

BUSINESS PAPER



The Mayor of Penrith City, Councillor Jackie Greenow (R) and Councillor Pat Sheehy (L) with recipients of Council's 2005 Australia Day Citizen Awards and local 2005 Australian Honours recipients, (L-R) Lindsay Callaghan OAM, Richard Petch (AFSM), Norma Thorburn, Kerrie Sacco, and George Peterson OAM.

Policy Review Committee Meeting

28 February 2005

23 February 2005

Dear Councillor,

In pursuance of the provisions of the Local Government Act, 1993 and Regulations thereunder, notice is hereby given that a **POLICY REVIEW COMMITTEE MEETING** of Penrith City Council is to be held in the Pasadena Room, Civic Centre, 601 High Street, Penrith on Monday 28 February 2005 at 7.00pm.

Attention is directed to the statement accompanying this notice of the business proposed to be transacted at the meeting.

Yours faithfully,

Alan Travers
General Manager

B U S I N E S S

1. **APOLOGIES**
2. **LEAVE OF ABSENCE**
3. **CONFIRMATION OF MINUTES**
Policy Review Committee 22 November 2004
4. **DECLARATIONS OF INTEREST**
Pecuniary Interest (The Act requires Councillors who declare a pecuniary interest in an item to leave the meeting during discussion of that item)
Other Interest
5. **ADDRESSING THE MEETING**
6. **MAYORAL MINUTES**
7. **NOTICE OF MOTION**
8. **REPORTS & RECOMMENDATIONS OF COMMITTEES**
9. **MASTER PROGRAM REPORTS**
10. **URGENT REPORTS (to be dealt with in the Master Program to which the item relates)**
11. **CONFIDENTIAL BUSINESS**

**UNCONFIRMED MINUTES
OF THE POLICY REVIEW COMMITTEE MEETING OF PENRITH CITY
COUNCIL HELD IN THE PASSADENA ROOM, PENRITH CIVIC CENTRE
ON MONDAY 22 NOVEMBER 2004 AT 7.06 PM**

PRESENT

Her Worship the Mayor Councillor Jackie Greenow, Councillors Kaylene Allison, David Bradbury (arrived at 7:56PM), Kevin Crameri OAM, Greg Davies, Mark Davies, Ross Fowler, Karen McKeown, Susan Page, Garry Rumble, Pat Sheehy, Steve Simat, and John Thain.

APOLOGIES

PRC207 RESOLVED on the MOTION of Councillor Garry Rumble seconded Councillor Ross Fowler that apologies be received and accepted from Councillors Jim Aitken OAM, David Bradbury and Lexie Cettolin.

CONFIRMATION OF MINUTES

Policy Review Committee Meeting - 23 August 2004

PRC208 RESOLVED on the MOTION of Councillor Pat Sheehy seconded Councillor Garry Rumble that the minutes of the Policy Review Committee of 23 August 2004 be confirmed.

DECLARATIONS OF INTEREST

There were no declarations of interest.

ATTENDANCE OF VISITING INDONESIAN STUDENTS

Her Worship the Mayor Councillor Jackie Greenow welcomed Indonesian students Muhammad Azrin Syamsuddin and Arief Munandar to the meeting, who are working at Penrith City Council for a two week period as part of the University of Canberra's Mentor Program.

Her Worship the Mayor Councillor Jackie Greenow said that Penrith City Council was the only Council in NSW to be involved in the Mentor Program, with all other students in the program working with either State or Federal government agencies.

SUSPENSION OF STANDING ORDERS

PRC209 RESOLVED on the MOTION of Councillor Ross Fowler seconded Councillor Pat Sheehy that Standing Orders be suspended to allow Mr Charles Glanville of Charles Glanville (Architects) Pty. Ltd. to address the meeting, the time being 7:10PM.

Mr Charles Glanville of Charles Glanville (Architects) Pty. Ltd. Addressed the meeting on Item 5, City Centres' Vitality and Viability Review, and spoke in favour of the recommendation. He said that he had a development application before Council that had been drawn up in consultation with Council officers, and which he believed complied with the objectives of the review. Mr Glanville was concerned that the approval process may be delayed while Council is considering the review of the City centres, and that this might result in increased costs, even for complying development.

RESUMPTION OF STANDING ORDERS

PRC210 RESOLVED on the MOTION of Councillor Ross Fowler seconded Councillor Susan Page that Standing Orders be resumed the time being 7:14PM.

ORDER OF BUSINESS

PRC211 RESOLVED on the MOTION of Councillor Ross Fowler seconded Councillor John Thain that the order of business be altered such that Items 2, 3 and 4 are dealt with first followed by Items 5, 1 and 6.

MASTER PROGRAM REPORTS

THE CITY AS A SOCIAL PLACE

2 Penrith Whitewater Stadium Ltd - Annual Report and Board of Directors

2988/15

The Facilities Operations Manager, Mr Gary Dean introduced the report.

Councillor Ross Fowler, Chairman of Penrith Whitewater Stadium Ltd introduced Mr Peter Flowers, the Manager of Penrith Whitewater Stadium Ltd who gave a presentation to the meeting on the organisation's annual report for 2003-2004.

PRC212 RESOLVED on the MOTION of Councillor Steve Simat seconded Councillor Ross Fowler

That:

1. The information contained in the report for Penrith Whitewater Stadium Ltd Annual Report for the period ending 30 June 2004 be received.
2. Council congratulate the Board of Penrith Whitewater Stadium Ltd on their success and achievements over the twelve months to the end of June 2004.
3. Council endorse the appointment of Councillor Greg Davies and Helen Brownlee to fill the vacancies that occurred at the Sixth Annual General Meeting of Penrith Whitewater Stadium Ltd.
4. Council agree to underwrite the operations of the Penrith Whitewater Stadium until the presentation to Council of the Penrith Whitewater Stadium's annual report for 2004-5.

3 City of Penrith Regional Indoor Aquatic and Recreation Centre Ltd - Annual Report and Board of Directors

2986/8

The Facilities Operations Manager, Mr Gary Dean introduced the report.

Councillor Ross Fowler, Chairman of Penrith Regional Indoor Aquatic and Recreation Centre Ltd introduced Mr Geoff Yates, the General Manager of Penrith Regional Indoor Aquatic and Recreation Centre Ltd who gave a presentation to the meeting on the organisation's annual report for 2003-2004.

PRC213 RESOLVED on the MOTION of Councillor Ross Fowler seconded Councillor Kevin Cramer

That:

1. The information contained in the report on City of Penrith Regional Indoor Aquatic and Recreation Centre Ltd - Annual Report and Board of Directors be received
2. Council endorse the appointment of Councillor Greg Davies, Rodney Watson and Lynette Crossley to fill the vacancies that occurred at the Tenth Annual General Meeting of the City of Penrith Regional Indoor Aquatic and Recreation Centre Ltd.
3. Council agree to underwrite the operations of the City of Penrith Regional Indoor Aquatic and Recreation Centre Ltd until the presentation to Council of the City of Penrith Regional Indoor Aquatic and Recreation Centre Ltd. annual report for 2004-5.
4. Council congratulate the Board of the City of Penrith Regional Indoor Aquatic and Recreation Centre on their success and achievements over the 12 months to the end of June 2004.

Councillor Greg Davies requested that a memo be prepared for all Councillors outlining the number of household swimming pools that have been approved in the Penrith LGA during the previous five years and indicating whether the rate of such approvals was increasing, decreasing or constant.

4 Penrith Regional Gallery and Lewers Bequest Ltd - Annual Report

1043/11

The Facilities Operations Manager, Mr Gary Dean introduced the report and then introduced The Hon Peter Anderson AM, Chairman of the Board of Directors of Penrith Regional Gallery and Lewers Bequest Ltd, who gave a presentation to the meeting on the organisation's annual report for 2003-2004.

Councillor David Bradbury arrived at the meeting, the time being 7:56PM.

PRC214 RESOLVED on the MOTION of Councillor Karen McKeown seconded Councillor Garry Rumble

That:

1. The information concerning the Penrith Regional Gallery and Lewers Bequest Ltd Annual Report for the Board of Directors be received
2. Council congratulate the Board of the Penrith Regional Gallery and Lewers Bequest Ltd for the results over the twelve months to end of June 2004
3. Council endorse the reappointment of Councillors McKeown and Sheehy and Mrs Jan Cannon and Mr Rhett Brewer to fill the vacancies that occurred at the Second Annual General Meeting of the Penrith Regional Gallery and Lewers Bequest Ltd
4. Council endorse the nomination of Ms Fiona Steele to fill the vacancy that occurred by the resignation of Mrs Kerry Spurrett at the Second Annual General Meeting of the Penrith Regional Gallery and Lewers Bequest Ltd

5. Council congratulate and thank Mrs Kerry Spurrett for her valuable contributions she has made over many years as a member of the Management Committee and Board at the Gallery
6. Council agree to underwrite the operations of the Penrith Regional Gallery and Lewers Bequest Ltd for twelve months from 1 July 2004 subject to receipt of the 2004/05 Gallery budget.

THE CITY AS AN ECONOMY

5 City Centres' Vitality and Viability Review

4200/6

The Local Planning Manager, Ms Ruth Goldsmith introduced the report and indicated that Council's consultants, Chris Johnson (NSW Government Architect), Martin Hill (HillPDA), Ken Hind (SKM), and Mike Collins (MCA Property) were present to answer questions if required.

Councillor Susan Page left the meeting the time being 8:34PM.

Councillor Susan Page returned to the meeting the time being 8:35PM.

Councillor Steve Simat left the meeting the time being 8:42PM.

Councillor Steve Simat returned to the meeting the time being 8:43PM.

PRC215 RESOLVED on the MOTION of Councillor Pat Sheehy seconded Councillor Susan Page

That:

1. The information contained in the report '*City Centres' Vitality and Viability Review*' be received
2. The Interim Policy on Building Heights in the Penrith City Centre, adopted on 8 December 2003, continue to be applied in the assessment of relevant development applications before Council, as follows –
 - 2.1 Higher rise development in the Penrith City Centre shall be located as indicated in Stage One of the NSW Government Architect's proposed urban structure (restricted to properties immediately each side of Station Street, between Belmore Street and Union Road) and shall be limited to a maximum of six storeys
 - 2.2 Along the south side of High Street (generally between Station Street and old Mulgoa Road), and on the north side of Union Road (between Worth Street and old Mulgoa Road) buildings shall observe a maximum building height of five storeys, with the top storey 'set back' beyond the elevations of the lower storeys
 - 2.3 Elsewhere within the Penrith City Centre, buildings shall observe a maximum building height of four storeys, with the top storey 'set back' beyond the elevations of the lower storeys
 - 2.4 Site development shall respect and respond to the issues, opportunities and principles identified by the Government Architect, and
 - 2.5 Development shall be required to comply with the provisions of the existing Penrith City Centre planning instruments, in particular the current maximum floor space ratio requirements.

3. The NSW Government Architect's proposed building heights for the St Marys Town Centre, along both sides of Queen Street only, be adopted as an Interim Policy to guide development enquiries and applications, pending the preparation of planning and development controls arising from the *Our City Centres - Vitality and Viability Review*
4. Council pursue the opportunity to establish a Design Review Panel for the Penrith local government area
5. A City Centres' Task Force comprising all interested Councillors be formed to discuss key issues arising from the City Centres Review.
6. A further report on ways to deal with development applications that fall outside Council's guidelines be prepared and presented to Council.

