

## SPECIAL MEETING OF COUNCIL

**Notice** is hereby given of a  
Special Meeting of Council to be held at  
Council Chamber, 15 Stead Street, Ballan on  
Wednesday 10 February 2016,  
commencing at 6:00 p.m.

### Members:

Cr. Allan Comrie (Mayor)	East Moorabool Ward
Cr. Paul Tatchell	Central Ward
Cr. David Edwards	East Moorabool Ward
Cr. John Spain	East Moorabool Ward
Cr. Tonia Dudzik	East Moorabool Ward
Cr. Tom Sullivan	West Moorabool Ward
Cr. Pat Toohey	Woodlands Ward

### Officers:

Mr. Rob Croxford	Chief Executive Officer
Mr. Phil Jeffrey	General Manager Infrastructure
Mr. Satwinder Sandhu	General Manager Growth and Development
Mr. Danny Colgan	General Manager Community Services

**Rob Croxford**  
**Chief Executive Officer**

## AGENDA

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**1. OPENING OF MEETING**

**2. ACKNOWLEDGEMENT TO COUNTRY**

**We respectfully acknowledge the traditional owners of this land, their spirits and ancestors.**

**3. PRESENT**

**4. APOLOGIES**

## 5. DISCLOSURE OF CONFLICT OF INTEREST

Under the Local Government Act (1989), the classification of the type of interest giving rise to a conflict is; a direct interest; or an indirect interest (section 77A and 77B). The type of indirect interest specified under Section 78, 78A, 78B, 78C or 78D of the Local Government Act 1989 set out the requirements of a Councillor or member of a Special Committee to disclose any conflicts of interest that the Councillor or member of a Special Committee may have in a matter being or likely to be considered at a meeting of the Council or Committee.

Definitions of the class of the interest are:

- a direct interest
  - (section 77A, 77B)
- an indirect interest (see below)
  - indirect interest by close association (section 78)
  - indirect financial interest (section 78A)
  - indirect interest because of conflicting duty (section 78B)
  - indirect interest because of receipt of gift(s) (section 78C)
  - indirect interest through civil proceedings (section 78D)

### Time for Disclosure of Conflicts of Interest

In addition to the Council protocol relating to disclosure at the beginning of the meeting, section 79 of the Local Government Act 1989 (the Act) requires a Councillor to disclose the details, classification and the nature of the conflict of interest immediately at the beginning of the meeting and/or before consideration or discussion of the Item.

Section 79(6) of the Act states:

While the matter is being considered or any vote is taken in relation to the matter, the Councillor or member of a special committee must:

- (a) leave the room and notify the Mayor or the Chairperson of the special committee that he or she is doing so; and
- (b) remain outside the room and any gallery or other area in view of hearing of the room.

The Councillor is to be notified by the Mayor or Chairperson of the special committee that he or she may return to the room after consideration of the matter and all votes on the matter.

There are important reasons for requiring this disclosure immediately before the relevant matter is considered.

- Firstly, members of the public might only be in attendance for part of a meeting and should be able to see that all matters are considered in an appropriately transparent manner.
- Secondly, if conflicts of interest are not disclosed immediately before an item there is a risk that a Councillor who arrives late to a meeting may fail to disclose their conflict of interest and be in breach of the Act.

## 6. PRESENTATIONS / DEPUTATIONS

The Council has made provision in the business of the Special Meeting of the Council for the making of presentations or deputations to Council in relation to matters presented on the agenda for Council consideration.

Presentations or deputations are required to be conducted in accordance with the requirements contained within the **Presentation/Deputations Protocols and Procedural Guidelines**.

Persons wishing to make a presentation or deputation to the Council on a matter included in the agenda shall inform Council by 1pm on the Friday prior to the meeting by contacting the Chief Executive Officer's Office and registering their name and agenda item being spoken to.

At the meeting the Mayor will invite the persons wishing to make a presentation or delegation to address the Council on the agenda item.

The person making the presentation or deputation is to stand and address the Council on the item. No debate on the item is permitted between the person making the presentation or delegation and the Council.

A maximum of three minutes per presentation or delegation will be allocated. An extension of time may be granted at the discretion of the Mayor.

Councillors, through the Mayor, may ask the person making the presentation or delegation for clarification of matters presented.

The Mayor may direct that a member of the gallery ceases speaking if the above procedure is not followed.

**List of Persons making Presentations/Deputations other than in relation to a planning item listed on the agenda:**

**As listed.**

## 7. BUSINESS

### 7.1 Rate Cap Variation Options and Draft Community Engagement Plan

#### Introduction

File No.: 07/01/011  
Author: Rob Croxford  
Chief Executive: Rob Croxford

The purpose of this report is to recommend that the Council endorse three options for a rate cap variation application and a community engagement plan that will involve extensive engagement with the community on the rate cap options.

#### Background

The Council at a Special meeting held on the 20 January 2016 resolved:

- (i) that the CEO be authorised to advise the Essential Services Commission that Moorabool Shire Council intends to apply for a rate cap variation for the 2016/17 financial year; and
- (ii) that Officers present the Draft 2016/17 Annual Budget Timetable of Key Dates (**Attachment 7.1(a)**) for the forthcoming 2016/17 budget to a Special Meeting of Council on 10th February, 2016.

Following the Special Meeting, the Chief Executive Officer notified the Essential Services Commission (ESC) in writing of Council's intention to apply for a rate cap variation for the 2016/2017 financial year.

The ESC has published a guidance document which is intended to assist Victorian local governments in meeting their obligations under the Fair Go Rates System (FGRS). The guidance provides direction for local governments on how to apply for a higher cap.

The guidance document outlines the **six matters (criteria)** upon which an application for a higher cap will be assessed:

- (a) a proposed higher cap for each specified financial year; and
- (b) the reasons for which the Council seeks the higher cap; and
- (c) how the views of ratepayers and the community have been taken into account in proposing the higher cap; and
- (d) how the higher cap is an efficient use of Council resources and represents value for money; and
- (e) whether consideration has been given to reprioritising proposed expenditure and alternative funding options and why those options are not adequate; and
- (f) that the assumptions and proposals in the application are consistent with the Council's long term strategy and financial management policies set out in the Council's planning documents and annual budget.

The details of what council needs to address in relation to the six criteria including the evidence that it will need to provide is contained in **Attachment 7.1(b)**.

## Rate Cap Options

The Victorian Minister for Local Government has announced a cap on general rates for Victorian local government of 2.5% (CPI) for the 2016/17 financial year.

Working within the confines of the cap will present significant challenges for the way Council continues its business of delivering high quality services to its residents.

The Council has made significant progress in preparing for a rate capped environment by:

- Reducing operating costs,
- Reducing management costs,
- Reducing overhead costs,
- A program of ongoing Service Reviews,
- Sharing services with other organisations,
- A policy on special charge schemes for some capital works,
- Future consideration of the commercialisation of some aspects of operations,
- Continued use of Business Excellence as a model to drive continuous improvement and review,
- The introduction of an integrated planning tool and model for officers.

Despite these efforts to contain costs, under a rate cap of 2.5% Council is forecast to produce underlying losses over its 10-year financial plan. These losses will impact the level of service Council can afford to deliver in future years resulting in either cuts to services or a deterioration of our asset base.

Three options for the 2016/17 budget have been prepared, including 10 year forecasts under each option. It is recommended that the Council seek feedback from the community on the three options to inform Council's decision on the level of a rate cap variation sought for 2016/17 from the ESC.

## Community Engagement

The importance of engaging a representative sample of residents is identified in the Commission Reference Material on Community engagement that takes into account the characteristics of the community and aim to be as representative of the community's diversity as practicable.

While community engagement is fundamental to the legitimacy of the decisions of local government and crucial in informing decision making, the methods of community engagement that are deployed don't often lead to the results being regarded as **statistically** representative of the general community or target group/s.

To be able to confidently cite results as being representative requires a more robust and rigorous research based methodology along with broader community engagement activities.

For council to be confident that the results of its community engagement is representative of the communities of Moorabool it is proposed that the primary



means of engagement be undertaken through a statistically valid telephone survey complemented by other community engagement methods outlined in section 2 under proposal below.

## **Proposal**

### **1. Rate Cap Options**

The options prepared are:

- Option A – What Council can deliver under the Minister’s Rate Cap of 2.5% in Year 1**
- Option B – What Council can deliver if it had a rate increase of 4.15% for 2016/17 (inclusive of a 1.65% rate cap variation) in addition to a likely rate increase of 4.15% for a further 3 years.**
- Option C – What Council can deliver if it had a rate increase of 3.50% for 2016/17 (inclusive of a 1.00% rate cap variation) in addition to a likely rate increase of 3.50% for a further 3 years. This option is also based on other fees and charges increasing under a “user-pays” model to be cost reflective including indirect costs.**

Please note Options B and C are based on four years of rate cap variations. In 2016/17 Council can only apply for a one year variation so, Council will need to further consider an application for a further three year variation in 2017/18. The quantum of the variations sought for 2017/18 and beyond with further knowledge and a new Council will be re-evaluated prior to making a submission to the ESC.

Options B and C have been prepared to reverse and repair the impact underlying losses Council will have in the rate capped environment. These models propose the minimum level of rate and/or other charge increases necessary for Council to continue to provide current levels of services sustainably into the future. The key difference between these two models is that since other fees and charges are more cost reflective in Option C a lower rate increase is necessary.

Council may elect to vary the options to be put to the community for example, the user pays model could be applied to Option A.

### **Strategic Financial Plan - 10 year plan**

Strategic Financial Plans for each option have been prepared and are appended as **Attachment 7.1(c)**.

The Strategic financial plans prepared for each option have been prepared on the basis of known data or established benchmarks available from external sources. Some of the main parameters include;

1. Current and future CPI of 2.5% as per the DTF estimates
2. Population growth of 2.7% in 2016/17. Future years as per ID Forecast estimates
3. Wage increases as per EBA agreements.
4. Government grants revenue indexed at CPI (plus population growth where appropriate) or based on confirmed funding levels.
5. Non salary related expenditure indexed to CPI with allowances for known one off expenditures.

