

minutes

Policy Committee

MEETING HELD ON **TUESDAY 7 MAY 2019**

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CITY OF JOONDALUP

MINUTES OF THE POLICY COMMITTEE MEETING HELD IN CONFERENCE ROOM 2,
JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 7 MAY 2019.

ATTENDANCE

Committee Members

Mayor Hon. Albert Jacob, JP		
Cr Russ Fishwick, JP	<i>Deputising for Cr Dwyer</i>	
Cr John Chester		
Cr Kerry Hollywood		<i>absent from 5.46pm to 5.48pm</i>
Cr Philippa Taylor	<i>Deputising for Cr Jones</i>	
Cr Michael Norman		

Officers

Mr Mike Tidy	Director Corporate Services	
Mr Jamie Parry	Director Governance and Strategy	
Mr Nico Claassen	Director Infrastructure Services	
Mr Roney Oommen	Manager Financial Services	<i>to 6.26pm</i>
Mr Brad Sillence	Manager Governance	
Mrs Deborah Gouges	Governance Officer	

In the absence of both the Presiding Member and Deputy Presiding Member and in accordance with section 5.14 of the *Local Government Act 1995*, it was agreed by those committee members present at the Policy Committee meeting that Mayor Hon. Albert Jacob, JP be responsible for the conduct of the proceedings / meeting.

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

DECLARATIONS OF INTEREST

Nil.

Cr Hollywood left the room at 5.46pm.

APOLOGIES / LEAVE OF ABSENCE**Apology:**

Cr Russell Poliwka.

Leave of Absence Previously Approved:

Cr Nige Jones	5 to 10 May 2019 inclusive;
Cr Sophie Dwyer	5 to 12 May 2019 inclusive;
Cr Christine Hamilton-Prime	5 to 24 May 2019 inclusive;
Cr Sophie Dwyer	28 May to 3 June 2019 inclusive;
Cr John Logan	1 to 9 June 2019 inclusive;
Cr Sophie Dwyer	26 June to 31 July 2019 inclusive;
Cr Kerry Hollywood	23 July to 27 August 2019 inclusive.

CONFIRMATION OF MINUTES**MINUTES OF THE POLICY COMMITTEE HELD ON 25 FEBRUARY 2019 AND SPECIAL POLICY COMMITTEE MEETING HELD ON 2 APRIL 2019**

MOVED Cr Norman, SECONDED Cr Chester that the minutes of the meeting of the Policy Committee held on 25 February 2019 and the Special Policy Committee meeting held on 2 April 2019 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Mayor Jacob, Crs Chester, Fishwick, Norman and Taylor.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS**ITEM 1 REVIEW OF CITY'S INVESTMENT POLICY**

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	101272, 101515
ATTACHMENT	Attachment 1 Investment Policy
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to consider options for the management of the City's *Investment Policy* to support greater investment of surplus funds with financial institutions that do not support fossil fuel industries.

EXECUTIVE SUMMARY

At its meeting held on 16 October 2018 (C18-10/18 refers), Council resolved to request the Chief Executive Officer to prepare a report examining the options for the City to change its risk appetite and *Investment Policy* to place a greater percentage of invested funds in institutions that have all (or a great majority) of their portfolio in fossil fuel free investments, providing that in doing so the City can secure a rate of return that is at least equal to the alternative offered by other institutions.

The City's *Investment Policy* governs the investment of the City's surplus operational funds that may be available from time to time, as well as funds held in the City's reserve and trust accounts. The current policy was originally adopted by Council at its meeting held on 15 April 2008 (CJ052-04/08 refers) and has regularly been reviewed, most recently at the Council meeting held on 10 October 2017 (CJ170/10-17 refers).

Security of investments is the primary consideration when managing public funds, as outlined in the City's *Investment Policy*. Preservation of capital, liquidity, and return on investment are the overriding principles that underpin the City's approach to investments.

After consideration of the City's existing *Investment Policy* and its primary considerations and overriding principles, the risks associated with extending investment policy limits and counterpart limits that would be required to increase the investment in non-fossil fuel investing financial institutions it is therefore recommended that Council does not change its existing Investment Policy.

