	✓	✓
	Eurobodalla Shire	Council in South East JO	Fit	✓	✓	✓	✓	✓
	Palerang	Council in South East JO or merge with Queanbeyan	Not fit	✗	✓	✓	✓	✓
	Queanbeyan City	Council in South East JO or merge with Palerang	Not fit	✗	✓	✓	✓	✓
	Shoalhaven City	Council in South East JO	Fit	✓	✓	✓	✓	✓
	Snowy River Shire	Council in South East JO or merge with Bombala/Cooma-M	Not fit	✗	✗	✗	✓	✓

Note: Bold indicates an ILGRP preferred option. JO stands for Joint Organisation.

Table C.7 Rural Council Proposals

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Northern Rivers	Kyogle ^a	Council in Northern Rivers JO or merge with Lismore or Richmond Valley	Not fit	✗	✓	✓	✓	✓
New England	Guyra Shire	Council in New England JO or merge with Armidale	Not fit	✗	✗	✗	✓	✗
	Walcha Shire	Merge with Uralla or Rural Council in New England JO	Not fit	✗	✓	✓	✓	✓
Orana	Bogan Shire	Rural Council in Orana JO or merge with Warren	Fit as a Rural Council	✓	✓	✓	✓	✓
	Coonamble Shire	Rural Council in Orana JO or merge with Gilgandra	Fit as a Rural Council	✓	✓	✓	✓	✓
	Gilgandra Shire	Rural Council in Orana JO or merge with Coonamble	Fit as a Rural Council	✓	✓	✓	✓	✗
	Warren Shire	Rural Council in Orana JO or merge with Bogan	Fit as a Rural Council	✓	✓	✓	✓	✗
Central West	Weddin Shire	Rural Council in Central West JO or merge with Forbes or Cowra	Not fit	✓	✗	✗	✓	✓
Riverina	Coolamon Shire	Rural Council in Riverina JO or merge with Bland and/or Temora	Fit as a Rural Council	✓	✓	✓	✓	✓
	Gundagai Shire	Merge with Tumut or Rural Council in Riverina CC	Not fit	✗	✗	✗	✓	✗
	Lockhart Shire	Rural Council in Riverina JO or merge with Wagga Wagga	Fit as a Rural Council	✓	✓	✓	✓	✓
	Tumbarumba Shire	Rural Council in Riverina JO or merge with Tumut/Gundagai	Fit as a Rural Council	✓	✓	✓	✓	✓

Region	Council	ILGRP options	Assessment	Scale and capacity	Financial criteria overall	Sustainability	Infrastructure and service management	Efficiency
Mid-Murray	Conargo Shire	Merge with Deniliquin and Murray or Rural Council in Mid-Murray JO	Not fit	✗	✓	✓	✓	✓
	Jerilderie Shire	Merge with Berrigan or Rural Council in Mid-Murray JO	Not fit	✗	✗	✗	✓	✗
	Wakool Shire	Rural Council in Mid-Murray JO or merge with Murray/Conargo/Deniliquin	Fit as a Rural Council	✓	✓	✓	✓	✓
Murrumbidgee	Carrathool Shire	Rural Council in Murrumbidgee JO or merge with Griffith	Fit as a Rural Council	✓	✓	✓	✓	✗
	Hay Shire	Rural Council in Murrumbidgee JO	Not fit	✓	✗	✗	✓	✓
	Murrumbidgee Shire	Merge with Griffith or Rural Council in Murrumbidgee JO	Not fit	✗	✓	✓	✓	✓
Upper Murray	Urana Shire	Merge with Corowa or Rural Council in Upper Murray JO	Not fit	✗	✓	✓	✓	✓
South East	Bombala	Merge with Cooma-M and Snowy R or Rural Council in South East JO	Not fit	✗	✓	✓	✓	✓

^a Kyogle submitted a Rural Council Proposal. However the ILGRP did not identify this as one of the options for the council. We assess Kyogle as not fit as a Rural Council not fit as a stand-alone council.

Note: Bold indicates an ILGRP preferred option. JO stands for Joint Organisation.