The modelling includes stringent budget control measures that will need to be implemented to ensure Council can operate in an economically sustainable fashion in a rate capped environment. To achieve these stringent targets Council will continue to focus on Continuous Improvement and Service Review processes outlined earlier in the report.

**Impact on Revenue**

The below table highlights the changes to council rate revenue under each option:

	Option A	Option B	Option C
Average Rate Rise 2016/17	2.50%	4.15%	3.5%
Likely Average Rate Rise 2017/18-2019/20	2.50%	4.15%	3.5%
Anticipated Average Rate Rise 2020/21 and beyond	2.50%	2.50%	2.50%
10 Year Projected rate Revenue	\$321.2M	\$339.7M	\$332.3M

Note: Options B and C are based on four years of rate cap variations. In 2016/17 Council can only apply for a one year variation so, Council will need to further consider an application for a further three year variation in 2017/18.

The below table shows how Council's other revenue sources will change under each option:

	Option A	Option B	Option C
<b>Fees &amp; Charges</b>	Increasing at 6%	Increasing at 6%	Accelerated increases to achieve full cost recovery*
<b>10 Year Projected Fees &amp; Charges Revenue</b>	\$30.6M	\$30.6M	\$32.9M
<b>Waste Management Charges</b>	Based on the direct cost of providing the service	Based on the direct cost of providing the service	Based on both the direct and indirect costs of providing the service
<b>10 Year Projected Waste Management Charges Revenue</b>	\$38.7M	\$38.7M	\$43.8M

\* Charges to potentially accelerate include: Transfer Station Fees, Animal Registrations, Food Registrations, and Septic Tank charges.

### Council's Financial Stability & Capital Program

The below table illustrates the impact of these options on Council's Financial Stability & Capital Program:

	Option A	Option B	Option C
<b>Council's Financial Stability</b>	\$12.1M losses predicted over 10 years	Breakeven position predicted over 10 years	Breakeven position predicted over 10 years
<b>Services</b>	Services will need to be reduced overtime to ensure financial stability	Council can maintain current services	Council can maintain current services
<b>Capital Program</b>			
<b>Council Contribution to Major Projects</b>	\$12.7M over 10 years	\$12.7M over 10 years	\$12.7M over 10 years
<b>New &amp; Upgrade Projects</b>	\$4.0M over 10 years	\$8.0M over 10 years	\$8.0M over 10 years
<b>Asset Renewal Program</b>	\$90.6M over 10 years	\$105.0M over 10 years	\$105.0M over 10 years

Note: the modelling above assumes Council's liquidity and loan borrowings program are the same under each option.

The graphs in **Attachment 7.1(d)** illustrates:

- Council's underlying results under the options proposed
- How Council will not be able to close the renewal gap under the rate cap

### 2016/17 Budget

The proposed rate and/or fee increases are largely geared to improving Council's long-term financial stability and maintaining services and infrastructure, they will of course have impacts on the 2016/17 budget. The below table indicates at a high level what the final 2016/17 budget may look like under these options. Subject to final Council approval post ESC and community consultation.

#### Operating Budget

The below table shows the overall operating budget under each of the three options:

	Option A \$ '000s	Option B \$ '000s	Option C \$ '000s
Recurrent Revenues	43,091	43,518	43,587
Recurrent Expenses	43,991	43,991	43,991
Underlying Deficit	-900	-473	-134

#### Capital Improvement Program

The below table shows the high-level 2016/17 Capital Improvement Program under each option

	Option A \$ '000s	Option B \$ '000s	Option C \$ '000s
Moorabool Major Projects	6,600	6,600	6,600
New Infrastructure Projects	400	800	800
Asset Renewal Program	7,704	7,704	7,704
Plant Replacement Program	1,772	1,772	1,772
<b>Total</b>	<b>16,476</b>	<b>16,876</b>	<b>16,876</b>

### Funding Sources

At a high level the 2016/17 Capital Improvement Program will be funded through the following sources.

	Option A \$ '000s	Option B \$ '000s	Option C \$ '000s
Cash from Operations	5,868	6,294	6,633
Reserves	2,353	2,353	2,353
Capital Grants & Developer Contributions	4,726	4,726	4,726
Proceeds from Sale of Assets	414	414	414
Loan Borrowings	3,115	3,090	2,750
<b>Total</b>	<b>16,476</b>	<b>16,876</b>	<b>16,876</b>

### What will this mean to the “average” ratepayer?

The below table indicates how the average residential ratepayer with a waste collection service may be impacted by the proposed options.

	Option A	Option B	Option C
Rates	\$1,514	\$1,539	\$1,529
Waste Service Delivery Charge	\$121	\$121	\$138
Waste Service Provision Charge	\$76	\$76	\$93
State Landfill Levy Charge	\$46	\$46	\$46
State Fire Services Levy	\$154	\$154	\$154
<b>Total</b>	<b>\$1,911</b>	<b>\$1,936</b>	<b>\$1,960</b>

The below table indicates how the average residential ratepayer without a waste collection service may be impacted by the proposed options.

	Option A	Option B	Option C
Rates	\$1,514	\$1,539	\$1,529
Waste Service Delivery Charge	\$0	\$0	\$0
Waste Service Provision Charge	\$76	\$76	\$93
State Landfill Levy Charge	\$46	\$46	\$46
State Fire Services Levy	\$154	\$154	\$154
<b>Total</b>	<b>\$1,790</b>	<b>\$1,815</b>	<b>\$1,822</b>

## 2. Community Engagement Plan

A community engagement plan has been prepared as contained in **Attachment 7.1(e)** which details the engagement methods to be used. The engagement plan includes a number of engagement methods of which a telephone survey will be the primary tool for engagement. In addition to the telephone survey a number of others methods for engagement set out below will be used including Council's current on-line engagement portal, Have Your Say.

- **Community Research - Telephone Survey**

It is proposed that a telephone survey of Moorabool residents be conducted as part of Council's community engagement to inform the preparation of Council's 2016/2017 budget and the Council Plan 2017-2021.

The survey will seek the views of the respondents on the options for a higher rate cap being considered by the Council.

It is proposed that 400 people be surveyed with quotas on gender, age and locality. A sample size of 400 provides a maximum sampling error of plus or minus 5.0% at 95% confidence. Therefore, the research findings from the telephone survey can be interpreted as not just the opinions of 400 residents, but as an accurate and robust measure of the entire community's attitudes.

A market or social research company would need to be commissioned to design the questionnaire and undertake the telephone survey and provide council with a report containing the results of the survey with analysis and interpretation. The survey questionnaire will be designed to enable a comparison over time if and when the survey is repeated.

- **Focus Groups**

It is proposed that the above group commissioned to undertake the telephone survey also be commissioned to undertake a small number of focus groups (2-3) representative of the broader community. The focus groups would be held following the administration of the telephone survey and be used to explore in depth the results of the survey.

- **Listening Posts**

Listening Posts on the Council's budget and proposed application for a higher rate cap will be held across the municipality at the following locations:

- Lerderderg Library and Ballan Library (coinciding with Story time and Rhyme time)
- Ballan Mechanics Institute Library Depot,
- Village Shopping Centre, Bacchus Marsh
- Bacchus Marsh Train Station
- Ballan Train Station
- Rural Library Locations . Dunnstown Recreation Reserve, Bungaree General Store, Gordon Hall, Blackwood Hall

Portable signage and banners will display information. Reply Paid Postcards will be distributed.

(Listening Posts are small drop-in style events that provides an opportunity for community members to be informed about Council's activities and input into new plans.)

- **Have Your Say – Council's On Line Engagement Portal**

Community members will be provided with information and the opportunity to provide feedback on their preferred options relating to proposal to seek a higher rate cap.

Community members will also be provided with the opportunity to lodge written submissions in relation to the proposal to seek a higher rate cap.

- **Participatory Budgeting – Have Your Say – Budget Allocator**

It is proposed that the budget allocator be noted as a method of engagement. However, given the other engagement methods, it is proposed that the council consider the use of the budget allocator next year.

(Participatory budgeting is a process for involving community members in setting priorities in the context of resource constraints, often through a working group format)

- **Communication Strategy**

In order to encourage a high response rate to the telephone survey and simultaneously inform the communities of Moorabool of Council's Budget, information will be provided to community members through the following:

- A letter from the Chief Executive Officer will be sent to all households; non-resident ratepayers and businesses with a brochure (**Attachment 7.1(f)**) providing information on Council's budget, proposed application for a higher rate cap and telephone survey, outlining the purpose of the survey and encouraging community members to participate should they be contacted. A reply paid postcard (**Attachment 7.1(g)**) will also be distributed with the letter to provide people with another opportunity to provide feedback.
- Information on the Council's Budget and proposed application for higher rate cap will be promoted in the Moorabool News; Moorabool Matters; posted on Council's website (dedicated portal); Have Your Say, Facebook Page and Twitter.
- Notification about the telephone survey will also be promoted in the Moorabool News; Moorabool Matters; posted on Council's website (dedicated portal); Have Your Say, Facebook Page and Twitter.
- Media Releases will be issued providing information on the Council's budget; application for a higher rate cap; and community engagement activities including the telephone survey.

A communications plan is being prepared to support the administration of the telephone survey and the provision of information. The communications plan

will also include a list of Frequently Asked Questions (FAQs) and community fact sheets.

### **Policy Implications**

The 2013 . 2017 Council Plan provides as follows:

#### **Key Result Area**

<b>Objective</b>	Sound, long term financial management
<b>Strategy</b>	Develop and maintain a long term financial planning, management and reporting system, which ensures resources to deliver services and manage Council's assets.

The proposal to seek a rate variation and undertaking community engagement is consistent with the 2013 . 2017 Council Plan.