BACKGROUND

The *Investment Policy* governs the investment of the City's surplus operational funds that may be available from time to time, as well as funds held in the City's reserve and trust accounts. The current policy was developed and initially adopted by Council at its meeting held on 15 April 2008 (CJ052-04/08 refers). Council subsequently adopted two significantly revised policies at its meetings held on 24 September 2013 (CJ187/09-13 refers) and 15 March 2016 (CJ048-03/16 refers). The last review occurred at its meeting held on 10 October 2017 (CJ170/10-17 refers).

The current *Investment Policy* sets out:

- investment objectives
- delegated authority to invest
- types of authorised and prohibited investments
- prudential requirements for engagement of investment advisors
- policy guidelines for the management and diversification of risk
- financial reporting.

The Department of Local Government, Sport and Cultural Industries developed an *Investment Policy Local Government Operational Guideline* that was published in 2008. The primary features of this guideline are already incorporated in the current policy.

The Department of Local Government, Sport and Cultural Industries issued an amendment to the *Local Government (Financial Management) Regulations 1996* in May 2017. This amendment to regulation 19C now allows local governments to invest in deposits for fixed terms of up to three years, revised from the previous ceiling of 12 months. Other restrictions on investment avenues (such as non-government bonds) in the *Local Government (Financial Management) Regulations 1996* remain in place. These have already been reflected in the *Investment Policy* and no change is proposed.

The City currently has no defined position on fossil fuels that would inform the City's *Investment Policy*. In particular, natural gas, while a fossil fuel is also considered a form of energy cleaner than coal, as well forming a critical part of Western Australia's, and Australia's, economy. Actions that may be detrimental to the natural gas industry may not be in the best interests of the community.

DETAIL

A fossil fuel is defined as "A natural fuel such as coal or gas, formed in the geological past from the remains of living organisms."¹ Fossil fuel usage for energy purposes is generally considered to be a significant source of carbon pollution, which is held to contribute towards climate change. Reducing the usage of fossil fuels is therefore held to be an important aspect of mitigating this impact. As part of this approach, reducing funding available for fossil fuel extraction and processing industries is considered to limit opportunities for further investment in fossil fuels such as coal, oil and natural gas and, therefore, to reduce the impact of carbon pollution.

¹ Oxford Dictionary: *Definition of Fossil Fuel*.

Information on banks that do and do not invest in fossil fuel companies is published on the Market Forces website (<http://www.marketforces.org.au/>) and a summary of the City's current investment portfolio has been outlined in the table below in line with this information. It should be noted that the Market Forces data that the City has used for this report has not been independently verified.

Bank	Banks Funding Fossil Fuels (Y / N) (Per Market Forces)	Current Investment Policy Limit	Long-Term Credit Rating *	Short-Term Credit Rating
Bank of Queensland	Y	10%	A-	A-2
Bankwest	Y	25%	AA-	A-1+
Bendigo	N	10%	A-	A-2
Commonwealth Bank	Y	25%	AA-	A-1+
ING	Y	15%	A+	A+
NAB	Y	25%	A+	A-1+
Rural Bank	N	10%	A-	A-2
Suncorp	N	15%	A+	A-1
Westpac	Y	25%	AA-	A-1+
11AM WATC		25%	AA+	A-1+

*Based on Standard and Poors credit rating categories, except where this conflicts with Moody's and Fitch's ratings. In this case, the rating assigned by two out of the three rating agencies is used, represented by the Standard and Poors rating nomenclature (Appendix 1).

Comparison to Other Local Governments – Provisions for Fossil Fuel Divestment

Local Government	Provision in <i>Investment Policy</i> for Fossil Fuel Divestment
City of Joondalup	No provision.
City of Wanneroo	No provision.
City of Stirling	Preference is to be given to financial institutions that do not invest in or finance the fossil fuel industry where: <ul style="list-style-type: none"> the investment is compliant with the City's <i>Investment Policy</i> the investment rate of interest is favourable to the City relative to other similar investments that may be on offer to the City at the time of the investment.
City of Perth	No provision.
City of Melville	When investing surplus City funds, a deliberative preference will be made in favour of authorised institutions that respect the environment by not investing in fossil fuel industries. This preference will however only be exercised after the foremost investment considerations of credit rating, comparable rate of return and risk diversification are fully satisfied.
City of Swan	Subject to the policy objectives and risk management guidelines as outlined in this document, the City will ensure its financial investments consider the reduction of fossil fuels, by investing with non-fossil fuel lending banks.
City of Rockingham	No provision.

