

Business Paper

An Ordinary Council Meeting will be held on Tuesday 18 February 2025 in the Council Chambers located Corner Tozer and Elbow Streets, West Kempsey commencing at 9:00 AM



kempsey.nsw.gov.au



NOTICE OF MEETING

Dear Mayor and Councillors,

In accordance with section 367 of the *Local Government Act 1993* notice is hereby given that an Ordinary Council Meeting will be held on Tuesday 18 February 2025 in the Council Chambers located Corner Tozer and Elbow Streets, West Kempsey commencing at 9:00 am

Stephen Mitchell

General Manager

Date: 11 February 2025

ORDER OF BUSINESS

- 10.1. Integrated Planning and Reporting Assumption**
- 10.2. Corporate Performance Report - Quarter 2 2024-25**
- 10.3. Grants Policy**
- 10.4. Modification - Proposed Dwelling - 492 Fishermans Reach Road, Fishermans Reach**
- 10.5. Regional Collaboration for Waste Processing Contracts MoU**
- 10.6. Section 3.22 Mapping Amendment**
- 10.7. Development Activity and LEP Variations - Quarterly Snapshot**
- 10.8. Disclosure of Interest Returns**
- 10.9. Statement of Cash and Investments - December 2024 and January 2025**
- 11.1. Notice of Motion - Community Justice Centres**
- 11.2. Question on Notice - Crown Land Expenditure**
- 12.1. Legal Matters**
- 12.2. Compensation Agreement: Road Realignment - Nurse Kirkpatrick Bridge**

REMINDER OF OATH OR AFFIRMATION

Under Clause 3.37, Statement of Ethical Obligations, in Kempsey Shire Council's Code of Meeting Practice, business papers for all ordinary and extraordinary meetings of the Council and Committees of the Council must contain a statement reminding Councillors of their oath or affirmation of office made under section 233A of the *Local Government Act 1993* and their obligations under the Council's Code of Conduct to disclose and appropriately manage conflicts of interest.

Councillors are therefore reminded of the oath or affirmation which was taken by each of them.

Oath of Councillor

I swear that I will undertake the duties of the office of Councillor in the best interests of the people of the Kempsey local government area and the Kempsey Shire Council and that I will faithfully and impartially carry out the functions, powers, authorities and discretions vested in me under the *Local Government Act 1993* or any other Act to the best of my ability and judgment.

Affirmation of Councillor

I solemnly and sincerely declare and affirm that I will undertake the duties of the office of Councillor in the best interests of the people of Kempsey local government area and the Kempsey Shire Council and that I will faithfully and impartially carry out the functions, powers, authorities and discretions vested in me under the *Local Government Act 1993* or any other Act to the best of my ability and judgment.

REMINDER OF REQUIREMENT TO DECLARE CONFLICTS OF INTEREST

Under Clause 3.37, Statement of Ethical Obligations, in Kempsey Shire Council's Code of Meeting Practice, business papers for all ordinary and extraordinary meetings of the Council and Committees of the Council must contain a statement reminding Councillors of their oath or affirmation of office made under section 233A of the *Local Government Act 1993* and their obligations under the Council's Code of Conduct to disclose and appropriately manage conflicts of interest.

Councillors are therefore reminded of their obligations to disclose and appropriately manage conflicts of interest.

Council's currently adopted Code of Conduct (the Code) may be found on Council's website.

The guidance below is intended for Councillors and only discusses their obligations. Members of Committees of Council, staff, advisers, and any other designated persons also have similar obligations.

This guidance is not a substitute for the full requirements of the Code, and in the event of any inconsistency between this guidance and the Code then the Code prevails. Councillors, staff, members of Committees of Council, advisers, and other designated persons must read and understand the Code.

A disclosure made at a meeting must be recorded in the minutes of the meeting. Disclosure must be made at briefing sessions, whether closed or open to the public, public forums, Council meetings, meetings of Committees or in any other forum in which the interest arises.

Pecuniary Interests

Part 4 of the Code relates to the identification, disclosure, and management of pecuniary interests.

A pecuniary interest is an interest that a Councillor has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to that Councillor or a person close to them.

There are a limited set of types of pecuniary interests that do not need to be disclosed, these are outlined in clause 4.6 of the Code.

Councillors must provide both written returns of interest in accordance with clause 4.21 of the Code and declare interests at each meeting where they arise in accordance with clause 4.28 of the Code.

Under clause 4.29 of the Code, a Councillor who declares a pecuniary interest must not be present, or in sight of, the meeting of Council at any time during which the matter is being considered or discussed by the Council or at any time during which the Council is voting on any question in relation to the matter.

The Minister for Local Government may, conditionally or unconditionally, allow a Councillor who has a pecuniary interest in a matter with which the Council is concerned to be present at a meeting of the Council, to take part in the consideration or discussion of the matter and to vote on the matter under certain circumstances.

Non-Pecuniary Interests

Part 5 of The Code relates to the identifications, disclosure, and management of non-pecuniary interests.

Non-pecuniary interests are a Councillor's private or personal interests that do not amount to a pecuniary interest (as previously defined). A non-pecuniary conflict of interest exists where a reasonable and informed person would perceive that a Councillor could be influenced by a private interest when carrying out their official functions in relation to a matter. The personal or political views of a Councillor do not constitute a private interest.

Non-pecuniary conflicts of interest must be identified and appropriately managed to uphold community confidence in the probity of Council decision-making. The onus is on Councillors to identify any non-pecuniary conflict of interest they may have in matters that they deal with, to disclose the interest fully and in writing, and to take appropriate action to manage the conflict in accordance with the Code.

When considering whether a Councillor has a non-pecuniary conflict of interest in a matter they are dealing with, it is always important to think about how others would view their situation.

Non-pecuniary conflicts of interest may be either significant or not significant. Clause 5.9 provides guidance on the types of conflict that may be regarded as significant.

A significant non-pecuniary interest that arises in relation to a matter under consideration at a Council meeting must be managed in the same manner as a pecuniary interest. That is, a Councillor who declares a significant non-pecuniary interest must not be present, or in sight of, the meeting of Council at any time during which the matter is being considered or discussed by the Council or at any time during which the Council is voting on any question in relation to the matter.

A non-pecuniary interest that is not significant does not require further action. A Councillor disclosing such an interest must explain in writing why they consider the interest not to be significant.

Political Donations

Councillors should be aware that matters before Council or committee meetings involving their political donors may also give rise to a non-pecuniary conflict of interest.

Councillors must ensure that they are familiar with clauses 5.15 to 5.19 of the Code if Council is to consider a matter concerning an entity that has made a political donation to them.

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1 OPENING PRAYER

“Dear Lord, help us in our deliberations today so that our decisions will be for the greater good for the whole of Kempsey Shire - Amen”

2 ACKNOWLEDGEMENT OF COUNTRY

“Kempsey Shire Council acknowledges the land of the Thunggutti/Dunghutti Nation. We pay respect to Elders past and present. We acknowledge the role of emerging leaders to continue to guide us in the future. We acknowledge the Stolen Generations and the need to change practices to be inclusive. This land always was and always will be Thunggutti/Dunghutti land.”

3 ACKNOWLEDGEMENT OF SERVICE MEN, WOMEN AND FAMILIES

“Council acknowledges the sacrifice made by Australian service men and women, and their families, in particular, those who gave their lives in defence of the freedom we enjoy today.”

4 APOLOGIES AND APPLICATIONS FOR A LEAVE OF ABSENCE OR ATTENDANCE BY AUDIO-VISUAL LINK BY COUNCILLORS

That any apologies submitted by Councillors for non-attendance at the meeting be accepted and leave of absence granted.

That any applications for attendance by audio-visual link submitted by Councillors be accepted and permission granted.

5 CONFIRMATION OF MINUTES

RECOMMENDATION:

That the minutes of the Ordinary Meeting of Kempsey Shire Council dated 17 December 2024 be confirmed.

Attachments:

1. Ordinary Council Meeting 17 December 2024 Draft Minutes for Adoption [5.1.1 - 12 pages]

6 DISCLOSURES OF INTEREST

That any declared interests be noted.

7 ITEMS PASSED BY EXCEPTION

The Council or a Committee of Council may, at any time, resolve to adopt multiple items of business on the agenda together by way of a single resolution.

Before the Council or Committee resolves to adopt multiple items of business on the agenda together, the Chairperson must list the items of business to be adopted and ask Councillors to identify any individual items of business listed by the Chairperson that they intend to vote against the recommendation made in the business paper or that they wish to speak on.

The Council must not resolve to adopt any item of business that a Councillor has identified as being one they intend to vote against the recommendation made in the business paper or to speak on.

RECOMMENDED:

That the recommendations contained in the following items be adopted:

10.5 Regional Collaboration for Waste Processing Contracts MOU

10.6 Section 3.22 Mapping Amendment

10.7 Development Activity and LEP Variations – Quarterly Snapshot

10.8 Disclosure of Interest Returns

10.9 Statement of Cash and Investments – December 2024 and January 2025

12.1 Legal Matters

12.2 Compensation Agreement: Road Alignment – Nurse Kirkpatrick Bridge

8 MAYORAL MINUTES

Nil

9 REPORTS OF COMMITTEES

Nil

10 REPORTS TO COUNCIL

10.1 INTEGRATED PLANNING AND REPORTING ASSUMPTION

Officer	Stephen Mitchell, Acting General Manager
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File Number	F23/3642/05
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PURPOSE

Obtain Council's endorsement to implement the Independent Pricing and Regulatory Tribunal (IPART) approved rate increase of 15%, for the 2025-26 financial year, for the purposes of developing Council's suite of Integrated Planning and Reporting (IP&R) documents, including the 2025-26 Operational Plan and associated budget, 2026-2029 Delivery Program and the 10-year Long Term Financial Plan.

RECOMMENDATION

That Council:

1. notes the decision by the Independent Pricing and Regulatory Tribunal (IPART) in May 2024 to approve a permanent special rate variation of 24.09% over two years from 2024-25, including 15% for the 2025-26 financial year, and the reasons supporting that approval, which included:
 - a. The IPART decision allowing Council to maintain a stable financial position over the next 2 years, while it undertakes the work required to establish whether it can reduce its costs and improve its financial sustainability through alternative means.
 - b. IPART's view that the impact of their decision on ratepayers is reasonable.
 - c. IPART noting that Council has a hardship policy in place to assist ratepayers experiencing difficulty paying their rates.
 - d. IPART stating that they considered approving a temporary Special Variation but concluded that this was not a sustainable solution for addressing Council's systemic operational deficit and financing challenges.
 - e. IPART noting that Council demonstrated it has a financial need for the Special Variation to improve its financial sustainability, maintain existing services and service levels, and maintain healthy debt serviceability ratios in line with its Community Strategic Plan.
2. endorses the recommended Integrated Planning and Reporting assumption to implement the IPART approved 15% rate increase for the 2025-26 financial year for the purposes of developing the 2025-26 Operational Plan and associated budget and the Long-Term Financial Plan, noting that the final decision on setting the rates for 2025-26 is not made until the June 2025 Council meeting.
3. notes the adverse impacts of developing a new suite of Integrated Planning and Reporting documents using one rate increase assumption, and a separate financial decision being adopted during the making of the rates in June 2025.
4. notes that should a decision be made to not increase rates by the IPART approved 15% in the 2025-26 financial year, that direction will be required as to the proposed service reductions to offset the lower rates income of approximately \$4 million per annum, with these service reductions and associated financial impacts reflected in the draft Integrated

Planning and Reporting documents to be reported to the April 2025 Council meeting and subsequently, publicly exhibited for community comment.

- 5. notes the results from the 2024 Micromex community survey and Council's internally facilitated community engagement process, which indicates the community's preference is to maintain and not reduce service levels.**
- 6. notes its obligations within the *Local Government Act 1993* and in particular:**
 - a. Section 223 Role of governing body which specifically includes the requirement to ensure as far as possible the financial sustainability of the council; and**
 - b. Section 8B which outlines the principles of sound financial management including the need to ensure council spending is responsible and sustainable and aligning revenue and expenses.**

BACKGROUND

Over the last seven years Council's Long Term Financial Plan (LTFP) has indicated the need to increase revenue and close the widening gap between Council's income and expenditure. The Financial Sustainability Strategy, adopted in 2019 and updated with revised initiatives and actions in 2022, and again in 2024, and which has been reported to Council quarterly as part of the Corporate Performance Report, highlights the proactive approach taken to addressing productivity and implementing cost reductions and systems improvements in the intervening years.

Annual financial results have fluctuated over that time due to significant organisational and systems modernisation, injections of grant funding following natural disasters and increased expenditure to address legacy issues such as legislative functions not being adequately resourced.

We recognise that, given the broader financial pressures and rising cost of living, any rate increase is difficult to accept. However, the increase approved by IPART in May 2024 is critical to ensuring Council can continue delivering essential services and maintaining community assets, as costs have continued to rise beyond the revenue Council receives each year.

Council is in the process of developing its new suite of IP&R documents for the new term of council, including the updated LTFP, 2026-2029 Delivery Program and 2025-26 Operational Plan.

Development of these IP&R documents involves extensive strategic, operational and financial planning with the documents required to be reported to Council in draft, placed on public exhibition for community feedback for 28 days, with the final documents brought back to Council and adopted no later than 30 June 2025. At the June 2025 Council meeting, Council also sets rates for the forthcoming financial year which includes any proposed rate increases.

Development of the IP&R documents and in particular, the LTFP, is based on a number of critical assumptions. Of most significance in the development of the 2025-26 IP&R document suite, is the assumption regarding the rate increase to be applied to the General Fund from 1 July 2025. This assumption determines the revenue path for not only the 2025-26 financial year but also subsequent years (given the compounding impact of applying future IPART determined rate pegs in future years), which in turn determines the funds available to provide services to the community, maintain and replace assets, or if funds are available, invest in new assets or services.

In order to develop a high-quality suite of IP&R documents that provide an accurate view of Council's financial position, and what services will be provided and projects delivered, it is fundamentally important to have certainty regarding our revenue and the levels of expenditure.

The purpose of this report is to obtain Council's endorsement of the planning assumption that the IPART approved rate increase of 15%, for the 2025-26 financial year, will be implemented for the purposes of developing Council's suite of IP&R documents.

If the financial assumptions used to develop these documents, and in particular the proposed rate increase percentage, are not subsequently adopted at the June 2025 council meeting as a part of the making of rates process, there may be a range of negative repercussions. These may include:

- investment of significant additional staff time in updating relevant planning documents (budget, Operational Plan, LTFP, Revenue Policy, rates table, loan borrowing table) to meet the amended financial assumptions;
- inability to meet our legislated IP&R obligations (i.e. adopt the budget by 30 June 2025); and
- reputational risk with the community who have already expressed concerns regarding Council's financial planning in recent community engagement.

The following sections of this report provide relevant information supporting the proposed recommendations, including:

- A brief overview of Council's SRV application to IPART and IPART's subsequent determination.
- Key elements from the NSW Legislative Council's Standing Committee on State Development report on the ability of local governments to fund infrastructure and services.
- Community feedback regarding services and services levels obtained through a variety of means including face to face engagement, external community satisfaction research (Micromex) and Council's own online community survey.
- Rate rise options and the implications of each of those options.

Special Rate Variation application to IPART

In February 2024, Council applied to IPART to increase its general income through a permanent special rate variation (SRV) of 42.70% over the three years from 2024-25 to 2026-27. A relatively small increase was proposed in 2024-25 and larger increases in each of the following years, as detailed in the following table:

	2024-25	2025-26	2026-27
Annual increase (%)	7.90	15.00	15.00
Cumulative increase (%)		24.09	42.70
Additional annual income (\$'000)	1,890	3,871	4,452

Council applied for the SRV to:

- Improve financial sustainability;
- Maintain existing services and service levels;
- Address current and forecast infrastructure backlogs for asset renewals; and
- Meet the cost pressures it is facing.

IPART did not approve Council's proposed SRV in full, but instead, approved a permanent SRV of 24.09% over two years from 2024-25, as shown in the following table. The determination was made in May 2024 and the full report can be accessed as follows: [Kempsey Shire Council Special Variation Application 2024-25 - Final Report](#)

	2024-25	2025-26
Annual increase (%)	7.90	15.00
Cumulative increase (%)		24.09
Additional annual income (\$'000) ^b	1,890	3,871

IPART's decision aligned with the first two years of Council's proposed SRV and meant that an additional \$5.8 million in general income (in total) over the two years could be raised, with this income permanently retained in the rate base. IPART noted that this partial approval does not preclude Council from submitting SRV applications in the future, if needed.

In deciding to approve a 2-year SRV of 24.09%, IPART noted that this reflects Council's clear need for additional income. In particular, the IPART determination noted the following:

"Our decision will allow the council to maintain a stable financial position over the next 2 years, while it undertakes the work required to establish whether it can reduce its costs and improve its financial sustainability through alternative means. For example, this work should include conducting a thorough review of the alternatives to further rate rises, transparently communicating the review's findings to the community, and consulting them to understand their preferences and willingness to pay. We consider the impact of our decision on ratepayers is reasonable. With the approved SV, the council's average residential rates will be slightly higher than comparable and neighbouring councils. We note that the council has a hardship policy in place to assist ratepayers experiencing difficulty paying their rates. We considered approving a temporary SV but found this is not a sustainable solution for addressing the council's systemic operational deficit and financing challenges"

Furthermore, the IPART decision made the following comments:

"The council did broadly demonstrate a financial need for an SV to maintain its financial sustainability while continuing to provide services and maintain infrastructure required by its community (criterion 1). However, it did not demonstrate that it needs the full 42.70% increase it proposed over 3 years. This is because it could continue to explore alternatives to this proposed increase over the next 2 years. This could reduce the size of the rate increase required beyond this period."