BLUE MOUNTAINS CITY COUNCIL – CIP

FIT			
Area (km ²)	1,432	Population 2011	78,550
OLG Group	7	(2031)	97,300
ILGRP Group	Sydney Metro		
Operating revenue (2013-14)	\$92.8m	TCorp assessment	Weak FSR Neutral Outlook
ILGRP options (preference in bold)	No change or combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, The Hills, Hawkesbury, Penrith, and Blacktown (all shaded).		
Assessment summary	Scale and capacity	Satisfies	
	Financial criteria:	Satisfies overall	
	• Sustainability	Satisfies	
	• Infrastructure and service management	Satisfies	
	• Efficiency	Satisfies	



Fit for the Future – FIT

- The council satisfies the scale and capacity criterion.
- The council satisfies the financial criteria overall. It satisfies the criteria for sustainability, infrastructure and service management and efficiency.

Scale and capacity – satisfies

- The council proposal is consistent with the ILGRP's preferred option to stand alone.
- Given the ILGRP's preferred option, the council was not required to demonstrate how it met each of the elements of scale and capacity.
- Our analysis has not identified evidence for a better alternative to the council's proposal to stand alone.
- The council has entered into an agreement to form a strategic alliance with Hawkesbury City Council and Penrith City Council. The agreement is aimed at sharing expertise in project management and design and improving economies of scale.

Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance ratio and the own source revenue ratio by 2019-20.
- The council has an approved special rate variation of 40.3% over four years (28.5% above the rate peg). This is the primary reason for the improvement in the council's financial performance over time, allowing it to just meet the benchmark for the operating performance ratio by 2019-20.
- The council forecasts improvement in its building and infrastructure asset renewal ratio to 76.9% by 2019-20.

Infrastructure and service management - satisfies

- The council satisfies the infrastructure and service management criterion based on its forecast to meet the benchmark for the debt service ratio by 2019-20 and for its asset maintenance ratio to be very close to the benchmark by 2019-20.
- The council does not meet the benchmark for the infrastructure backlog ratio by 2019-20.

Efficiency - satisfies

- The council satisfies the criterion for efficiency based on a forecast decline in real opex per capita to 2019-20.

Other relevant factors

Social and community context	The LGA contains a number of reasonably large towns, rather than being centred on a single urban area, and many of its residents work in the Sydney metropolitan area. Nevertheless, the geographical characteristics of the LGA make it distinct.
Community consultation	While there is no evidence of community consultation about the CIP, the council notes its consultation with the community about the 2013-2014 'Resourcing Strategy' (the CIP's antecedent).
Water and/or sewer	The council does not have a water/sewer business.
Submissions	There were no submissions received in relation to Blue Mountains' proposal.

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Minutes of the Ordinary Meeting of Council of the City of Blue Mountains, held in the Chambers on Tuesday, 10 November 2015, commencing at 7.30pm.

* * * * *

There were present:

The Mayor (Councillor Greenhill) in the Chair, and Councillors Begg, Bennett, Christie, Fell, Hollywood, Luchetti, McGregor, Myles, Shrubb, Van der Kley, Von Schulenburg.

* * * * *

In attendance:

General Manager; Director City Services; Director City & Community Outcomes; A/Director Development Customer Services; Group Manager, People & Systems, Group Manager Integrated Planning and Finance; Executive Officer; Chief Financial Officer: Blue Mountains Cultural Centre Director; Operational Finance Team Leader; A/Operational Finance Team Leader; Recovery Manager; Manager Community & Economic; Manager Building & Compliance; Communications Officer; Tourism Development & Events Coordinator; Project Support Officer Governance Publications; Ranger.

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Prayer/Reflection:

The Prayer/Reflection was read by the Mayor, as was the acknowledgement of the traditional owners, the Darug and Gundungurra people.

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Apologies

A MOTION was MOVED by Councillors

Nil

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MINUTE NO. 756

Confirmation of Minutes - Ordinary Meeting – 13 October 2015

A MOTION was MOVED by Councillors Fell and Van der Kley:

That the Minutes of the Ordinary Meeting of 13 October 2015 be confirmed.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	

Hollywood
Van der Kley
Begg
McGregor
Shrubb

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MINUTE NO. 757

Confirmation of Minutes - Extraordinary Meeting – 5 November 2015

A MOTION was MOVED by Councillors Hollywood and Bennett:

That the Minutes of the Extraordinary Meeting of 5 November 2015 be confirmed.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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Declarations of Interest – Ordinary Meeting, 10 November 2015

Nil

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MINUTE NO. 758

1. 15/207591. Blue Mountains City Council "Fit for the Future"

A MOTION was MOVED by Councillors Greenhill and Christie:

1. That the Council notes that Blue Mountains City Council has been assessed as "Fit for the Future" by the Independent Pricing and Regulatory Tribunal (IPART);
2. That the Council approves the making of a submission to the NSW Government to reinforce our preferred position as a stand-alone Council; and
3. That the Council delegates the authority to the Mayor and the General Manager to finalise the submission to the NSW Government by 18 November 2015.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 759

2. 15/191299. Annual Report 2014-2015

A MOTION was MOVED by Councillors Hollywood and Fell:

- 1. That the Council endorses the Annual Report 2014-2015; and**
- 2. That the Council publishes the Annual Report 2014-2015 on the Council's website and distributes hardcopies to Council libraries subject to any final required minor corrections.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 760

3. 15/202350. Financial Statements for the Year Ended 30 June 2015

The meeting was addressed by: Nick Cox

A MOTION was MOVED by Councillors Myles and Christie:

1. **That the Council receives the audited Annual General Purpose and Special Purpose Financial Statements for the year ended 30 June 2015 pursuant to Section 419 of the Local Government Act 1993;**
2. **That, pursuant to Section 420 of the Local Government Act 1993, the Council endorses the Financial Statements to be made available to the public to make submissions for a period of seven days; and**
3. **That the Council invites a representative from UHY Haines Norton, the Council's external auditor, to address the Council at the 10 November 2015 Ordinary Meeting in respect to the Audited Financial Statements.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 761

4. 15/191315. Quarter 1 Report 2015-2016

A MOTION was MOVED by Councillors Hollywood and Fell:

1. **That the Council notes and endorses this report together with the enclosure "Quarter 1 Report 2015-2016"; and**
2. **That the Council notes and endorses the variations of income and expenditure as identified in the enclosure.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	

Begg
McGregor
Shrubb

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MINUTE NO. 762

5. 15/202346. Community Engagement Strategy - Informing the update of the Community Strategic Plan

A MOTION was MOVED by Councillors Hollywood and Fell:

1. That the Council adopts the Community Engagement Strategy for the update of the Community Strategic Plan to Sustainable Blue Mountains 2035 provided in Enclosure 1; and
2. That the Council notes the proposed timeframe for adoption of the updated Community Strategic Plan as well as the 10-year Resourcing Strategy, 4-year Delivery Program and 1-year Operational Plan.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 763

6. 15/202247. Review of the Blue Mountains City Council Service Framework: Guidelines for Achieving Best Value Services that Meet Community Needs

A MOTION was MOVED by Councillors Hollywood and Fell:

1. That the Council notes the outcomes of the review of the Blue Mountains City Council Service Framework;
2. That the Council endorses the review of this Service framework once every four years rather than on the existing annual basis; and
3. That the Council adopts the revised “Blue Mountains City Council Best Value Service Framework” provided in Enclosure 1.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 764

7. 15/200105. Performance of Invested Monies for October 2015

A MOTION was MOVED by Councillors Hollywood and Fell:

- 1. That the Council receives the report on the performance of invested monies for October 2015; and**
- 2. That the Council notes the certificate of the Responsible Accounting Officer.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 765

8. 15/173820. Ward Boundary Adjustment - Public Exhibition Outcome

A MOTION was MOVED by Councillors Hollywood and Fell:

- 1. That the Council endorses the Council Ward boundary adjustment following public exhibition of the proposed Ward boundaries;**

2. That the Council writes to all households affected by the Ward boundary adjustment notifying them of the outcome; and
3. That the Council writes to the Electoral Commissioner advising of the outcome of the Ward boundary adjustment.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 766

9. 15/211019. Support for Tourism and Local Employment

A MOTION was MOVED by Councillors Hollywood and Fell:

1. That the Council notes the actions of the General Manager to allocate \$5,000 from current tourism related budget allocation in 2015/16, to assist Blue Mountains Accommodation and Tourism Association in the delivery of the Roaring 20's Festival, subject to additional matching funding being provided by Destination NSW;
2. That the Council endorses in principle the development of an agreement for the delivery of key destination marketing activities by Blue Mountains Accommodation and Tourism Association, as an interim arrangement, prior to the establishment of a new Regional Tourism Organisation;
3. That the Council delegates the authority to the General Manager to approve funding of individual activities that support local tourism and employment by the Council and / or Blue Mountains Accommodation and Tourism Association, up to a limit of \$10,000 for any one project from the Tourism budget; and
4. That the Council receives a further report on the organisation and operation of Tourism initiatives in the Blue Mountains by February 2016 and report upon any expenditure approved under delegated authority.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	