Local Government	Provision in <i>Investment Policy</i> for Fossil Fuel Divestment
City of Fremantle	To this end the City of Fremantle will review and manage its investment portfolio to identify financial institutions which support either direct or indirect support of fossil fuel companies and will limit investments in the institutions to the minimum required which will allow compliance with parts four and five above. 'Deposits qualifying for the Federal Government Guarantee are to be considered Tier 1 in line with the Federal Government's credit rating and should not count towards a counterparty limit as outlined in this policy.'
City of Vincent	<p>When exercising the power of investment, preference is to be given to investments with institutions that have been assessed to have no current record of funding fossil fuels, providing that doing so will secure a rate of return that is at least equal to alternatives offered by other institutions.</p> <p>Where an investment is made with an institution that has been assessed to have a record of funding fossil fuels, due to providing a higher rate of return, the additional return generated will be invested back into carbon abatement initiatives within the City of Vincent.</p>
City of Armadale	When investing surplus Council funds, a deliberative preference will be made in favour of authorised Institutions that respect the environment by not investing in fossil fuel industries. This preference will however only be exercised after the foremost investment considerations of credit rating and risk diversification are fully satisfied.
Town of Bassendean	Preference will be given to invest in financial institutions who do not invest in or finance the fossil fuel industry.
Town of East Fremantle	<p>Prior to placing investments, preference will be given to competitive quotations from financial institutions that are deemed not to invest in or finance the fossil fuel industry where:</p> <ul style="list-style-type: none"> (a) the investment is compliant with Council's <i>Investment Policy</i> with regards to risk management guidelines (b) the investment rate of return is favourable to Council relative to other investment quotations that may be on offer within a competitive environment.
Town of Cambridge	No provision.
City of Bayswater	The City will seek opportunities to invest in financial institutions which do not invest in or finance the fossil fuel industry, subject to all such investments meeting the risk ratings, favourable returns and diversification limits set out in the <i>Investment Policy</i> .
Town of Victoria Park	No provision.

For most local governments in the Perth metropolitan region the prevailing consideration for an investment is still the policy objectives and risk management criteria, notwithstanding provisions made for non-fossil fuel investment. The City of Fremantle has taken a different approach, with its *Investment Policy* stating that "Deposits qualifying for the Federal Government Guarantee are to be considered Tier 1 in line with the Federal Government's credit rating and should not count towards a counterparty limit as outlined in this policy", implying that counterparty limits have been relaxed as part of the *Investment Policy*.

Security of investments is the primary consideration when managing public funds, as outlined in the City's *Investment Policy*. Preservation of capital, liquidity, and return on investment are the overriding principles that underpin the City's approach to investments.

The Australian Government guarantees deposits up to \$250,000 in Authorised Deposit-taking Institutions (ADIs) such as a bank, building society or credit union. All term deposits across local government are required to be with ADIs by regulation 19C of the *Local Government (Financial Management) Regulations 1996*. The Commonwealth Government guarantee operates at an institution level, not at a deposit level. If a bank collapsed any funds that the City had invested with it over \$250,000 would be in jeopardy regardless of the individual values of each deposit. To mitigate this risk a portfolio credit framework and counterparty credit framework is applied within the City's *Investment Policy*.

The City's current limits as outlined in the existing *Investment Policy* are as follows:

Portfolio Limits				
Standard & Poor's Rating		Long Term		
		AAA+ to AAA-	AA+ to AA-	A+ to A-
Short Term	A-1+	100%	100%	Not Applicable
	A-1	Not applicable	75%	50%
	A-2	Not applicable	Not applicable	40%

Counterparty Limits				
Standard & Poor's Rating		Long Term		
		AAA+ to AAA-	AA+ to AA-	A+ to A-
Short Term	A-1+	30%	25%	Not Applicable
	A-1	Not applicable	20%	15%
	A-2	Not applicable	Not applicable	10%

During the 2017-18 financial year, the City placed Term Deposits (TD's) to a value of approximately \$201 million. The table below illustrates how these funds were placed with various financial institutions.