THE CITY IN ITS REGION

1 Metropolitan Strategy - Submission on Discussion Paper 4100/23 part 3

Councillor Mark Davies left the meeting, the time being 9:06PM, and did not return.

Councillor Steve Simat left the meeting, the time being 9:06PM, and did not return.

PRC216 RESOLVED on the MOTION of Councillor Pat Sheehy seconded Councillor Susan Page

That:

1. Council endorse a submission to the State Government on the Metropolitan Strategy Discussion Paper based on the commentary and recommendations outlined in this report.
2. A copy of the final submission be provided to all Councillors.

COUNCIL'S OPERATING ENVIRONMENT

6 New Local Government (State) Award 929/20

PRC217 RESOLVED on the MOTION of Councillor Susan Page seconded Councillor Ross Fowler that the information contained in the report on the new Local Government (State) Award be received.

There being no further business the Chairperson declared the meeting closed the time being 9:08PM.

PENRITH CITY COUNCIL

Procedure for Addressing Meetings

Anyone can request permission to address a meeting, providing that the number of speakers is limited to three in support of any proposal and three against.

Any request about an issue or matter on the Agenda for the meeting can be lodged with the General Manager or Public Officer up until 12 noon on the day of the meeting.

Prior to the meeting the person who has requested permission to address the meeting will need to provide the Public Officer with a written statement of the points to be covered during the address in sufficient detail so as to inform the Councillors of the substance of the address and a written copy of any questions to be asked of the Council in order that responses to those questions can be provided in due course.

In addition, prior to addressing the meeting a person addressing Council or Committee will be informed that they do not enjoy any privilege and that permission to speak may be withdrawn should they make inappropriate comments.

It should be noted that speakers at meetings of the Council or Committee do not have absolute privilege (parliamentary privilege). A speaker who makes any potentially offensive or defamatory remarks about any other person may render themselves open to legal action.

Prior to addressing the meeting the person will be required to sign the following statement:

“I (name) understand that the meeting I intend to address on (date) is a public meeting. I also understand that should I say or present any material that is inappropriate, I may be subject to legal action. I also acknowledge that I have been informed to obtain my own legal advice about the appropriateness of the material that I intend to present at the above mentioned meeting”.

Should a person fail to sign the above statement then permission to address either the Council or Committee will not be granted.

The Public Officer or Minute Clerk will speak to those people who have requested permission to address the meeting, prior to the meeting at 6.45pm.

It is up to the Council or Committee to decide if the request to address the meeting will be granted.

Where permission is to be granted the Council or Committee, at the appropriate time, will suspend only so much of the Standing Orders to allow the address to occur.

The Chairperson will then call the person up to the lectern or speaking area.

The person addressing the meeting needs to clearly indicate:

- Their name;
- Organisation or group they are representing (if applicable);
- Details of the issue to be addressed and the item number of the report in the Business Paper;
- Whether they are opposing or supporting the issue or matter (if applicable) and the action they would like the meeting to take;
- The interest of the speaker (e.g. affected person, neighbour, applicant, applicants spokesperson, interested citizen etc).

Each person then has five minutes to make their address. Those addressing Council will be required to speak to the written statement they have submitted. Permission to address Council is not to be taken as an opportunity to refute or otherwise the points made by previous speakers on the same issue.

The Council or Committee can extend this time if they consider it appropriate, however, everyone needs to work on the basis that the address will be for five minutes only.

Councillors may have questions about the address so people are asked to remain at the lectern or in the speaking area until the Chairperson has thanked them.

When this occurs, they should then return to their seat.

Steve Hackett
Public Officer
02 4732 7637

August 2003

POLICY REVIEW COMMITTEE MEETING

MONDAY 28 FEBRUARY 2005

TABLE OF CONTENTS

MEETING CALENDAR

CONFIRMATION OF MINUTES

MASTER PROGRAM REPORTS

MASTER PROGRAM REPORTS

| Item | | Page |
|---|--|-------------|
| THE CITY IN ITS ENVIRONMENT | | |
| 1 | Sydney Water Sewerage Treatment Plants 5270/9 Pt8 | 1 |
| THE CITY SUPPORTED BY INFRASTRUCTURE | | |
| 2 | Review of Parks Management and Maintenance Practices 3000/7 | 3 |
| COUNCIL'S OPERATING ENVIRONMENT | | |
| 3 | The Service Specification Program - Overview and Progress 36/35 Part 3 | 7 |
| 4 | Service Specification Program - Service Documentation 36/35 part 3 | 17 |
| 5 | Code of Conduct 754/8 Part 4 | 18 |
| 6 | Use of James Hardie Products 7004/32 Pt 2 | 22 |
| 7 | Financial Settings for the 2005-2006 Management Plan 36/47 | 26 |



The City in Its Environment

1 Sydney Water Sewerage Treatment Plants

5270/9 Pt8

Compiled by: Graham Pares, Senior Environment Officer

Authorised by: Wayne Mitchell, Environmental Health Manager

Requested by: Councillor Kevin Crameri

| |
|--|
| Management Plan 4 Year Outcome: <i>Water conservation strategies developed and implemented.</i> |
|--|

| |
|---|
| Critical Action: <i>Develop and implement Water Conservation strategies.</i> |
|---|

Purpose:

To advise Council regarding the current operational status of sewerage treatment plants within the Penrith Local Government area. A presentation by Sydney Water officers will accompany this report. The report recommends that the information be received.

Background

Council considered a report at its Ordinary Meeting of the 2 August 2004 regarding urban growth in the Penrith local government area where it was resolved that Council seek information on plans to upgrade sewerage treatment infrastructure in urban growth areas as well as addressing the current situation regarding sewerage treatment.

Council also considered a report on 18 October 2004, concerning the final report on the Hawkesbury – Nepean River Management Forum and related water quality issues. This report provided some information about the performance of Penrith and St Marys STP's in response to Councillor inquiries, in particular concerning the impact on South Creek.

Current Situation

Owen Karsen, Sydney Water Treatment Planning Manager, will address Council. The presentation will be outlining pertinent information regarding the current operation description, capacity and performance of each sewerage treatment plant. The presentation will also identify the current and future population serviced by the plants, the program of recent upgrades and the trends of flows and loads discharged to the Nepean River and South Creek.

In attendance will also be Norm Lewis, Sydney Water Growth Planning Manager, to assist with any enquiries that may arise from the presentation.

RECOMMENDATION

That the information contained in the report on Sydney Water Sewerage Treatment Plants be received.



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY.

The City Supported by Infrastructure

2 Review of Parks Management and Maintenance Practices

3000/7

Compiled by: Raphael Collins, Parks Construction & Maintenance Manager

Authorised by: Ray Moore, Director City Operations

| |
|--|
| <p>Management Plan 4 Year Outcome: <i>A register of all significant assets, their condition and standards determined and a plan for their maintenance is operating.</i></p> <p>Critical Action: <i>Develop a sustainable financial response to existing and future asset maintenance, and incorporate that in Council's Management Plan.</i></p> |
|--|

Purpose:

To present the Review of Parks Maintenance and Management Practices and advise Council of the actions taken to date to implement the suggested recommendations. Mr Ray Graves from The Recycling Catalysts will be making a presentation at tonight's meeting. It is recommended that the information contained in the review be received.

Background

The Review of Parks Maintenance and Management Practices addresses the following issues:

- Review of Parks Management and Maintenance Practices (2003/2004 Management Plan Task)
- Identify operational areas that may be improved
- Look at future resourcing challenges for management of open space areas

A consultant, Mr Ray Graves from The Recycling Catalysts, was engaged to undertake the review, providing impartial observations and a degree of objectivity into the work activities of the department. He brought a wealth of expertise to the project having worked in Local Government for 35 years in senior management positions and worked closely with Council's own Parks staff to achieve an optimum outcome.

The scope of the Review and recommendations are contained in the consultants report appended to this business paper.

Current Situation

The Review recommended certain changes be implemented and most of these are being acted upon within current available resources. The Review did identify the significant impact that seasonal changes and variations have on parks maintenance operations. These variations in work patterns were an issue raised by Councillor Garry Rumble at an Ordinary Meeting in on 23 August 2004.

QWN6 "Councillor Garry Rumble requested a report to Council setting out budget variations (in the Parks Construction and Maintenance department) which were not planned due to the prolonged drought. The report is also to address how staff are being deployed in the grass cutting section and what is being done to mitigate the effect of the drought on Council's parks, gardens and playing fields."

In response to this question, the operational budget provides annual funding for most of the maintenance staff and the change of work activities from Summer to Winter has no impact on

the maintenance budget. Some staff are directly funded from project allocations during the winter months. For example, during the winter months when the grass is dormant, parks staff undertake a range of work activities that are impossible to attend to during Summer when grass cutting is the primary task. These winter activities include:

- Routine tree maintenance
- Removing litter from specified areas
- Weed removal from target areas
- Landscaping and tree planting
- Garden bed preparation (mulching)
- Rural road shoulder maintenance
- Capital works projects

It is interesting to note that, Blacktown and Sutherland Council's who both have large staff establishments have generally the same work pattern as Penrith. They both have specific winter works programs where staff are assigned to horticultural and landscaping projects during the cooler months and during summer concentrate on grass cutting.

The prolonged dry weather has caused a rapidly increasing number of trees to die. Tree management practices will be addressed later in this report in more detail but suffice to say the number of Council trees affected by the drought over the last 5 years is enormous. Mulching can help mitigate the demise of trees and shrubs and this is one of the main activities carried out during the winter months.

Outcomes of the Review

With the current resources available the major recommendations from the Review have been given high priority and are being attended to:

- **Restructure:** The Parks Overseer positions have been restructured to Asset Coordinators. More emphasis is now directed to more structured parks asset management and coordinating the full range of available resources within their zone. This restructure has been completed and the transition of duties is being implemented.
- **Service Specifications (Scheduled maintenance):** Much effort has gone into the preparation of service specifications for the parks operation. It is anticipated a report will be presented to Council later this year when this immense exercise is completed. The service specification report will accurately define the level of service we can achieve with our existing resources. Trials for the frequency activity schedules have been introduced for grass cutting based on set visits. The frequency has been determined by the park classification based on the PLANS study. It is important to note that grass cutting represents 46% of the maintenance budget so it was felt that the maximum benefit could be obtained in introducing maintenance schedules for this activity. Schedules for other maintenance activities such as landscaping, litter removal and tree maintenance, will be subsequently introduced.

Initial indications from the trials carried out thus far indicate that additional resources will be needed in 2005/2006 onwards to meet desired maintenance standards.