Fell
 Luchetti
 Myles
 Bennett
 Hollywood
 Van der Kley
 Begg
 McGregor
 Shrubb

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MINUTE NO. 767

10. 15/196386. Blue Mountains Hatobuilico Friendship Committee Annual Report 2014-2015

The meeting was addressed by: John Tweedie

A MOTION was MOVED by Councillors Hollywood and McGregor:

1. That the Council acknowledges the achievements of the Blue Mountains Hatobuilico Friendship Committee (BMHFC) 2014-2015 including:
 - a) support for scholarships to enable up to 48 students from the Hatobuilico sub district to undertake secondary and tertiary education in 2014-2015;
 - b) support for the Maulelo Music Project;
 - c) implementation of the new Terms of Reference and committee structure; and
 - d) strengthening the friendship relationship with Hatobuilico through the self-funded trips by the Committee representatives to open the school in Taurema and meetings with local community leaders to re-establish the local committee in Hatobuilico.
2. That the Council endorses the annual plan for the 2015-2016 financial year including:
 - a) the review of the scholarship programs including the recommendation to continue the scholarships program for existing students only;
 - b) the donation of a DVD copy of the Maulelo Music Project to the Blue Mountains City Council library; and
 - c) the hosting of the visit from Dr Kirsty Sword Gusmao AO, Goodwill Ambassador for Education to recognise 10-years of friendship between the Blue Mountains and Hatobuilico.
3. That the Council notes that the value of the Australian dollar has dropped to around two-thirds of the value of the US dollar which has caused significant impact on the ability to sustain the current scholarship program at the level of previous years.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	

Bennett
Hollywood
Van der Kley
Begg
McGregor
Shrubb

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MINUTE NO. 768

11. 15/184488. Submission of Returns of Interest

A MOTION was MOVED by Councillors Hollywood and Fell:

That the Council notes, pursuant to Section 450A of the Local Government Act 1993 (NSW), the Register of Pecuniary Interest Returns disclosing the interests of both Councillors and designated persons for the period 1 July 2014 to 30 June 2015.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 769

12. 15/206739. Community Assistance Donations/Recommendation by Councillor

A MOTION was MOVED by Councillors Hollywood and Fell:

That the Council endorses the following community assistance donations from the Mayoral and Councillor funds:

Organisation	Amount
Friends of Mechanics institute Lawson	\$200.00
Warrimoo Volunteer Bushfire Brigade	\$500.00
Glenbrook Village Chamber of Commerce	\$300.00
Possum Print	\$79.60

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	

Christie
 Von Schulenburg
 Fell
 Luchetti
 Myles
 Bennett
 Hollywood
 Van der Kley
 Begg
 McGregor
 Shrubb

* * * * *

MINUTE NO. 770

13. 15/196790. Fence at Buttenshaw Park

A MOTION was MOVED by Councillors Hollywood and Fell:

That the Council notes the content of this report and the actions undertaken in response to its previous resolution of 21 July 2015 in relation to works at Buttenshaw Park, Springwood.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 771

14. 15/198180. Proposed ticketing fees and charges for the Blue Mountains Theatre

A MOTION was MOVED by Councillors Hollywood and Fell:

- 1. That the Council approves for public exhibition the proposed fees and charges for the ticketing services at the Blue Mountains Theatre and Community Hub; and**
- 2. That the Council notes that the fees are structured in recognition of the nature, scale and quality of the new facility and to reflect cost recovery; and**
- 3. That the Council endorses the proposed fees and charges be publicly exhibited for a period of 28 days in accordance with Section s610F of the Local Government Act 1993; and**

4. That the Council receives a further report following the public exhibition period and consolidation of any submissions.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

* * * * *

MINUTE NO. 772

15. 15/198307. Approval of Members of the Braemar Management Committee

A MOTION was MOVED by Councillors Shrubb and McGregor:

- 1. That the Council appoints the nominated ordinary members Sarah Morgan, Samara Thomson, Kerry Beaumont, Adrienne Richards, Corrine Loxton, Tim Newman and Xandro Lombardi to the Braemar Management Committee for a two (2) year term as per the Braemar Management Committee Terms of Reference; and**
- 2. That the Council nominates Councillor Fell to represent the Council on the Committee.**

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 773**16. 15/200658. Water Feature Stabilisation Works - Wilson Park Lawson**