Bank	Average Return	Average # of Days	Total Invested	Number of TD's	Long Term Rating	Short Term Rating
Westpac	2.61%	230	\$38,190,000	24	AA+ to AA-	A-1+
Commonwealth	2.56%	265	\$20,990,000	16	AA+ to AA-	A-1+
NAB	2.52%	222	\$36,410,000	21	AA+ to AA-	A-1+
Bankwest	2.51%	203	\$35,045,000	24	AA+ to AA-	A-1+
Suncorp	2.70%	212	\$12,350,000	9	A+ to A-	A-1
ING	2.65%	346	\$14,385,000	10	A+ to A-	A-1
BOQ	2.61%	211	\$19,180,000	14	A+ to A-	A-2
Rural Bank	2.60%	294	\$13,800,000	9	A+ to A-	A-2
Bendigo	2.59%	285	\$10,800,000	9	A+ to A-	A-2
Total	2.58%	241	\$201,150,000	136		

At 31 January 2019, the City had \$147.1 million invested in various financial institutions. Applying the criteria supplied by Market Forces, approximately 34% of these funds are held with financial institutions that do not invest in fossil fuel industries. This was across three banks, Bendigo, Rural Bank and Suncorp. The investments in Rural Bank and Bendigo were at their maximum limits under the policy and Suncorp was just short of its maximum limit.

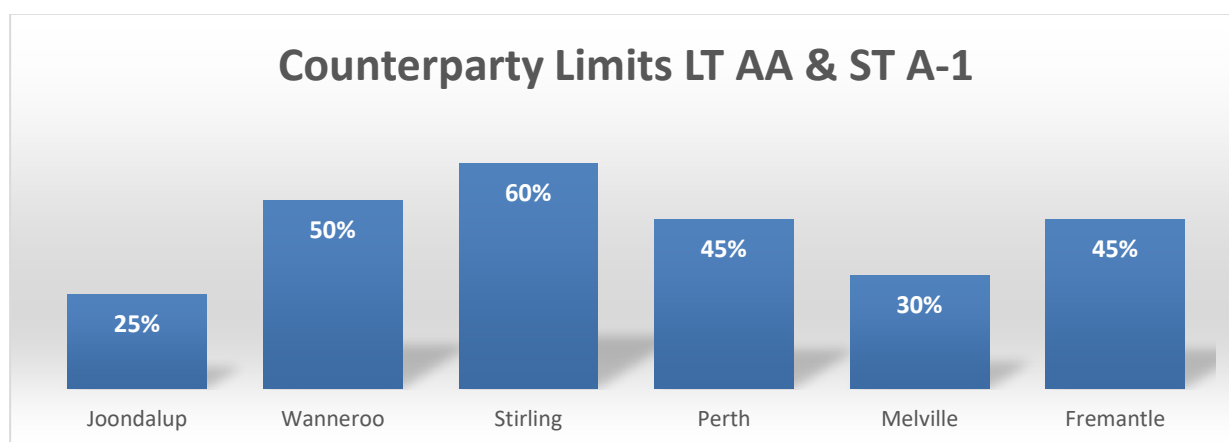
The City currently publishes this information as part of the monthly investment report that forms part of the Financial Activity Statement provided to Council each month.

The table compares the City of Joondalup investment position in non-fossil fuel banks compared with some other local governments that have made some provision in their investment policies regarding non-fossil fuel investment:

Local Government	Date of investment report	Percentage of portfolio in non-fossil fuel lending banks
City of Joondalup	31/01/2019	34%
City of Melville	31/01/2019	18% (includes Trust Fund investments)
City of Stirling	31/01/2019	Not published
City of Swan	31/01/2019	45%
City of Fremantle	31/01/2019	46% (includes Trust Fund investments)
City of Armadale	31/01/2019	45% (includes Trust Fund investments)