In summary, IPART acknowledged that there was a demonstrable financial need for the approved increases and that Council should undertake further work to reduce (or avoid) any future required increases beyond the two years of increases that were approved. This is the approach that Council has taken since the IPART determination was made, as detailed within this report, and the recommendations within this report align with the IPART final determination.

Standing Committee on State Development: Inquiry into the ability of local governments to fund infrastructure and services

In November 2024, the NSW Legislative Council's Standing Committee on State Development (the Committee) released its report on the ability of local governments to fund infrastructure and services. The terms of reference for the inquiry had been referred to the committee by the Hon Ron Hoenig MP, Minister for Local Government and adopted by the committee in March 2024. As the level of government closest to local communities, it is important that local governments deliver the services communities expect in a financially sustainable way. The inquiry examined whether the level of income councils receive adequately meets the needs of their communities.

Approximately 130 submissions were received from NSW councils (including Kempsey Shire Council), joint organisations and other key stakeholders, including IPART, Office of Local Government, Local Government Professionals Australia, Local Government NSW (LGNSW), Audit Office of NSW and Institute of Public Works Engineering Australasia (NSW), amongst others. Additionally, 10 public hearings were held across the state as part of the inquiry.

A copy of the Committee's final report can be accessed at: [Ability of local governments to fund infrastructure and services](#).

The following extracts from the report (refer to the Chair's foreword on page vii) are particularly relevant to the financial challenges currently faced by Council.

- *"Within the legislative and regulatory framework underpinning local governments, it is clear that local councils face significant revenue raising and cost pressures to adequately meet the needs of their communities. The evidence showed that the financial challenges councils are experiencing cannot be overcome through fiscal discipline alone and are threatening the long-term sustainability of the sector."*
- *"Even in councils that focus on the provision of basic services, the committee heard clear evidence that the rate peg has not kept pace with the level of income councils require to adequately meet the needs of their communities."*
- *"Stakeholders also shared concerns about financial sustainability impacts from other sources of income for local councils, such as annual charges and user fees and charges, grants funding and developer contributions. Many of these other sources of income no longer meet or reflect the actual cost of providing required community services."*
- *"In addition to sources of income, the committee also examined the expenditure of local governments in delivering services and managing assets and infrastructure. Local governments have a growing role in the community and operating expenditure has increased over the last decade for all council types, with rural councils experiencing the largest proportionate increase."*
- *"Natural disasters were raised as having a considerable impact on council expenditure and financial sustainability, given the critical role local councils play in the community in disaster response and mitigation. While natural disaster assistance funding is available from other tiers of government, councils often still need to divert funds and resources towards the reconstruction of council-owned assets."*

The recommendations (17 in total) of the inquiry closely aligned with the submissions from peak industry bodies, such as LGNSW, and local councils across the state and clearly recognise that the financial sustainability of councils is being persistently eroded and that, without improvements, all communities will suffer. A response from the NSW State Government is due by the end of February 2025, being within three months of the report being released.

While it is hoped that the NSW Government will respond positively to the recommendations, there is no certainty if, or when, any changes will be made that would positively impact Council's underlying long-term financial sustainability. As such, and in the absence of any known policy responses from the State Government, it is recommended that Council take the steps necessary, as detailed in this report, to ensure it has the revenue to continue to provide services to the community.

NSW Local Government SRV applications

As noted above, IPART partially approved Council's SRV application in May 2024. Council was one of nine councils to apply for an SRV in 2024. In 2023, 17 councils applied for an SRV. These application numbers continued a consistent trend where, on average, 10 councils apply for an SRV annually, given the challenges faced by local government as discussed in the NSW Legislative Council's Standing Committee on State Development report on the ability of local governments to fund infrastructure and services detailed above.

SRV applications for 2025 were due to be lodged by 3 February 2025. At the time of writing this report the SRV applications made to IPART for this year had not yet been published. However, we are aware that a number of Council's will be applying for an SRV this year to address financial sustainability issues, continuing the trend as noted above. This includes several highly publicised applications for Northern Beaches Council (40% increase in rates over the next three years including the rate peg) and North Sydney (87.05% increase in rates over the next two years including the rate peg).

While every Council is unique and has its own specific challenges, the ongoing number and size of the SRV applications indicates the funding challenges for the local government sector and why IPART approved Council's SRV application last year on the basis of financial need, as has been detailed earlier in this report

Community Satisfaction Research 2024

Council commissioned Micromex Research to conduct a random telephone survey with residents living in the Kempsey Shire Council local government area (LGA). The research was undertaken in October 2024 with the following objectives:

- Understand and identify community priorities for the Kempsey Shire Council LGA and desired level of investment for a range of services;
- Identify the community's overall level of satisfaction with Council's performance and importance of, and satisfaction with local services and facilities; and
- Explore areas for Council to generate more income and level of focus for infrastructure and facilities.

A copy of the full research results is attached to this report. However, the executive summary from the report has been included verbatim below:

'Overall, 89% of residents rate their quality of life living in the Kempsey Shire region as good to excellent. Residents value the natural environment, the community atmosphere, and the lifestyle offered by the region. Quality of life has dipped from the last measure. This is a trend we have observed across other LGAs in the last 12 months.

The key priorities for the next ten years tended to be expressed primarily as roads, traffic management, and infrastructure, services and facilities to support growth. Housing affordability and availability are a growing concern particularly for younger residents.

Satisfaction with Council's performance has declined, with 66% of residents expressing moderate satisfaction - down from previous years and below benchmarks. Possibly impacted by the recent Special Rate Variation. Additionally in 2024 Micromex has observed category wide drops in relation to overall satisfaction for most LGAs.

Areas of strength include libraries, sporting facilities and arts and culture; however, satisfaction scores for development applications, financial management, and roads, generally, are relatively low.

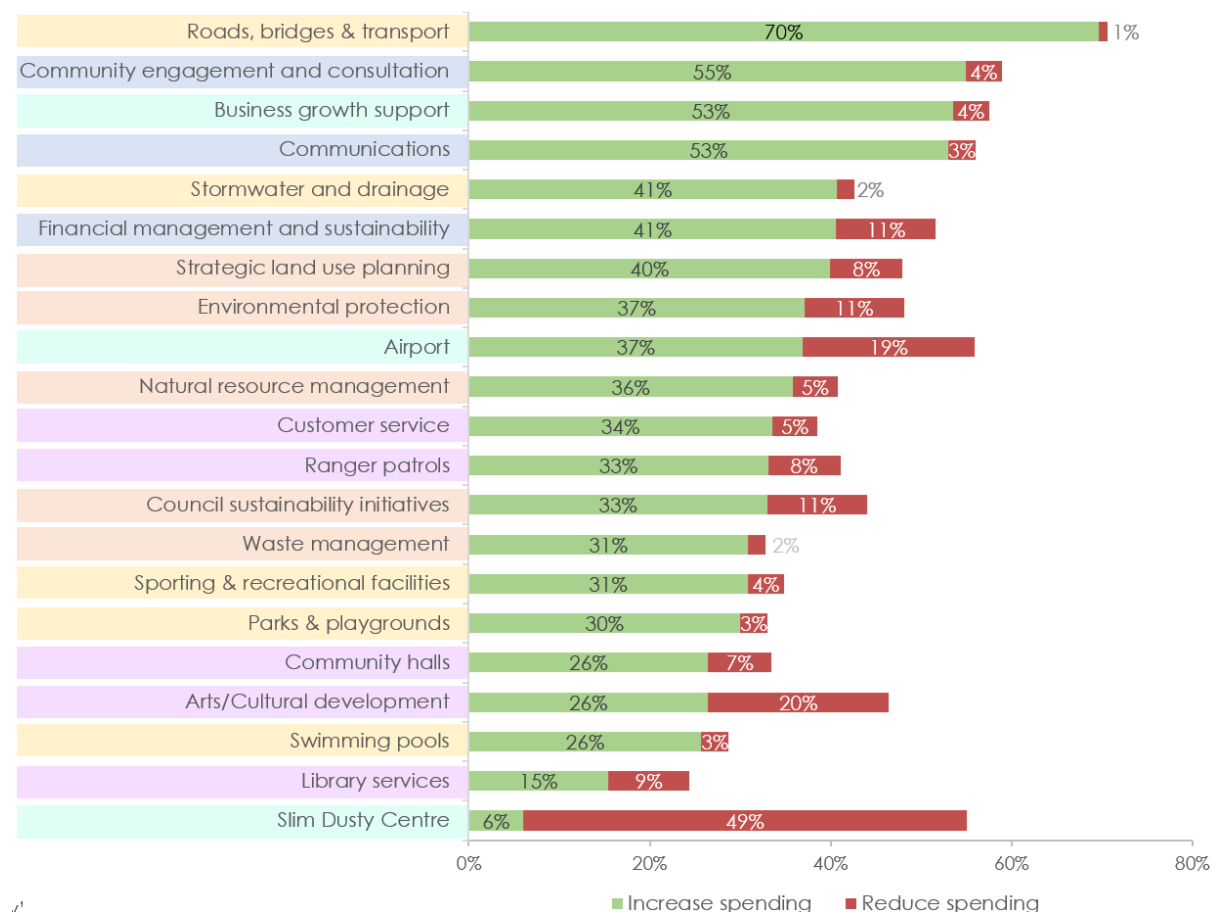
Residents would prefer that Council focus on maintaining existing infrastructure rather than investing in new assets, with 61% favouring the maintenance of current assets.

On the whole, the community want to see the same or greater resourcing allocated across most service areas. There is really little appetite for service reduction.

Key drivers of satisfaction are around the communication of financial management, customer service and community engagement/involvement.'

Of relevance for this report is the following chart which summarises survey responses to questions regarding Council's spending. Most residents desire an increase in spending on roads, bridges, and transport. Over 50% would also like to see increased funding for community engagement and consultation, business growth support and communication. These findings are consistent with the results of Council's own online survey that was undertaken at the same time as the Micromex research, which also showed a strong preference of maintaining or increasing the level of spend on the majority of Council provided services. A copy of Council's survey report is also attached to this report.

Therefore, taking into account the results of these two separate bodies of community research, any decision to not implement the IPART approved rate increases that consequently results in reducing service levels would be contrary to the results of this community research.



Further commentary regarding the Micromex community research and Council’s online survey results is included within the Stakeholder Engagement section of this report.

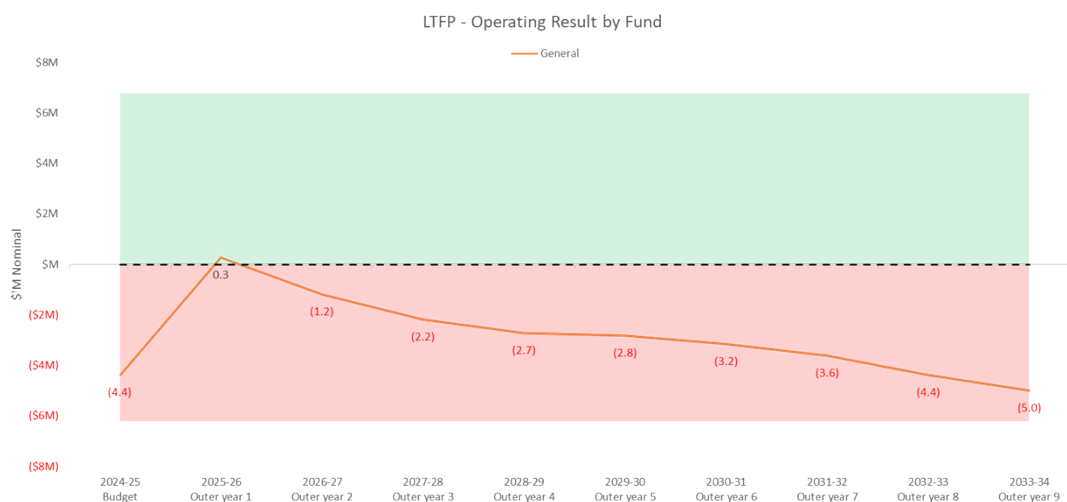
KEY CONSIDERATIONS

The current LTFP that was adopted at the June 2024 Council meeting clearly demonstrated the financial challenges facing Council, and particularly in relation to the operations of the General Fund. This LTFP reflected IPART’s partial SRV approval with the approved 7.9% rate increase in 2024-25 and 15% increase in 2025-26 being incorporated into Council’s General Fund financial forecasts.

The LTFP, accessible via the following link to Council’s website ([Long Term Financial Plan - Kempsey Shire Council working with the Macleay Valley community](#)):

- Provides significant historical context regarding the actions taken by Council since 2017 to address financial sustainability challenges, including a summary of the \$7.9 million of savings that had already been achieved prior to the SRV application, and which are embedded in the financial forecasts (refer pages 11-13);
- Details those factors impacting ongoing financial sustainability (refer page 14);
- Describes the asset backlog and the need for this to be addressed particularly in relation to sealed roads (refer pages 14-15); and
- Details the 24 initiatives and 46 actions comprising the updated Financial Sustainability Program (pages 25-33).

As noted above, the LTFP General Fund forecasts assumed the full implementation of the IPART approved rate increases, including the 15% increase for the 2025-26 financial year. The resulting financial forecast for the ten-year period to 2033-34 shows a \$29M cumulative deficit as depicted in the following chart. This equates to an average deficit of around \$3 million per annum, noting that the deficits increase over time due to a combination of lower revenue growth (due to IPART not approving the third year increase in Council’s SRV application) and the need for Council to undertake larger loan borrowings to offset the deficit and still fund required asset management related capital expenditure.



As illustrated above, the implementation of the approved 15% rate increase was forecast to result in Council achieving a small operating surplus in 2025-26. However, the operating deficits then return as expenses continue to grow at a faster rate than forecast income.

To address this financially unsustainable position, Council has taken the following steps over the past 8 months:

- Launched an internal 'Innovation Portal' which allows staff from across all areas of the business to enter ideas that may lead to increased revenue, reduced costs or improved productivity outcomes. To date, 33 ideas have been submitted and assessed. 18 of these ideas are being progressed, with 10 being new ideas and 8 relating to activities that Council is already working on. Examples of ideas from the Innovation Portal include corporate structure review, reducing stationery and subscriptions, leveraging existing technologies better, and less use of consultants where work can be deferred and/or done internally if the required skills are available. Any realistic savings from these items will be incorporated into the draft departmental budgets for 2025-26.
- Launched project 'Project 4.0', an internal project aimed to identify \$4 million of financial improvements to address the projected future deficits. This included undertaking detailed budget reviews across all departments to identify possible budget savings that could contribute to the Project 4.0 financial targets.
- Instigated a management requested internal audit of revenue opportunities with the results of that audit reported to Council's Audit, Risk & Improvement Committee and Revenue & Review Taskforce (see below). This audit identified 29 potential opportunities to generate additional revenue and save costs from Council operations. The value of the potential General Fund opportunities was estimated at \$521k, although \$330k of this relates to a potential expansion of holiday park operations which would require significant investment and as such would require a detailed business case. The other items have been provided to departmental managers for review of feasibility and consideration as part of the development of the proposed fees and charges for the 2025-26 financial year.
- Established the Revenue & Review Taskforce (Taskforce), comprising the Executive Leadership Team (ELT), three councillors and three qualified independent community members, with the objective of:
 - Identifying ways that the Council can effectively generate increased revenue to support and meet the future expenditure requirements of the Shire;
 - Identifying and considering significant business efficiency improvements that the Council may need to implement; and
 - To review draft proposals for service reductions and cuts and provide feedback on these proposals to the ELT.

The first meeting of the Taskforce was held on 30 January 2025. It was agreed at that meeting that no further meetings of the Taskforce would occur until the recommendations within this report are considered by Council as a decision not to implement the proposed 15% rate increase for the 2025-26 financial year has a significant impact on the role and scope of the Taskforce. It should be noted that if the 15% rate increase isn't implemented and \$4 million of annual savings (over and above what has already been identified as noted within this report) are required to be identified, that this would require significant

organisational transformation and associated dedicated resourcing and would likely be outside the scope of what the Taskforce in its current design could effectively deliver.

- Continued to progress Financial Sustainability Program (FSP) initiatives and actions as per Appendix 1 of the adopted LTFP. An update on these initiatives is included in the Quarterly Corporate Performance Report, at agenda item 10.2.

Progression of the above items has resulted in a number of financial savings being identified. Additionally, improved ongoing (and untied) grant funding has been announced which increases General Fund revenue, partially offsetting the projected operating deficits and providing cash to fund required capital expenditure. The key financial improvements, with their estimated annual financial contributions, include the following:

Item	Description	Annual \$ amount
Financial Assistance Grant (FAG)	Increased FAG allocation resulting in \$0.6 million increase per annum	\$0.6M
Roads to Recovery (R2R) Grant	From 1 July 2024, a new five-year funding period commenced with increased funding as announced by the Australian Government. For Council the five-year funding increased from \$6.1 million to \$10.2 million. The extrapolation of the increased funding over the 10-year period of the LTFP results in a \$12 million improvement over 10-years, although it should be noted that funding certainty only exists for the initial 5-year period.	\$1.2M
Operating costs – various	<p>As part of project 4.0, a review of Council's operating budget by senior management has identified \$0.8 million in general fund operational savings that can be made immediately without having a major impact on services. These mainly relate to not filling certain vacant positions and removing non urgent work that required consulting services. These savings have been included in the December Quarterly Budget Review Statements, which are attached to agenda item 10.2 of this business paper. A further targeted \$0.2 million in savings is included in the scenarios below to total \$1.0 million in general fund savings.</p> <p>It should also be noted that the June 2024 adopted LTFP already included a \$0.5 million operating expenditure saving. This was a commitment made as part of Council's SRV application and is over and above the \$1 million savings noted above.</p>	\$0.8M

The impact of these financial improvements has been modelled resulting in the following scenarios, noting that all scenarios start with the June 2024 adopted LTFP General Fund as the base case (scenario 0).