The meeting was addressed by: Liz Benson, Ray Richardson, John Seymour

A MOTION was MOVED by Councillors Hollywood and Bennett:

1. That the Council endorses the proposed program detailed in this report to stabilise key sections of the water feature and allocates a budget of up to \$80,000 in the 2015-16 financial year from reserve funds, set aside to manage financial shocks;
2. That the Council approves in-principle the development of a Conservation Management Plan (subject to available funding) to provide the basis for the long-term maintenance and resourcing strategy for the feature;
3. That the Council receives a Draft Conservation Management Plan and accompanying Resourcing Plan by December 2016; and
4. That the Council notes that the State Heritage Register Nomination will be submitted once the Conservation Management Plan and Resourcing Plan is adopted.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 774**17. 15/201126. Council support for additional community sector funding in response to the ongoing October 2013 bushfire recovery and resilience needs.**

A MOTION was MOVED by Councillors Fell and Van der Kley:

1. That the Council notes the Local Community Reference Group (LCRG) proposal to State and Federal Governments requesting additional funding to support the Blue Mountains community-sector in delivery of continued recovery and resilience work in response to the October 2013 bushfires;
2. That the Council writes to the following State and Federal Ministers expressing support for the LCRG funding request (as outlined in their Final Report and Submission "2 years on – an insight into successes, needs and funding

priorities”): the NSW Premier and Minister for Western Sydney, The Hon. Mike Baird MP; NSW Minister for Education, The Hon. Adrian Piccoli MP; NSW Minister for Emergency Services, The Hon. David Elliott MP; NSW Minister for Family and Community Services, The Hon. Brad Hazzard MP and Federal Minister for Justice, The Hon. Michael Keenan MP; and

3. That the Council writes to the members of the LCRG to thank and acknowledge their contribution.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 775

18. 15/179584. Submission to Legislative Assembly Inquiry into the adequacy of the regulation of short-term holiday letting in NSW

A MOTION was MOVED by Councillors Von Schulenburg and Begg:

That the Council endorses the submission to the NSW Legislative Assembly enquiry into the adequacy of the regulation of short-term holiday letting in NSW in Attachment 1.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being:

For		Against
Councillors	Greenhill	Councillors
	Von Schulenburg	Christie
	Fell	Begg
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	McGregor	
	Shrubb	

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MINUTE NO. 776**19. 15/138556. Report from Fire & Rescue NSW concerning fire safety at Winmalee Shopping Centre , at Lot 201 DP 1115166, 14-28 White Cross Road, Winmalee**

A MOTION was MOVED by Councillors Hollywood and Fell:

1. That the Council receives and notes the inspection reports received from Fire & Rescue NSW dated 3 July 2015 and 9 October 2015 (Attachments 1 & 2) relating to the Winmalee Shopping Town and the recommendations contained therein;
2. That the Council notes the action taken by Council officers in requesting the owners of Winmalee Shopping Town to complete the works recommended in the inspection reports dated 3 July 2015 and 9 October 2015 from Fire & Rescue NSW;
3. That Council does not serve formal Notices and Orders to require the fire safety works to be undertaken at Winmalee Shopping Town whilst ever the building owner is attending to the issues in a co-operative and timely manner; and
4. That the Council notifies Fire & Rescue NSW of the action taken by the Council in response to the concerns raised.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 777**20. 15/180522. Development Application No. X/960/2014 for a split level dwelling on Lot 7 Section 8 DP 2700, 43-47 Charles Street, Lawson**

The meeting was addressed by: Mark Taylor

A MOTION was MOVED by Councillors Myles and Van der Kley:

That the Development Application No. X/960/2014 for a split level dwelling on Lot 7 Sec. 8 DP 2700, 43-47 Charles Street, Lawson be determined pursuant to S.80 of the Environmental Planning and Assessment Act 1979 by the granting of consent subject to conditions shown in Attachment 1 to this report.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 778

21. 15/185765. Development Application No. X/466/2015 for demolition of the existing dwelling and construction of a new two storey dwelling on Lot 4 DP 1082087, Lot A DP 404391, Benison, 9 Olympian Parade, Leura

A MOTION was MOVED by Councillors Hollywood and Fell:

That the Development Application No. X/466/2015 for demolition of the existing dwelling and construction of a new two storey dwelling on Lot 4 DP 1082087 and Lot A DP 404391, 'Benison' 9 Olympian Parade, Leura be determined pursuant to S.80 of the Environmental Planning and Assessment Act 1979 by the granting of consent subject to conditions shown in Attachment 1 to this report.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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MINUTE NO. 779