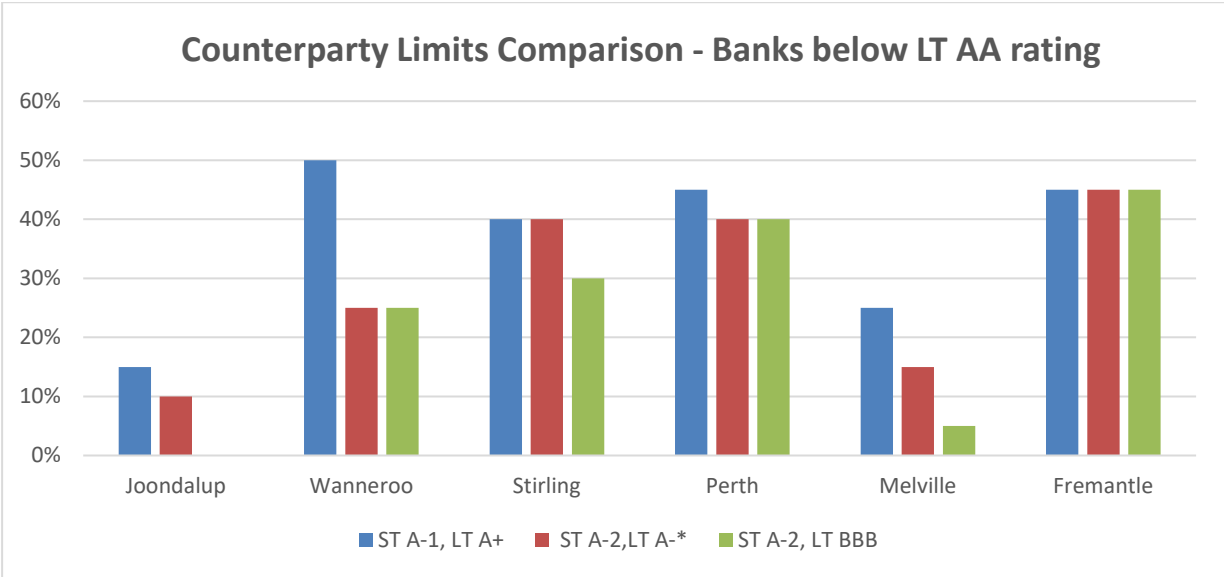
The following tables further illustrate the City's existing investment portfolio risk profile and counterparty limits compared to other local governments.

Lowest Risk Financial Institutions



The above comparison to Individual Counterparty (Bank) Limits illustrates the City's lower counterparty limits in comparison to similar sized local governments, namely a lower risk appetite and better diversification of risk. The City can thus only invest a maximum of 25% of the total portfolio with any individual bank that meets the above criteria.

With financial institutions that have lower crediting ratings, that is those that carry higher risk, the City's risk appetite is compared to other local governments below, and illustrates that the City maintains a low risk appetite with such institutions as well.



The above comparison illustrates how the City minimises exposure to risk in any individual financial institution.

The City does not invest with ADIs that carry a long-term credit rating below A (based on the rating assigned by at least two out of the three major rating agencies). A number of other organisations employ a higher risk appetite and invest with BBB-rated institutions. The City has on several occasions considered this and determined that increasing exposure to ADIs at or below this rating is not in accordance with the principles of prudent investment of public funds. With the principal objective of the *Investment Policy* being preservation of capital, raising the City’s risk appetite would be detrimental to this goal.

Issues and Options Considered

To increase the level of investment in non-fossil fuel investing banks the City would need to either increase its counter party limits of 10% and 15% on those non-fossil fuel investing banks it currently invests in and / or extend its credit rating limits to include BBB-rated institutions.

It needs to be emphasised that in terms of the Council resolution proviso that the City can secure a rate of return that is at least equal to the alternative offered by other other institutions, the issue is not the interest rate of return it is the additional risk to capital. The current fossil fuel free investment institutions offer higher interest rates than mainstream banks. The reason for this is that they are riskier investments.

Option 1: Increase *Investment Policy* Limits and Counterparty Limits to allow greater percentage of funds to Non-Fossil Fuel Banks

Banking institutions which do not lend to or invest in the fossil fuel industry generally carry relatively lower credit ratings. Therefore, divestment towards such institutions brings with it a potentially higher risk of capital loss.