- **Expansion of open space areas:** The expansion of open space areas that will be added to the existing parks inventory and will require maintenance during 2005/2006 are:
 - Blue Hills Oval (surrounds to sporting fields)
 - Glenmore Park entry site

- Northern Road (Road Reserve between Andrews & Vincent Rds), Cranebrook
- Erskine Park Community precinct, Peppertree Drive, Erskine Park
- Schoolhouse Creek, Regentville
- Glenmore Park, Stage 1 of transition of maintenance from Developer to Council

When these areas come on line there will be added pressure on current resources to achieve accepted maintenance levels. If current maintenance funding is unchanged, then less resources will be available to maintain existing open space areas in their present condition. Therefore a Project Bid will be prepared for the forthcoming Project Evaluation process to address this.

Asset Management

The Parks Asset Management system is currently being developed. This system applies to fixed assets such as:

- play equipment
- lighting systems
- irrigation systems
- signage and
- fencing.

The asset management system will influence every aspect of the asset including: the design, construction, maintenance and eventually renewal.

At this stage, physical details of the fixed assets in parks has been collected and transferred to the asset management data base. The next phase of the program is to determine the current condition of the assets. Future maintenance needs for the fixed assets including play equipment is now well advanced.

When all the asset condition inspections are completed in July 2005, it will allow future asset management works to be planned and enable more efficient scheduled maintenance of assets.

Tree Management

Council has been actively involved in planting thousands of trees each year for over 20 years. The benefits to the local environment cannot be questioned, however, with the ever increasing number of trees they need to be managed as an asset requiring appropriate planning, maintenance and replacement if required.

Many of the street trees planted 20-30 years ago, have reached the limit of their effectual life. An example of this is the Eucalyptus nicholli. This tree was planted extensively across Sydney during the 1970's and 1980's including several areas of the Penrith Local Government Area. This native Eucalypt is an attractive street tree for a short period, however, it becomes a major maintenance problem as it ages and eventually requires removal.

As mentioned previously, the prolonged dry weather has caused a large number of trees to die. Consequently, there are currently in excess of 600 trees requiring removal or significant maintenance by the Parks Department's Tree Maintenance Crew.

A system to prioritise these trees has been instigated recently. Each tree is inspected and assessed again against a number of criteria relating to the risk imposed by the trees. Council staff investigated assessment systems in place in other councils but was unable to locate one

suiting to Penrith. The system recently developed by Council's Parks Staff has the full endorsement of the Risk Management Co-Ordinator and is now operating.

Conclusion

The review identified a number of areas in the parks operation that need to be examined. Some of the recommendations in the report are in progress and the remainder will be attended to over the next few months.

The review provided the opportunity to look at components of the parks operations in great detail. The impartial observations by an independent consultant offered valuable insight into a variety of functions in the Department.

It was pleasing to note from the consultant's report that there are some functions in the parks operation that were working well particularly the overall quality of work carried out in the city's open space areas.

The review highlighted the impact that additional open space over future years will have on the Parks operation. The review has also led to the staged implementation of maintenance schedules, which will result in quantifying the maintenance frequency for the various park types throughout the city.

RECOMMENDATION

That the information contained in the report, Review of Parks Management and Maintenance Practices be received.



Council's Operating Environment

3 The Service Specification Program - Overview and Progress 36/35 Part 3

Compiled by: Ken Lim, Organisational Development Coordinator

Authorised by: Helen Lowndes, Corporate Development Manager

Management Plan 4 Year Outcome: *Appropriate services are selected, based on their relevance to Council's customer requirements and benefit to the community.*

Critical Action: *Adopt 'best-practice' and measurable service specifications for all Council services.*

Purpose:

To provide an overview of the Service Specification program and inform Council of the progress since its establishment in 2001. In particular this report provides :

- *background to the program*
- *a brief explanation of what a service specification contains*
- *benefits of the program to the community and Council*
- *a description of the process to specify a Council service*
- *next steps in the program.*

The report recommends that the information be received.

Background

Council's current Strategic Plan, *Penrith City 2000+* identified 'Service Selection and Delivery' as a key issue to be addressed within the Operating Environment Master Program. Underlying the Longer Term Goal, that the organisation "*optimize the value of the services delivered from all available internal and external resources*", was the Four Year Outcome that "*appropriate services are selected, based upon their relevance to customer requirements and benefits to the community*".

In September 2001, Council embarked on the Service Specification Program to deliver this Four Year Outcome. In particular, this program was designed to accurately document and provide Council with a better understanding of its 60 services. This would then provide a framework for improved effectiveness by identifying areas where efficiencies could be made and a more accurate measure of resources needed to carry out Council's program. As such the program was intended to be a long-term change management process rather than just a documentation exercise.

Since the program's establishment, progress has occurred in three main areas as follows:

1. Program Launch and Communication Strategy

The program launch was successfully completed in September and October 2001 with the General Manager (and Acting GM on two occasions) meeting face-to-face with 535 staff members at 19 one-hour briefing sessions at the Civic Centre and at the depot. These sessions provided both information on this program and allowed the General Manager to discuss questions or issues raised by staff.

This launch was supported by consultative meetings with the unions at the outset of the program, meetings with a subgroup of the Joint Consultative Committee (JCC) and presentations at JCC meetings. Ongoing communication also occurred through

presentations at Managers' Meetings, articles in Council's staff newsletter "*Network*" and the establishment of a service specification e-mail address in August 2001. Progress of this program has also been reported to CMT on a regular basis.

2. Skills Training and Coaching Sessions

Delivery of the program is based upon the approach that skills required to create a service specification be transferred to staff through training sessions and coaching workshops. Training and support were provided by experienced consultants assisting Council staff to develop their own (pilot) specifications. The rationale was that by maximising the use of our staff and existing resources, a capacity to develop specifications in the future would be established providing greater understanding and ownership of the finished product.

Two rounds of training and coaching workshops were held with 94 staff (including directors, managers, supervisors, union and JCC representatives) completing the first round in March 2002 with a further 46 staff completing the next round in December 2002.

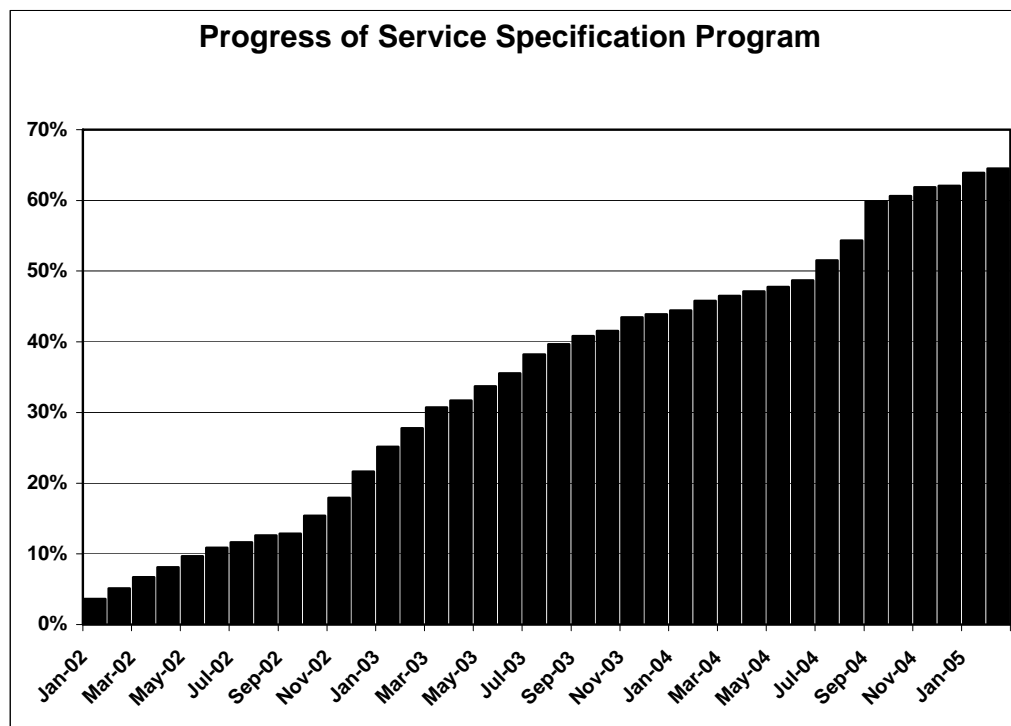
In addition Council agreed that, training also be provided to Councillors to equip them to assess and review draft service specifications. A special "Service Specification" workshop for Councillors was held and training manual provided on 28 November 2002. A number of Councillors attended the 1½ hour interactive workshop which focused on the general principles for services specifications, introducing the Penrith City Council model and assisting participants in understanding of the importance and power of the service specification as a tool for:

- understanding service quantity and quality
- understanding service costs,
- consulting and negotiating with the community on preferred service levels,
- prioritising and decision making on services
- quantitative performance reporting on service delivery
- answering questions on the specification process

3. Service Specification Development

Since the completion of the training and coaching program in March 2002, documentation for 16 services has been formally adopted by Council, a further 7 completed ready for Council's consideration and 21 drafted or at an advanced stage of completion. Specifications for the remaining services are all programmed for completion by the end of 2004/05.

Overall approximately 70% of the documentation process for all Council services has been achieved to February 2005, as indicated in the table below.



What is a Service Specification?

A service specification is a document and tool that enables a Council service to be accurately identified and described. It includes the scope of work performed, as well as the quality, quantity and costs involved in providing that service. In short, it specifies the level of service provided *at a point in time*. Under the Penrith City Council model, the service specification initially provides an account of what service levels are provided now as a basis for future service adjustments or requests for additional funding. (*More information about the Service Specification process is provided later in this report*).

This information provided by a service specification is important to the organisation, Councillors and the community. In particular, it allows Council to make informed decisions regarding the level of service to be provided taking account of community expectations and available resources to deliver that service when viewed across all Council's service areas.

Benefits of Service Specifications

Key benefits of this process include:

- ***Improved Customer Service***

The process of specifying a service necessitates a greater focus on Council's customers. Service users are more clearly identified and their requirements assessed. Service Specifications provide a baseline helping to identify gaps in customer preferences and service provided.

- ***Improved Level of Efficiency and Effectiveness in the Delivery of Services***

Service specifications provide Council and the community with greater certainty as to the scope and frequency that particular services will be provided. This will enable a more programmed longer-term approach to the delivery of services. For example, strategies determined for services (through the service specification process) might require an implementation plan to move to an increased or decreased level of service or service disengagement over time. This may include resource reallocations to Council's identified service priorities.

- ***More Informed Decision-making***

Service specifications provide a means by which the level of service provided and the cost of providing that service can be more accurately determined. This information will allow Council to make better informed decisions regarding the organisation's capacity to continue or to vary existing service levels or deliver proposed new services within the context of competing service priorities.

- ***Improved Staff Teamwork and Motivation***

The service specification process provides greater clarity of purpose, roles and responsibilities for staff contributing to the delivery of specific services. The process encourages teamwork and a service quality culture based around the continuous improvement of service delivery and work practices.

The Service Specification Process

Council's originally adopted program for specifying services involves seven (7) key stages and is illustrated in the flowchart in Appendix A to this report. This flowchart indicates that service specification development is intended to be a long-term change management process more than a documentation exercise. Within this program is a logical step-by-step process for developing a Service Specification. A flowchart illustrating this and brief explanation of each step is provided in Appendix B to this report.