22. 15/185822. State Environmental Planning Policy No.1 (SEPP) Variations

A MOTION was MOVED by Councillors Hollywood and Fell:

That the Council notes this report.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 780

23. 15/205473. Précis of Selected Correspondence

A MOTION was MOVED by Councillors Hollywood and Fell:

That the Précis of Selected Correspondence be received and appropriate letters forwarded where necessary.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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Matter of Urgency

Matter of Urgency That the Council now consider a matter arising in relation to reducing speed in narrow residential streets, which has been ruled by the Mayor to be a matter of great urgency.

MINUTE NO. 781

Procedural - Matter of Urgency

A MOTION was MOVED by Councillors Van der Kley and Hollywood:

That the Council writes to the Hon. Duncan Gay, Minister for Roads and Maritime Services (RMS) requesting the RMS review the criteria used to assess and determine the speed limits in residential streets in the Blue Mountains with a view to reduce speed limits particularly in narrow residential streets in villages, and including a request that the RMS consults with the Council in the development of new criteria to assess residential street speed limits.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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Matter of Urgency

Matter of Urgency That the Council now consider a matter arising in relation to Badgerys Creek Airport that has been ruled by the Mayor to be a matter of great urgency.

MINUTE NO. 782

Procedural - Matter of Urgency

A MOTION was MOVED by Councillors Myles and Fell:

That, consistent with the recent bulletin statement from the President of WSROC, the Council writes to WSROC calling on the organisation to adopt a policy position that if the Western Sydney Airport is to be approved by the Federal government to proceed, then the project must be supported by state of the art infrastructure and public transport, the most stringent environmental controls including protection of the UNESCO listed Greater World Heritage Area and equitable outcomes for all WSROC residents including the City of Blue Mountains by redesigning flight paths so as to avoid concentration over the Blue Mountains or any other WSROC Council.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	

Hollywood
 Van der Kley
 Begg
 McGregor
 Shrubb

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Matter of Urgency – Councillor Hollywood

Matter of Urgency That the Council now consider a matter arising in relation to Sydney Train's Pedestrian Bridge at Memorial Park, Woodford that has been ruled by the Mayor to be a matter of great urgency.

MINUTE NO. 783

Procedural - Matter of Urgency

A MOTION was MOVED by Councillors Hollywood and Bennett:

1. That the Council writes to the Minister for Transport and Infrastructure Andrew Constance, the Member for Blue Mountains Trish Doyle, the General Manager of Sydney Trains to reaffirm Council's position that Sydney Train's Pedestrian Bridge at Memorial Park Woodford be retained and maintained (as per Council's resolution 17 September 2013), noting that:
 - a) this Pedestrian Bridge provides a key access route to the recently upgraded Memorial Park Woodford and enables pedestrians to walk from South Woodford to the Woodford Village Centre and the train station; and
 - b) that the provision of pedestrian access over the Park Road bridge will not replace the need for pedestrian access over the railway line at Memorial park; and
2. That the Council invites the local Area Manager of Sydney Trains to an onsite meeting with relevant Council Officers to show the importance of the Pedestrian Bridge in connecting Woodford Village amenities and heritage landmarks and that this meeting be arranged as soon as possible and that the Council is briefed on the outcome of this meeting.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For	Against
Councillors	Councillors
Greenhill	
Christie	
Von Schulenburg	
Fell	
Luchetti	
Myles	
Bennett	
Hollywood	
Van der Kley	
Begg	
McGregor	
Shrubb	

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MINUTE NO. 784**Procedural – Question that Meeting Close**

A MOTION was MOVED by Councillors Begg and Christie

That as there was no further business before the Ordinary Meeting of Tuesday, 10 November 2015, the meeting closed at 9:11pm.

Upon being PUT to the Meeting, the MOTION was CARRIED, the vote being UNANIMOUS:

For		Against
Councillors	Greenhill	Councillors
	Christie	
	Von Schulenburg	
	Fell	
	Luchetti	
	Myles	
	Bennett	
	Hollywood	
	Van der Kley	
	Begg	
	McGregor	
	Shrubb	

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I confirm that these minutes, consisting of this page 21 and the previous 20 pages, were confirmed at the Ordinary Meeting of the Council on 8 December 2015.

Chairman: Mayor Mark Greenhill..... Date.....