Scenario	Description
0	Base Case: June 2024 adopted LTFP General Fund. Assumes implementation of 15% rate increase from 1 July 2025. Includes \$0.5 million of operating expenditure savings as per Council's SRV application.
1	Base case adjusted for improved grant funding outcomes (FAG, R2R), identified \$1M operating cost savings, and revised assumptions for future rate peg (positive impact) and labour costs (negative impact)
2	Scenario 1 above but with 3.9% rate peg applying from 1 July 2025 rather than 15% increase approved by IPART
3	Scenario 2 above but with catch up of IPART approved SRV rate increases applied in 2026-27 (7.5% rate increase) and 2027-28 (12.04% rate increase). Note that the cumulative increases are greater than 15% as they must also include the following year rate peg and get to same total revenue.
4	Scenario 1 above but with 15% rate rise spread over 2025-26 (7.5% rate increase) and 2026-27 (11.52% rate increase). Note that the cumulative increases are greater than 15% as they must also include the following year rate peg and get to same total revenue.

The results of the financial modelling are summarised in the following table, with the dollars presented in the table reflecting the 10-year life of the LTFP (i.e. aggregated 10-year results). In interpreting this table the following should be noted:

- All reported \$ are in millions.
- The first column details the cumulative operating deficit over the 10-year period. For example, the base case (June 2024 adopted LTFP) reported a \$29 million deficit. The recommended option in Scenario 1 with the 15% rate increase applied, along with the other updated assumptions, results in a \$3 million cumulative surplus over the 10-year period – essentially, break-even only. Applying the rate peg only (3.9%) in 2025-26 will result in a projected \$31 million deficit over 10 years.
- The second column reports the change in the cumulative operating deficit compared to the June 2024 adopted LTFP.
- The impacts for updated assumptions since the June 2024 LTFP was adopted are summarised in the following columns – this allows an understanding of impacts associated with each scenario regarding new loans required in the General Fund over the 10-year period, changed income assumptions (rates and grant funding), and operating expenditure changes.
- The column titled 'Management savings' represents \$0.8 million of savings already identified through initiatives undertaken by management as detailed earlier in this report, plus a

further \$0.2 million targeted savings. It should be noted that while \$0.8 million in savings have already been identified and included in the forward financial projections they still need to be actually achieved and sustained (i.e. the actual spend removed permanently).

- The column titled 'Savings required' represents further annual savings that would be required to be found, over and above those 'Management savings' referred to above, to achieve a small operating surplus of \$0.5 to \$1 million per annum. Therefore, for the recommended option (scenario 1 in the table) an additional \$1 million of savings per annum will need to be found. The rate peg only option (scenario 2) would require Council finding a further \$4 million of General Fund savings per annum over and above what has been identified to date.
- Importantly, it should be understood that none of the scenarios include any contingency to deal with unknown future financial risks and the largely break-even forecasts as detailed below in the 'Net operating result' column for scenarios 1,3 and 4 do not have any financial capacity or buffer to absorb the impacts of any adverse events occurring. This risk is considered further in the assessment of options in the following section of this report.

Scenarios based on 2024-25 adopted LTFP

Scenarios based on 2024-25 adopted LTFP		10-year totals \$M				Annual amounts	10-year total changes from base case \$M								
		Net operating result	Change from base case	New loans	Change from base case		Savings required*	Rates change	R2R grant change	FAG Grant change	Interest income	Total income	Managem ent savings	Labour costs change	Borrowing costs change
No:	Scenario Name														
0	Base case	(29)	0	73	0	4	0		0	0	0	0	0	0	0
1	Base case + increases for FAGs, R2R, \$1M estimated savings, labour increases and assuming 15% rate rise in 2025-26 and long term rate peg as per new methodology for outer years	3	32	48	(25)	1	8	12	6	(4)	22	(13)	11	(7)	(10)
2	S1 but with 3.9% rate peg only in 2025-26	(31)	(2)	85	12	4	(20)	12	6	(5)	(7)	(13)	11	(2)	(5)
3	S2 but with catch-up of SRV over 2026-27 and 2027-28	1	30	51	(22)	1	8	12	6	(5)	22	(13)	11	(6)	(8)
4	as per S1 but with 15% SRV spread over 2025-26 to 2026-27	3	32	48	(25)	1	9	12	6	(5)	23	(13)	11	(7)	(10)

*Savings required = average annual operating result +\$0.5M buffer and then rounded up to the nearest million

Colour legend

15%, second year allowable SRV increase
Old rate peg assumption (advised by IPART)
New rate peg assumption (advised by IPART)
Rate peg for 2025-26 only as declared by IPART
SRV split over two years, second year is higher than 7.5% in order to catchup approved SRV allowable rates revenue equivalent to 7.5% and 15% increases over 10 years

The following table details the annual rate increase percentages assumed for each of the scenarios.

Rate increases table

No:	Scenario Name	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
0	Base case	15.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
1	Base case + increases for FAGs, R2R, \$1M estimated savings, labour increases and assuming 15% rate rise in 2025-26 and long term rate peg as per new methodology for outer years	15.00%	3.52%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
2	S1 but with 3.9% rate peg only in 2025-26	3.90%	3.52%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
3	S2 but with catch-up of SRV over 2026-27 and 2027-28	3.90%	7.50%	12.04%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
4	as per S1 but with 15% SRV spread over 2025-26 to 2026-27	7.50%	11.52%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%

The three tables below show the impact on average rates for each of the four rating categories for the 2024-25, 2025-26 and 2026-27 financial years, with the impact on residential ratepayers (given

they account for the majority of ratepayers) highlighted. The first table shows the impact of rate peg increases only, while the second table shows the impacts of the 15% rate increase, with the incremental impact shown in the third table.

			Rate peg only (2025-26 and 2026-27)											
2023-24			2024-25			2025-26			2026-27			Total		
Average bill	% Increase		Average bill	\$ Increase	% Increase	Average bill	\$ Increase	% Increase	Average bill	\$ Increase	% Increase	Average bill	\$ Increase	% Increase
Business Urban	\$ 3,483	3.7%	\$ 3,759	\$ 275	7.9%	\$ 3,905	\$ 147	3.9%	\$ 4,043	\$ 137	3.5%	\$ 4,043	\$ 559	16.1%
Business Other	\$ 2,514	3.7%	\$ 2,713	\$ 199	7.9%	\$ 2,819	\$ 106	3.9%	\$ 2,918	\$ 99	3.5%	\$ 2,918	\$ 404	16.1%
Residential	\$ 1,274	3.7%	\$ 1,374	\$ 101	7.9%	\$ 1,428	\$ 54	3.9%	\$ 1,478	\$ 50	3.5%	\$ 1,478	\$ 204	16.1%
Farmland	\$ 2,332	3.7%	\$ 2,516	\$ 184	7.9%	\$ 2,614	\$ 98	3.9%	\$ 2,706	\$ 92	3.5%	\$ 2,706	\$ 374	16.1%

			SRV 15% 2025-26											
2023-24			2024-25			2025-26			2026-27			Total		
Average	%		Average	\$	%	Average	\$	%	Average	\$	%	Average	\$	%
bill	Increase		bill	Increase	Increase	bill	Increase	Increase	bill	Increase	Increase	bill	Increase	Increase
Business Urban	\$ 3,483	3.7%	\$ 3,759	\$ 275	7.9%	\$ 4,322	\$ 564	15.0%	\$ 4,475	\$ 152	3.5%	\$ 4,475	\$ 991	28.5%
Business Other	\$ 2,514	3.7%	\$ 2,713	\$ 199	7.9%	\$ 3,120	\$ 407	15.0%	\$ 3,230	\$ 110	3.5%	\$ 3,230	\$ 715	28.5%
Residential	\$ 1,274	3.7%	\$ 1,374	\$ 101	7.9%	\$ 1,581	\$ 206	15.0%	\$ 1,636	\$ 56	3.5%	\$ 1,636	\$ 362	28.5%
Farmland	\$ 2,332	3.7%	\$ 2,516	\$ 184	7.9%	\$ 2,893	\$ 377	15.0%	\$ 2,995	\$ 102	3.5%	\$ 2,995	\$ 663	28.5%

				Rate peg to SRV changes											
	2023-24			2024-25			2025-26			2026-27			Total		
	Average bill	% Increase		Average bill	\$ Increase	% Increase	Average bill	\$ Increase	% Increase	Average bill	\$ Increase	% Increase	Average bill	\$ Increase	% Increase
Business Urban	\$ 3,483	3.7%		\$ -	\$ -	0.0%	\$ 417	\$ 417	11.1%	\$ 432	\$ 15	0.0%	\$ 432	\$ 432	12.4%
Business Other	\$ 2,514	3.7%		\$ -	\$ -	0.0%	\$ 301	\$ 301	11.1%	\$ 312	\$ 11	0.0%	\$ 312	\$ 312	12.4%
Residential	\$ 1,274	3.7%		\$ -	\$ -	0.0%	\$ 153	\$ 153	11.1%	\$ 158	\$ 5	0.0%	\$ 158	\$ 158	12.4%
Farmland	\$ 2,332	3.7%		\$ -	\$ -	0.0%	\$ 279	\$ 279	11.1%	\$ 289	\$ 10	0.0%	\$ 289	\$ 289	12.4%

The following table summarises the impact for the 2025-26 financial year for each of the four rating categories. In summary, for an average residential ratepayer the annual increase of applying the 15% IPART approved rate increase equates to \$206, which is \$153 (or \$3 per week) more than what would apply if the rate peg of 3.9% was applied.

	Rate peg only (2025-26 and 2026-27)							
	2025-26 (Rate peg)			2025-26 (SRV)			Difference	
	Average bill	\$ Increase	% Increase	Average bill	\$ Increase	% Increase	\$ Increase	% Increase
Business Urban	\$ 3,905	\$ 147	3.9%	\$ 4,322	\$ 564	15.0%	\$ 417	11.1%
Business Other	\$ 2,819	\$ 106	3.9%	\$ 3,120	\$ 407	15.0%	\$ 301	11.1%
Residential	\$ 1,428	\$ 54	3.9%	\$ 1,581	\$ 206	15.0%	\$ 153	11.1%
Farmland	\$ 2,614	\$ 98	3.9%	\$ 2,893	\$ 377	15.0%	\$ 279	11.1%

While the impact of any increase in rates on ratepayers is acknowledged, the current level of hardship relief applications or payment arrangements does not indicate widespread issues in ratepayers being able to pay their rates. For the 2024-25 financial year:

- 15 ratepayers have had hardship relief arrangements approved (i.e. ratepayers who have applied and been approved for hardship arrangements under Council's adopted Hardship Relief to Ratepayers Procedure); and
- Approximately 150 ratepayers are on payment arrangements.

These are relatively small numbers in the context of ~16,000 ratepayers and would indicate that we are not currently seeing significant capacity to pay issues.

General Fund Rate Increase Options Assessment

As noted, this report seeks Council's endorsement of the assumption to implement the IPART approved 15% rate increase in full for the 2025-26 financial year for the purposes of developing the 2025-26 IP&R documents.

However, as detailed in the financial scenarios that have been modelled and discussed above, Council has several options regarding the setting of rates. These options and their impacts are summarised in the following table.

Option	Scenario(s)	Pros	Cons	Impacts
15% Rate increase in 2025-26	1	<ul style="list-style-type: none"> As per IPART approval Addresses issue immediately Addresses immediate financial need, noting current and projected operating deficits Removes need for substantial service reductions 	<ul style="list-style-type: none"> Largest increase in rates for 2025-26 	<ul style="list-style-type: none"> Avoids widespread service reductions Enables community expectations to be largely achieved As noted by IPART, allows Council to maintain a stable financial position while it undertakes work required to improve longer term financial sustainability
Rate Peg (3.9%) increase only	2	<ul style="list-style-type: none"> Minimum financial impact on ratepayers 	<ul style="list-style-type: none"> Does not address financial sustainability Does not implement rate increases approved by IPART Ability to achieve \$4 million of savings over and above savings already identified / committed to highly unlikely 	<ul style="list-style-type: none"> Will require significant organisational transformation, service reductions and staff reductions, which may still not be sufficient to address financial sustainability
Implement SRV over 2-3 years	3 & 4	<ul style="list-style-type: none"> Minimises impacts on ratepayers in 2025-26 Addresses financial need, noting current and projected operating deficits Removes need for substantial service reductions 	<ul style="list-style-type: none"> Simply delays the rate increases that need to be implemented Results in increased borrowings due to the delay in raising rates Will lock in General Fund operating deficits for next 1-2 years – delays returning to stable financial position 	<ul style="list-style-type: none"> Avoids widespread service reductions Enables community expectations to be largely achieved

IPART, in making their determination on Council's SRV application, clearly referenced that their decision to approve rate increases, including the 15% in 2025-26, was to allow Council to maintain a stable financial position over the period to June 2026, while it undertakes the work required to establish whether it can reduce its costs and improve its financial sustainability through alternative means.

Should Councillors not endorse the implementation of the IPART approved rate increase and instead resolve to increase rates by the rate peg (3.9%) only, then clear direction will need to be provided as to the proposed operating expenditure / service reductions to offset the lower rates income of approximately \$4 million per annum. As noted in the table above and in the financial scenarios table, further savings of \$4 million over and above those savings already committed to will need to be identified. These service reductions and the associated financial impacts would need to be reflected in the draft IP&R documents to be reported to the April 2025 Council meeting and subsequently, publicly exhibited for community comment. Furthermore, resourcing to deliver a project of this size (i.e. to identify a further \$4 million of operating expenditure savings annually) would likely require additional specific transformation resources as it represents a significant challenge over and above what existing Council staff resources could realistically deliver, noting that significant savings have already been identified by staff and factored into forward financial forecasts and these additional savings that would be required to be identified, represent an even greater challenge.

There are a number of areas where further savings are not possible given the base level of resources currently allocated to them. This includes:

- Development and compliance related functions such as ranger services, development assessment, environmental health.
- Corporate functions such as finance, workplace health and safety, human resources, facilities management, community engagement, information technology, and governance.
- Asset management.

Additionally, services such as the airport have recently been reviewed and Council resolved (November 2024) to not reduce service levels.

As a result, there are limited areas for service reduction. Services that would need to be reviewed and considered include:

- Review of expenditure on sealed and unsealed roads, noting that this would result in a deterioration of the conditions of these assets, which has adverse longer-term cost implications. Additionally, this would be in direct opposition to the results of the community research undertaken (as noted in this report and in the attachments) which identified roads as an area for increased investment.
- Frequency of maintenance for parks and sporting fields
- Frequency of maintenance/closure of public amenities
- Swimming pools, noting that in November 2023 Council amended the staff recommendation to close Gladstone Pool
- Reduced quality and/or quantity of external communication and media
- Review of library services (locations and opening hours)
- Customer service operating hours
- Economic development services

- Community development services
- Slim Dusty Centre operations
- Waste services (locations and opening hours)

It should also be noted that the financial scenarios outlined above provide no real financial contingencies or buffers to manage or absorb unknown future events. For example, the recommended scenario (scenario 1) with the 15% rate increase in 2025-26 followed by rate increases in outer years in line with the projected rate peg, results in a cumulative \$3 million surplus over the 10-year period of the LTFP only. Further savings of around \$1 million, over and above operating expenditure savings already committed to, would be required to achieve a modest surplus of \$1 million a year. While providing a level of financial security, this would still not build significant financial reserves and would provide only a minimal ability to fund new assets or service expansion (new or existing services), such as library services in South West Rocks in the future.

Additionally, there are a number of future unknowns which create further financial risk, and which emphasise the importance of addressing Council's financial sustainability issues immediately. These include the following:

- Further cost shifting from the other levels of government.
- Evolution of IT solutions and costs. We expect costs to rise as technology advances. Notably, Council is currently finalising its IT strategy, which clearly identifies large future investment requirements. While subject to business case assessment this will require investment that is not currently budgeted. Additionally, the community reasonably expects to be able to access council services online. To meet these requirements, IT systems will require upgrading to improve system integration, efficiency and service responsiveness, data analytics capabilities for evidence-based decision-making, and the protection of Council data.
- Cyber security risks pose a significant threat, compromising data security, disrupting services and public trust. Investing in robust cybersecurity and expert collaboration is crucial to safeguarding critical systems and personal data. Local government holds significant amounts of sensitive and valuable data about their community and staff that must be held securely.
- Impact of future natural disasters. According to the research of the Australian Insurance Council (AIC), direct costs from extreme weather events are estimated to grow by 5.13 per cent each year (before inflation) and reach \$35.24 billion (in 2022 dollars) by 2050.
- Waste management – increased regulatory requirements and environmental considerations as circular economy initiatives are progressed / expected.
- Maintaining existing assets. Council manages ~\$1.5 billion of assets. According to the Institute of Public Works Engineering Australia (IPWEA), 1 in 10 of all local government assets across the nation needs significant attention, and 3 in every 100 assets may need to be replaced. IPWEA also estimates that replacing poor quality infrastructure will cost \$51b and replacing infrastructure that is assessed as in fair condition will cost between \$106b and \$138b.¹¹ This evidence highlights if assets deteriorate it will cost our community more to repair them. The major threat to Council's financial sustainability is the long-term ability to maintain assets to an adequate level. Council's current Strategic Asset Management Plan program is restricted by financial affordability. This merely enables us to 'scrape by' and fails to account for the true financial obligations necessary to sustain current service levels of our infrastructure over the next decade and beyond. Our asset management challenge becomes

more pronounced when taking into account the surging costs of infrastructure delivery and construction.