### **Financial Implications**

Under a rate capped environment, there is a greater likelihood that council will experience some form of financial distress in the medium to long term. With rates capped at 2.5% annually, Council is forecast to generate accumulated underlying deficits in excess of \$12m over the next 10 years. As a result Council will need to reduce services over time and/or reduce the level of investment in Infrastructure in line with its reduced revenue generating capacity.

It is proposed that provision be made in the 2015/16 budget for over expenditure to undertake the telephone survey and focus groups (\$20,000) and printing and distribution of information (\$5,000), a total of \$25,000. There will also be indirect costs through the allocation of existing staff hours and resources.

### **Risk & Occupational Health & Safety Issues**

Based on Council rates being capped at 2.5% in 2016/17 and projected CPI for future years, Council will likely experience some form of financial distress in the medium to long term. If a rate cap variation is not approved, Council will need to re-assess its options following community engagement in achieving a balanced budget in to the future.



<b>Risk Identifier</b>	<b>Detail of Risk</b>	<b>Risk Rating</b>	<b>Control/s</b>
Financial . Rates Capped at CPI.	Increase risk of Council experiencing some form of financial distress in the medium to long term.	High	Seek a rate cap variation.  Cost control. Service reviews.  Fees & Charges increases. Shared services.  Planning tools.

### **Community Engagement Strategy**

A community engagement plan has been developed that will involve a range of activities that will seek the views of residents on the options for a higher rate cap being considered by the Council.

### **Victorian Charter of Human Rights and Responsibilities Act 2006**

In developing this report to Council, the officer considered whether the subject matter raised any human rights issues. In particular, whether the scope of any human right established by the Victorian Charter of Human Rights and Responsibilities is in any way limited, restricted or interfered with by the recommendations contained in the report. It is considered that the subject matter does not raise any human rights issues.

### **Officer's Declaration of Conflict of Interests**

Under section 80C of the Local Government Act 1989 (as amended), officers providing advice to Council must disclose any interests, including the type of interest.

*Author –Rob Croxford*

*In providing this advice to Council as the Author, I have no interests to disclose in this report.*

### **Conclusion**

The Victorian Minister for Local Government has announced a cap on general rates for Victorian local government of 2.5% (CPI) for the 2016/17 financial year.

Working within the confines of the cap will present significant challenges for the way Council continues its business of delivering high quality services to its residents.

Council has notified the ESC of its intention to submit an application for a higher rate cap. This report present three options for endorsement and engagement with the communities of Moorabool.

**Recommendation:**


**That the Council:**

1. **Endorses the following rate cap options for the purposes of community engagement:**
  - Option A – What Council can deliver under the Minister’s Rate Cap of 2.5% in Year 1**
  - Option B – What Council can deliver if it had a rate increase of 4.15% for 2016/17 (inclusive of a 1.65% rate cap variation) in addition to a likely rate increase of 4.15% for a further 3 years.**
  - Option C – What Council can deliver if it had a rate increase of 3.50% for 2016/17 (inclusive of a 1.00% rate cap variation) in addition to a likely rate increase of 3.50% for a further 3 years. This option is also based on other fees and charges increasing under a “user-pays” model to be cost reflective including indirect costs.**
2. **Endorses the Rate Cap Variation Community Engagement Plan; and;**
3. **Endorses an over budget expenditure of \$25,000 in 2015/2016 for the delivery of the community engagement activities**

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**Report Authorisation**

**Authorised by:**

**Name:** Rob Croxford   
**Title:** Chief Executive Officer  
**Date:** Friday, 5 February 2016.

# Attachment - Item 7.1(a)

**2016/17 Annual Budget Timetable of Key Dates - draft**

finalised  
 in progress  
 yet to occur  
 ESC deadlines and timeframes

Item	Agenda	From Date	To Date
ESC formally announces CAP	as per ESC proposed timelines	* December 2015	
Assembly of Council - <b>Budget Meeting 1 AOC</b>	Present Updated SFP, Present Draft Opex / Cashflow, New Initiatives, Waste Service Charges, Fees & Charges	Wednesday, 20 January 2016	Wednesday, 20 January 2016
Special Meeting of Council - <b>Budget Meeting 2 SMC</b>	Council resolve to seek a rate variation	Wednesday, 20 January 2016	Wednesday, 20 January 2016
Councils notify ESC of intention to seek a variation	as per ESC proposed timelines	Friday, 29 January 2016	
Special Meeting of Council - <b>Budget Meeting 3 SMC</b>	Council to review Rate Capping Community Engagement Strategy	Wednesday, 10 February 2016	Wednesday, 10 February 2016
Council undertake community consultation to support ESC rate variation process	As per Community Engagement Strategy	Monday, 15 February 2016	Monday, 14 March 2016
Special Meeting of Council - <b>Budget Meeting 4 SMC</b>	Council review result of Community consultation	Wednesday, 23 March 2016	Wednesday, 23 March 2016
Council applies for variation, submits baseline data (budget)	as per ESC proposed timelines	Thursday, 31 March 2016	
ESC assesses council variation applications	as per ESC proposed timelines	* March - May 2016	
Report deadline for Assembly of Council - Municipal Revaluation and Rating Strategy 2016/17		Friday, 29 April 2016	
<b>Assembly of Council - (Municipal Valuers presentation and review rate outcomes based on municipal revaluation ) AOC (Subject to final approval)</b>	Review the outcome of the 2016 municipal revaluation and the impact differential rating categories	Wednesday, 4 May 2016	
<b>Ordinary Meeting of Council - (Review draft Rating Strategy 2016/17 )</b>	Adopt proposed rating differentials for incorporation into the draft 2016/17 Budget	Wednesday, 4 May 2016	
ESC notifies councils of decisions	as per ESC proposed timelines	* May 2016	
<b>Special Meeting of Council - (Adopt Proposed Budget &amp; Fact Sheets) (subject to approval)</b>	Adopt Draft 2016/17 Budget, Budget Fact Sheets and PR Materials	Wednesday, 18 May 2016	
Statutory advertisement of Draft Budget and 28 day consultation period		Tuesday, 24 May 2016	to Tuesday, 21 June 2016
<b>SMC - Consideration of Submissions (prior to OMC) (subject to approval)</b>		Wednesday, 29 June 2016	
<b>OMC - Adoption of 2016/17 Annual Budget (subject to approval)</b>		Wednesday, 29 June 2016	
Adopted Budget to Minister		Thursday, 30 June 2016	

# Attachment - Item 7.1(b)

## **Attachment B – Criteria for Assessment of a Higher Rate Cap**

### **Criterion A – A proposed higher cap**

*An application must specify a proposed higher cap for each specified financial year*

The purpose of this criterion is to detail the magnitude of the rate increase being sought and the year(s) to which it will apply.

#### **General and Specific Expectations**

It is expected that councils can address this criterion by accurately completing the application cover sheet template and the Budget Baseline Information. These documents will capture:

- the size of the higher cap being sought, and
- the years for which the higher cap will apply (for 2016-17 this will be one year only).

The appropriateness of the size of the higher cap will ultimately be assessed by how well it is supported and substantiated by the responses to the remaining five criteria.

#### **Supporting evidence**

As per above, councils must provide the completed application cover sheet template and Budget Baseline Information.

### **Criterion B – Reasons for which the Council seeks the higher cap**

*The reason(s) for which the council seeks the higher cap*

The purpose of this criterion is to specify the underlying reasons for the application. This will provide the basis for the application, one which will be reflected throughout the application and supporting documentation. This criterion will help impart whether a higher cap is being sought to address, for example: a material change in financial circumstances, a change to the services provided by a council, to address particular infrastructure needs, to improve the long term financial sustainability of a council, or a combination of any of these.

#### **Guiding Principles**

The underlying principle guiding the Commission's consideration of this criterion is that:

- the reason(s) for the increased revenue being sought are consistent with the long-term funding requirements of the council.

#### **General and Specific Expectations**

The Commission expects that councils clearly articulate the need and quantify the amounts needed. It is expected that prior to seeking an application, the services and expenditures that formed the revenue requirements in the base year will have been prioritised within the revenue available under the rate cap. If a council identifies a particular service or expenditure that was previously funded in the base year as the reason for seeking a higher cap, the council is expected to demonstrate what has changed such that the service or expenditure can no longer be funded within the base revenue set by the average rate cap. It is not the Commission's role to determine council priorities.

While there are no specific reasons that automatically qualify for a higher cap, the Commission considers that most reasons put forward by a council would fall under one or more of the following categories.

- A material change in either revenue or costs that would lead to sustained underlying operating deficits, brought about by factors outside the control of the council that cannot be offset by internal savings, utilisation of alternative revenues, or a change in operations to minimise the impact in the short-term. Councils are expected to be able to manage one-off or non-material short-term variations in their liquidity within their day-to-day financial management. In circumstances where there are major increases in the long-term funding requirements of the council, they should be supported by clearly identified and quantified reasons.
- A new service or higher standard of service that the council has prioritised to provide without corresponding funding from other sources.
- An increased effort to address asset renewal requirements, consistent with the council's long-term strategy and asset management plans.
- To fund new infrastructure, prioritised on the basis of a council's plan and long-term strategy and the outcomes of engagement with the community. The funding requirements (and corresponding revenue needs) should be calculated on a whole-of-life project cost basis.

### **Multiple discrete projects or expenditures**

If a reason for applying for a higher cap is to fund multiple discrete projects or expenditures that could not be funded within the rate cap set by the Minister, councils should structure their applications in a form that clearly identifies the individual costs and incremental impact of each project or expenditure on the proposed higher cap.

### **Supporting evidence**

The Commission expects councils to provide documentation that supports the reasons articulated by the council and addresses the Commission's need for information. The documentation will need to provide evidence of how circumstances may have changed, or if there is an existing need such as a renewal backlog or a long-term operating deficit. This may include references to previous financial statements, long-term financial plans and Strategic Resource Plans, or asset management plans. The Budget Baseline Information provided will also form part of the evidence for demonstrating the underlying reasons.