In short, the service specification process can be split into two distinct stages. Stage 1 represents the "documentation" of Council Services and Stage 2 is the "review" of those initial specifications for service adjustments based upon customer research (which may include surveys, focus groups or benchmarking). Council's approach to customer research and guidelines on how to undertake customer research are provided in the Attachment to this report.

- ***Services Review Working Party***

Council previously resolved at its Policy Review Committee meeting on 24 February 2003 that completed draft service specifications will be reported directly to Council's Policy Review Committee for consideration and adoption. Where requests for additional information are made by Council or where further consideration is required resulting in a specific specification not being adopted at that meeting, then they are to be referred to Council's Services Review Working Party. Recommendations or other issues from the Services Review Working Party would then be reported to the next Ordinary or Policy Review Committee meeting.

- ***Streamlining the Service Specification Process***

To assist the completion of Council's Service Specification program, improvements have been made to the process of development, assessment and review. This has included opportunities for consolidating steps in the process where possible. In particular, combining the documentation and review process to eliminate unproductive waiting time thereby reducing the number of sign-offs required, prior to presentation to Council.

Next Steps in the Service Specification Program

- ***Completing the Documentation Process***

It is estimated that the documentation for all 60 services would be completed by the end of the fourth quarter before the commencement of the next Strategic and Management Plans. This means that over the next 5 months approximately 25 service specifications will be brought to Council for assessment and review. To assist this work additional resources have been provided to identified key services to enable their completion.

- ***Service Specifications Incorporated into Budget Process***

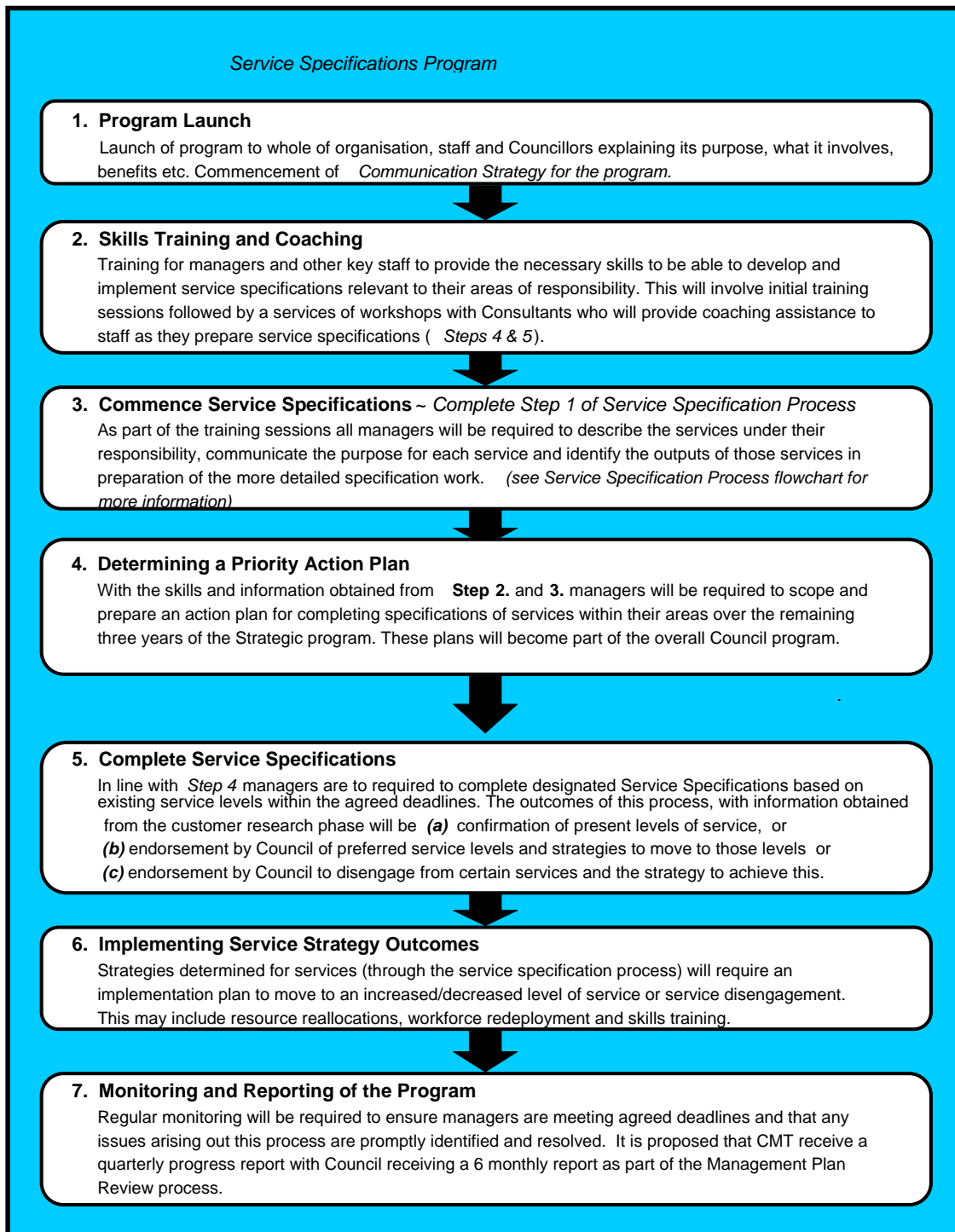
The review of each Service Specification will be incorporated into the annual Management Plan project/service evaluation and budget processes. This means that if a Manager requires more resources for any service, it must have already been documented, adopted by Council and appropriate customer research or benchmarking carried out in order to support that request.

RECOMMENDATION

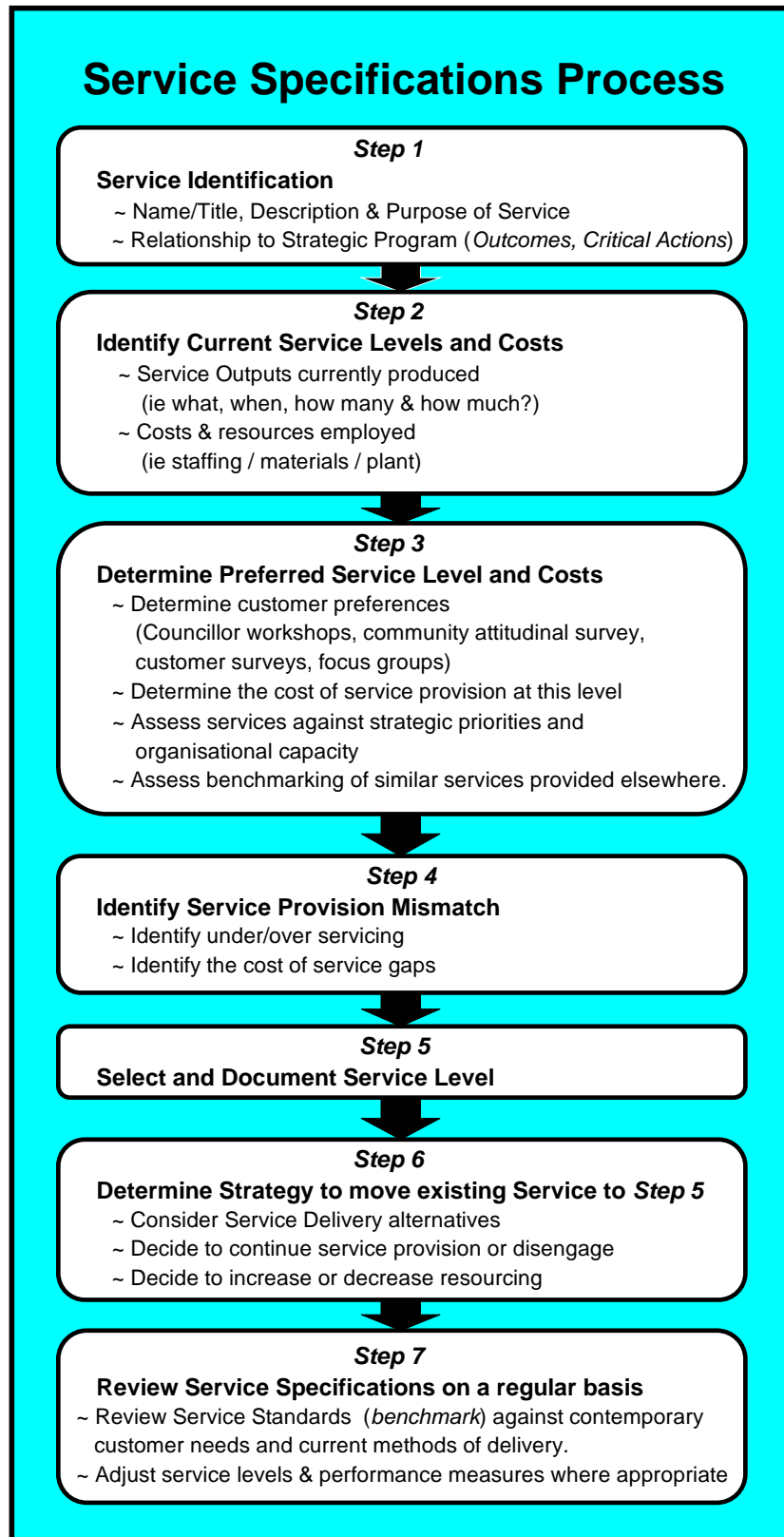
That the information contained in the report Service Specification Program - Overview and Progress be received.



Appendix A ~ Service Specification Program



Appendix B ~ Flowchart for Developing Service Specifications



Explanation of Flowchart

Step 1 & 2 : Service Identification and Identify Current Service Levels and Costs

The first two steps of this flowchart are at the heart of the Service Specification Program. The planning and execution of the program launch and staff training and coaching workshops has primarily been aimed at helping staff complete these two steps, that is the documentation of all of Council's 60 services **at current levels**. It is not about forecasting what we should provide. That is covered later.

These two steps, amongst other things, are about defining clearly exactly what a service provides (outputs) and at what cost (and resources employed) right now.

This two steps represent the bulk of the work required in the program.

Step 3 : Determination of a Preferred Service Level and Costs

This step is crucial in determining continuing service relevance and provides the rationale for future resource adjustments, realignment of business priorities and consideration of alternative service delivery processes or methods. According to the previous flowchart, Step 3 consists of four important considerations in the determination of a preferred service level and costs :-

i. Determine Customer Preferences

Once a service has been documented and customers identified it is not sufficient to assume that the service currently provides what customers want or need. Determining customer preferences by obtaining feedback through customer research and analysing that data is crucial to understanding what changes a service needs to make, if any. Customer research obtained through customer surveys, focus groups, benchmarking and other research techniques can all be used to build a case for service adjustment.

ii. Determine the Cost of Service Provision at Preferred Service Level

It is important to ensure that preferred options derived from customer research are accurately costed. Based on the research finding (and trade-off analysis work, if applicable) it should not only be easier to cost these changes but also identify the cost of service gaps especially if the preferred option is a request for an increase or decrease in resourcing.

iii. Assess Services against Strategic Priorities and Organisational Capacity

These higher level organisation-wide considerations must always sit behind any justification to adjust a service. Ideally an assessment of a single service adjustment against organisational priorities can only be carried out after the existing service levels of all Council services have been documented. However given the 3-year timeframe for the service specification program this approach is impractical. The approach taken is to determine the relative importance of individual services in their contribution to priority strategic outcomes as identified through the Strategic and Management Plan development processes. For example if waste minimisation and environmental protection were priority issues in the next 4 year Strategic Plan, concentrated effort and greater resources would need to be diverted into services which best achieved the relevant four year outcomes and critical actions. An examination of the service specifications and

customer research relating to specific services would provide justification for increasing resources in these areas.

iv. Benchmarking Against Similar Services

In most cases, an 'apples with apples' comparison of services provided by other organisations may not be found. However, if there is a match, benchmarking can be used to draw out some useful inferences. Improvements in Council services may be achieved by learning from other service providers who possess more efficient or effective means of service delivery. Organisations that outperform Council may have better technology or systems, more highly skilled staff, greater use of partnerships, or improved consultation/communication methods. If these 'better' practices can be identified managers are to include these in any recommended changes to the service.