- Community expectations. As our community continues to evolve, the demands of our residents will naturally evolve as well. In recent times, there has been a noticeable upswing in community expectations. These expectations extend beyond traditional services and infrastructure.
- Responding to climate change. As the intensity and frequency of extreme weather events increase, the sense of urgency for significant strategic investment in climate change adaptation and mitigation is increasing within the sector. Climate change affects all areas of Council operations – from planning to parks and recreation – to maintaining assets – to delivering community services.
- Workers compensation costs. Council's recent safety performance and workers compensation management have resulted in significant reductions in annual workers compensation premiums. Council's premium is essentially at the base level meaning that any increase in lost time injuries and workers compensation claims will adversely impact the premium. The increasing risk associated with psychosocial injuries poses a significant financial risk.
- Renegotiation of material long term contracts including the domestic waste management collection contract and the management of the Macleay Valley Coast Holiday Parks. Both of these 10-year contracts are due for renewal in 2027. While these contract renewals provide the opportunity for improved financial outcomes, there equally is the risk that these contracts could result in less favourable financial outcomes than is currently the case given underlying economic changes and cost increases etc.

Policy and Legislation

The following sections of the *Local Government Act 1993* (the Act) are relevant to this report and councillors' responsibilities regarding financial management. These include:

Section 223 Role of governing body, which states that amongst other things, the role of the governing body is:

- to direct and control the affairs of the council in accordance with the Act
- to provide effective civic leadership to the local community
- to ensure as far as possible the financial sustainability of the council

Section 232 of the Act outlines the role of a councillor.

(1) The role of a councillor is as follows--

- (a) to be an active and contributing member of the governing body,*
- (b) to make considered and well-informed decisions as a member of the governing body,*
- (c) to participate in the development of the integrated planning and reporting framework,*
- (d) to represent the collective interests of residents, ratepayers and the local community,*
- (e) to facilitate communication between the local community and the governing body,*
- (f) to uphold and represent accurately the policies and decisions of the governing body,*

(g) to make all reasonable efforts to acquire and maintain the skills necessary to perform the role of a councillor.

(2) A councillor is accountable to the local community for the performance of the council.

Section 8B of the Act outlines principles of sound financial management.

The following principles of sound financial management apply to councils--

(a) Council spending should be responsible and sustainable, aligning general revenue and expenses.

(b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.

(c) Councils should have effective financial and asset management, including sound policies and processes for the following--

(i) performance management and reporting,

(ii) asset maintenance and enhancement,

(iii) funding decisions,

(iv) risk management practices.

(d) Councils should have regard to achieving intergenerational equity, including ensuring the following--

(i) policy decisions are made after considering their financial effects on future generations,

(ii) the current generation funds the cost of its services.

Strategic Alignment

This report references Council's IP&R suite of documents, which are a requirement under the *Local Government Act 1993*. Development of the IP&R documents is undertaken in accordance with the IP&R framework and includes development of key community planning documents such as the Community Strategic Plan, Community Engagement Strategy, Delivery Program, Resourcing Strategy and Annual Operational Plan.

The LTFP is a key element of the IP&R Resourcing Strategy and is directly impacted by the outcome of this report. Furthermore, a decision by Council to not resolve in accordance with the recommendation in this report will have significant impacts on the Delivery Program and Operational Plan to be presented to Council in April 2025, ahead of the required public exhibition period.

Impact on Financial Sustainability

As required by the *Local Government Act 1993* and as detailed in the Policy and Legislation section above, one of Council's primary obligations is to be financial sustainable and make effective use of the public funds entrusted to it and ensure the responsible management and planning of community assets, so that future ratepayers are not burdened unnecessarily.

Long-term financial sustainability is essential to ensuring that Council can continue providing the services and programs our community relies on. Towards this, it is crucial that decisions made today are forward-thinking and consider the evolving needs of our current and future community.

Now more than ever with rising cost pressures and a tightening fiscal environment, and as referenced by IPART in its May 2024 final report on Council's SRV, Council is acutely aware of the need to reduce costs and improve its ongoing long term financial sustainability. Significant steps since the IPART decision have already been made. Over the past eight (8) months, Council has taken a number of steps to improve our financial position. These have delivered financial improvements as summarised in the Key Considerations section above.

Council is committed to ensuring its long-term financial sustainability while renewing and maintaining its assets appropriately and providing balanced community services without imposing a significant burden on our residents and community, today and tomorrow.

Financial sustainability is Council's ability to manage its financial resources in a responsible and efficient manner over the long term.

It involves achieving a significantly improved financial position, ensuring that revenue sources are sufficient to cover operating expenses, fund essential services and liabilities, and to have adequate surplus to effectively manage and invest in assets. Financial sustainability also includes planning and budgeting for future needs, such as new, upgrade and maintenance of infrastructure to respond to community need and growth, while considering the potential impacts of economic fluctuations and changing demographics. It encompasses prudent financial management practices, responsible borrowing management, revenue diversification, effective cost control measures, and transparency in financial reporting. By achieving financial sustainability, Council can meet the needs of current and future generations.

Stakeholder Engagement

Significant community engagement was undertaken to prepare and update the 10-year Community Strategic Plan which was adopted by council in 2022. To build on this extensive engagement and in preparation for development of the new suite of IP&R documents for the next 4-year term, Council undertook a range of community engagement activities in October-November 2024 to check in with the community to understand if their priorities had changed. These activities included:

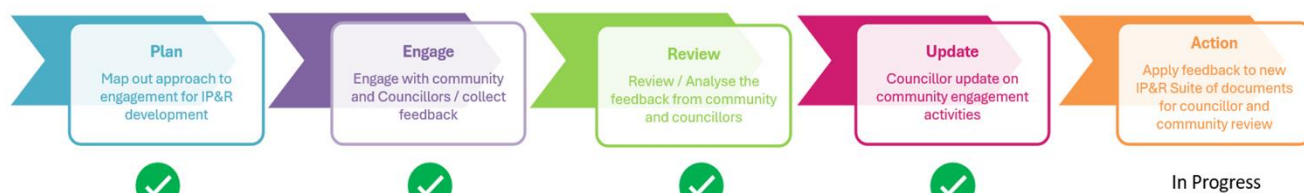
- Face to Face engagement sessions in the community including visits to Willawarrin, Kempsey CBD, Crescent Head, South West Rocks and Stuarts Point;
- Shaping our Future and Council Priorities online survey (Council's online survey);
- Micromex Community Satisfaction Research telephone survey (Micromex telephone survey); and
- Workshops with the senior leadership team and councillors.

516 community members provided feedback by attending face-to-face sessions, completing the council survey or participating in the Micromex survey.

A copy of the Micromex Survey and Council's survey reports are attached.

Council's approach to Community Engagement for developing the new suite of IP&R documents

The below graphic outlines Council's approach to undertaking engagement for developing the new suite of IP&R documents:



Councillor Engagement in developing the new suite of IP&R documents

The below graphic outlines how Council staff have worked with councillors in developing the new suite of IP&R documents:



Community Feedback on future service level expenditure and generating additional Income

Future service level expenditure

As previously noted, council's recent community engagement activities included a Micromex telephone survey and an online survey asking the community to provide us with feedback on the level of expenditure council should be investing in key services in the future. Council received 469 responses in total, with 300 responses received through the Micromex telephone Survey and 169 responses to council's online survey.

The Micromex Community Satisfaction Survey has been developed over several decades, working with some 120 Councils. The use of consistent questioning and a statistically relevant sample (i.e. one that accurately represents the population being studied) allows comparisons over time in our community responses and against local government benchmarks. Our community's overall level of satisfaction with Council decreased in the 2024 survey to the previous survey (66% of residents at least 'somewhat satisfied' with Council's performance, compared to 77% in the prior early 2023 survey) and is well below the local government benchmark of 79%. That said, this result is above some councils in the late 40s to early 50 percentage range.

As noted earlier in the report, in addition to insights around key priorities for the future (roads, traffic management, and infrastructure, services and facilities to support growth), the surveys also identified the key drivers of overall satisfaction. Sitting at the top of the list of things that will drive overall satisfaction with Council in the current survey is financial management. This is ranked number one above customer service, opportunity to participate in decision making and sealed roads (ranked 2-4). If Council can increase satisfaction in these key driver areas, we will likely see a corresponding increase in community satisfaction.

Further, when the survey data was mapped comparing the importance of each service versus satisfaction, financial management also came out as the number one item with the largest disparity (i.e. the community have said this is the item which has the largest scope for improvement, given its importance).

As noted previously, both the Micromex and Council survey sought views on 21 council services, with the community able to select from the options of reduce, maintain or increase level of spend by service. The results were reasonably consistent between both sets of survey data. The results highlighted that of the 21 services, community preference was to either maintain, or increase spend on 20 out of 21 services, indicating that there is **almost no community appetite for council to reduce service levels**.

Generating additional income

Council also asked respondents of both surveys if they would be willing to pay for additional services to support income generation to improve councils' financial position. 57% of Micromex and 59% of Council survey respondents indicated that they are not willing to pay for the items proposed. The breakdown of responses from community representing their willingness to pay or pay for more is as follows:

Combined Community Feedback Results	Council Survey	Micromex Survey
Paid Parking - High use foreshore areas	20%	27%
Sports field use	14%	23%
Paid parking - CBD	9%	13%
None of these <small>*Combines not willing to pay more (28%) and have suggestions for other options (31%)</small>	59%*	57%

Of the 'other suggestions' for generating additional income received via the survey, ideas which featured included paid parking (only for visitors, not locals), some form of tourism/bed tax, rate increases, improved council efficiency, increased regulatory compliance, a reduction in council staffing and wages.

Upcoming IP&R Council Reports

The graphic below outlines the timeline for the reporting to, and adoption by, Council of key IP&R documents.



CSP = Community Strategic Plan, CES = Community Engagement Strategy

Other Matters

Nil

CONCLUSION

To meet *Local Government Act 1993* requirements, IP&R obligations, address council's financial sustainability issues and continue to meet community needs and expectations regarding service

delivery, it is recommended that Council endorses the recommended IP&R assumption to implement the IPART approved 15% rate increase for the 2025-26 financial year for the purposes of developing the 2025-26 Operational Plan and associated budget and the Long-Term Financial Plan.

In its May 2024 determination on Council's SRV application, IPART noted that Council demonstrated that it has a financial need for the Special Variation to improve its financial sustainability, maintain existing services and service levels, and maintain healthy debt serviceability ratios in line with its Community Strategic Plan.

ATTACHMENTS

1. 2024 Micromex Community Satisfaction Research Report [**10.1.1** - 69 pages]
2. 2024 Council Shaping Our Future and Council Priorities Survey Results Summary [**10.1.2** - 13 pages]

10.2 CORPORATE PERFORMANCE REPORT - QUARTER 2 2024-25

Officer Carissa Graham, Integrated Planning and Reporting Manager

File Number F23/3642/05

PURPOSE

Report to Council the second Quarterly Progress Report for the 2024-25 financial year.

RECOMMENDATION

That Council:

1. **adopts the Quarterly Budget Review for the period ended 31 December 2024 and approve the variations contained therein;**
2. **notes the progress achieved in delivering the Delivery Program 2022-26 and Operational Plan 2024-25;**
3. **notes the Financial Sustainability Program Status Report;**
4. **notes the Grants Status Summary; and**
5. **notes the Councillor Expenses Report.**

BACKGROUND

This is the second quarterly progress report on the adopted Delivery Program 2022-26 and Operational Plan 2024-25. Attached to this report are the following reports that are provided to Council on a quarterly basis:

- Quarterly Budget Review Statements (QBRs);
- Financial Sustainability Program Status Report;
- Delivery Program 2022-26 and Operational Plan Report 2024-25;
- Grants Status Summary, and
- Councillor Expenses Report.

The Delivery Program 2022-26 and Operational Plan 2024-25 details the activities, along with the associated performance measures and budgets, which are planned to be delivered over the 2024-25 financial year. This plan is organised by the community themes in the adopted Community Strategic Plan, 2042: Your Future, including Environment, Economy, Community and Leadership.

KEY CONSIDERATIONS

Quarterly Budget Review

Each quarter Council reviews and revises its annual budget for the current financial year and reports these variations to Council for adoption. This Quarterly Budget Review has been performed at the end of the second quarter of the 2024-25 financial year, being 31 December 2024.

Summary

Income and Expenses Budget Review Statements

Council is proposing to revise the consolidated full year operating budget (excluding capital grants) by a net favourable movement of \$1.0M.

This will take the current full year budgeted operating result surplus of \$2.0M to a surplus of \$3.0M (excluding capital grants).

The favourable \$1.0M budget variation by fund is shown in the table below.

Fund	Revision to the full year budget: Operating result (excluding capital grants) \$'M
General	1.5
Water	(0.1)
Sewer	(0.4)
Consolidated (total)	1.0

The main themes for the variations this quarter are:

- A review of Council's operating budget by senior management has identified \$1.0M in operational savings that can be made immediately without having a major impact on services. These mainly relate to not filling certain vacant positions and removing non urgent work that required consulting services. These annual savings have been included in the budget variations put forward this quarter. There are \$0.8M savings in general fund and \$0.1M each in both the water and sewer funds.
- \$1.0M variation in the operating grant budget for the reimbursement of emergency works for roads damaged in the February 2022 floods which has only just been received.
- A review and correction of Council's internal fleet hire rates was undertaken to fully recover the cost of providing fleet to Council. Rising expenses, including fleet acquisition costs, materials, labour, and fuel, have led to an increase in the hire rates. This means departments using fleet services are now charged higher internal hire rates. Since fleet operations are managed through the general fund, the increased charges impact water, sewer, as well as general fund departments. However, the general fund benefits overall because it collects the fleet revenue, offsetting some of the increased costs. This has increased Fleet charges in Sewer of (\$0.4M), Water of (\$0.2M) and (\$1.5M) in General Fund. The increased internal fleet revenue to General Fund is an equal and offsetting total \$2.1M. This results in a net increase in the internal revenue in General fund of \$0.5M overall. It should be noted that the underlying fleet operating budget does not need to be increased as it already includes the higher fleet input costs. Consequently, it is just the internal recharge and recovery of these costs that is being varied, but this impacts fleet costs allocated to projects and also the allocation of costs between the three funds.
- Waste cell 4 at the waste management centre became operational toward the end of December 2024. As a result, no further costs for waste diversion to Port Macquarie will be incurred. However, there will continue to be costs associated with leachate equipment hire (requiring a budget variation of \$1.2M) to treat leachate until such time as Council's permanent leachate management system is commissioned later this year. As a result, there is an additional cost of leachate equipment hire requiring a budget variation of \$1.2M.

Capital budget review

The consolidated capital budget is proposed to increase by \$4M from \$84M to \$88M.

The proposed Capex variations by fund is shown in the table below.

Fund	Revision to the annual Capex budget \$'M
General	1.9
Water	0.0
Sewer	2.2
Consolidated (total)	4.1

Capex variations this quarter are largely the result of changes to project delivery timeframes which has resulted in project spend for some projects being brought forward from the 2025-26 financial year to 2024-25, or in other cases deferral from this financial year to 2025-26. Additionally, a review of the fleet capital budget (the purchase of replacement fleet) revealed that some items of fleet on back-order from prior years had not been included in the current year budget. This required an additional (\$2.2M) increase to this year's budget, which will be funded out of the fleet reserve (a portion of internal fleet income collected in prior years is kept specifically to fund future fleet replacements).

Greater detail regarding proposed capital expenditure changes is included in the Capital Budget Review Statements section of this report. However, some of the larger budget increases required for projects being brought forward from 2025-26 to this financial year are:

- \$3M for the Kempsey regional saleyards infrastructure upgrade which is 100% grant funded.
- \$3M for the Crescent Head sewer treatment plant upgrade.

Some of the larger reductions to project budgets that are being rolled into next financial year are:

- \$1.2M for South West Rocks Road rehabilitation from Gladstone towards South West Rocks.
- \$0.6M for the South West Rocks Rural Fire Service (RFS) project.
- \$0.5M for the Kempsey RFS depot upgrade.

Detail

Income and Expense Budget Review Statements

The annual budgeted operating result has a net variation of \$1.0M this quarter (excluding capital grants), increasing the consolidated revised budget surplus from \$2.0M to \$3.0M.

Income

Total full-year income is projected to increase by \$4.3M, from \$133.9M to \$138.3M.

The table below outlines the variations to annual income for this quarter¹.

Income line item – reason for proposed budget change	\$'M
Interest and investment revenue This is driven by a combination of higher cash and investments and higher rates of return than budgeted.	0.3
Other revenues This mainly relates to a reimbursement of a portion of workers compensation insurance premium and an increase to the budgeted amount of income received for workers compensation reimbursements due to higher workers compensation claims this year.	0.1
Grants and Contributions – Operating This is principally due to \$1.0M in operating grants being received for the reimbursement of emergency works to roads damaged in the February 2022 floods.	1.1
Grants and Contributions – Capital \$2.9M (net) increase in capital grant income related largely to changes to project delivery timeframes which has resulted in project spend for some projects being brought forward from the 2025-26 financial year to 2024-25 to align with revised delivery schedules of capital projects that are ahead of schedule, partly offset by reductions and rollover of grant budgets to next financial year to align to revised delivery schedules of those projects that will not be delivered this financial year. The larger variations to capital grant funded projects are: <ul style="list-style-type: none"> • \$3M budget to be brought forward from next financial year for the Kempsey regional saleyards infrastructure upgrade which is ahead of schedule. • \$0.5M of grant funding from the Local Roads and Community Infrastructure Program (LRCI) to be used on Middleton Street from Railway Overpass to Queen St. Capital grant budgets deferred to next financial year to align to revised project delivery times are: <ul style="list-style-type: none"> • (\$0.6M) for a new RFS building at South West Rocks. • (\$0.5M) for the Kempsey RFS depot upgrade. 	2.9
Total proposed variation to the current annual budget	4.3

¹ Note that as only material items have been reported in the detail of the table, they may not always add up to the amount in the total column for that line item.