Increasing the City’s appetite for risk is not considered appropriate in order to facilitate movement of investments away from financial institutions considered to support the fossil fuel industry. The City has a primary obligation to all ratepayers and to the community at large for prudent management of ratepayer funds. Increasing the City’s risk appetite to this end is not commensurate with this investment objective.

It is not commensurate with the principles of the City's *Investment Policy* or with prudent financial management to increase the City's appetite for risk. Increasing exposure to ADIs with lower credit ratings is not considered prudent in the management of public funds.

This option is not recommended.

Option 2: Relax counterparty credit rating requirements to accommodate more financial institutions

Another option available to the City to increase investment in non-fossil fuel investing ADIs is to relax the credit rating limits currently in the *Investment Policy*. Most ADIs recommended on Market Forces' website for non-fossil fuel investment carry lower credit ratings than the *Investment Policy* permits. The City does not place funds with ADIs rated below 'A'. This is different to a number of other local governments that do permit investment with lower-rated ADIs. In part, this would facilitate more investment in financial institutions that do not invest in fossil fuel industries, as many such institutions are considered riskier for investments.

Relaxing risk criteria for investment purposes, particularly in the management of public funds, must be commensurate with the City's appetite for risk. The City's existing low risk strategy with investments remains the most appropriate mechanism to meet the primary objective of the *Investment Policy*, namely preservation of capital.

This option is not recommended.

Option 3: Maintain current *Investment Policy* and continue to support initiatives outlined in *Climate Change Strategy 2014-19*

The City of Joondalup has committed to reducing greenhouse gas emissions through its *Climate Change Strategy 2014 – 2019*, and has taken a number of steps to reduce its greenhouse gas emissions, including the following:

- Installation of photovoltaic cells on 13 of the City's community buildings.
- Offsetting 100% of vehicle fleet emissions.
- Energy efficiency improvements in City buildings as directed by energy audits.
- Installation of LED lighting in public spaces including in the Joondalup CBD.
- Delivery of a household eco-audit program to help households reduce energy and water consumption.
- Implementing an annual urban tree planting program.
- Construction of the Currambine Community Centre to a 4 Star Green Star Rating. The City of Joondalup was the first local government Australia-wide to design in-house a public building that has achieved a 4 Star Green Star rating as certified by the Green Building Council.

The City's *Climate Change Strategy* commits to the reduction of net greenhouse gas emissions by 5% per capita below 2012-13 emissions by 2018-19. Over the life of the *Climate Change Strategy* the City has reduced its total corporate emissions by 23%.

The City's *Climate Change Strategy* will undergo a major review in 2019-20 and will consider the findings of the most recent and relevant reports including the research developed by the Intergovernmental Panel on Climate Change (IPCC) and Western Australian Local Government Association.

The City's Annual Report provides an overview of key actions the City has taken to improve its environmental performance in 2017-2018 and reports on the City's:

- corporate greenhouse gas emissions
- corporate energy consumption
- amount of greenhouse gases avoided through our Renewable Energy Program
- the purchased carbon offset to offset 100% of the City's fleet emissions.

The City is a member of the Global Covenant of Mayors for Climate and Energy and has achieved full compliance of the program demonstrating a commitment to promoting and supporting action to combat climate change and move to a low emission, resilient society. The City was the first fully compliant local government in Western Australia.

The monthly Financial Activity Statement provided to Council includes an investment summary document that outlines the extent to which the City already invests with financial institutions that, according to the Market Forces website, do not support the fossil fuel industry. These investments have been made entirely within the context of the existing *Investment Policy*, purely considering risk and return and without making any particular concession to favour non-fossil fuel investments. At 31 January 2019, the City held approximately 34% of its total investment portfolio at that date with financial institutions considered to not support the fossil fuel industry. This information is currently published with the monthly investment report provided to Council each month with the Financial Activity Statement.

Essentially, the City is already diverting investment to financial institutions considered to not invest in the fossil fuel industry by applying the existing *Investment Policy*. It is not considered necessary to introduce any amendments to the *Investment Policy*, similar to that made by other local governments. The primary obligation to manage ratepayer funds by minimising risk and maximising return should appropriately remain the paramount consideration of the City's *Investment Policy*.