Given the maturity of Council in this area, it is suggested that a staged approach to benchmarking be adopted. It is therefore recommended that, as a starting point, benchmarking of the service against itself over time, be carried out. Then by analysing trends over time, improvements in the performance of a single service can be more easily identified and problems highlighted requiring further attention. Ideally, benchmarking with other service providers should follow.

Step 4 : Identify Service Provision Mismatch

This step represents a crucial part of the review process and is a important prerequisite to Step 6 (*Determining a Movement Strategy*). **The identification of service gap costs and the investigation into actions required to bring a service to a preferred level represents the *service provision mismatch*.** Identification of under or over servicing can be more apparent by comparing what customers actually want from the service and what Council currently provides in the various parts of the service, through the customer research. Any analysis of a service gap must include :-

- the financial cost of the service gap
- the delivery methods available to meet this service gap
- proposed sources of funding available to pay for the suggested delivery methods
- why service adjustments are required (or consequences for no action taken) and
- recommended actions

Important considerations for solutions begin here. The impact of recommended actions may result in significant changes to a service depending on the magnitude of mismatch. Important questions that need to be considered include :

- Whether the current fee structure (rationale and justification for the method of charging customers) is still relevant.
- How many different sources of revenues are realistically available
- Whether trade-offs within a service or against another services provided by Council can be achieved.
- The limitations placed upon Council by State and Commonwealth legislation or existing Council policies.
- The consequences of any of the above changes on the customers, the staff, on other services or Council's image.

The next crucial step following the identification of a service provision mismatch is the development of strategy to move the organisation to that preferred level.

Step 5 : Select and Document Service Level

This step is reasonably self explanatory and in essence documents the results of Step 4 for presentation to Council (ie Policy Review Committee Meeting).

Step 6 : Determine a Movement Strategy

In addition to a Step 5, the report to Council must also outline a **movement strategy** for bringing an existing service to a preferred level of service. A movement strategy should include :

- a clear delivery option
- a designated funding source which may also include changes to existing fee structures
- an achievable timetable for implementation within resource limitations (highlighting milestones for completion)
- a communication strategy outlining the consultation process with staff and customers
- A means for measuring the success of the movement.

Any strategy should also outline :

- The *impact* on other Council services
- The *short and long-term benefits of a delivery and resourcing option*
- The *capacity of the organisation* to implement the recommended changes
- The *ability of the organisation* to implement the recommended change management processes to bring about effective and lasting cultural change.

Council Consideration

It will be necessary to report the preferred service level, the resourcing implications, recommendations to achieve this and the movement strategy to Council.

After Council has agreed on an adopted position then changes will be implemented through the regular Management Plan and budget adjustment process. The changes will be reflected in a new specification and all parties affected must be consulted as to the changes to be implemented.

Council's Operating Environment

4 Service Specification Program - Service Documentation

36/35 part 3

Compiled by: Eric Shen, Service Specification Officer

Authorised by: Helen Lowndes, Corporate Development Manager

Management Plan 4 Year Outcome: *Appropriate services are selected, based on their relevance to Council's customer requirements and benefit to the community.*
Critical Action: *Adopt 'best-practice' and measurable service specifications for all Council services.*

Purpose:

To present for Council's consideration the service specifications for Animal Control, Economic Development and Internal Audit.

This report recommends the service specifications be received and adopted by Council.

Given the size of the documentation prepared for each service specification, hardcopies have been provided to Councillors under a separate folder.

Background

The aim of the assessment and review process is to ensure that each draft specification accurately communicates the existing levels of service and activities that the service is meant to provide in terms of quantity, quality and cost to Council. Subject to Council's approval the draft will become a fully adopted specification to be used as the basis for the next steps in the service specifications process.

Amended Assessment and Review Process

As adopted at the Policy Review Committee meeting on 24 February 2003, all completed draft service specifications will be reported directly to the Policy Review Committee for consideration and adoption. Where requests for additional information are made by Council or where further consideration is required resulting in a specific specification not being adopted at that meeting, then they will be referred to the Services Review Working Party.

At the Services Review Working Party meetings staff directly involved in the development of their service specification can address specific issues raised during earlier Policy Review Committee meetings. Recommendations or other issues from the Services Review Working Party would then be reported to the next Ordinary or Policy Review Committee meeting.

RECOMMENDATION

That :

1. The information contained in the report Service Specification Program – Service Documentation and accompanying Service Specifications for Animal Control, Economic Development and Internal Audit be received
2. The Service Specifications for Animal Control, Economic Development and Internal Audit be adopted.



Council's Operating Environment

5 Code of Conduct

754/8 Part 4

Compiled by: Glenn Schuil, Internal Auditor

Authorised by: Stephen Britten, Legal Officer

| |
|---|
| Management Plan 4 Year Outcome: <i>Effective corporate governance has been maintained.</i> |
|---|

| |
|---|
| Critical Action: <i>Conduct corporate governance development programs for Councillors, appropriate staff and external service providers.</i> |
|---|

Purpose:

To advise Councillors of the amendment to the Local Government Act 1993 by the Local Government Amendment (Discipline) Act 2004. The report recommends the adoption of a revised Code of Conduct.

Background

Under the Local Government Act 1993 all Councils must adopt a Code of Conduct. In the past, Councils have had the option of developing their own Code of Conduct, or to adopt the Model Code of Conduct that the Department of Local Government issued to all Councils. Additionally, under section 440 (3) of the Local Government Act, "A council must, within 12 months after each ordinary election, review its code of conduct and make such changes to it as it considers appropriate".

The Council in recent years has undertaken extensive exercises with Councillors and staff to attempt to define the ethics, values, standards and principles of the Organisation. Since the early 1990's Penrith City Council has continued to develop and enhance a Code of Conduct that is easy to understand for all readers. The Council's current Code of Conduct is small in size (4 pages), and yet is considered to be comprehensive in its content.

On 22 August 2004 a Report was prepared to Council advising Councillors of a proposal to amend the Council's Code of Conduct relating to dealings in land. Given that it was envisaged at the time that the amendment to the Local Government Act (incorporating the mandatory adoption of a prescribed Code of Conduct) was imminent, no further Reports were prepared for the Council in relation to this specific matter.

On 8 September 2004 a Report was submitted to the Council advising Councillors of the Draft Model Code of Conduct and Guidelines that the Department of Local Government (DLG) had prepared in consultation with a number of stakeholders. At that time, the DLG were requesting feedback from councils on the Draft Model Code of Conduct by 17 September 2004. On 16 September 2004 a letter was sent to the DLG consistent with the contents of the Report to the Council Meeting that the Council's staff were of the opinion that the proposed Code was too lengthy, and that consideration should be given to annexing some of the information to the discretionary Guidelines that was currently proposed for the Code.

Current Situation

The Local Government Amendment (Discipline) Act 2004 was assented to on 28 September 2004. The amending Act has been proclaimed and commenced on 1 January 2005.

The Amending Act sets out the standards of behaviour that the community expects both in leadership positions and those working for councils. These standards are set out in a comprehensive Model Code of Conduct prescribed by the Local Government (Discipline) Regulation 2004. Notwithstanding the comments provided to the Department of Local Government, the Code that all councils are required to adopt is 30 pages in length, compared to the Council's current Code that is 4 pages. A copy of the Model Code is attached. It is proposed to deliver a Councillor development session for Councillors on the new Model Code of Conduct in the new future.

For the Councillor's information, some of the key amendments to the Local Government Act, as a result of the commencement of the Local Government (Discipline) Act 2004 on 1 January 2005 are as follows:-

- As a minimum, Councillors will be required to disclose the nature of any non-pecuniary interest in a matter that is before the Council.
- There is a requirement to establish a Conduct Committee consisting of the Mayor, the General Manager, and at least one independent person in order to ensure a fair and transparent review of the process of allegations of breaches of the Model Code of Conduct.
- There is now the ability for an individual Councillor to be suspended. A Councillor can be suspended on two grounds, disruptive behaviour or serious misbehaviour. This action may be initiated either by a request from a Council on the basis that grounds exist for suspending a Councillor; a Council Report provided to the Director – General of the DLG in response to his own request for a report in relation to a Councillor's alleged misbehaviour; or a report provided to the Director – General from the Independent Commission Against Corruption (ICAC) or the NSW Ombudsman that states that either ICAC or the Ombudsman is satisfied that grounds exist that warrant a Councillor's suspension. The Director – General may refer the more serious cases of Councillor misbehaviour to the Pecuniary Interest and Disciplinary Tribunal. It should be noted that a section has been included within the Act that gives the Director – General the discretion to recover from the Council reasonable expenses incurred in dealing with a referred misbehaviour matter.
- A provision has been included in the Local Government Act for a long time enabling a Departmental Representative (of the Director General of the DLG) to surcharge a person (Councillor or staff member) as a result of a loss incurred due to negligence or misconduct in appropriate cases. Until now, one requirement has been that the Departmental Representative needed to be satisfied that the person has been guilty of culpable negligence or misconduct. The LG Act has now been amended which removes the requirement that the negligence or misconduct be culpable. When the provision contained the word culpable one not only had to be negligent or found to be guilty of misconduct but there also had to be some recklessness about this or some deserving of blame. Now all that has to be shown is misconduct or negligence.
- The Act also includes a new provision that makes it clear that neither a Councillor nor a Council may direct a member of staff or delegate of a Council as to the exercise of any of the functions of the staff or delegate, including the preparation of any advice or recommendations. This is the function of the appointed General Manager.

In addition to the Code, the Department has issued Guidelines that provide optional better practice suggestions. The Guidelines are 45 pages in length. The Guidelines promote that Councils should have a range of policies including Occupational Health and Safety, Alcohol and Other Drugs and a Child Protection Code of Conduct, and it is suggested that these Codes should be incorporated within the Council's Code of Conduct. While the Council has already policies in place for these suggested policies, it is not recommended that these

policies should form part of the Council's adopted Code of Conduct. It is proposed that a summary of the key issues within the Code of Conduct will be developed and delivered to all staff after the Council has adopted the Code of Conduct.

The Guidelines also suggest that the Council's Code of Conduct "*should consider nominating a suitably qualified person, such as a solicitor or auditor, to provide objective advice to council officials on conflict of interest matters*". In this regard, the Council's current Code has concluding statements that "*If you are in any doubt, please contact your supervisor or manager. You can also phone the Corporate Governance Unit's help line on:- (02) 47 327659*". It is proposed that similar statements will be included within the proposed Code of Conduct.