Expenses

Total full year expenditure is projected to increase by \$0.5M from \$99.1M to \$99.5M.

The table below outlines the variations to annual operating expenditure for this quarter.

Expense line item – reason for proposed budget change	\$'M
Employee benefits and oncosts This relates to the removal of budget for vacant positions in the general fund as part of the senior management budget review exercise.	(0.3)
Materials and Contracts The net increase relates to: <ul style="list-style-type: none">• \$1.2M increase in contract expenditure is required to cover the hire of leachate management equipment at the waste management centre. This equipment is essential to the effective treatment of leachate and to be compliant with Environmental Protection Authority (EPA) regulations. Council is purchasing and implementing its own permanent leachate management system, but it will not be ready until September 2025.• (\$0.7M) in budget reductions resulting from the senior management operating budget review undertaken in the second half of 2024. These savings are not expected to have an impact on current service levels. If additional savings are to be found these would start to impact on service levels. (\$0.5M) relates to general fund and (\$0.1M) each for the water and sewer funds.• \$2.1M budget increase for internal fleet hire charges to those areas of Council that use fleet. This is fully offset by an equivalent \$2.1M increase in internal fleet revenue as a result of increasing the fleet charges. The impact by fund is:<ul style="list-style-type: none">○ \$0.2M increase in water○ \$0.5M increase in sewer○ \$1.4M increase in general fund The \$1.4M increase in general fund fleet charges is more than offset by the \$2.1M increase in internal fleet revenue resulting in a net increase of revenue to general fund of \$0.7M. It's important to note that the underlying fleet operating budget does not need to be increased, as it already includes the higher fleet input costs; the adjustment is solely in the internal recharge and recovery of these costs. Overall, this change ensures that the Water	0.8

Expense line item – reason for proposed budget change	\$'M
and Sewer funds are now contributing their fair share to the fleet costs.	
Total proposed variation to the current annual budget	0.5

Capital Budget Review Statements

Total full year capital expenditure (including loan repayments) is projected to increase by \$4.1M from \$83.6M to \$87.7M.

The actual capital expenditure year to date is \$26M against the new projected full year budget of \$88M, leaving \$60M in Capex to be delivered in the second six months of the financial year.

Of the \$60M to be delivered there is approximately \$20M in projects that are predominantly being delivered in the January to June period, with the capital budget phased accordingly. Some of these larger projects are as follows:

- \$6M for the Kempsey regional saleyards infrastructure upgrade project
- \$3M for the aeration and automation upgrade at the Crescent Head sewer treatment plant
- \$5M for Riverside Park foreshore and riverbank stabilisation
- \$3M for leachate treatment drains at the waste management centre
- \$1M for Lloyd Park revitalisation
- \$3M in various road projects

Additionally, other larger programs of capital works that are in current progress and will continue to be delivered this financial year include:

- \$15M for roads
- \$5M for landslip remediation works
- \$3M for the fleet replacement program
- \$5M for sewer projects
- \$4M for water projects
- \$1.3M for the capping of cell 3 at the waste management centre
- \$1.5M for projects across our five Macleay Valley Coast Holiday Parks

A further review of the delivery of this large capital expenditure program will be undertaken as part of the March 2025 Quarterly Budget Review and further changes based on project delivery performance at that time may be required.

The table below outlines the proposed variations to annual capital expenditure for this quarter².

² Note that as only the major items have been listed, the sum of individual projects may not exactly equal the line-item totals.

Capital Expense line item – reason for proposed budget change	\$'M
New – Land and Buildings This relates to the part deferral of the \$1.2M RFS building at South West Rocks. This project is expected to be completed next financial year.	(0.6)
Renewals – Plant & Equipment This relates to Fleet orders from prior years that are only being delivered this financial year, but which were not initially included in this year's budget. This increase is funded from the available fleet cash reserve.	2.2
Renewals – Land & Buildings This mainly relates to the deferral of some the budget for the redesign and refurbishment of Council's depot project to next financial year.	(0.3)
Renewals – Roads, Bridges and Footpaths <ul style="list-style-type: none"> • (\$1.2M) relating to the deferral of South West Rocks Road rehabilitation from Gladstone towards SWR to next financial year. • (\$0.3M) removal of budget for the completion of Belmore River Left Bank Road project which came in under budget. 	(1.4)
Renewals – Other <ul style="list-style-type: none"> • \$3.0M budget to be brought forward from next year's budget for the Kempsey regional saleyards infrastructure upgrade project which is progressing well ahead of the original schedule. This is a ~\$10M project which is fully grant funded. • \$0.2M increase required for Fishermans Reach boat ramp replacement due to complexities in the project resulting in overruns. • (\$0.5M) deferral of crown land holiday parks budget to next year for electrical upgrades at Stuarts Point that won't be completed this year. • (\$0.4M) deferral of Gladstone drain structural repairs budget to 2025-26. • (\$0.3M) removal of budget that is no longer required this year in parks and gardens and crown reserves. 	2.1
Renewals Sewer <ul style="list-style-type: none"> • \$2.9M relates to a new project for the aeration and automation upgrade at the Crescent Head sewer treatment plant. This project has secured 38% in grant funding, the rest is funded from the sewer fund reserve. • (\$0.3M) deferral of part of the budget for works on the Gladstone sewer treatment plant Scada and instrumentation upgrade. • (\$0.4M) removal of sewer pump station and treatment capex budget which is no longer required this year. 	2.2

Capital Expense line item – reason for proposed budget change	\$'M
Total proposed variation to the current annual budget	4.1

Cash & Investments

Cash and investments amounted to \$109M at 31 December 2024, of which \$107M is in restricted reserves (which are only allowed to be used for the specific purposes for which they have been collected). Therefore, \$2M is unrestricted, general fund cash which allows Council to cover its regular short term debt obligations (like creditors and payroll), as well as providing a modest cash buffer should any unforeseen costs arise. The end of year unrestricted cash balance is forecast to be ~\$25M reflecting projected loan borrowings in June, receipt of Financial Assistance Grant (FAG) payments which have historically been received prior to the end of the financial year, and receipts of remaining rates instalments for the current financial year.

Key Performance Indicators (KPIs)

Two sets of KPIs are included in the QBRS attachment. One is consolidated, encompassing all three funds, while the other is for General Fund only. Whilst it is not a requirement to report KPIs by fund, due to the General Fund's ongoing financial sustainability issues, these have been reported for additional visibility.

The projected KPIs (at financial year end) and the benchmarks are summarised below:

Key Performance Indicator (KPI)	Consolidated	General Fund	Benchmark
Operating performance	2.9%	-4.5%	>0%
Own source operating revenue	62.3%	49.9%	>60%
Debt service cover ratio	4.4	6.8	>2.0
Building and infrastructure renewals ratio	296.7%	424.7%	>100%
Infrastructure backlog ratio	6.8%	3.6%	<2%
Asset maintenance ratio	96.0%	100.0%	>100%

The consolidated KPI projections are mostly favourable except for the infrastructure backlog ratio; which despite being unfavourable to benchmark, is still on a downward trend compared to historical results.

The General Fund continues to face challenges with a forecast operating ratio of -4.5%. This reflects the current operating deficit position where forecast operating expenditure exceeds income despite the 7.9% rate increase that was implemented from 1 July 2024. Own source revenue is also below benchmark, reflecting the current high level of external grant funding.

The General Fund infrastructure backlog ratio is projected to be unfavourable but is approaching the 2% benchmark. It should be noted that water and sewer funds contribute more weight to the unfavourable consolidated backlog ratio, meaning there is a higher asset backlog in these funds. This is explained by the large capital programs forecast for these funds over the next 10 years to renew and replace ageing infrastructure.

The buildings and infrastructure renewals ratio are much higher than benchmark, mainly due to the capex program forecasting continued delivery of high value grant funded projects.

Financial Sustainability Program 2024-25

In recent years, Council's General Fund has recorded net operating deficits as rising costs have outpaced revenue growth, largely due to constraints imposed on councils by the pricing regulator, the Independent Pricing and Regulatory Tribunal (IPART). Rising costs can be attributed to inflation, wage increases, the cost of construction, emerging costs like cyber security and new regulatory and compliance costs.

Council has been implementing a Financial Sustainability Program since 2019. Given the maturity of the Council organisation, this program has focused on implementing foundational system and process improvements, understanding and addressing key strategic and operational risks, and ensuring an appropriate level of corporate governance exists across all aspects of Council's operations.

These actions have resulted in financial improvements in several cases, as was detailed in the Integrated Planning and Reporting (IP&R) report to Council in June 2024. However, these Financial Sustainability Program actions have also resulted in increased expenditure in some situations, where investment has been needed to better manage risk to acceptable levels, or to provide the structures, systems and information to simply manage Council's operations (e.g. asset management).

Council's Financial Sustainability Program has been revised in the adopted 2024-25 Long Term Financial Plan (LTFP) to focus on areas that will have the most beneficial financial impact. The revised Financial Sustainability Program has been shaped by both community feedback received throughout the Special Rate Variation (SRV) investigation process and identified actions from Council's continued pursuit of operational and financial efficiencies.

The Financial Sustainability Program now includes 24 initiatives consisting of 46 actions with clearly defined delivery targets in 2024-25. An internal steering committee has been established to oversee the delivery of these items, and quarterly updates are reported to Council as part of this quarterly Corporate Performance report.

Council has found additional savings this year of \$1.5M by not filling certain vacant positions and by having senior management conduct a budget reduction exercise.

Additionally, the recently commenced Revenue & Review Taskforce is another initiative focused on addressing this unsatisfactory position. The effective operation of this taskforce should assist in identifying opportunities for improved revenue and expense outcomes in the general fund.

Furthermore, it should be noted that a separate report seeking Council's confirmation via resolution that the 15% general fund rate increase approved by IPART in 2024 for the 2025-26 financial year will be implemented in full, is being reported to the February 2025 Council meeting. This is a critical planning assumption in developing the 2025-26 budget and LTFP and is critical to the long-term financial sustainability of Council's general fund.

Quarterly update

The Financial Sustainability Program attachment provides a detailed update on the progress of the revised 2024-25 program. Overall, it indicates that satisfactory progress is being made in

implementing the current program of initiatives. Of the 24 initiatives, 4 are complete, 19 are in progress and 1 is behind schedule. As noted above, the program has so far generated \$1.5M in savings this year.

Delivery Program 2022-26 and Operational Plan 2024-25

Council's adopted Delivery Program 2022-26 and Operational Plan 2024-25 details the activities, along with the associated performance measures that are planned to be delivered during the financial year.

Delivery Program 2022-26 and Operational Plan 2024-25 Quarterly Update

There are 160 actions identified in this year's Operational Plan 2024-25. Actions include annual programs, new projects and multi-year projects, which for the purpose of this report, are all referred to as actions.

As of 31 December 2024, of the 160 Operational Plan actions, council has completed five actions, and 143 actions are in progress. There are seven actions identified as 'Behind Schedule', predominately due to delays with environmental approvals, project scope, funding and resource challenges, and contractor and supply delays. A further four actions are reported as being 'deferred' due to concerns with project design and implementation concerns, and dependency on other strategies being finalised. One action is reported as 'not started' due to resourcing challenges, however, the action is due to commence by 30 June 2025.

Further commentary regarding actions identified as 'not started, behind schedule' or 'deferred' are included in the attached Q2 Delivery Program 2022-26 and Operational Plan 2024-25 Report. For this quarter, we have also included commentary for 'In Progress' items that are sitting below 25% progress at the half way point of the financial year.

A summary of the Operational Plan actions is provided below:

Focus Area/Status	Environment	Economy	Community	Leadership	Total
Completed	0	0	0	5	5
In Progress	63	27	23	30	143
Behind Schedule	0	2	3	2	7
Not Started	1	0	0	0	1
Deferred	2	0	1	1	4
Grant Total	66	29	27	38	160

Grants Status Summary

The updated Grants Status Summary is attached to this report. This report provides a summary of:

- The status of the delivery of those grants where Council has been successful in accessing grant funding;
- Those grants which are in the application phase and/or which have yet to be decided;

There were two unsuccessful grant applications in the past quarter.

Due to the significant works program, due dates have been fully reviewed resulting in changes to expected completion dates for some of the reported grant funded projects. To enable the easy identification of new grants, changes from the previous quarter are noted in blue font at the top of each section.

Councillor Expenses

The Quarterly Report on the Payment of Expenses to Councillors is attached to this report as required by the Councillor Fees and Expenses Policy.

Policy and Legislation

This report has been provided in accordance with the requirements of the Local Government Act 1993, and budget review statements and revision of estimates in accordance with section 203 of the Local Government (General) Regulation 2021.

Strategic Alignment

This report provides evidence of Council's continuing alignment with its adopted Community Strategic Plan 2042: Your Future, four-year Delivery Program 2022-26, and Delivery Program and Operational Plan 2024-25. It is consistent with the requirements of the Office of Local Government's integrated planning and reporting guidance material and framework.

Impact on Financial Sustainability

This report has no direct impact on Council's financial sustainability. However, as noted within this report and the associated attachments, Council is demonstrating that it is working hard to achieve considerable financial progress with its adopted Financial Sustainability Program.

Stakeholder Engagement

The development of the attachments to this report required significant input from, and engagement with, key internal stakeholders, being the various departments within Council responsible for service delivery outcomes.

Other Matters

There are no other matters to be considered in this report.

CONCLUSION

This report provides a comprehensive summary of the status of Council's corporate performance at the conclusion of the second quarter of the 2024-25 financial year, being December 2024.

ATTACHMENTS

1. Q2 2024-25 Quarterly Budget Review Statements (QBRs) [10.2.1 - 23 pages]
2. Q2 Financial Sustainability Program Status Report [10.2.2 - 17 pages]
3. Q2 Delivery Program 2022-26 and Operational Plan 2024-25 Report [10.2.3 - 45 pages]
4. Q 2 Grants Status Summary [10.2.4 - 8 pages]
5. Q2 Councillor Expenses and Facilities [10.2.5 - 1 page]

10.3 GRANTS POLICY

Officer Stephen Mitchell, Acting General Manager

File Number F22/1933

PURPOSE

Adopt the revised Grants Policy that provides best practice measures for effective management of incoming grant funding including the application for funding.

RECOMMENDATION

That Council adopts the Grants Policy, which will take effect from Wednesday, 19 February 2025.

BACKGROUND

NSW councils rely on various forms of funding to support their infrastructure, service delivery, and community initiatives. One of the primary sources of financial support is through grant funding provided by both state and federal governments. These grants are crucial for enabling councils to undertake a wide range of projects that may not be feasible through local revenue sources alone, such as large-scale infrastructure development, community programs, and environmental sustainability initiatives.

Grant funding offers several significant benefits for NSW local governments. First and foremost, it provides councils with financial flexibility, allowing them to undertake projects without overburdening local ratepayers. For instance, grants can be used to enhance public spaces, upgrade roads, or support community programs that might otherwise be outside a council's budget scope. Additionally, these funding opportunities can stimulate economic growth within local communities by creating jobs, promoting tourism, and boosting local industries.

Despite the many advantages, there are several challenges associated with grant funding for local councils in NSW. One of the most significant drawbacks is the time and administrative effort required to apply for and manage grants. The competitive nature of grant applications means that councils must dedicate resources to writing detailed proposals, fulfilling eligibility requirements, and meeting reporting obligations. This process can be resource-intensive.

Another concern is the potential for over-reliance on grant funding, which can create financial uncertainty. When grants are discontinued or funding priorities change, councils may find themselves unable to sustain programs or infrastructure projects that were initially funded by external sources. This dependency on grants can also result in a lack of long-term financial planning, as councils may struggle to maintain projects once the funding period ends.

When Council undertakes the construction of a new asset funded by grants, there are several long-term costs that need to be considered beyond the initial construction phase. While grant funding may cover all or a significant portion of the upfront capital expenditure, Council must account for ongoing financial commitments tied to the asset's operation, maintenance, and eventual renewal. This includes the following:

1. **Maintenance and Upkeep:** One of the primary long-term costs is the regular maintenance and operational expenses required to keep the asset functional. This could include routine repairs, cleaning, landscaping, and ensuring compliance with safety standards. As assets age,

maintenance costs typically increase, requiring additional resources to preserve the asset's condition and prevent costly failures.

2. **Operational Costs:** Depending on the nature of the asset (e.g., community centres, sporting facilities, infrastructure), there may be ongoing operational costs such as staffing, utilities, insurance, and security. These costs need to be budgeted for over the lifespan of the asset, which could range from several decades to over 50 years, depending on the type of asset.
3. **Depreciation and Renewal:** Over time, assets depreciate, and councils will eventually need to plan for their renewal or replacement. This could involve significant capital investment down the road. Council must budget for future upgrades, refurbishments, or full replacements, as grant funding typically does not cover long-term renewal costs. Failure to plan for this may result in financial strain when the asset reaches the end of its life cycle.
4. **Opportunity Costs:** Grant funding is often project-specific, and while it provides upfront financial support, councils must consider the long-term financial commitment of maintaining and upgrading grant-funded assets. The opportunity cost arises when funds and resources are allocated to maintaining an asset rather than investing in other community priorities or new infrastructure. In some cases, Council might have to prioritise the ongoing funding of grant-funded assets over other projects.
5. **Compliance and Regulatory Costs:** New assets may also introduce ongoing compliance requirements with state or federal regulations, such as environmental, safety, or accessibility standards. Meeting these obligations may incur additional costs for audits, inspections, or modifications required to stay compliant throughout the asset's lifespan.