### **Criterion C - Engagement**

*How the views of the ratepayers (community members) and the community have been taken into account in proposing the higher cap.*

The purpose of this criterion is to ensure that councils can demonstrate that they have considered the views of their community members in relation to a higher cap.

The principles that will guide the Commission's consideration of this criterion are the Commission's Key Engagement Principles which were developed for *A Blueprint for Change* and the *Best Value Principles on engagement*.

#### **KEY ENGAGEMENT PRINCIPLES**

Principle 1: The engagement program must contain clear, accessible and comprehensive information and follow a timely process to engender feedback from the community

Principle 2: The engagement program should be ongoing and tailored to community needs

Principle 3: The engagement program should prioritise matters of significance and impact

Principle 4: The engagement program should lead to communities becoming more informed about council decision making.

### **General and Specific Expectations**

The Commission is not prescribing how councils ought to engage with their community members and communities. Councils will need to show that they have taken a strategic approach to their engagement. That is, that community members understand that the higher cap represents good value for money, that trade-offs have been considered and that the decision to apply for a higher cap fits into the Council's long-term strategy.

In addressing criterion three, councils are expected to demonstrate:

- How, why, who, when and where community members and communities have been engaged;
- Councils will need to demonstrate that community members and communities have been informed and what level of involvement, if any, they have had in developing options to inform this process. This includes identifying and describing the details of the engagement processes and activities, why the selected methodologies were chosen and who was engaged in these processes and activities. What information, including options and trade-offs, were presented to community members and communities; Councils will also need to describe and demonstrate what information, including details of the options and trade-offs, was presented to community members and communities. How information is presented can be just as important as to what information is presented. It is important that information is presented to community members and communities in a way to ascertain their views.
- How the views of communities have been taken into account in seeking a higher cap. Councils will also need to show how community members and communities views have been represented in their application. This does not mean that the application must adhere to the views of all community members and communities; however, it must show that the council has taken these views into account.

Engagement undertaken by councils in relation to the FGRS should seek to inform the community about the options and trade-offs available and be representative of the community the council serves. As part of their application for a higher cap, councils should then be able to demonstrate how the outcomes of the engagement process have influenced councils's decision making process.

The Commission has developed further reference material that council may like to consider when planning and undertaking their engagement. This reference material is available on the Commission's website

The way in which councils decide to present this information to the Commission is not - prescribed but it is expected that for any engagement process there will have been an engagement plan in place before it commences. The Commission reference material outlines questions and outcomes that councils may like to consider in the development and delivery of their engagement plans.

### **Supporting evidence**

Appropriate supporting evidence may include documents setting out the council's engagement plans and processes; information about past engagement processes relevant to the reasons



for the application; evidence of assessing differing community members and communities views including any financial modelling of options; or, documents showing outcomes of engagement processes.

### **Criterion D – Value and Efficiency**

*How the higher cap is an efficient use of council resources and represents value for money.*

The purpose of this criterion is to ensure that in seeking to levy a higher rate from community members, councils can demonstrate that they have sufficient policies and processes in place (and have taken specific actions) to ensure that the additional revenue raised will be used efficiently and that the outcomes being pursued represent value for money for ratepayers. In many respects, this criterion represents a public demonstration of adherence to the Best Value Principles that councils are already obliged to meet in regards to service provision.

The principles guiding the Commission's consideration of this criterion are based in part on the Best Value Principles. It should be noted that in undertaking its assessment, the Commission considers that these principles apply to expenditures that councils may not traditionally classify as a service including capital works. Failure to apply these principles in other areas of council operations will ultimately impact on a council's capacity to deliver services and the value for money community get from the rates they pay.

### **BEST VALUE PRINCIPLES**

Section 208B of the Local Government Act 1989 states that:

The Best Value Principles are -

- (a) all services provided by a Council must meet the quality and costs standards required by section 208D;
- (b) subject to section 6(1)(c), all services provided by a Council must be responsive to the needs of its community;
- (c) each service provided by a Council must be accessible to those members of the community for whom the service is intended;
- (d) a Council must achieve continuous improvement in the provision of services for its community;
- (e) a Council must develop a program of regular consultation with its community in relation to the services it provides;
- (f) a Council must report regularly to its community on its achievements in relation to the Principles set out in paragraphs (a), (b), (c), (d) and (e).

### **General and Specific Expectations**

The application should show how any amount proposed to be recovered through a higher cap represents a good value option for achieving the desired outcome.

In addressing this criterion, the Commission expects that councils can demonstrate that they have sound processes and policies to ensure resources are used efficiently and that these processes and policies have been followed in determining the reason for a higher cap.

When proposing to fund the delivery of new or expanded services, or new infrastructure, the Commission expects to see business cases and/or cost-benefit analyses and consideration of

whole-of-life project costs. Councils should demonstrate the desired objectives and outcomes of the proposed changes to services or infrastructure and that alternative options for delivering those objectives and outcomes have been considered.

### **Supporting evidence**

This may include references to or descriptions of relevant sections of internal policies and processes for ensuring best value and efficiency and how they have been followed, such as: tendering or procurement policies; service reviews; internal efficiency initiatives; business cases; cost-benefit analyses (where appropriate); and assessment of alternative delivery options.

### **Criterion E – Trade-offs and Alternative Funding Options**

*What consideration has been given to reprioritising proposed expenditures and pursuing alternative funding options and why those funding options are not adequate.*

The purpose of this criterion is for councils to demonstrate that they have considered the prioritisation of services and different funding options before seeking a higher cap. This criterion requires councils to demonstrate that the decision-making that led to the application for a higher cap included consideration of other feasible options.

### **Guiding Principles**

The underlying principle that will guide the Commission's assessment of this criterion, and thus what councils should seek to demonstrate, is that:

- the council decision to apply for a higher cap is the most appropriate funding option to meet the stated reason.

### **General and Specific Expectations**

The Commission expects that councils will show how they came to prefer the option of raising additional revenue through a higher cap over other options, and the consideration of the trade-offs made in reaching this preference. When faced with any budget pressures, it is expected that councils might pursue one or more of the following strategies:

- scrutinising the full suite of their operations and planned investments for opportunities to deliver outcomes more efficiently
- re-examining whether the range of services and service standards delivered align with their community's highest priorities
- assessing the possibility and merits of alternative funding or financing options for different activities and investments, and
- considering increasing their revenues through higher rates and charges.

### **Supporting Evidence**

The application will need to demonstrate that the council has considered other suitable funding or financing options and the decision (and reasoning) reached in relation to considering those options. In demonstrating the preferred option, it is useful for councils to consider how a higher rate is in the long-term interests of community members and communities.

In response to this criterion, it may be appropriate for councils to provide, for example, information showing how the council has considered the possible reprioritisation of services and service planning and any associated offsets; community engagement showing community

service preferences; and evidence in asset management plans showing rationale for timing and whole-of-life project costs for capital works. Long-term financial plans, revenue and rating policies, and policies regarding the use of debt financing may also be provided. The Budget Baseline Information will also assist with providing evidence; in particular, how the revenue and expenditure profiles of services may have been or are likely to be impacted by service reviews and/or reprioritisation.

**Criterion F - assumptions and proposals in the application are consistent with the Council's long term strategy and financial management policies set out in the Council's planning documents and annual budget**

*That the assumptions and proposals in the application are consistent with those in the council's long-term strategy and financial management policies set out in the council's planning documents and annual budget.*

The purpose of this criterion is to show that the reason(s) for application are consistent with the council's long-term strategy and financial management plans, policies and other key planning documents. In assessing this criterion, the Commission will be guided by councils providing a clear summary of their relative starting positions, relevant policies and how the higher cap is linked with longer term strategies. This will assist the Commission to understand the financial position of the council and will help to frame and support the reason(s) identified for seeking a higher cap.

**Guiding Principles**

Two key principles will guide the Commission's assessment of this criterion, and thus what councils should seek to demonstrate, these are:

- the reasons identified for seeking a higher cap should be consistent with and supported by the council's key financial management and other strategic and planning documents, and
- in seeking a higher cap, councils should demonstrate that they have adhered to the principles of sound financial management, as stipulated under section 136 of the Act.

**General and Specific Expectations**

Through this criterion, the Commission expects the council to demonstrate that the reason for the application (and underlying need) is consistently represented in, and supported by, all of the council's relevant financial and planning policies and documentation.

The assumptions used by the council to quantify the reason (for example: future costs, demand trends, changing community needs, appropriateness of funding source, etc.) and the impact of the additional revenue should be consistent and transparent across all relevant planning documents. In undertaking its assessment, the Commission expects that the council has adhered to the principles of sound financial management and that this is reflected in the application and supporting documentation.

**Supporting Evidence**

Evidence councils may provide in addressing this criterion may include Council Plans, Strategic Resource Plans and long-term financial plans, annual budgets, asset management plans, and revenue and rating policies. The Budget Baseline Information will also provide supporting evidence against this criterion. Councils are expected to direct the Commission's attention to the relevant sections of the respective plans and policies in the application Statement.