As a result of the commencement of the Local Government (Discipline) Act 2004 Councillors should be mindful that either the ICAC, NSW Ombudsman and the Director General of the Department of Local Government retain the power to act on misbehaviour allegations including a breach of the Council's Code of Conduct regardless of any Council enquiries or findings.

In regards to the establishment of a Conduct Committee, it is suggested that the membership be comprised of the Mayor, the General Manager and one of Council's external Lawyers. As Mr Chris Drury has been the Council's independent adviser for a number of years it is considered that he is the most appropriate person to be the Council's independent person. In the event that Mr Drury is unavailable, it is suggested that one of Council's other external Legal advisers should fill the vacancy. It is proposed that the Council's Legal Officer and Internal Auditor will provide support to the Conduct Committee. If the conduct concerns the General Manager, the Mayor would nominate another officer to replace the General Manager on the Committee. In the circumstance that the conduct affects the Mayor, it is proposed that the Deputy Mayor should be appointed to the Committee. The Guidelines to the Code suggest that Councils should develop internal reporting procedures for dealing with allegations of breaches of the Code and for the operation of the Conduct Committee. It is proposed that these procedures be developed internally through the Council's Corporate Governance Unit, and then referred for adoption to the Council's Conduct Committee.

As Councillors may recall, a Report was submitted to the Council's Policy Review Meeting on 23 August 2004 that made comments about a paragraph within the Council's current Code of Conduct about "Dealings in Land". It is proposed, as was suggested in the previous Report dealing with this issue that the new adopted Model Code of Conduct include the following paragraph "*If you buy or sell property in the Penrith Local Government Area, other than your own home, you must notify the General Manager within a reasonable time after the transaction has been completed (settlement)*". When this matter was last put before the Council there was some discussion about when a person should notify that they have sold or purchased a property. It is suggested that the time to notify the transaction should be at settlement, as this then gives people certainty and a point in time for consistency for the disclosure. Some debate occurred around whether the point of notification should be the point of exchange or settlement. Council could require this notification at the point of exchange, however, exchange of contracts is often rushed and not as planned as settlement. Purchasers often leave exchange for their solicitors to work out. Purchasers often see settlement as a more certain point as they need to draw down or obtain the funds to purchase and receive the keys to the property etc.

RECOMMENDATION

That:

1. The information contained in the report on Council's Code of Conduct be received
2. The Council adopts the Model Code of Conduct as the Council's Code of Conduct, with the suggested amendments contained within this Report
3. A Conduct Committee be formed consisting of the Mayor, the General Manager and Council's external Legal adviser (as outlined in this Report).
4. An appropriate communications policy be developed and implemented.



Council's Operating Environment

6 Use of James Hardie Products

7004/32 Pt 2

Compiled by: Dianne Richards, Executive Services Officer

Authorised by: Glenn McCarthy, Executive Officer

Requested by: Councillor Garry Rumble

| |
|---|
| Management Plan 4 Year Outcome: <i>Effective corporate governance has been maintained.</i> |
|---|

| |
|--|
| Critical Action: <i>Undertake effective local government.</i> |
|--|

Purpose:

To provide information to Council regarding a request from James Hardie FRC Pipes for Council to provide a formal response on the use of James Hardie products. The report recommends Council maintain its ban on the purchase of James Hardie products until the legally binding Principal Agreement is signed.

Background

The Construction, Forestry, Mining & Energy Union (CFMEU) wrote to Council in August 2004 regarding the boycott of James Hardie products by NSW workers and consumers to assist in ensuring justice for the victims of asbestos related diseases.

James Hardie Industries Ltd was established in 1951 and until the mid 1980's was Australia's largest manufacturer of asbestos products (from brake linings to asbestos cement sheeting for houses). Some of these products have been found to cause asbestos-induced cancers such as Mesothelioma that may go undiagnosed until some 20 to 40 years after exposure to asbestos. Australia banned the mining of asbestos in 1966 and the domestic manufacture and sale of products using asbestos in the mid 1980s. While countries such as the United States, Australia and Europe have heavily restricted asbestos products, their use and manufacture remains significant in the Asia-Pacific region.

As a result of increasing compensation claims against the company, in February 2001 James Hardie Industries Ltd established a non-profit trust in Australia, the Medical Research and Compensation Foundation (the Foundation). This Foundation held \$US208 million dollars of assets to cover its liabilities for asbestos-induced diseases in Australia.

In December 2001 James Hardie Industries NV (JHINV) was created and James Hardie Industries Ltd moved its head office to the Netherlands.

In October 2002 requests from the Foundation for additional funding was rejected on the basis that "...the company has no legal basis for such a use of shareholders' money and is, in fact, constrained from doing so under the Corporations Act."

In February 2004 the New South Wales Government established a special Commission of Inquiry, the concern being that there would be a shortfall of over \$1.3 billion in valid claims with as many as 24,000 people forecast to contract asbestos-induced diseases over the next 50 years left without access to compensation.

As mentioned earlier in this report the CFMEU wrote to Council regarding the boycott of James Hardie products. The Unions' correspondence highlighted that the Council of the City of Sydney voted to ban James Hardie products for all new contracts.

On the 2 August 2004 the Council of the City of Sydney resolved the following:

- A. *Council condemn the actions of James Hardie Industries NV in the strongest possible terms for its attempts to avoiding funding ABN60 Pty Limited as proposed which would in turn provide funding for the legitimate claims of asbestos victims;*
- B. *Until such time as James Hardie complies with its funding proposal, the General Manager is asked to:*
 - (i) *request that all existing contractors working on City projects do not purchase or use James Hardie products;*
 - (ii) *require all new contractors not to use James Hardie products on City projects; and*
 - (iii) *direct City staff not to purchase any new James Hardie products, except where an existing City contract requires the use of James Hardie products, or there is no alternative product available.*

Due to widespread media coverage around a boycott of James Hardie products Council's Legal Officer sought legal advice as to Trade Practice Act implications of such a boycott as Council must not pursue any agreement or arrangement with any other person that would be in breach of the 'secondary boycott' provisions of the Trade Practices Act 1974. After considering the advice obtained from Council's Solicitors, Council's Legal Officer was of the view that action to request contractors and staff not to purchase or use James Hardie products would not be in breach of that legislation except in the case of existing contracts where such products have been specified in the contract.

The extent of direct purchases of products connected to James Hardie Industries was plastic pipe to the value of \$980.00 in November 2002 from the Hardie Iplex Division.

Council does not hold detailed records that would indicate the extent its contractors for maintenance and construction work purchase James Hardie Industries products. Council at that time had a number of contracts in place where it is possible a James Hardie product was specified in that contract. If Council were to specify a new product be used in existing contracts there could be significant cost penalties on the Council. The Trade Practices Act 1974 prevents Council from imposing a restriction on its contractors.

At the Ordinary Meeting of Council held on 16 August 2004 Council resolved not to purchase James Hardie products until the compensation of victims of asbestos related products manufactured by James Hardie Industries is resolved.

The Local Government Association of New South Wales (LGA) considered this matter at a meeting of the LGA Executive on Friday 6 August 2004 and resolved the following:

The Association:

1. Notes with alarm the evidence presented to the Special Inquiry into James Hardie that Hardie's compensation foundation, MRCF,

- established for victims of asbestos disease, is facing impending collapse due to the underfunding by the company of up to \$1.56B.
2. Commends those member councils who have taken the initiative to support the community campaign and have resolved to use alternative building and construction products to those manufactured by James Hardie.
 3. Encourages all member councils to only deal with companies who behave in an ethically and socially responsible way in the conduct of their business.
 4. Invites representatives of the Asbestos Diseases Foundation of Australia (ADFA) and the Construction, Forestry, Mining and Energy Union (CFMEU) to address the next Executive meeting on the campaign to ensure that victims of asbestos related diseases and their families are adequately compensated and that James Hardie meets its liability to victims as the producer of asbestos products.
 5. Writes to member councils advising of this resolution.

Current Situation

Mr Michael Wilson of James Hardie FRC Pipes has written to Council requesting a formal response on the use of James Hardie products within Council's jurisdiction. The correspondence provides information that James Hardie Industries NV (JHINV) signed a Heads of Agreement on 21 December 2004 with the Australian Council of Trade Unions (ACTU), Unions New South Wales, asbestos support groups and the New South Wales Government. The Heads of Agreement outlines the provision of long-term funding of asbestos related personal injury claims against former JHINV companies. It has an open ended funding commitment, no cap on payment to asbestos diseases sufferers, an up-front buffer payment of \$250 million, a minimum term of 40 years for the funding arrangement, and funding for education and research.

Local Government Association Position

Information from the Local Government Association (LGA) highlights the Heads of Agreement is an 'in principle' agreement and as such is not a legally binding document. However, it shows intent on the part of James Hardie Industries to fulfil its obligations for compensation in regards to the sufferers of asbestos diseases and their families.

The binding Principal Agreement is expected to be completed by June 2005 but will have to be voted on by shareholders before it can be accepted.

The LGA has resolved to write to James Hardie commending them on signing the Heads of Agreement, and advising James Hardie and other parties that the LGA looks forward to advice that the legally binding agreement is signed, and once signed, the LGA will write to all Councils suggesting that restrictions be eased on purchasing James Hardie products.

Conclusion

It would be prudent for Council to follow a similar protocol as the LGA in this matter and respond to Mr Michael Wilson, James Hardie FRC Pipes advising him once the legally binding agreement is signed Council will consider lifting restrictions on the use of James Hardie products.

Various questions have been asked as to other aspects of asbestos use and the use of Asbestos in Council buildings. That report is being prepared at the present time and is expected to be presented to Council in early March.

RECOMMENDATION

That:

1. The information contained in the report on the Use of James Hardie Products be received
2. Council write to James Hardie FRC Pipes commending James Hardie Industries NV on signing the Heads of Agreement and advise once the legally binding agreement is signed Council will consider lifting restrictions on the use of James Hardie products.



Council's Operating Environment

7 Financial Settings for the 2005-2006 Management Plan

36/47

Compiled by: Vicki O'Kelly, Financial Services Manager

Authorised by: Vicki O'Kelly, Financial Services Manager

| |
|--|
| <p>Management Plan 4 Year Outcome: <i>Maintain a sound financial position and liquidity.</i> Critical Action: <i>Ensure the timely provision of financial advice and information to support Council's decision making processes.</i></p> |
|--|

Purpose:

To provide Council with information on financial considerations for the 2005-2006 budget and the budget process. The report recommends that Council identify particular matters to be considered in the preparation of the Draft 2005-2006 Management Plan, and that preparation of the draft 2005-2006 Management Plan continue according to the terms discussed in this report.

Background

Each year Council is required, as part of the development of the Management Plan, to prepare a Budget for the upcoming financial year. Annual budgets are the financial mechanism used to confirm the allocation of resources needed to deliver Council's annual Management Plan: the annual instalments of Council's Strategic Program.