The long-term costs of constructing grant-funded assets go beyond the initial construction and funding. Council must account for ongoing maintenance, operational costs, depreciation, and the eventual need for asset renewal or replacement. These expenses require careful financial planning to ensure that grant-funded projects remain sustainable and continue to deliver value to the community in the long term. Failure to adequately plan for these ongoing costs can place undue pressure on budgets and affect Council's ability to prioritise other critical services or projects.

Consequently, Councils must balance the use of grant funds with sustainable financial practices to ensure the long-term success and resilience of their programs and services. This issue was raised by various community members during the Special Rate Variation (SRV) engagement process, with a level of community concern regarding the potential negative impacts of grants on Council's financial position, noted.

This Grants Policy has been developed to ensure the effective management of incoming grant funding including the application for funding.

KEY CONSIDERATIONS

Council will actively seek grants to support the provision of services, programs and improve infrastructure and assets which respond to identified community need in accordance with the Community Strategic Plan, Council's Delivery Program and Operational Plans. Grants will be managed in accordance with this Policy and supported by the Grants Management Procedure.

Grant applications that will be reported to Council include grants with significant financial, strategic, or risk implications or with significant community impact.

Where a grant application has deadlines that prevent its report to Council, particularly in cases of emergency, it will be reported to the next ordinary meeting of Council.

All other grants will be approved under the General Manager's delegated authority, or their sub-delegations to Council Officers.

The status of all grants shall be reported to Council quarterly, including grants applied for or accepted under delegated authority.

Policy and Legislation

This report relates to a Council policy and as such has been prepared in accordance with the Policy Framework Policy, which was adopted by Council on 15 October 2024 and took effect 1 November 2024.

The Policy Framework Policy provides a structured approach to developing, approving, implementing, and reviewing all other policies within Kempsey Shire Council.

As this Grants Policy is a Council Policy, as defined within the Policy Framework Policy, it requires adoption by a resolution of the governing body (i.e. Council).

Strategic Alignment

The Financial Sustainability Program (FSP) included within the adopted Long Term Financial Plan includes an initiative related to Grants. This report and the attached Grants Policy specifically, address action # 19 from the FSP, which was to revise the Grants Policy and have it adopted by Council.

The FSP also includes a further grant related action, which is as follows:

Grants procedures, framework and systems implemented to ensure improved grants management and that the impacts of grants on financial sustainability are considered before being lodged.

Actions are well progressed to address this item with the implementation of the Grants Pulse module (being a new system for grants management) due to go live in March 2025. Internal procedures aligned with the Grants Policy and the newly implemented system are also being finalised for implementation when the system goes live. This FSP action will also then be completed.

Impact on Financial Sustainability

As noted above, the FSP included within the adopted Long Term Financial Plan includes an initiative related to Grants. This item was included as a key initiative within the FSP in recognition of the impacts (positive and in some cases negative) that grants have on Council's financial position and longer term financial sustainability.

The Grant related FSP initiative is summarised below:

Item	FSP reference
FSP initiative #	9
FSP Theme	Excellence in financial management
Program	Grants

Item	FSP reference
Initiative(s)	Grant funding strategy, policy and framework is developed to clearly align with long-term financial sustainability objectives
Desired Outcome(s)	All grant applications are prioritised, align with adopted Delivery Programs and Operational Plans, consider impacts on the LTFP, and are approved by ELT, and where required Council, prior to submission
2024-25 Action(s)	19. Grants policy revised and adopted by Council 20. Grants procedures, framework and systems implemented to ensure improved grants management and that the impacts of grants on financial sustainability are considered before being lodged
Target dates (for actions)	19. 31 December 2024 20. 31 December 2024

Council's decisions to pursue grant funding must support the delivery on our financial sustainability goals, including consideration of the full life-cycle costs of any asset created or improved.

Stakeholder Engagement

Various internal stakeholders were consulted in the development of the revised Grants Policy.

Other Matters

Not applicable.

CONCLUSION

It is recommended that the Grants Policy be adopted for implementation. This policy addresses action item # 19 within the adopted FSP and provides clarity regarding the application for grants, ensures alignment to adopted Delivery Programs, Operational Plans and other Council strategies and ensures the impacts of grants on Council's financial sustainability are fully considered prior to any grant applications being lodged and accepted.

ATTACHMENTS

1. Draft Grants Policy [**10.3.1** - 7 pages]

10.4 Modification - Proposed Dwelling - 492 Fishermans Reach Road, Fishermans Reach

Officer Marnie Jeffery, Development Services Manager

File Number DA2300826

PURPOSE

This report is submitted to Council for the determination of Development Application DA2300826 REV01 which proposes to modify DA2300826 which granted consent in August 2024 to demolish the existing Single Dwelling House and construct a replacement Single Dwelling House on Lot 167 DP786254, 492 Fishermans Reach Road, Fishermans Reach. The proposal seeks a variation greater than 10% to the height of buildings development standard of 8.5 metres set out in Clause 4.3 of Kempsey Local Environmental Plan (KLEP) 2013 and the Height of Buildings Map.

The merits have been considered, and it is recommended that the requested variation be supported, and development consent be granted, subject to the recommended conditions of consent.

RECOMMENDATION

That Council:

- 1. supports variation to the height of buildings development standard in Clause 4.3 of Kempsey Local Environmental Plan 2013; and**
- 2. grants development consent to DA2300826 REV01 for a single dwelling house subject to the conditions attached.**

BACKGROUND

At the August 2024 Ordinary Council Meeting, Council resolved to approve a development application seeking to construct a single two-storey dwelling house with a proposed maximum building height of 10.53 metres, which represented a 23% variation to the numerical development standard.

An error has been identified in the conditions of development consent whereby the maximum overall building height permitted was not amended to reflect the minimum habitable floor level of the dwelling having to be raised from 3.80 metres AHD to 4.83 metres AHD to ensure compliance with Council's adopted flood levels. In addition, the incorrect overall building height was used to determine the maximum building height which was not 10.53m.

As a result of these two corrections combined, the proposed dwelling will have an overall building height of 13.843 metres, representing a 63% variation to the numerical development standard.

An application pursuant to clause 4.6 of KLEP 2013 to vary the development standard in this instance was submitted as part of the original development application and remains relevant to the application to modify the development consent.

KEY CONSIDERATIONS

The application has been assessed against the relevant heads of consideration under Section 4.15 of the *Environmental Planning and Assessment Act 1979*. This report provides a discussion of the key matters arising from the development.

Policy and Legislation

Kempsey Local Environmental Plan (KLEP) 2013

Permissibility

The proposal is within the RU1 Primary Production and RU5 Village. The proposed dwelling is located wholly within the RU5 zoned portion of the site and dwelling houses are permitted with consent.

Clause 4.3 Height of Buildings

Pursuant to this clause the height of a building on any land is not to exceed the maximum height shown for the land on the Height of Buildings Map and a maximum building height of 8.5 metres applies to the land.

Clause 4.6 – Exceptions to development standards

The applicant's written request seeking to justify the contravention of the height of building development standard was submitted with DA2300826 Clause 4.6 Request, which remains relevant for the application to modify the development consent and is provided in the attachment.

The objective of this clause is to provide an appropriate degree of flexibility in applying certain development standards to particular development and to achieve better outcomes for and from development by allowing flexibility in certain circumstances.

Development consent must not be granted to development that contravenes a development standard unless the consent authority is satisfied the applicant has demonstrated that –

- a) compliance with the development standard is unreasonable or unnecessary in the circumstances, and
- b) there are sufficient environmental planning grounds to justify the contravention of the development standard.

The purpose of the height of building development standard is to ensure that development preserves the existing character of residential areas and to protect the amenity of existing and future dwellings from adverse impacts on privacy, solar access and on the urban streetscape.

The proposal seeks to demolish an existing two storey dwelling and build a new two storey dwelling. The land is flood prone and a minimum habitable floor level applies to the proposed dwelling. The dwelling is proposed to be raised above ground level to comply with minimum floor levels, which has resulted in the roof ridge exceeding the 8.5 metre limit. As demonstrated in Figure 1, the portion of the roof that will exceed the 8.5m building height limit does not create any bulk and scale, view loss or overshadowing impacts to adjoining properties.

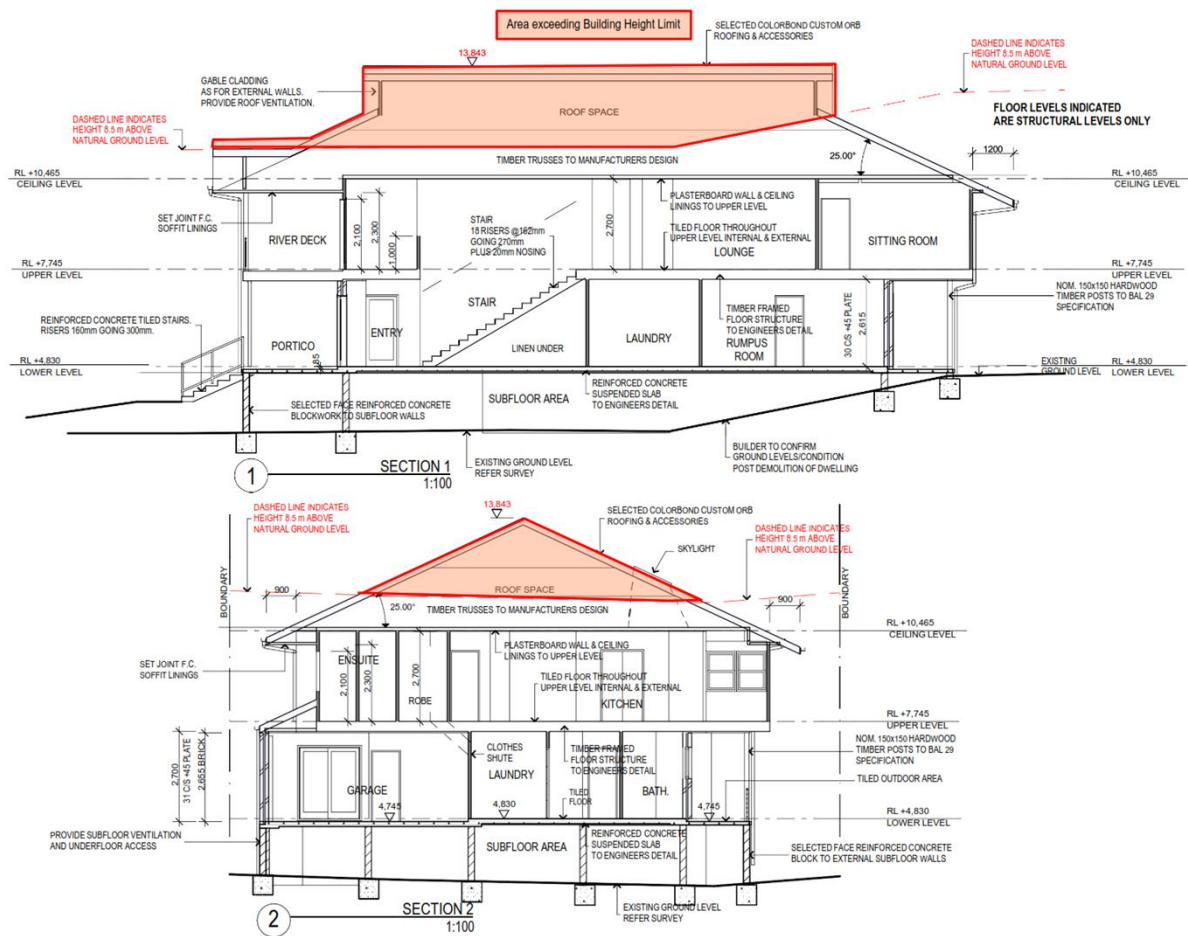


Figure 1 - Portion of proposed dwelling exceeding 8.5m building height limit.

The report presented to Council in August 2024, incorrectly identified the extent of the variation to the building height limit. A maximum building height limit of 10.53 metres was imposed which was calculated incorrectly as the overall building height originally proposed was 12.813 metres as shown in Figure 2. The extent of the variation was reported as a 23% variation, whereas it should have

been identified as a 51% variation to the development standard.

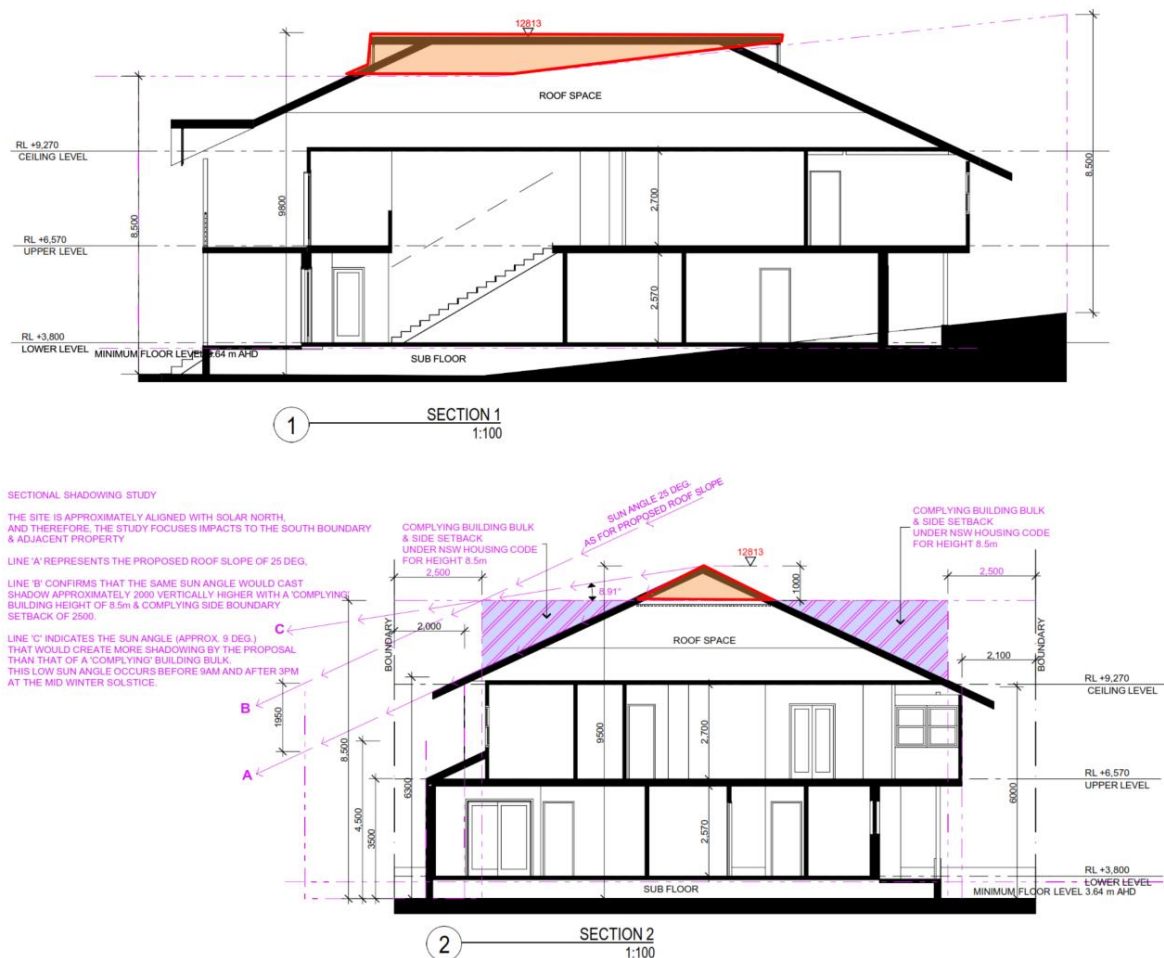


Figure 2 - Original proposed plans

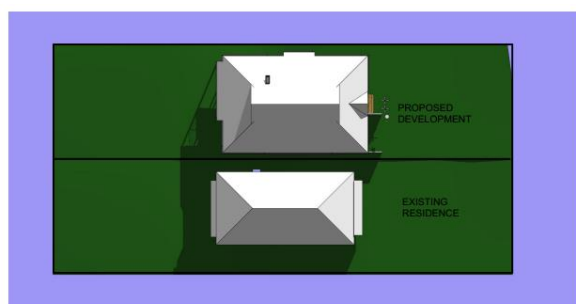
To ensure compliance with Council's flood planning controls for habitable floor levels for dwellings, the lower floor level of the proposed dwelling is required to be raised to a minimum of 4.83 metres AHD (1% AEP level 2100CC). This is an increase of 1.03 metres to the 3.80 metre height of the lower floor level originally proposed. As a result of raising the lower floor level the overall building height of the dwelling has been raised by 1.03 metres. The overall building height is now proposed at 13.843 metres.

The proposed development, despite the contravention to the height of buildings development standard, is in keeping with the characteristics of the site and the local area. Adjoining land parcels on Fishermans Reach Road contain similar dwellings in similar locations which take advantage of enhanced cross ventilation and water views (Figure 3).