# Attachment - Item 7.1(c)

**Option A - Strategic Financial Plan - 2016/17 to 2025/26**

		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
<b>SFP model outcomes</b>												
<b>Financial Sustainability Indicators</b>												
Underlying Result	> 0	9.6%	-3.1%	5.0%	7.3%	15.0%	12.2%	1.4%	-0.2%	-2.5%	-2.8%	
Liquidity	> 1.0	1.46	1.71	1.92	2.20	1.77	1.63	1.57	1.63	1.59	1.68	
Self-financing	> 20%	34.8%	26.5%	32.2%	33.8%	40.1%	38.2%	30.9%	30.5%	28.9%	28.4%	
Indebtedness	< 40%	48.9%	48.1%	47.6%	44.6%	33.4%	25.8%	21.5%	21.8%	22.0%	21.1%	<b>Average</b>
Investment Gap	> 1.5	1.65	0.83	1.21	1.19	1.67	1.66	1.17	1.13	1.06	0.95	<b>1.25</b>
Renewal Gap	> 1	0.95	0.61	0.72	0.65	0.62	0.94	0.91	0.87	0.89	0.93	<b>0.81</b>
<b>Prudential Loan Borrowing Requirements</b>												
Liquidity	> 1.5	1.46	1.71	1.92	2.20	1.77	1.63	1.57	1.63	1.59	1.68	
Debt Mgmt - debt serv. costs/revenue	< 5%	1.6%	1.7%	1.5%	1.3%	1.1%	1.0%	1.0%	0.7%	0.7%	0.6%	
Debt Mgmt - total debt / rate revenue	< 60%	55.7%	53.8%	52.9%	48.1%	46.7%	36.3%	27.1%	22.5%	22.8%	18.4%	
Debt Exposure	< 50%	26.2%	26.5%	27.1%	24.6%	24.8%	22.2%	19.0%	18.3%	19.1%	17.2%	
<b>Surplus available to fund 10 year Capital Program</b>												
Operating Surplus		5,868	5,851	6,535	7,151	8,301	10,500	11,746	12,892	13,698	14,910	<b>97,452</b>
Reserves		2,353	103	3,239	4,000	2,853	813	1,493	1,119	122	125	<b>16,219</b>
Capital Grants & Contributions		4,726	1,379	2,029	2,279	9,400	9,400	1,900	1,900	1,550	900	<b>35,461</b>
Proceeds from Sale of Assets		414	373	382	392	402	412	422	433	444	455	<b>4,129</b>
Loan Borrowings		3,115	1,406	1,500	184	894	1,663	1,500	1,750	1,850	0	<b>13,862</b>
Accumulated and Current Year Surplus / (Deficit)		0	0	0	0	0	0	0	0	0	0	<b>0</b>
		<b>16,476</b>	<b>9,111</b>	<b>13,685</b>	<b>14,005</b>	<b>21,850</b>	<b>22,788</b>	<b>17,061</b>	<b>18,094</b>	<b>17,663</b>	<b>16,389</b>	<b>167,123</b>
<b>10 year Capital Program</b>												
Council Contribution to Moorabool Major Projects		2,521	1,500	866	708	2,057	300	1,123	1,750	1,850	0	<b>12,675</b>
External Funding for Moorabool Major Projects		4,079	500	4,284	5,292	11,243	9,200	2,377	2,000	650	0	<b>39,625</b>
New Infrastructure Projects		400	400	400	400	400	400	400	400	400	400	<b>4,000</b>
Asset Renewal Program		7,704	6,084	6,484	6,884	7,305	7,705	8,105	8,505	8,905	9,305	<b>76,984</b>
Plant Replacement Program		1,772	1,824	1,876	1,931	1,987	2,044	2,104	2,165	2,227	2,292	<b>20,222</b>
<b>Additional</b> Asset Renewal allowance		0	-1,196	-225	-1,209	-1,142	3,138	2,952	3,274	3,631	4,392	<b>13,616</b>
<b>Additional</b> New Infrastructure projects		0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Additional</b> Plant Replacement allowance		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Capital Program Deferral		0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Total Capital Program</b>		<b>16,476</b>	<b>9,111</b>	<b>13,685</b>	<b>14,005</b>	<b>21,850</b>	<b>22,788</b>	<b>17,061</b>	<b>18,094</b>	<b>17,663</b>	<b>16,389</b>	<b>167,123</b>
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Councils Underlying Surplus</b>												
Surplus as per VAGO	> 0	9.6%	-3.1%	5.0%	7.3%	15.0%	12.2%	1.4%	-0.2%	-2.5%	-2.8%	
Underlying Surplus / (deficit) as per Annual Accounts	> 0	-2.1%	-3.2%	-2.4%	-1.5%	-2.4%	-1.8%	-1.9%	-2.8%	-2.9%	-2.1%	
Underlying Surplus / (deficit) in dollars	> 0	-900	-1,414	-1,130	-726	-1,226	-957	-1,052	-1,620	-1,709	-1,330	<b>-12,065</b>

**Option B - Strategic Financial Plan - 2016/17 to 2025/26**

		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
<b>SFP model outcomes</b>												
<b>Financial Sustainability Indicators</b>												
Underlying Result	> 0	10.3%	-1.1%	7.5%	10.4%	17.5%	14.8%	4.7%	3.1%	0.9%	0.6%	
Liquidity	> 1.0	1.47	1.71	1.92	2.21	1.77	1.63	1.58	1.63	1.59	1.68	
Self-financing	> 20%	35.3%	27.8%	33.9%	35.9%	42.0%	40.2%	33.4%	33.0%	31.6%	31.2%	
Indebtedness	< 40%	48.2%	46.9%	45.8%	42.4%	31.8%	24.5%	20.4%	20.7%	20.9%	20.1%	<b>Average</b>
Investment Gap	> 1.5	1.69	0.92	1.33	1.35	1.81	1.79	1.31	1.26	1.18	1.07	<b>1.37</b>
Renewal Gap	> 1	0.95	0.66	0.81	0.78	0.74	1.05	1.02	0.98	0.99	1.03	<b>0.90</b>
<b>Prudential Loan Borrowing Requirements</b>												
Liquidity	> 1.5	1.47	1.71	1.92	2.21	1.77	1.63	1.58	1.63	1.59	1.68	
Debt Mgmt - debt serv. costs/revenue	< 5%	1.6%	1.7%	1.5%	1.3%	1.1%	1.0%	1.0%	0.6%	0.6%	0.5%	
Debt Mgmt - total debt / rate revenue	< 60%	54.8%	52.2%	50.7%	45.4%	44.1%	34.2%	25.5%	21.3%	21.5%	17.3%	
Debt Exposure	< 50%	26.2%	26.4%	26.9%	24.4%	24.5%	21.8%	18.6%	17.9%	18.7%	16.7%	
<b>Surplus available to fund 10 year Capital Program</b>												
Operating Surplus		6,294	6,749	7,946	9,125	10,357	12,643	13,979	15,215	16,120	17,434	<b>115,861</b>
Reserves		2,353	103	3,239	4,000	2,853	813	1,493	1,119	122	125	<b>16,219</b>
Capital Grants & Contributions		4,726	1,379	2,029	2,279	9,400	9,400	1,900	1,900	1,550	900	<b>35,461</b>
Proceeds from Sale of Assets		414	373	382	392	402	412	422	433	444	455	<b>4,129</b>
Loan Borrowings		3,090	1,406	1,500	184	894	1,663	1,500	1,750	1,850	0	<b>13,837</b>
Accumulated and Current Year Surplus / (Deficit)		0	0	0	0	0	0	0	0	0	0	<b>0</b>
		<b>16,876</b>	<b>10,009</b>	<b>15,096</b>	<b>15,979</b>	<b>23,906</b>	<b>24,930</b>	<b>19,294</b>	<b>20,417</b>	<b>20,085</b>	<b>18,913</b>	<b>185,507</b>
<b>10 year Capital Program</b>												
Council Contribution to Moorabool Major Projects		2,521	1,500	866	708	2,057	300	1,123	1,750	1,850	0	<b>12,675</b>
External Funding for Moorabool Major Projects		4,079	500	4,284	5,292	11,243	9,200	2,377	2,000	650	0	<b>39,625</b>
New Infrastructure Projects		800	800	800	800	800	800	800	800	800	800	<b>8,000</b>
Asset Renewal Program		7,704	6,084	6,484	6,884	7,305	7,705	8,105	8,505	8,905	9,305	<b>76,984</b>
Plant Replacement Program		1,772	1,824	1,876	1,931	1,987	2,044	2,104	2,165	2,227	2,292	<b>20,222</b>
<b>Additional</b> Asset Renewal allowance		0	-698	786	364	514	4,881	4,786	5,197	5,653	6,516	<b>28,000</b>
<b>Additional</b> New Infrastructure projects		0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Additional</b> Plant Replacement allowance		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Capital Program Deferral		0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Total Capital Program</b>		<b>16,876</b>	<b>10,009</b>	<b>15,096</b>	<b>15,979</b>	<b>23,906</b>	<b>24,930</b>	<b>19,294</b>	<b>20,417</b>	<b>20,085</b>	<b>18,913</b>	<b>185,506</b>
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Councils Underlying Surplus</b>												
Surplus as per VAGO	> 0	10.3%	-1.1%	7.5%	10.4%	17.5%	14.8%	4.7%	3.1%	0.9%	0.6%	
Underlying Surplus / (deficit) as per Annual Accounts	> 0	-1.1%	-1.1%	0.5%	2.4%	1.4%	1.9%	1.7%	0.8%	0.7%	1.3%	
Underlying Surplus / (deficit) in dollars	> 0	-473	-524	255	1,195	730	1,043	993	455	416	846	<b>4,936</b>