Council's established practice has been to use the current year's budget as a base for the following year's budget after removing non-recurrent projects and taking into consideration the decisions of Council during the year that have an impact on the new budget. Additionally this year, as it is the first year of a new year Strategic Plan, consideration must be given to identifying the resource requirements for implementation of Council's new strategy.

According to established practice, the initial or 'base budget' provided to Council and the organisation by Financial Services will include:

- Necessary provisions for the staff establishment, statutory and external commitments, with any identified adjustments
- Existing services assumed to remain at present levels
- Provisions such as works programs and project funding which reflect previous Council funding decisions and policy settings (for example, to continue or increase funding for the roads or footpath programs etc.).

The adjustment of existing services to the new Council strategy will require careful consideration and investigation over the coming year and beyond. This requirement is built into the Strategic Program in the *Leadership and Organisation Master Program (Issue 31 – Program Selection and Delivery and Issue 32 - Providing Capacity)*.

The ongoing consideration and refinement by Council of appropriate services and service levels will be underpinned by the Service Specification program, through which all services (at their present levels) are being documented in detail and will be brought into systematic assessment of the appropriate operational standards.

The budget is being refined to take into account known variations from the current year. The most significant of these are discussed later. Any assessment at this time must be highly qualified, as many variables cannot be forecast with accuracy just yet and as work is still continuing.

Financial Strategy and Revenue Policy

In accordance with Council policy, the initial budget is prepared on the basis of continuing existing service levels. Changes requested by Managers are reviewed to determine if the item is a required cost change or a service level change. Service level changes require a project evaluation bid and specific endorsement by Council. Cost changes, such as CPI increases or award increases associated with delivering the same program form part of the base.

The first draft of the 2005/06 budget is being established by taking this year's budget, removing one-off items, making adjustments to wages and other major items, and including any other changes policy required. Following this the draft budget will be circulated to Management for review and discussion. This will be focussed through the Master Program Teams of Directors and Managers as part of the Management Plan process discussed with Council at the February Councillor briefing.

Opportunities for Councillors to review the draft budget will be afforded at the Management Plan workshops planned for March 14 and April 11.

In order to prepare the next budget, it is proposed that the following process (similar to that utilised for the 2004-05 Management Plan) be followed:

1. Non-discretionary costs and charges will be estimated
2. Labour costs will be estimated. Continuation of the same extent of service provision will form the base to which Council directives for increased or amended service will be added, in order to determine costs.
3. Funding which has a particular purpose, such as grants or s94 contributions will be directed towards that purpose.
4. Established replacement and renewal programs will be continued in accordance with the relevant Council resolutions.
5. Rating and other general revenues will be estimated.
6. Fees will be calculated in accordance with existing principles, which link each individual fee to a particular pricing mechanism. Income will be estimated from the fee.
7. A first draft budget is developed. This draft then forms the starting point for Council to determine its budget.
8. Further analysis and discussion of any unallocated revenue will take place to consider potential new requirements from Council's strategy, project evaluation bids, major projects, organisation resourcing, debt management, Council reserves and available funds.

Further details outlining factors which are known today in respect of these steps follow:

1. Non-Discretionary Costs

a) Electricity Supply (General & Street Lighting).

There are 2 main streams of electricity supply:

- Major building sites
- Electricity supply for street lighting.

The current provider for major building sites and a major percentage of the minor sites is Energy Australia and the existing contract expires 30 June 2006. The existing contract rate is fixed until 30 June 2005. From 1 July 2005 a new rate will apply that will represent an average increase of 3%. There are also a number of other miscellaneous charges over and above the base rate for electricity and these are expected to increase slightly. Overall it has been recommended that the existing budgets should be increased by 4% or approximately \$26,000.

There are two main components of street lighting costs, supply of electricity (Engergex) and asset maintenance service charges (Integral Energy).

In relation to supply new rates took effect from 20 December 2004 representing a slight decrease (1.5%). It is envisaged that this component will remain unchanged for 2005/06 however an allowance needs to be made for an expansion of street lighting assets and the subsequent increase in usage.

The second component of Asset Maintenance and service charges represents the largest cost area for street lighting. Existing rates will increase by approximately 5% and will be affected by the level of expansion over 2005/06.

The net increase for street lighting is estimated to be \$67,600.

b) Loan Repayments

The cost of interest and of capital repayments will be estimated. (While most costs are locked in, a small proportion is subject to changes in interest rates.) Current estimate is \$3.7M of interest and \$6.5M of capital repayments.

Some loans are funded from sources outside the general fund budget. Repayments on the Whitewater loan for example, are funded by Penrith Whitewater Stadium.

Loan repayments funded from general funds are currently falling as the borrowing program over the past 10 years has been reduced. In accordance with Councils policy, half of the savings are being directed towards asset maintenance. In the 2002/03 and 2003/04 budgets Council brought forward part of these savings by reducing the Loan Sinking Fund (Reserve), which holds funds for years where loan repayments are unusually high due to large contracted capital repayments, by \$610,000 per year. This policy of bringing savings forward means that the savings have already been spent. The 2005-06 budget allocation of \$705,000 will complete the returns to sinking funds.

c) Telephone

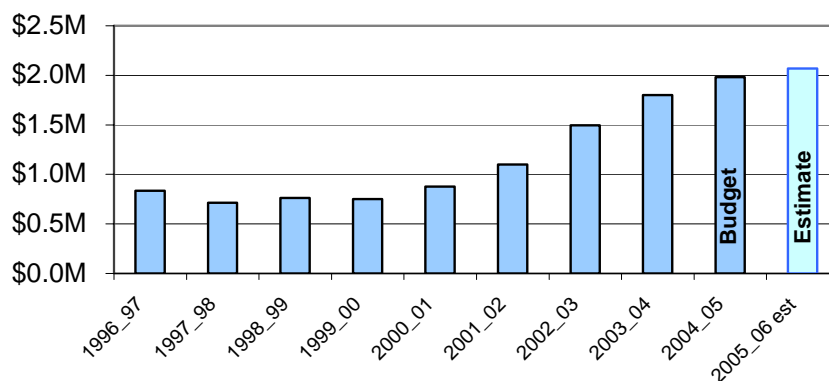
The existing land line rates will remain unchanged until 31 December 2005. It is expected that reductions may occur at this time.

A new agreement is now in place for mobile phones and will continue until 1 December 2005. Existing rates have been reduced by 35% which may be partly offset by heavier usage and an increase in the number of mobile phones. A 30% reduction in cost is predicted representing \$20,000.

d) Insurance Costs

The early indication is for a minimum cost increase of 10% for general insurance compared to the original 2004/05 budget. However, public liability and motor vehicle insurance are both predicted to decrease by up to 10% based on claims history.

ISR (including property), Motor Vehicle and Public Liability Insurance.



2. Labour Costs

a) Award increase

The current 2004 Local Government (State) Award provided for increases of 4% in 2004, and 3.5% in 2005 and 3% in 2006.

b) Salary System

The impact of the new salary system will be difficult to estimate until the system has been fully operational for a number of years. However, a provision of 2% (the same as 2004-05) will be included in 2005/06 for staff progression through the salary system.

The new salary system provide staff the opportunity to advance through the salary system by a skills and knowledge assessment:

- 287 staff have already progressed through the system
- 106 applications for assessment are currently in progress.

c) Termination Payments

Councils ELE reserve is used to fund unusual changes in termination payments each year. The number of staff who might leave is difficult to predict and the budget each year includes funding for average levels of retirements. Council policy is to maintain, over a three year period, a minimum 20% of the theoretical cost of all staff leaving. The reserve currently sits at 23.1% of liabilities.

d) Superannuation

The minimum level of superannuation for employees who are not members of the LGSS defined benefit scheme will continue to be 9% of wages.

In 2000 the Local Government Superannuation Scheme (LGSS) announced that it had \$800 million in reserve funds and that the required contribution from member Councils in the defined benefits scheme would be waived from 1 November 2000 for an ongoing indefinite period. Indications from the LGSS are that the contribution "holiday" is likely to cease from 30 June 2005.

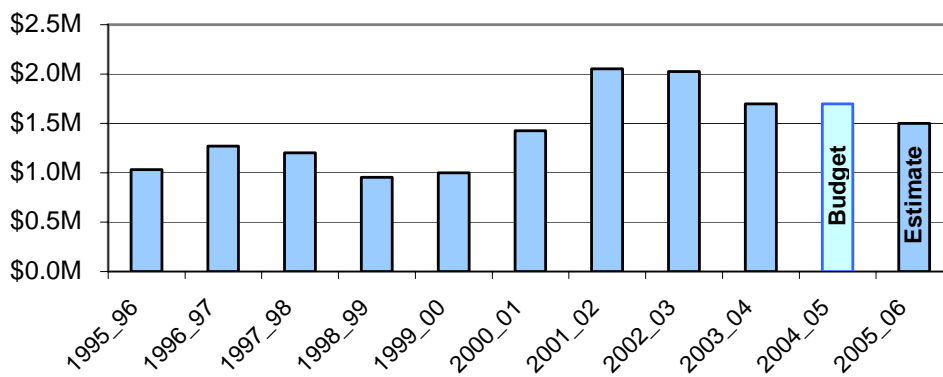
Council directed the superannuation savings for the 2000/01 financial year be allocated to the Salary Administration Reserve for Salaries and Salary Administration, the Salary System Training and Development Reserve and to the Asset Construction Reserve. Since that time the savings have been included in the general revenue base available to fund existing programs and to accomplish additional priority programs.

The re-instatement of the superannuation contribution for staff in the defined benefits scheme impacts the budget by approximately \$2.1m (assuming a contribution of 1.9 times the member contribution and 2.5% of the base salary). Some forewarning of the re-instatement was given so in the final review of the 2003/04 financial results an amount of \$357,000 was transferred to reserve to assist in accommodating the Superannuation contribution. The inclusion of approximately \$2.0m in additional costs in the base budget after allowing for all the known variables means that, according to established approaches, it is likely there will be limited funds, if any, available for the project evaluation phase of the budget unless programs with discretionary funding are reduced or other savings are found.

Further assessment and analysis of existing commitments is being undertaken by the organisation to identify any areas from which resources may be made available to offset this increase.

e) Workers Compensation

Workers Compensation premiums increase and decrease significantly with claims history. Recent history also shows a significant growth in the premium independent of claims patterns. Estimates are usually made as late as possible so that the impact of any changes in claims can be factored in. At this point a decrease over the current year estimate is expected as shown below.



Workers Compensation Insurance Costs

3. Specific Purpose Funding

a) Developer Contributions and s94

S94 of the Environmental Planning and Assessment Act allows Council to require a contribution if the subject of a development application or of an application for a complying development certificate, is likely to require the provision of, or increase the demand for, public amenities and public services.

In order to obtain s94 contributions Council must first prepare a plan detailing the additional infrastructure that will be required. The developers can then be levied.

Council has little control over when the income is received, as it is linked to developers' actions. Council does control the timing of the expenditures but is restricted in scope to the items in the plan. Both the income and the expenditure must be estimated in the budget.

b) Domestic Waste

The Domestic Waste function is required to be self-funding. In prior years this has meant that waste charges have been set by Council to cover the costs of garbage, sullage (effluent), recycling, and the rehabilitation of Gips Street Tip.