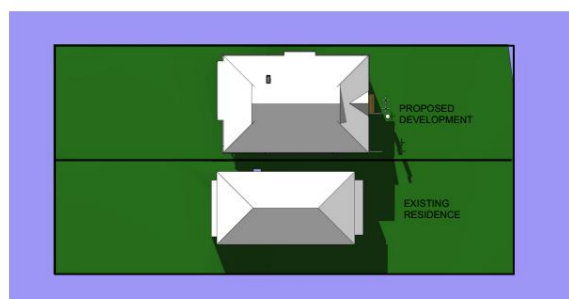


Figure 3 - Existing dwellings adjoining the subject site.

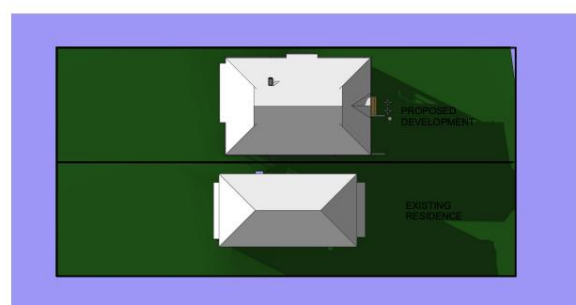
The dwelling's location on the site will not impact on the amenity, privacy, solar access of existing or future dwellings (Figure 3). The proposed dwelling is setback 23m from the street frontage and will therefore not impact on the streetscape.



① 9.00 AM 21 JUNE



② 12.00 NOON 21 JUNE



③ 3.00 PM 21 JUNE

SUNLIGHT & SHADE NOTES

BOTH THE PROPOSED, & EXISTING RESIDENCE ADJACENT, ARE OF SIMILAR BULK AND SCALE. THE PROPOSED DEVELOPMENT IS LOCATED IN LINE WITH THE FRONTAGE OF THE NEIGHBOUR. THIS PROVIDES THE BEST LOCATION FOR MINIMISING SHADE, AS WELL AS MAXIMISING VIEW SHARING. THE HIGHEST SECTION OF THE PROPOSED ROOF IS IN THE CENTRE OF THE SITE, THEREBY MINIMISING ANY IMPACTS. BY COMPARISON, A 'COMPLYING' HEIGHT OF 8.5m, CLOSER TO THE SOUTH BOUNDARY, WOULD HAVE SIGNIFICANTLY MORE IMPACT WITH REGARD TO BUILDING BULK AND SHADOWCASTING.



④ EXISTING ARRANGEMENT

In this case, it would be unreasonable to impose strict compliance with the 8.5 metres height of building standard as the proposed building height does not give rise to any adverse impact on the amenity, privacy, solar access of existing or future dwellings or streetscape.

Council is satisfied that the applicant demonstrates the proposed development satisfies clause 4.6(3)(a) and 4.6(3)(b) in that the objectives of the standard are achieved notwithstanding noncompliance with the standard, and that there are sufficient environmental planning grounds to justify departure from the standard in this instance.

Clause 7.9: Essential services

The site has access to potable water, electricity, and telecommunications networks. The site is suitable for an On-site Sewage Management System (OSMS). There is capacity in Council's water supply system in the area to cater for the proposal. Council is satisfied that services that are essential for the development are available or that adequate arrangements have been made to make them available when required.

State Environmental Planning Policy (Primary Production) 2021

Part 2.5 Sustainable aquaculture of the SEPP requires consideration of effects of proposed development on oyster aquaculture. The proposed OSMS upgrade was referred to the NSW Department of Primary Industries for comment. Council is satisfied that an acceptable method of onsite wastewater management and disposal for the property and associated development is proposed and will not result in any net impact on water quality and any consequential impact on the oyster industry.

State Environmental Planning Policy (Resilience and Hazards) 2021

Chapter 2 Coastal management of the SEPP identifies design criteria to be met for coastal development. The proposal is on a lot within the Coastal Environment Area and Coastal Use Area. The proposal will not interfere with any public access or enjoyment of coastal activities or foreshore areas. It is of an appropriate scale and style considering its location in relation to the coastline and foreshore areas and does not detract from the scenic qualities of the New South Wales coastline. It will not significantly impact upon any threatened species or wildlife corridors, marine ecosystems, coastal process, or known aboriginal heritage. The proposal is consistent with Council's Coastal Zone Management Plan. Council is satisfied that the development is designed, sited, and will be managed to avoid an adverse impact on the coastal environment.

Social Considerations

There are no adverse social impacts envisaged because of the development. The proposal will contribute to the provision of residential housing in a rural setting and increase the range of housing options for the area.

Economic Considerations

There will be on-going economic benefit because of additional occupants utilising services in the area and providing opportunities to support growth within in the community.

Environmental Considerations

Bushfire

The property is mapped as bush fire prone land. The proposal can comply with Planning for Bushfire Protection 2019 and conditions will be applied.

Flooding

The site is flood prone and is within the Flood Planning Area. The original plans submitted showed a

proposed minimum floor level of 3.80 metres AHD. The minimum floor level was amended by conditions of consent to comply with the 1% AEP (1 in 100yr) Level (2100CC) of 4.83 metres AHD.

Council adopted the Lower Macleay Flood Study (2023) report and associated data at the December Ordinary Meeting 2024, therefore the 3.80 metre AHD level was based on previous flood data. Conditions were applied specifying plans for the Construction Certificate to show a minimum habitable floor level of 4.83 metres AHD for the dwelling, in accordance with the data adopted by Council, which the proposed development complies with as demonstrated in the plans attached.

Strategic Alignment

Nil

Impact on Financial Sustainability

Nil

Stakeholder Engagement

The proposed modification was not publicly notified as no submissions were received on the original development application.

Other Matters

Nil

CONCLUSION

The proposal is permissible within the RU5 Village and dwelling houses are permitted with consent.

The proposed development, despite the contravention to the height of buildings development standard, is in keeping with the characteristics of the site and the local area.

For the reasons detailed in this report, it is recommended that the variation request be supported, and Development Consent granted for DA2300826 REV01.

ATTACHMENTS

1. Architectural plans [**10.4.1** - 7 pages]
2. DRAFT Conditions of Consent - D A 2300826 RE V 01 [**10.4.2** - 10 pages]
3. DA2300826 Clause 4.6 Request [**10.4.3** - 2 pages]

10.5 REGIONAL COLLABORATION FOR WASTE PROCESSING CONTRACTS MOU

Officer Wes Trotter, Director Utilities

File Number F24/3797

PURPOSE

Kempsey Shire Council's organic processing and dry recyclables processing contracts expire on 31 August 2026. Kempsey Shire Council (KSC), Port Macquarie - Hastings Council (PMHC), Nambucca Valley Council (NVC) and Bellingen Shire Council (BSC) have all demonstrated their support for collaborating on joint waste processing contracts with a signed letter of intent.

A Memorandum of Understanding (MoU) has been drafted which commits these Councils to send their organics and recycling to the Cairncross Waste Management Facility (CWMF) for processing under the new waste contracts being developed. If Council endorses the proposed regional collaboration approach and MoU, and it is signed by all parties, contractually-binding supply agreements will be developed with each Council to ensure the delivery of the material.

Grant funding is available for developing waste contracts that involve regional collaboration, and a signed MoU would support such an application.

RECOMMENDATION

That Council note the proposed regional collaboration approach and endorse signing of the draft Memorandum of Understanding for Regional Waste Processing (Organics and Recyclables) between Port Macquarie-Hastings Council, Kempsey Shire Council, Bellingen Shire Council and Nambucca Valley Council.

BACKGROUND

Two of Kempsey Shire Council's major waste contracts expire on 31 August 2026 and there are no further extension options within each contract. These contracts are:

- Processing Food Organics and Garden Organics (FOGO).
- Processing Dry Recyclables.

PMHC currently accepts and processes Kempsey Shire Council (KSC) domestic organics and recyclables at the Organics Resource Recovery Facility (ORRF) and Materials Recovery Facility (MRF) respectively, as KSC do not have processing facilities.

In May 2024, NVC met with PMHC staff to discuss collaboration opportunities for processing recyclables and organics regionally, with particular interest in sending their material to the ORRF and MRF at the Port Macquarie-Hastings Cairncross Waste Management Facility.

Arising from this and to support further discussions with the respective Councils, it was determined that an MoU would be an appropriate mechanism to investigate waste and resource recovery joint contract opportunities.

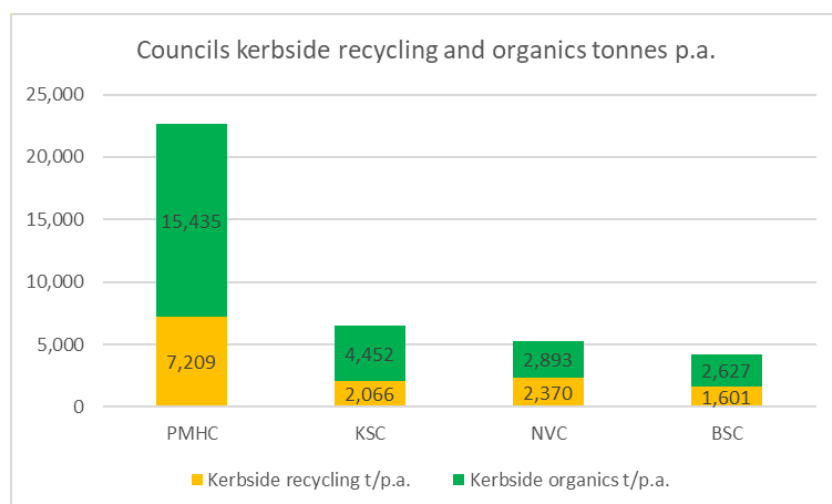
KSC waste staff attended a local government waste procurement workshop in Coffs Harbour in August 2024 hosted by the NSW Environment Protection Authority (EPA). In attendance were members of PMHC, NVC, BSC, CHCC, Impact Environmental Consultants (who chaired the workshop) and the NSW EPA Joint Procurement team. At this workshop, the opportunity for collaboration on

waste contracts was discussed with all council members in attendance demonstrating their willingness to investigate further.

Following the workshop, a letter of intent (attached) was signed by the General Managers / Chief Executive Officers of PMHC, KSC, NVC and BSC on 5 September 2024, outlining each council's support of progressing a regional approach for processing organics and recycling at the Cairncross WMF. This letter was sent to the NSW EPA to highlight the intention of all councils working together and pre-empting seeking grant funding to support this approach.

Waste quantities

The below graph shows the annual tonnage of domestic kerbside recycling and organics from each council. The ORRF processes approximately 35,000 tonnes per annum (t/p.a.) and is licensed to process up to 50,000 t/p.a. The MRF processes approximately 15,000 t/p.a. and is licensed to process up to 30,000 t/p.a. While the ORRF is currently experiencing challenges with excess onsite stock, this has not been caused by an oversupply of incoming material. When operating normally, the ORRF could manage the additional quantities of kerbside organics from NVC and BCS. The existing MRF operator has confirmed that they would be able to manage the NVC and BSC material if it were sent for processing.



MoU details

The MoU (attached) has been drafted by PMHC with support from their Legal Counsel. While it is not a contractually-binding document, it does establish a more formalised commitment from all participating councils. It was sent to KSC, BSC and NVC for review and no significant changes were proposed.

If the MoU is endorsed, it will be sent by PMHC to KSC, BSC and NVC for execution. Once signed, PMHC would commence work on developing supply agreements with each council that will be contractually binding. These agreements are required to ensure the agreed quantities of material for processing are received at the facilities, as this will be a contractual requirement of PMHC and the respective processing contractors, whose prices will be based on the stated quantities. There would likely be a contractual penalty should the quantities continually fall below the agreed amount.

It is noted that the acceptance of general waste for landfilling at any council's landfill and joint collection contracts are outside the scope of the MoU.

KEY CONSIDERATIONS

Policy and Legislation

The EPA's [Waste Avoidance and Resource Recovery Act 2001](#) (WARR Act) promotes waste reduction and better use of our resources in NSW. It includes provisions for waste strategies and programs, and for industry actions to reduce waste.

Strategic Alignment

By consolidating local council waste volumes and approaching the market with scale, the region may be able to attract investment in new infrastructure and services. This can help remove barriers to entry for new investors, increase competition in the waste services sector and put downward pressure on costs for councils and households. It can also promote innovation in waste service delivery by providing opportunities to trial and scale up new ideas and provide a forum to test standardisation of services where appropriate.

Collaborating with neighbouring councils links directly to the strategic objectives in Kempsey Shire Council's adopted *Waste Management Strategy 2022-2032*.

Impact on Financial Sustainability

The NSW EPA released the Waste and Sustainable Materials Strategy 2041 - Stage 1: 2021 - 2027 in June 2021 which sets the direction of the state for the next 6 years. This strategy identifies the need to help local governments jointly procure waste services at scale to underpin investment in new infrastructure.

The NSW EPA have established a joint procurement facilitation service to assist local councils in undertaking joint procurement for waste services. It includes market data and analytics, funding support, panel of experts and a library of training and guidance materials. Council has already been successful in receiving Stream 1 grant funding from this program in late 2024 and will seek Stream 2 funding for the development of these waste contracts. A signed MoU would support this grant application in showing the commitment for regional collaboration.

With the expiry dates of KSC's Food Organics and Garden Organics (FOGO) and Dry Recyclable waste contracts closely aligning, and the need for KSC, NVC and BSC to find a destination for the same waste streams, it is a timely opportunity to collaborate and investigate a regional solution.

By combining the region's waste feedstock, there is an opportunity to obtain lower tendered rates for the operation of waste facilities.

This MOU, and the subsequent procurement processes for waste processing contracts, seeks to obtain the best value for money for the communities of each local government area that is involved.

Stakeholder Engagement

KSC, PMHC, NVC, BSC and CHCC are all members of the MidWaste Regional Waste Forum so there are long-standing relationships already established in delivering waste initiatives. KSC, PMHC and BSC are also members of the Mid North Coast Joint Organisation.

Other Matters

Nil.

CONCLUSION

The Kempsey Shire, Bellingen Shire, Nambucca Valley, and Port Macquarie-Hastings Councils have identified an opportunity for regional collaboration for the management and processing of waste to maximise the economies of scale for the benefit of the respective communities.

The implications for Council to procure and transport domestic FOGO and Dry Recyclables further afield would incur a financial burden to Council's budget.

It is therefore recommended that Council proceeds with the joint procurement with Bellingen Shire, Nambucca Valley and Port Macquarie Hasting councils.

ATTACHMENTS

1. LETTE R~1 [10.5.1 - 2 pages]
2. Mo U Regional Collaboration 2025 [10.5.2 - 5 pages]

10.6 Section 3.22 Mapping Amendment

Officer Peter Orr, Strategic and Environmental Planning Manager

File Number KLEP2013-AM-40

PURPOSE

To enable the conversion of all the mapping layers within the Kempsey Local Environmental Plan (KLEP)2013 from Portable Document Format (PDF) to a digital format, it is necessary to lodge (the attached) Section 3.22 EP&A Act submission which requires a resolution of Council. This matter has arisen as part of the KLEP housekeeping project currently being undertaken by Council, where accurate and efficient mapping systems are critical.

Proposal: To enable the amendment, by the Department of Planning, of all the mapping layers within the KLEP2013 to a digital format through a Section 3.22 amendment.

RECOMMENDATION

That Council resolves to amend the mapping layers in KLEP2013 to a digital format by lodgement of a Section 3.22 EP&A Act submission.

BACKGROUND

Currently the KLEP2013 mapping layers comprise:

- Land Zoning (PDF & partially digitised)
- Floor Space Ratio (PDF)
- Heritage (PDF)
- Height of Buildings (PDF)
- Lot Size (PDF)
- Acid Sulfate Soils (PDF)
- Additional Permitted Uses (PDF)
- Koala Management Plan (PDF)
- Natural Resources Sensitivity Land (PDF)
- Scenic Protection Land (PDF)
- Urban Release Area (PDF)

The current PDF KLEP2013 mapping layer arrangement has resulted in an ongoing misalignment of the State-based cadastre with the overlaying map layers. Additionally, the amendment of PDF mapping layers (through a planning proposal) is a time-consuming practice where Council officers are often required by State Mapping to make superficial and peripheral amendments across the entire map area (not just the area subject to amendment by the planning proposal). With digital mapping, State government maintains the maps and the alignment with the cadastre. Council simply provides the specific geodatabase file for the planning proposal area to the Department of Planning, who then amend the digital mapping.

The amendment to KLEP2013 proposed is considered to qualify as a *Section 3.22 EP&A Act submission*. The implications of a Section 3.22 amendment is that the matter will be determined by the Minister and as a 'minor' amendment there is no public exhibition requirement. Specifically, a Section 3.22 amendment is appropriate as in this circumstance the proposal will only:

(b) address matters in the principal instrument that are of a consequential, transitional, machinery or other minor nature [Section 3.22(b) of the Environmental Planning & Assessment Act 1979].

The expectation is that the digitisation of KLEP2013 mapping layers will take approximately 3-4 months to complete (depending on the Department's workload).

KEY CONSIDERATIONS

Policy and Legislation

The NSW Government's *Local Environmental Plan Making Guideline August 2023* identifies the purpose and process for a Section 3.22 EP&A Act submission. Council officers have discussed this matter with the Department of Planning who confirm that a Section 3.22 EP&A Act submission is the recommended pathway to enact the proposed digitisation of the KLEP2013 mapping layers.

Strategic Alignment

The digitisation of the KLEP2013 mapping layers through a Section 3.22 EP&A Act submission will enable an improved cost-effective means to better maintain Council's Local Environmental Plans into the future, consistent with the "Leadership" Delivery Program Actions within Council's 2022-2026 Delivery Program. Furthermore, this aligns with the broader objectives of the KLEP2013 housekeeping project.