**Option C - Strategic Financial Plan - 2016/17 to 2025/26**

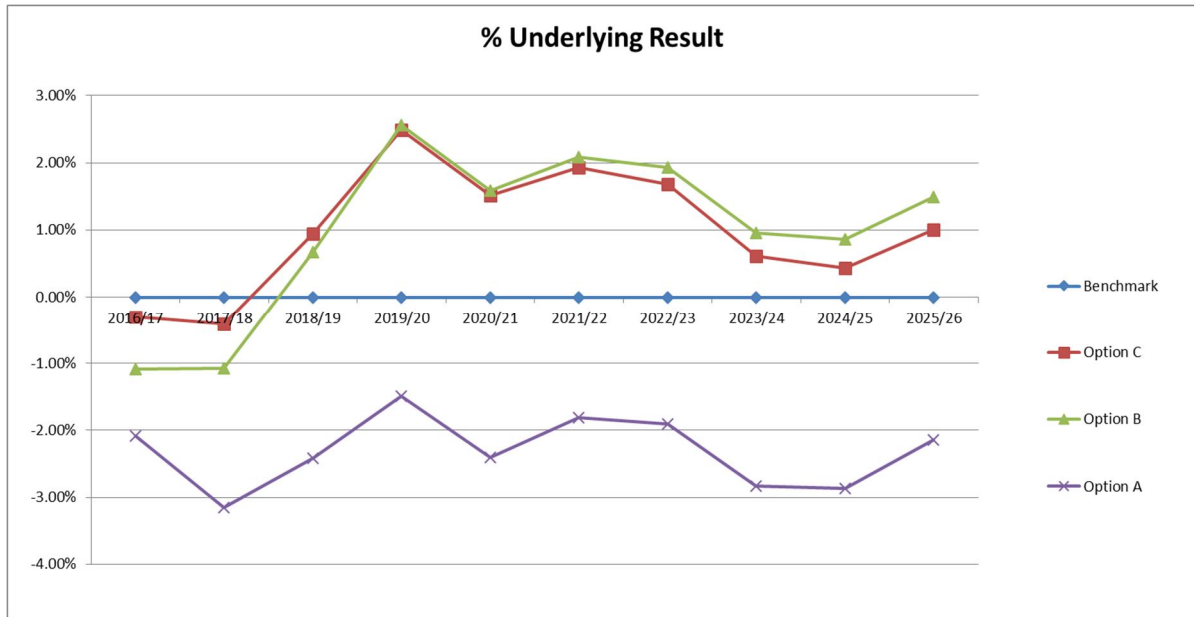
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
<b>SFP model outcomes</b>												
<b>Financial Sustainability Indicators</b>												
Underlying Result	> 0	10.9%	-0.5%	7.7%	10.4%	17.5%	14.8%	4.6%	2.9%	0.6%	0.1%	
Liquidity	> 1.0	1.46	1.71	1.91	2.19	1.75	1.61	1.59	1.63	1.59	1.68	
Self-financing	> 20%	35.6%	28.3%	34.1%	36.0%	42.0%	40.2%	33.3%	32.9%	31.3%	30.9%	
Indebtedness	< 40%	46.8%	45.6%	44.7%	41.5%	30.9%	23.7%	20.5%	20.8%	21.0%	20.2%	<b>Average</b>
Investment Gap	> 1.5	1.69	0.95	1.35	1.35	1.82	1.79	1.31	1.25	1.17	1.06	<b>1.37</b>
Renewal Gap	> 1	0.95	0.69	0.83	0.78	0.75	1.05	1.02	0.97	0.98	1.01	<b>0.90</b>
<b>Prudential Loan Borrowing Requirements</b>												
Liquidity	> 1.5	1.46	1.71	1.91	2.19	1.75	1.61	1.59	1.63	1.59	1.68	
Debt Mgmt - debt serv. costs/revenue	< 5%	1.6%	1.7%	1.4%	1.3%	1.1%	1.0%	0.9%	0.6%	0.6%	0.6%	
Debt Mgmt - total debt / rate revenue	< 60%	53.2%	51.0%	49.8%	44.8%	43.5%	33.6%	24.9%	21.5%	21.7%	17.5%	
Debt Exposure	< 50%	25.8%	26.0%	26.6%	24.1%	24.2%	21.5%	18.3%	17.9%	18.7%	16.7%	
<b>Surplus available to fund 10 year Capital Program</b>												
Operating Surplus		6,633	7,124	8,168	9,200	10,437	12,674	13,957	15,075	15,922	17,174	<b>116,366</b>
Reserves		2,353	103	3,239	4,000	2,853	813	1,493	1,119	122	125	<b>16,219</b>
Capital Grants & Contributions		4,726	1,379	2,029	2,279	9,400	9,400	1,900	1,900	1,550	900	<b>35,461</b>
Proceeds from Sale of Assets		414	373	382	392	402	412	422	433	444	455	<b>4,129</b>
Loan Borrowings		2,750	1,406	1,500	184	894	1,663	1,500	1,750	1,850	0	<b>13,497</b>
Accumulated and Current Year Surplus / (Deficit)		0	0	0	0	0	0	0	0	0	0	<b>0</b>
		<b>16,876</b>	<b>10,385</b>	<b>15,319</b>	<b>16,054</b>	<b>23,986</b>	<b>24,961</b>	<b>19,273</b>	<b>20,277</b>	<b>19,888</b>	<b>18,653</b>	<b>185,672</b>
<b>10 year Capital Program</b>												
Council Contribution to Moorabool Major Projects		2,521	1,500	866	708	2,057	300	1,123	1,750	1,850	0	<b>12,675</b>
External Funding for Moorabool Major Projects		4,079	500	4,284	5,292	11,243	9,200	2,377	2,000	650	0	<b>39,625</b>
New Infrastructure Projects		800	800	800	800	800	800	800	800	800	800	<b>8,000</b>
Asset Renewal Program		7,704	6,084	6,484	6,884	7,305	7,705	8,105	8,505	8,905	9,305	<b>76,984</b>
Plant Replacement Program		1,772	1,824	1,876	1,931	1,987	2,044	2,104	2,165	2,227	2,292	<b>20,222</b>
<b>Additional</b> Asset Renewal allowance		0	-322	1,009	440	595	4,912	4,764	5,057	5,455	6,256	<b>28,166</b>
<b>Additional</b> New Infrastructure projects		0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Additional</b> Plant Replacement allowance		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Capital Program Deferral		0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Total Capital Program</b>		<b>16,876</b>	<b>10,385</b>	<b>15,319</b>	<b>16,054</b>	<b>23,986</b>	<b>24,961</b>	<b>19,273</b>	<b>20,277</b>	<b>19,888</b>	<b>18,653</b>	<b>185,672</b>
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Councils Underlying Surplus</b>												
Surplus as per VAGO	> 0	10.9%	-0.5%	7.7%	10.4%	17.5%	14.8%	4.6%	2.9%	0.6%	0.1%	
Underlying Surplus / (deficit) as per Annual Accounts	> 0	-0.3%	-0.4%	0.9%	2.4%	1.4%	1.8%	1.6%	0.5%	0.3%	0.9%	
Underlying Surplus / (deficit) in dollars	> 0	-134	-206	411	1,197	734	995	892	292	198	570	<b>4,947</b>

# Attachment - Item 7.1(d)

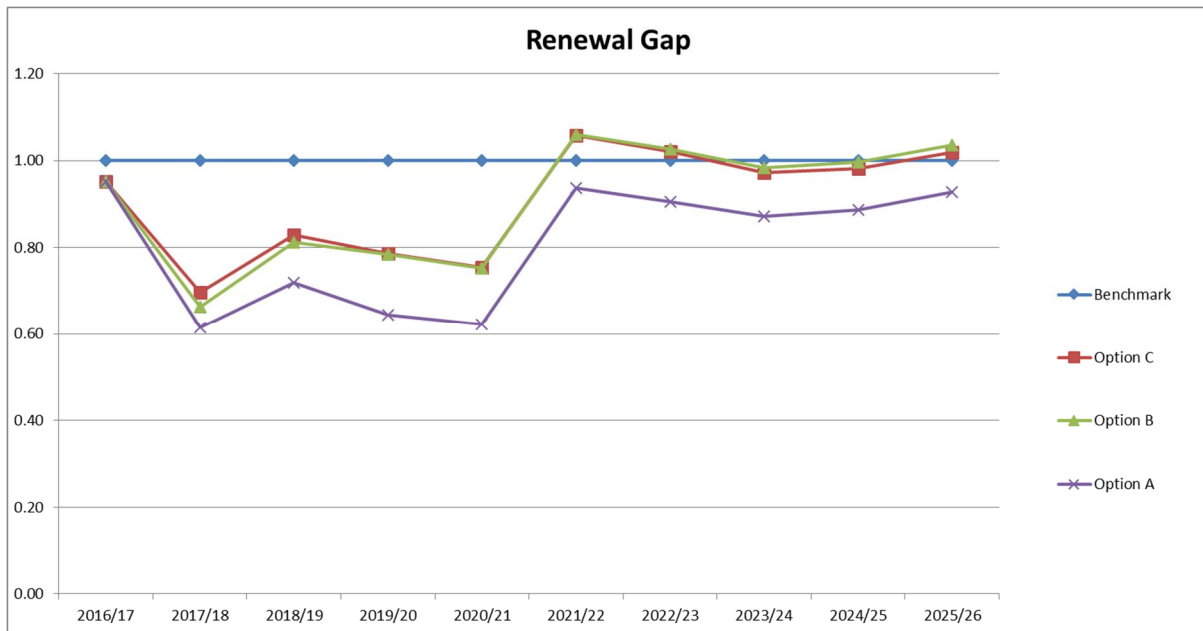


## ATTACHMENT D

The below graph illustrates Council's underlying results under the options proposed.



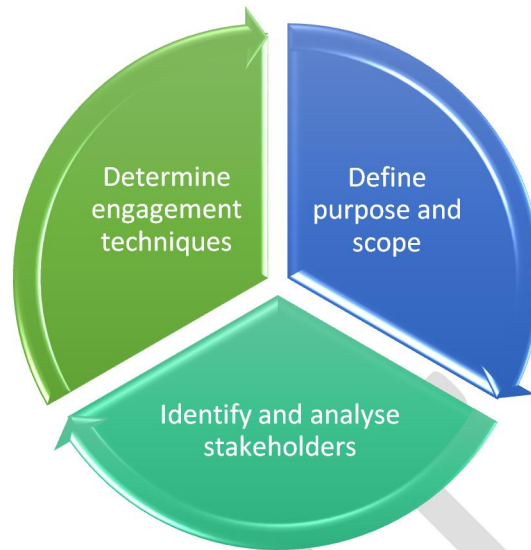
Continued losses in the rate capped model will result in decreased funding for Asset Renewal and New and Upgrade Projects over the next ten years. The below graph demonstrates how Council will not be able to close the renewal gap under the rate cap.



# Attachment - Item 7.1(e)

# Engagement Plan

## Attachment E



### Define the Purpose and Scope of the Proposed Engagement

**Project Name: Determining the level of community support for a rate cap variation**

#### Trigger Points

Please check the box which applies to this project.