In the 2004/05 Management Plan the costs associated with the subsidy for pumpout sullage collection were no longer able to be considered part of the domestic waste management charge due to a change to the Local government Act. Subsidies of approximately \$0.6M per annum had previously been factored into Domestic Waste charges to make the service affordable, equitable and to discourage the illegal dumping of sullage. A general rate increase was applied for to cover the removal of the subsidy from the Domestic Waste Reserve and therefore there was no effect on Council's 2004/05 budget. This increase is now incorporated in the general rate base. Further details of the treatment of this issue are addressed in (d) below.

Sullage, extra recycling bins and the 140L bin charges are set below full cost recovery in order to encourage environmentally sound practices. The standard 240L bin fee will be calculated to raise sufficient funds to cover all annual costs and make some contribution towards funding of future waste technologies.

c) 2002-03 Special Rate Rise

Funding for programs specified in the application for special rate rise in 2002/03 is proposed to be set at the same amount for last year, increased by the percentage allowed to Council for its notional yield. That is, the same Ministerial Rate Increase (inflation adjustment) as applies to normal rates. As required by the rate rise submission, other funding for these items will, at a minimum, remain at the current level.

The Enhanced Environmental Program; the Community Safety and Neighbourhood Renewal Program; and the Economic Development Programs are therefore all proposed to have slight increases.

d) 2004/05 Special Rate Variation

The charge to residents that use Council's sullage removal service was subsidised by the domestic waste management charge paid by all residential ratepayers. A change to the Local Government Act prevented Council from continuing this practice in 2004/05.

Billing residents through the Domestic Waste Management Charge allowed Council to subsidise the cost of the service so that the charge to the resident was affordable.

The previous Council considered a number of options and to continue the current subsidy in the slightly amended form of a special rate increase and corresponding reduction in the domestic waste management charge was considered the most desirable. Consequently a special rate variation was applied for and was granted by the Minister.

Funding for sullage services specified in the application for the special rate rise in 2004/05 will be increased by the percentage allowed to Council in its notional yield for 2005/06.

4. Replacement and Renewal Programs

Council currently has a number of continuing multi-year programs in place. These programs include:

- Routine plant and vehicle replacement
- Buildings asset renewal
- Roads program (It should be noted that Council has obligations for minimum spending pursuant to grant conditions)
- Drainage
- Footpath program
- City beautification program
- Environmental planning studies
- Computer replacement program
- Parks improvement program (mainly s94 funded)

Further details of proposed programs will be included in the Management Plan workshops.

5. Rating Revenue

The State Government controls the total rate revenue of Council. Council may decide how this total is shared between business, residential and rural sectors and may also reduce the total rate revenue.

While it is an oversimplification, the maximum rate revenue is essentially calculated by:

- a) Taking last year's revenue and adding an inflation adjustment announced by the Minister
- b) Adding rates on new properties created by subdivision and on new strata-titles.

Council may request the Minister to allow an increase in the above amount and did so for 2004/05 for the continuation of the sullage subsidy.

Ministerial Rate increases have generally been below the increase in wages that occur most years. As a consequence, Council has needed to find additional revenue or cost savings each year in order to continue to provide the same services it has in prior years.

In some years, increased revenue from a growing population has been utilised while cost savings have also played a major part.

6. Fees and Charges

a) General Policy

Section 404 of the Local Government Act lists a number of requirements for the draft management plan. The plan must include “a statement of the types of fees proposed to be charged by the council and the amounts of each such fee” and “a statement of the council's pricing policy with respect to the goods and services provided by it”. The draft fees and charges volume of the management plan will comply with this requirement by showing each fee and the price structure beside each fee or group of fees.

The pricing structures currently used are:

| | |
|--------------------------------------|---|
| <i>Rate of Return Pricing</i> | Recovers all costs plus a margin. This margin may be considered to compensate for lost interest income. (If the assets were sold the proceeds could be invested to earn interest.) |
| <i>Full cost Recovery</i> | All costs are recovered including those of support services. This means that information technology, finance and insurance, administration, payroll, building and accommodation, personnel and other support costs must first be allocated to the activities they support. |
| <i>Direct Cost Recovery</i> | Only those costs that relate directly to the activity are included. Where a cost is directly related to the staff working on this function (e.g. entitlement to leave) it is charged. Where a decision on how to allocate would be required (e.g. a share of the cost of payroll processing), no cost is charged. |
| <i>Subsidised</i> | The fee or charge is not sufficient to cover all the costs of the service. |

As well as these costs based pricing categories, Council also uses two other pricing systems:

| | |
|---------------------------------|---|
| <i>Reference Pricing</i> | The fee has been set primarily based on market conditions or equity rather than analysis of costs. The main inputs are the observed prices set by others. In most cases the “referenced” price is that being charged by other Councils. |
| <i>Statutory Pricing</i> | Legislation or other imposed systems set the prices. |

Managers are currently reviewing the fees and will recommend revised fees for their area of operation.

When a fee is originally set, and when a full review is conducted, the following issues are examined:

- The Cost of the service or operation
- Laws and regulations which require particular outcomes or certain issues to be included / excluded (e.g. Activities classified as business activities under National Competition Policy are subject to detailed policies)
- Other revenues intended to fund the service
- Ability of the persons / groups to pay
- Benefit to the community of providing the service and social factors, which suggest a subsidy should be provided
- Prices charged/likely to be charged by others providing similar services including pricing mechanisms (That is, by asking questions like: is the fee normally a flat fee or fee per hour/unit? Is a minimum appropriate? Will the item be available only in fixed amounts?).

Subsequent reviews are conducted as part of the annual Management Plan process to ensure that the original intent adopted by Council is maintained. Annual reviews may be as simple as applying an appropriate index or may extend to a full costing or community benefit exercise. The extent of the review is determined by the degree of change that has occurred. As the method of providing the service will usually be the same, the fee applicable will normally increase a small amount to reflect the impact of inflation (or wage rises) on the cost of providing the service. The level of subsidy will remain for those services that are subsidised.

b) Statutory Fees and Charges

Some fees charged by Council are subject to direction through regulations and other state government controls. Information from the various controlling authorities will be requested however information is generally not available at this time.

The Local Government Amendment (National Competition Policy Review) Act 2003 amended the way in which Councils set their fees. The changes appear to be attempting to permit Councils to amend fees for business activities during the year. All other fees are required to be set following public exhibition in the management plan. The definition of "Business Activity" for the purpose of setting fees is different to the general definition and appears to exclude all of Penrith's Business Activities.

7. Financial Assistance Grant

A significant part of Council's annual revenue (\$8.6m in 2004-05) is derived from the Financial Assistance grant from the federal Government. This grant has two components, a general component and a roads component. The calculation of the grant is an extremely complex exercise and Council has no control over many of the factors. As it is an allocation of a pool of funds the impacts of social and economic factors in other areas of the state will have an impact on the amount available for Penrith. As a consequence of the 2004-05 allocation only a marginal increase has been factored into this year's draft budget.

The New South Wales Grants Commission visited Penrith in November 2004 to discuss the allocation process and also provided Council with the opportunity to make representations. The outcome of these submissions is unknown at this stage.

The Financial Assistance Grant (FAG) allocated this year was \$207,000 less than estimated during the budget process. At the time of preparing the budget it was expected that the increase in the grant would be minimal and an increase of only 1.2% was factored in. When the grant was announced in August the result was actually a 0.9% decrease on the previous year. The roads component of the grant was an additional \$31,000, which according to Council policy, is added to the roads budget.

8. Borrowings

Council's previous five-year borrowing program ended in 2004/05. The five-year program targeted a borrowing level of \$2.8m through to 2004/05. The program was part of Council's debt reduction strategy. A continuation of this level of general purpose borrowing is proposed for 2005/06. It should be noted however, that ministerial approval is required for all loans.

Council has responded to a number of expressions of interest from government to provide office accommodation. If these submissions are successful they will require increased borrowings however loan repayments would be funded from the rental streams generated.

Borrowing levels for the past few years are shown in the following table. The additional projects (above the borrowing targeted by the debt reduction policy) have been included in accordance with a practice of using additional loan funds only where there is a positive net cash flow achieved. The figures do not include any refinancing of existing loans (and this practice does occur periodically when contractual arrangements and interest rate differentials make it advantageous).

New Money Borrowings

| | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Base Borrowings | \$3.7m | \$3.3m | \$3.2m | \$2.8m | \$2.8m | \$2.8m | \$2.8m | \$2.8m |
| Domestic Waste | | | | | | | | |
| Whitewater | \$1.5m | | | | | | | |
| Hydro-therapy | | \$0.8m | | \$0.6m | | | | |
| JSPAC | | | | | | \$2.3m | \$0.8m | |
| Com. Arts Precinct | | | | | | | \$1.0m | |
| Total | \$5.2m | \$4.1m | \$3.2m | \$3.4m | \$2.8m | \$5.1m | \$4.6m | \$2.8m |

Long Term Model

Recently Council purchased specialist software for Long Term Modelling and Budget preparation and management. This software is now nearing the completion of an extensive configuration and testing phase. The 2005-2006 budget is being produced both within Finance 1 and the long-term model on a parallel basis. In the future the use of the model

Mondelio will allow extensive scenario modelling and provide enhanced information for decision making.

A presentation of the system's capabilities will be made to the April Management Plan Workshop.

Review of existing policy

In the initial year of a four-year strategic Plan and with the economic constraints that exist it is important that past policy is tested against the new strategy and adapted where applicable. An innovative and comprehensive approach to identification of additional revenue sources is also essential to enable Council to achieve the desired outcomes of the Strategic Plan. Examination of these requirements has commenced, however as previously discussed with Council, the full results are not yet available.

Further Budget Considerations

The above details reflect the procedural aspects of preparing the budget based on existing practice. These items are intended to create the base position from which Councillor input is required in order to prepare a budget that accords with Council's priorities. The issues that are proposed to be addressed at the Management Plan Workshops in April are:

- Analysis of reserves which will indicate proposed programs and/or excess capacity to fund from reserves.
- Major projects and their funding requirements.
- Rating Policy which determines the relative share that will be contributed by Residential, Commercial and Rural properties.
- Draft Fees and Charges
- Long term financial projections

The Management Plan preparation process should proceed on the above criteria. This will allow draft documents to be created which facilitate decisions on Council's capacity to provide its diverse range of services, address its existing and new priorities for the city and on any trade-offs that may be needed.

Conclusion

If Council is in agreement with this broad approach then management will be well placed to continue development of the Management Plan. Identification of any particular issues Councillors want considered and assessed as the process unfolds would further assist that preparation.

As was previously discussed at the Councillor Briefing of 14 February 2005 the introduction of the new Strategic Plan coupled with the impact of the superannuation "holiday" reversal discussed above, will require a rigorous testing and questioning of 'established settings' against the new priorities which Council has adopted in the Strategic Plan.

RECOMMENDATION

That:

1. The information contained in the report on and Financial Settings for the 2005-2006 Management Plan be received
2. Council make initial identification of particular matters to be considered in the preparation of the Draft 2005-2006 Management Plan
3. Preparation of the Draft 2005-2006 Management Plan continue in the terms discussed in this report.