This option is recommended.

Provision in Policy to accommodate non-fossil fuel investments

Should options 1 or 2 be supported the *Investment Policy* will need to be amended to reflect the relevant change. These options address the application of policy and counterparty limits to the City's investment practices. Separate to this is whether the *Investment Policy* should include a statement in regard to the City's position on investing in financial institutions who invest in the fossil fuel industry. A statement if supported could apply with either of the three options above including option 3 as recommended which is for no change.

A statement could be added to the *Investment Policy* as follows:

“Preference is to be given to financial institutions that do not invest in or finance the fossil fuel industry where:

- *the investment is compliant with the City's Investment Policy*
- *the investment offers the City superior returns after all considerations of credit rating and risk diversification outlined in this Policy have been fully satisfied.*

Financial institutions that do not invest in or finance the fossil fuel industry will be identified based on information published by Market Forces.”

This amendment to the *Investment Policy* will not have any significant financial impact to the City's investment risk and return profile as it would only be exercised after normal investment considerations has been made. It would be similar to amendments made by other local governments to their investment policies but would not change the current investment practice in any way and would essentially be a token gesture without any real substance.

A provision of this nature is not considered to be in keeping with the City's primary values (Transparent, Accountable, Honest, Ethical, Respectful, Sustainable, Professional).

Legislation / Strategic Community Plan / policy implications

Legislation *Local Government Act 1995.
Trustees Act 1962.
Local Government (Financial Management) Regulations 1996.
Australian Accounting Standards.*

Strategic Community Plan

Key theme Financial Sustainability.

Objective Effective management.

Strategic initiative Manage liabilities and assets through a planned, long-term approach.

Policy Not applicable.

Risk management considerations

There are significant risks involved in the management of the City's investment portfolio. The *Investment Policy* sets out provisions for compliance and governance that are designed to diversify and mitigate these risks. In addition to the policy there are internal processes and procedures governing investment activities and these are subject to both internal and external audit.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Financial sustainability is imperative to the future growth and development of the City of Joondalup. The City's *Investment Policy* maintains the conservative approach to the City's investments which is a critical element of the long-term financial sustainability of the City.

Consultation

Investment policies currently in place at other similar local governments were reviewed as outlined earlier in this report, as well as published investment reports.

COMMENT

The *Investment Policy* has been reviewed in light of existing market conditions and legislative requirements. It preserves the City's conservative approach to investment that is being practised and is considered most appropriate to the needs of the City and outlines the City's approach to investment of surplus operational funds that may be available from time to time as well as funds held in the City's trust and reserve accounts.

VOTING REQUIREMENTS

Simple Majority.

Cr Hollywood entered the room at 5.48pm.

MOVED Cr Hollywood, SECONDED Mayor Jacob that Council NOTES that no changes are proposed to the Investment Policy forming Attachment 1 to this Report.

The Motion was Put and

TIED (3/3)

In favour of the Motion: Mayor Jacob, Crs Hollywood and Taylor.

Against the Motion: Crs Chester, Fishwick and Norman.

There being an equal number of votes, the Presiding Member exercised his casting vote and declared the Motion **CARRIED (4/3)**

The Manager Financial Services left the room at 6.26pm.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnPOLICY190507.pdf](#)

ITEM 2 OUTCOMES-BASED FRAMEWORK ON THE PERMISSIBILITY OF ACCEPTABLE MATERIALS FOR VERGE TREATMENTS

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	07963, 101515
ATTACHMENT	Attachment 1 <i>Your Street Verge Guidelines</i> (version 3.0 May 2019)
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Policy Committee to note amendments to the City's *Your Street Verge Guidelines* in relation to the street verge treatments inspection and compliance program.

EXECUTIVE SUMMARY

At the Policy Committee meeting held on 2 October 2017 a report was requested “defining what is acceptable / unacceptable with respect to verge treatments within the City of Joondalup and opportunities for flexibility in approach to management/enforcement”. The report was presented to the Policy Committee held on 11 June 2018 (Item 3 refers). At that meeting the Policy Committee noted the report and further requested “the Chief Executive Officer prepare a report on an outcomes-based framework on the permissibility of acceptable materials for verge treatments.”