Trigger Points to consider	Yes	No
Does the project have an impact on the community or stakeholders (internal and external)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will there be a decision/s made as a result of this project?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is there an opportunity for the community and stakeholders (internal and external) to influence the decision?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is there a statutory requirement to seek feedback?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the project need community and stakeholder (internal and external) endorsement to enable implementation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

# Engagement Plan

## Engagement Goals and Objectives:

*What is the purpose of the engagement? What exactly are you seeking feedback around and what are the decisions to be made?*

Under the Fair Go Rates System (FGRS), Victorian local governments will not be able to increase rates by more than the applicable average rate cap (the rate cap) set by the Minister for Local Government (the Minister), unless they successfully apply to the Essential Services Commission (Commission) for a higher cap. The purpose of this engagement is to seek feedback from the community in relation to their levels of support for the each of the options presented. These options are as follows:

**Option A** – What Council can deliver under the Minister’s Rate Cap of 2.5%. **Option B** – What Council can deliver if it had a rate cap variation of 1.65% for four years. **Option C** – What Council can deliver if it had a rate cap variation of 1.00% for four years and increased other fees and charges under a “user-pays” model to be cost reflective including indirect costs.

## Negotiables:

*What is negotiable? I.e. what can the community and stakeholders actually influence in the decision making process? Be specific.*

The Moorabool Community can have influence over the final option presented to the ESC as part of the application to vary the rate cap.

## Non-Negotiables:

*What is non-negotiable? I.e. what elements of the project are pre-determined, for example: building and legislative requirements?*

Council can only obtain a rate cap variation by submitting an application to the Essential Services Commission.

The Council at a Special meeting held on the 20 January 2016 resolved to advise the Essential Services Commission that Moorabool Shire Council intends to apply for a rate cap variation for the 2016/17 financial year.

# Engagement Plan

## Identify and Analyse Stakeholders

Work through each of the three steps, considering each of the questions and complete the table on the following page. This will form the plan that you will implement.

### Step One:

Identify and analyse stakeholders

- Consider the stakeholders to be engaged as part of this process.
- Remember to consider both internal and external stakeholders that might need to be engaged.
- Consider who the “community” is and be specific, think about specific communities of place (geographic), communities of interest.
- Consider who you need to engage internally – this is just as important to ensure a genuine and meaningful engagement process.
- Think about the level at which you will engage with each of the stakeholders, the further along the scale, the increasing level of impact each of the stakeholders have on the decision.
- The level at which you engage will then help you to consider the methods that you will use to engage.

## Determine Engagement Techniques

### Step Two:

Determine engagement techniques

- Consider how to maximise stakeholder participation in the engagement process. What are the best methods for each of the stakeholders?
- Consider how other service units have engaged stakeholders and communities previously? Did it work? What would they do differently?
- What methods could be used to best obtain the feedback and input that you need?

### Step Three:

- Give plenty of consideration to when you will undertake each of the engagement activities.
- Can they be held during business hours or do you need to engage outside of business hours?
- Are there already existing community events that you could attend?
- Are other service units running engagement processes that you might be able to work with and combine the processes to save duplication and engagement fatigue?
- Will this be a staged process? Will you need to engage with stakeholders at multiple times throughout the project?



# Engagement Plan

<p><b>Level of Engagement</b> At what level will you engage each stakeholder?</p>	<p><b>Step One:</b> Identify each of the stakeholders to be engaged and at what level they will be engaged.</p>	<p><b>Step Two:</b> Determine the most appropriate methods to engage <b>each</b> of the stakeholders (internal and external).</p>	<p><b>Step Three:</b> When will each of the engagement activities take place? Consider if this needs to be staged. If so, provide details.</p>
<p><b>Inform</b>  We will keep you informed</p>	<p><i>DRAFT</i></p>	<p><i>DRAFT</i></p>	
<p><b>Consult</b>  We will keep you informed, listen to and acknowledge concerns and aspirations and provide feedback on how public input influenced the decision. We will seek your feedback on drafts and proposals.</p>	<p><i>DRAFT</i></p>	<p><i>DRAFT</i></p>	



# Engagement Plan

<p><b>Involve</b></p> <p>We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.</p>	<p>Representative sample of the community</p>	<p>Telephone survey N=400 undertaken by a market research company.</p> <p>Focus groups – to be commissioned and undertaken by the market research company once the telephone survey has been completed. Participants to be representative of the Moorabool community. Focus groups will allow more in depth feedback to be sought.</p>	<p>Survey to be conducted during the week commencing the 7 March 2016 – 18 March 2016</p> <p>To be conducted following the completion of the telephone survey</p>
	<p>Residential ratepayers</p>	<p>Letter by post with relevant information including a Reply Paid Postcard allowing residents to nominate their preferred option.</p>	<p>Letters to be sent during the week commencing 15 February 2016</p>
	<p>Non-residential ratepayers</p>	<p>Letter by post with relevant information including a Reply Paid Postcard allowing ratepayers to nominate their preferred option.</p>	<p>Letters to be sent during the week commencing 15 February 2016</p>
	<p>Business owners</p>	<p>Letter by post with relevant information including a Reply Paid Postcard allowing business owners to nominate their preferred option.</p>	<p>Letters to be sent during the week commencing 15 February 2016</p>







# Engagement Plan

<p><b>Collaborate</b></p> <p>We will work together with you to formulate solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.</p>			
<p><b>Empower</b></p> <p>We will implement what you decide.</p>	<p>Council</p>	<p>Ordinary Meeting of Council – Final Report presented to the Council.</p>	<p>Late March 2016</p>



# Engagement Plan

## Reporting Back:

Consider the ways in which you will report back the outcomes of the engagement process to each of the stakeholders you engaged. For example, media release, post a copy of Final Report online.

Stakeholder	How will you report back the outcomes?
Residential Ratepayers	<ul style="list-style-type: none"> <li>• Moorabool News</li> <li>• Moorabool Matters</li> <li>• Update on Have Your Say portal</li> <li>• Moorabool Shire website</li> <li>• Social media</li> <li>• Feedback displayed at Council Offices, Lerderderg Library, Ballan Library and available through the Rural Library Service in Dunnstown Recreation Reserve, Bungaree General Store, Gordon Hall, Blackwood Hall</li> </ul>
Business owners	<ul style="list-style-type: none"> <li>• Moorabool News</li> <li>• Moorabool Matters</li> <li>• Update on Have Your Say portal</li> <li>• Moorabool Shire website</li> <li>• Social media</li> <li>• Feedback displayed at Council Offices, Lerderderg Library, Ballan Library and available through the Rural Library Service in Dunnstown Recreation Reserve, Bungaree General Store, Gordon Hall, Blackwood Hall</li> </ul>
Non residential ratepayers	<ul style="list-style-type: none"> <li>• Moorabool News</li> <li>• Moorabool Matters</li> <li>• Update on Have Your Say portal</li> <li>• Moorabool Shire website</li> <li>• Social media</li> <li>• Feedback displayed at Council Offices, Lerderderg Library, Ballan Library and available through the Rural Library Service in Dunnstown Recreation Reserve, Bungaree General Store, Gordon Hall, Blackwood Hall.</li> </ul>



# Engagement Plan

Stakeholder	How will you report back the outcomes?
General community	<ul style="list-style-type: none"> <li>• Moorabool News</li> <li>• Moorabool Matters</li> <li>• Update on Have Your Say portal</li> <li>• Moorabool Shire website</li> <li>• Social media</li> <li>• Feedback displayed at Council Offices, Lerderderg Library, Ballan Library and available through the Rural Library Service in Dunnstown Recreation Reserve, Bungaree General Store, Gordon Hall, Blackwood Hall.</li> </ul>
Council	<ul style="list-style-type: none"> <li>• Council Report</li> </ul>

DRAFT

# Attachment - Item 7.1(f)

# Introduction

Preparation of Council's annual budgets continually show how challenging it is to fund the ongoing maintenance and replacement of Council's many assets including sealed and unsealed roads, and footpaths. In recent years Council has progressively increased funding for renewal of these assets, but ongoing improvement is still necessary. This issue was highlighted in the 2015 Local Government Community Satisfaction Survey that identified the condition of local streets and footpaths as Moorabool's area most in need of improvement.

Until recently, Council has been able to fund increases to asset renewal spending through savings in operational expenditure and through responsible rate increases.

Council is committed to using rate payer funds responsibly and will continue seeking greater efficiencies in how we provide our services moving forward.

At the same time, Council must also raise enough funds to provide services and facilities that meet community needs. Recent changes in legislation prevent Councils from increasing rates above a certain cap each year, unless there is a justified need for an increase above this cap and the increase is supported by the community.

To inform our 2016/17 application to the Essential Services Commission Council is inviting residents to have their say on the level of services they want Council to deliver and their willingness to pay for these services.

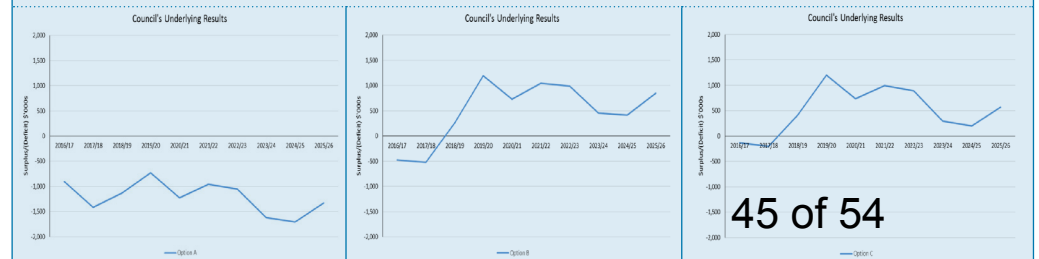
# What are the options?

Council is putting forward three funding options to the community.