Impact on Financial Sustainability

There is no cost for this update and there will be ongoing efficiencies for Council.

Stakeholder Engagement

Nil

Other Matters

Nil

CONCLUSION

The digitisation of the mapping layers within the KLEP2013 through a Section 3.22 EP&A Act submission, is a quick and cost-effective means to achieve a superior system for the management of the KLEP2013 mapping layers (transitioning from an inefficient PDF-based model). The outcome will include a simpler system to implement planning proposal outcomes through the amending of planning layers and maintenance of the alignment with the cadastre by State government. This enhancement also directly supports the KLEP2013 housekeeping project by providing accurate and efficient mapping.

ATTACHMENTS

1. Section 3.22 E P & A Act submission [**10.6.1** - 2 pages]

10.7 Development Activity and LEP Variations - Quarterly Snapshot

Officer Lisa Kennedy, Team Leader Office Support

File Number F19/1831

PURPOSE

Report to Council quarterly on any approvals that included variations to Council's Kempsey Local Environmental Plan (KLEP) 2013, which involved the use of Clause 4.6, and to provide information on development approvals for the period of October, November and December 2024.

RECOMMENDATION

That Council receives and notes the report.

BACKGROUND

In accordance with Department of Planning, Housing and Infrastructure, all development applications determined involving clause 4.6 of KLEP 2013 to vary a development standard are required to be reported to Council for information.

During the October, November and December quarter there have been no applications approved which involved a variation to the KLEP 2013.

Development Activity Information and Statistics

The Environmental Planning and Assessment (Statement of Expectations) Order 2024 states the Minister's expectations of approval times for a development application. Clause 5(1) sets out the expectations from 1 July 2024 – 30 June 2025 to determine Development Applications which is set at 107 days for Kempsey Shire Council.

Month	Average Assessment Days	Total No. Of DA's determined	% DAs meeting expectation	Value Approved (Approx.)	~ No. Of new dwellings approved
October	153	11	55%	\$5.25 M	4
November	148	11	45%	\$2.94 M	5
December	165	20	50%	\$4.31 M	7
YTD TOTALS 2024-25	142	98	49%	\$27.84 M	16
2023-2024 YTD TOTALS COMPARISON	92	103		\$101.67 M	

The performance figures including the YTD comparison for this report have been taken directly from the NSW Planning League Table website to ensure that there is no inconsistency between those published figures and the information presented in this report. Previous reports have been compiled by staff from the internal data which does feed directly into that NSW Planning League Table and there were minor inconsistencies noted.

As per previous reports, the Average Assessment Days figures are the total of all Calendar days (including weekends and holidays) and includes periods where the applicant is to supply further information for the assessment to progress and where other agencies have to supply a response.

Private certifier determinations or CDCs are not included in the figures. Private certifiers are required to lodge through the NSW Planning Portal. During this quarter there have been 20 Complying Development Certificate (CDC) lodged through the Planning Portal by private certifiers with a value of approximately \$4.65 M.

In November, DA2300926 (Staged concept development for residential and serviced apartments x 9 (5-6 storeys) with a mix of commercial premises - Rise) was determined to be refused by the Regional Planning Panel. Significant staff resources were used to deal with this application.

In December, Council's planning staff generated a Council report for the DA2400974 (Community Title Subdivision creating 29 Lots - Rise), again there was a significant use of staff resources in dealing with this application.

Due to the ongoing reduced staff resources in the planning team, we have continued to take measures to use other resources to keep applications progressing. Following the disbanding of the Planning Department resource called the Flying Squad, development applications are being outsourced to local external consultants to try and alleviate the delays in getting determinations issued. Two new Planners have been employed by Council over the past 6 months with the most recent commencing in January, so we anticipate some gains in performance in the rest of the financial year.

In this quarter, 101 new development applications were submitted to Council for processing which includes our intake review process and takes time away from the processing of development applications.

As a result of increased assessment timeframes for development applications in general, applicants are provided information up front with respect to current typical assessment timeframes and other procedural information to assist them in understanding the development assessment process.

KEY CONSIDERATIONS

Policy and Legislation

In accordance with a Department of Planning, Housing and Infrastructure direction, all applications determined involving Clause 4.6 to vary a development standard are required to be reported to Council for information.

Strategic Alignment

Nil.

Impact on Financial Sustainability

Nil.

Stakeholder Engagement

Public notification is conducted in accordance with the controlling legislation and Council policy.

Other Matters

Nil.

CONCLUSION

Council should receive and note the information on development standard variations and development activity.

ATTACHMENTS

Nil

10.8 Disclosure of Interest Returns

Officer Daniel Thoroughgood, A/Director Corporate and Commercial

File Number F22/3129

PURPOSE

Table Disclosure of Interest Returns lodged by newly elected Councillors under clause 4.21(a) of Council's Code of Conduct.

RECOMMENDATION

That Council receives the report and notes the lodgement and tabling of the Disclosure of Interest Returns.

BACKGROUND

Council's Code of Conduct requires that Councillors and designated persons lodge a disclosure of interests, in the form prescribed by schedule 2 to the code, within 3 months of becoming a designated person, within 3 months after 30 June of each year or within 3 months of becoming aware of the need to disclose an interest.

These returns are required to be tabled at the first meeting of the Council after the last day by which the return is required to be lodged. The last day by which the return is required to be lodged for returns for Councillors newly elected at the 2024 local government election was 2 January 2025.

The completed returns are not attached and, in accordance with the Model Code of Conduct, will be tabled at the meeting.

KEY CONSIDERATIONS

Policy and Legislation

The Requirement to Lodge and Table Returns

The requirement to lodge returns, and table them at a meeting, is established by clauses 4.8, 4.9, 4.20, 4.21 and 4.28 of Council's Code of Conduct, which is published on Council's website. Compliance by Councillors, committee members and staff with Council's Code of Conduct is mandatory per s440 Local Government Act 1993 (the Act).

4.8 Designated persons include:

- (a) the General Manager.
- (b) other senior staff of the Council for the purposes of section 332 of the LGA.
- (c) a person (other than a member of the senior staff of the Council) who is a member of staff of the Council or a delegate of the Council and who holds a position identified by the Council as the position of a designated person because it involves the exercise of functions (such as regulatory functions or contractual functions) that, in their exercise, could give rise to a conflict between the person's duty as a member of staff or delegate and the person's private interest.
- (d) a person (other than a member of the senior staff of the Council) who is a member of a committee of the Council identified by the Council as a committee whose members are designated persons because the functions of the committee

involve the exercise of the Council's functions (such as regulatory functions or contractual functions) that, in their exercise, could give rise to a conflict between the member's duty as a member of the committee and the member's private interest.

4.9 A designated person: (a) must prepare and submit written returns of interests in accordance with clauses 4.21, and (b) must disclose pecuniary interests in accordance with clause 4.10.

4.20 A Councillor:

- (a) must prepare and submit written returns of interests in accordance with clause 4.21, and
- (b) must disclose pecuniary interests in accordance with clause 4.28 and comply with clause 4.29 where it is applicable.

4.21 A Councillor or designated person must make and lodge with the General Manager a return in the form set out in schedule 2 to this code, disclosing the Councillor's or designated person's interests as specified in schedule 1 to this code within 3 months after:

- (a) becoming a Councillor or designated person, and
- (b) 30 June of each year, and
- (c) the Councillor or designated person becoming aware of an interest they are required to disclose under schedule 1 that has not been previously disclosed in a return lodged under paragraphs (a) or (b).

4.25 Returns required to be lodged with the General Manager under clause 4.21(a) and (b) must be tabled at the first meeting of the Council after the last day the return is required to be lodged.

The Requirement to Publish Returns

Clause 4.27 of the Code of Conduct requires that the Council make publicly available the information contained within returns and, also, to abide by any guidelines issued by the Information Commissioner. The Information Commissioner's publication "Guideline 1: For local Councils on the disclosure of information contained in the returns disclosing the interests of Councillors and designated persons developed under the *Government Information (Public Access) Act 2009 (NSW)*" published in September 2019 requires that the returns are published on the Council's website unless there is an overriding public interest against disclosure; providing examples of residential addresses and signatures, as information to which this might apply. Where there is an overriding public interest against disclosure of some information contained within the returns only that information should be withheld, and the remainder of the return published in a redacted form.

These guidelines are made mandatory both under Council's Code of Conduct and s12(3) and s14(3) of the *Government Information (Public Access) Act 2009*.

Strategic Alignment

This matter aligns with Operational Plan Action GS01.1.2, Coordinate lodgement of annual Disclosure of Interest Returns, and Delivery Program Outcome GS01.1, Internal Facilitation and Support is Prioritised.

Impact on Financial Sustainability

Nil

Stakeholder Engagement

Nil

Other Matters

Nil

CONCLUSION

That Council notes the lodgement and tabling of returns as required by the Code of Conduct and resolves to publish these returns, with signatures and residential addresses redacted, on the Council's website.

ATTACHMENTS

Nil

10.9 Statement of Cash and Investments - December 2024 and January 2025

Officer Stacey Milligan, Finance Manager

File No F22/3106

PURPOSE

In accordance with the *Local Government (General) Regulation 2021* (the Regulation), a report on investments is to be provided monthly to Council.

RECOMMENDATION

That Council receives and notes the report.

BACKGROUND

Section 212 of the Regulation states:

Local Government (General) Regulation 2021

Part 9 Division 5 Section 212

212 Reports on Council investments

- (1) The responsible accounting officer of a Council:
 - (a) must provide the Council with a written report (setting out details of all money that the Council has invested under section 625 of the Act) to be presented:
 - (i) if only one ordinary meeting of the Council is held in a month, at that meeting, or
 - (ii) if more than one such meeting is held in a month, at whichever of those meetings the Council by resolution determines, and
 - (b) must include in the report a certificate as to whether or not the investment has been made in accordance with the Act, the regulations and the Council's investment policies.
 - (2) The report must be made up to the last day of the month immediately preceding the meeting.
- Note: Section 625 of the Act specifies the way in which a Council may invest its surplus funds.

KEY CONSIDERATIONS

Policy and Legislation

The *Local Government (General) Regulation 2021*, Part 9 Division 5 Section 212 requires the responsible accounting officer of a Council to provide the Council with a written report setting out details of all money that the Council has invested under section 625 of the Act to be presented. This report satisfies that requirement.

Council's investments are in accordance with the *Local Government Act (1993)* and Council's investment policy.

Strategic Alignment

Robust investment and cash management aligns with Council's objective to be financially sustainable.

Impact on Financial Sustainability

The effective management of cash and investments is a key contributor to Council's financial operating result and consequently, financial sustainability.

Stakeholder Engagement

Nil.

Other Matters

Council held \$109.4M of cash and investments on 31 December 2024, comprising \$10.3M of cash at bank and \$99.1M of investments. As of 31 January 2025, Council held \$109.8M of cash and investments, comprising \$10.6M of cash at bank and \$99.2M of investments. As there was no Ordinary Meeting of Council held in January 2025, both the December 2024 and January 2025 cash and investments are reported to this meeting.

The market valuation of Council's investments is reported in section 5 of the attached Investment Report Pack.

In December, the weighted average running investment yield was 4.62%. Whilst in January, the weighted average running yield was 4.60%. Both yields are reflecting our return is remaining comparable when compared to November (4.61%) due to the current interest rate environment.

Investment income for the financial year-to-date is \$2,920,855 which is slightly above the year-to-date budget of \$2,867,890.

As previously advised to Council, a review of the investment strategy in light of the current economic environment and cash holding of Council, is planned to be conducted. The intention is to ensure best practice management of cash and investments to optimise returns while maintaining required operational funds. In addition, Council is currently preparing a request for quotation in relation to the management of Council's investment portfolio which will be advertised in the coming weeks.

CONCLUSION

Council held \$109.8M in cash and investments on 31 January 2025.

Details of investments, and investment performance are included in the attachment to this report.

ATTACHMENTS

1. Statement of Cash & Investments - December 2024 [**10.9.1** - 27 pages]
2. Statement of Cash & Investments - January 2025 [**10.9.2** - 27 pages]

11 REPORTS FROM COUNCILLORS

11.1 Notice of Motion - Community Justice Centres

Councillor Cr Bain, Councillor

File Number F23/1930

PURPOSE

The NSW Govt has announced the intention of closing Community Justice Centres from 30 June 2025. This free, confidential and impartial mediation service has provided services to NSW residents for 40 years, with about 80% of issues being resolved without going to court. The purpose of this Notice of Motion is to support the LGNSW advocacy for the reversal of this decision.

RECOMMENDATION

That Council writes to the NSW Attorney General Michael Daley, calling on the State Govt to reverse its decision to close all Community Justice Centres (CJs) in June.

BACKGROUND

For 40 years Community Justice Centres (CJs) have provided a valuable service to the NSW community, mediating disputes in a timely and impartial manner. CJC services have steadily declined over the last decade, including staff reduction and the closure of regional offices. The mediator panel has shrunk from around 200 in 2017 to 65 at present. Information sessions and outreach with local councils, Housing NSW, Community Legal Centres, the police and others was once commonplace, but no more. The decision to close CJs will lead to increased costs, a greater strain on a court system already stretched to breaking and more demand for police intervention. It will also likely lead to an increase in mental health problems, as unresolved disputes create additional stress and have long term negative impacts on mental health.

KEY CONSIDERATIONS

Policy and Legislation

Community Justice Centres Act 1983

Strategic Alignment

Aligns with Community Strategic Plans' Leadership Focus Area "... effectively advocate for and respond to the needs of our community, across all levels of government." Aligns with LE.OP8 of the Operational Plan "Participation and support of industry bodies including LGNSW..."

Impact on Financial Sustainability

Minimal impact on financial sustainability as it involves writing a letter of support.

Stakeholder Engagement

Discussion with Mayor and General Manager.

Other Matters

Nil.

CONCLUSION

This Notice of Motion is supported by Council.

ATTACHMENTS

Nil

11.2 Question on Notice - Crown Land Expenditure

Councillor Cr Coburn, Councillor

File Number F23/1930

QUESTION FROM CR COBURN, COUNCILLOR:

- Can staff provide a breakdown of expenditure from the Crown Land Management Fund on Holiday Parks over the last 2 years (i.e. 2023 and 2024)?
- Can this information be broken down into spending on each separate Holiday Park (i.e. all 5)?
- Can this include details from CAPEX and OPEX broken down into expenditure from Crown Land Management Fund, Grant Funds and General Fund?

RESPONSE FROM GROUP MANAGER COMMERCIAL BUSINESS, PETER ALLEN:

Details of Council's expenditure on Holiday Parks in 2022-23 and 2023-24, by Holiday Park and expense type (OPEX and CAPEX), is attached.

All Council expenditure on Holiday Parks is funded through the Crown Land Management Fund. There is no expenditure from the General Fund.

There was a small amount of grant income received over this period relating to the Tourism Product Development Grant from 2021-22. This relates to a \$30,000 grant, but most of this revenue was received and recognised in the 2021-22 financial year.

ATTACHMENTS

1. Holiday Park Income and Expenditure - FY 2022-23 & FY 2023-24 [**11.2.1** - 7 pages]

12 CONFIDENTIAL MATTERS

MOTION FOR CONFIDENTIAL SESSION

In accordance with the *Local Government Act 1993* (the Act) and the *Local Government (General) Regulation 2021*, in the opinion of the General Manager, the following business is of a kind as referred to in section 10A(2) of the Act and should be dealt with in a part of the meeting closed to the media and public.

Set out below is section 10A(2) of the Act in relation to matters which can be dealt with in the closed part of a meeting.

The matters and information are the following:

- (a) personnel matters concerning particular individuals (other than Councillors)
- (b) the personal hardship of any resident or ratepayer
- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business
- (d) commercial information of a confidential nature that would, if disclosed;
 - (i) prejudice the commercial position of the person who supplied it, or
 - (ii) confer a commercial advantage on a competitor of the Council, or
 - (iii) reveal a trade secret
- (e) information that would, if disclosed, prejudice the maintenance of law
- (f) matters affecting the security of the Council, Councillors, Council staff or Council property
- (g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege
- (h) information concerning the nature and location of a place or an item of Aboriginal significance on community land.
- (i) alleged contraventions of any code of conduct requirements applicable under section 440.

Councillors are reminded of their statutory obligations in relation to the non-disclosure to any outside person of matters included in this section.

That Council form itself into the Confidential Session, and at this stage, the meeting be closed to the public to permit discussion of the confidential business items listed for the reasons as stated in the agenda.

12.1 Legal Matters

Officer Vicki Thomas, A/Group Manager Governance and Information Services

File Number F22/1960

Section 10A(2)(g) – Legal Proceedings

This report is submitted on a confidential basis as it involves advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege. (*Local Government Act 1993*, section 10A(2)(g))

On balance, the public interest in preserving the confidentiality of the advice, outweighs the public interest in openness and transparency in Council decision making by discussing the matter in open meeting.

12.2 Compensation Agreement: Road Realignment - Nurse Kirkpatrick Bridge

Officer Grant Dennis, Design and Investigation Manager

File Number F22/3399

Section 10A(2)(c) – Commercial Advantage in Business Dealing

This report is submitted on a confidential basis as it involves information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business. (*Local Government Act 1993*, section 10A(2)(c))

On balance, the public interest in preserving the confidentiality of the commercial information supplied, outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in an open meeting.

Section 10A(2)(g) – Legal Proceedings

This report is submitted on a confidential basis as it involves advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege. (*Local Government Act 1993*, section 10A(2)(g))

On balance, the public interest in preserving the confidentiality of the advice outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in an open meeting.

13 CONCLUSION OF THE MEETING