Option A	Option B	Option C
2.5% Rate Increase	4.15% Rate Increase	3.50% Rate Increase
No rate cap variation	<ul style="list-style-type: none"> <li>- 1.65% rate cap variation for 2016/17.</li> <li>- Likely rate cap variations of 1.65% for a further 3 years</li> </ul>	<ul style="list-style-type: none"> <li>- 1.00% rate cap variation for 2016/17.</li> <li>- Likely rate cap variations of 1.00% for a further 3 years</li> <li>- Council Fees &amp; Charges increased to achieve full cost recovery</li> </ul>
Services will need to be reduced over time to ensure Council's financial stability	Council can maintain current levels of service	Council can maintain current levels of service
Council's Financial stability threatened – \$12.1M losses predicted over 10 years	Council's Financial stability improves – Breakeven position predicted over 10 years	Council's Financial stability improves – Breakeven position predicted over 10 years
Operating Budget Deficit in 2016/17 <b>-\$0.900M</b>	Operating Budget Deficit in 2016/17 <b>-\$0.473M</b>	Operating Budget Deficit in 2016/17 <b>-\$0.134M</b>
\$4.0M in funding for New and Upgrade funding over 10 years	\$8.0M in funding for New and Upgrade funding over 10 years	\$8.0M in funding for New and Upgrade funding over 10 years
New and Upgrade funding is used to deliver projects that go above and beyond repair or restoration of assets to their original capability. For instance in 2015-16 this money was allocated projects such as footpath widening, enhancements to recreational facilities and upgrades to community centres		
\$90.6M Asset Renewal program over 10 years	\$105.8M Asset Renewal program over 10 years	\$105.8M Asset Renewal program over 10 years

## IMPACT OF OPTIONS ON UNDERLYING OPERATING DEFICITS



# Attachment - Item 7.1(g)

# Your say

Council is putting forward three funding options to the community.

You are invited to have your say by ticking which option you support and returning the Reply Paid postcard to council.



Option A	Option B	Option C
<input type="checkbox"/> 2.5% Rate Increase No rate cap variation.	<input type="checkbox"/> 4.15% Rate Increase – 1.65% rate cap variation for 2016/17. – Likely rate cap variations of 1.65% for a further 3 years	<input type="checkbox"/> 3.50% Rate Increase – 1.00% rate cap variation for 2016/17 – Likely rate cap variations of 1.00% for a further 3 years – Council Fees & Charges increased to achieve full cost recovery
Services will need to be reduced to ensure Council's financial stability	Council can maintain current levels of service	Council can maintain current levels of service
Council's Financial stability threatened – \$12.1M losses predicted over 10 years	Council's Financial stability improves – Breakeven position predicted over 10 years	Council's Financial stability improves – Breakeven position predicted over 10 years
Operating Budget Deficit in 2016/17 <b>-\$0.900M</b>	Operating Budget Deficit in 2016/17 <b>-\$0.473M</b>	Operating Budget Deficit in 2016/17 <b>-\$0.134M</b>
\$4.0M in funding for New and Upgrade funding over 10 years	\$8.0M in funding for New and Upgrade funding over 10 years	\$8.0M in funding for New and Upgrade funding over 10 years
\$90.6M Asset Renewal program over 10 years	\$105.8M Asset Renewal program over 10 years	\$105.8M Asset Renewal program over 10 years

NAME:.....

ADDRESS:.....



## Residents now have some important choices to make.

Moorabool Shire Council PO Box 18, Ballan VIC 3342  
P: 5366 1311 F: 5368 1757 [info@moorabool.vic.gov.au](mailto:info@moorabool.vic.gov.au)

No stamp required  
if posted in Australia



Moorabool Shire Council  
Reply Paid XXXX  
Ballan VIC 3342



## 7.2 Disability Respite Funding

### Introduction

File No.: 12/10/003  
Author: Danny Colgan  
General Manager: Danny Colgan

The purpose of this report is to recommend that the Council write to the Victorian Minister for Housing, Disability and Ageing seeking clarification on the future funding arrangements for the Council's Disability Respite Service.

### Background

Council has for a number of years received block funding from the Department of Health and Human Services (DHHS) to provide recreation and respite programs to the families of people living with a disability. These programs were initially introduced due to a lack of respite options in Moorabool. The programs provide clients with a 6.8 hour block of respite on a fortnightly basis. The funding has enabled the provision of 4 weekend respite programs on a fortnightly basis and a weekly program on a Friday; involving a teenage Group; Young Men's Group and two adult groups. Currently there are 35 people utilising the respite service that have a range of disabilities. The service is valued by the participants and their families and carers.

On the 16 September 2015, the Victorian and Commonwealth Governments signed a bilateral agreement to rollout the National Disability Insurance Scheme (NDIS) across Victoria over a three year period. The NDIS is administered by the National Disability Insurance Agency (NDIA) and is a national approach based on insurance principles that will provide individualised support and services for people with a disability, their families and carers. People currently receiving support through the Commonwealth and Victorian Government, will, if eligible, move to the NDIS at different times depending on the type of support they receive and where they live. It is expected that the NDIS will address and benefit around 105,000 Victorians with a disability. The State Government will provide \$10 million to support Victorians with disabilities, their families, service providers and staff in the transition to the NDIS.

With the introduction of the Federal Government's National Disability Insurance Scheme (NDIS) and rollout in the Central Highlands Region commencing 1 January 2017, there is uncertainty over the continued funding of the Council's Disability Respite Program with some reports that the funding will cease as of the 30 June 2016.

In order to receive the Disability Respite funding from the DHHS, the Council as with other disability services providers is required to be registered with the DHHS and undergo accreditation against the Department Standards and in Council's case broader International Standards which stands for a period of three years. Council's accreditation is due for renewal by the 27 March 2016 with work having commenced to seek re-accreditation.

**Proposal**

Formal advice on the funding arrangements for the Disability Respite Program post 30 June 2016 has been sought through meetings and in writing with Departmental Representatives and as well as questioning the need to undertake accreditation against International standards (not just DHHS) standards. At this stage, no formal advice has been received on either matter.

There are also concerns about what services will be available to people with disabilities that are assessed as ineligible for NDIS packages. It is proposed that a further report be presented to the Council at a future meeting regarding the roll-out of the NDIS in the Central Highlands Region. The report will also address the role of Council as a provider in the NDIS.

It is proposed that the Council write to the Victorian Minister for Housing, Disability and Ageing seeking clarification on the future funding arrangements for the Council's Disability Respite Service and the services and support that will be available to Moorabool residents with a disability that are assessed as ineligible for NDIS packages.

**Policy Implications**

The 2013 - 2017 Council Plan provides as follows:

<b>Key Result Area</b>	Community Wellbeing
<b>Objective</b>	Inclusive, responsive and accessible community services
<b>Strategy</b>	Advocate, support and provide aged and disability services

**Financial Implications**

The DHHS currently provides a total annual block grant of \$174,000. Certification against the standards require appointment of an external auditor from a list provided by the DHHS and costs the Council approximately \$15,000.

**Risk & Occupational Health & Safety Issues**

<b>Risk Identifier</b>	<b>Detail of Risk</b>	<b>Risk Rating</b>	<b>Control/s</b>
Community	Reduction in services	Moderate	Continue to provide services and advocate for funding
Political and Reputation	Concerns about Council reducing services	Moderate	Continue to provide services and advocate for funding

## Community Engagement Strategy

Information has been provided to carers, families, clients; disability support services about the uncertainty over the funding of the Disability Respite Program. Information is and will continue to be provided on the roll out of the National Disability Insurance Scheme including a community information forum to be held on 1 March in Bacchus Marsh. The forum will be advertised extensively through all forms of media.

## Victorian Charter of Human Rights and Responsibilities Act 2006

In developing this report to Council, the officer considered whether the subject matter raised any human rights issues. In particular, whether the scope of any human right established by the Victorian Charter of Human Rights and Responsibilities is in any way limited, restricted or interfered with by the recommendations contained in the report. If the funding for the program cease and alternative services aren't provided to the clients, it could be said that the Human Rights of the program clients have been limited, restricted or interfered with.

## Officer's Declaration of Conflict of Interests

Under section 80C of the Local Government Act 1989 (as amended), officers providing advice to Council must disclose any interests, including the type of interest.

*General Manager – Danny Colgan*

In providing this advice to Council as the General Manager, I have no interests to disclose in this report.

## Conclusion

Council has for a number of years received block funding from the Department of Health and Human Services (DHHS) to provide recreation and respite programs to the families of people living with a disability.

With the introduction of the Federal Government's National Disability Insurance Scheme (NDIS) and rollout in the Central Highlands Region commencing 1 January 2017, there is uncertainty over the continued funding of the Council's Disability Respite Program with some reports that the funding will cease as of the 30 June 2016.

## Recommendation:

**It is recommended that the Council:**

- 1. Write to the Victorian Minister for Housing, Disability and Ageing seeking clarification on the future funding arrangements for the Council's Disability Respite Service**
- 2. Receive a further report on the roll-out of the National Disability Insurance Scheme in the Central Highlands Region.**

---

## Report Authorisation

**Authorised by:**

**Name:** Danny Colgan  
**Title:** General Manager Community Services  
**Date:** Thursday 4 February, 2016



**8. FURTHER BUSINESS AS ADMITTED BY UNANIMOUS RESOLUTION OF COUNCIL**

**9. CLOSED SESSION OF THE MEETING TO THE PUBLIC****Recommendation:**

**That pursuant to the provisions of the Local Government Act 1989, the meeting now be closed to members of the public to enable the meeting to discuss matters, which the Council may, pursuant to the provisions of Section 89(2) of the Local Government Act 1989 (the Act) resolve to be considered in Closed Session, being a matter contemplated by Section 89(2) of the Act, as follows:**

- (a) personnel matters;**
- (b) the personal hardship of any resident or ratepayer;**
- (c) industrial matters;**
- (d) contractual matters;**
- (e) proposed developments;**
- (f) legal advice;**
- (g) matters affecting the security of Council property;**
- (h) any other matter which the Council or special committee considers would prejudice the Council or any person;**
- (i) a resolution to close the meeting to members of the public**

**10. MEETING CLOSURE**