The *Your Street Verge Guidelines* and the City's inspection and compliance regime have been reviewed and while it is considered that verge treatments are adequately defined, some further definitions and outcome expectations have been developed in line with this request.

It is therefore recommended that the Policy Committee NOTES the revised Your Street Verge Guidelines as at Attachment 1 to this Report which offers residents an outcomes-based approach to appropriate and compliant verges within the City of Joondalup.

BACKGROUND

Verge compliance is an area of concern for the City in terms of treatments being applied to verges that are having a negative effect on the environment, safety and amenity of the City of Joondalup. To enable a more effective response from the City, as part of the review of the then *City of Joondalup Local Government and Public Property Local Law 1999*, consideration in regard to verge treatments and permitted activities were addressed and included in the new *Local Government and Public Property Local Law 2014* which came into operation on 28 January 2015.

In addition, the *Your Street Verge Guidelines* were reviewed and formalised to complement the new local law and provide detail as to what was a permitted treatment inclusive of defining what is “acceptable material”. The guidelines have been further reviewed on several occasions, the current authorised version in use is 2.6 - December 2016.

There are two primary concerns for the City, in regard to verge treatments that the local law and the *Your Street Verge Guidelines* are intended to address.

The first is safety, to address the danger and risks that some treatments can present. Loose materials such as gravel, loose stones and crushed brick are a potential hazard for pedestrians, cyclists and motorists. Loose items on footpaths can be slippery underfoot for pedestrians. They can also be dislodged on to the roadway where they could dismount a cyclist if struck or become a fast-moving missile if driven over. Where there is no footpath, treatments also need to allow sufficient room for pedestrians to traverse the verge.

The second is the environmental issues that hardstand treatments, in particular, present. The management of rainwater run-off is a significant issue for the City. Drainage systems are principally designed to cater for the road pavement run-off and not the additional volumes generated from hardstand run-off. The expectation was that gardens would be green and rain water would be returned, for the most part back to ground water. The additional water volumes can lead to situations where the water collects as it flows around corners or pools too quickly for drainage management systems to cope. This can lead to localised flooding, traffic safety issues and even inundation of residents’ properties.

The local law sets out in clause 8.6 a definition for acceptable material, in clause 8.7 what is a permissible verge treatment and in clause 8.8, determines that only a permissible treatment is to be installed and maintained:

8.6 *Definition*

In this Division -

acceptable material means any material approved by the local government that will create a hard and stable surface.

8.7 *Permissible verge treatments*

- (1) *An owner or occupier of land which abuts a verge may on that part of the verge directly in front of her or his land install a permissible verge treatment.*
- (2) *Permissible verge treatments include –*
 - (a) *the planting and maintenance of a lawn;*
 - (b) *the planting and maintenance of a garden provided that -*
 - (i) *clear sight visibility is maintained at all times for a person using the abutting thoroughfare in the vicinity of an intersection or bend in the thoroughfare or using a driveway on land adjacent to the thoroughfare for access to or from the thoroughfare;*
 - (ii) *where there is no footpath, a person has safe and clear access of a minimum width of 1.5 metres along that part of the verge immediately adjacent to the kerb;*
 - (iii) *the garden does not include a wall, built structure or any thing of a like nature; and*
 - (iv) *the garden is not of a thorny, poisonous or hazardous nature;*

- (c) *the installation of an acceptable material; or*
- (d) *the installation of an acceptable material in accordance with paragraph (c), and the planting and maintenance of either a lawn or a garden on the balance of the verge in accordance with paragraph (a) or (b).*

8.8 *Only permissible verge treatments to be installed and maintained*

- (1) *A person must not install or maintain a verge treatment which is not a permissible verge treatment.*
- (2) *The owner or occupier of the lot abutting a verge treatment referred to in subclause (1) are each to be taken to have installed and maintained that verge treatment for the purposes of this clause and clause 8.9.*

The *Your Street Verge Guidelines*, clause 4.3 (current version 2.6) sets out the materials approved by the City and which materials are specifically excluded.

4.3 *Acceptable material for hardstand surfaces*

For the purposes of clause 8.7 of the Local Law, “acceptable material” means any material that will create a hard and stable surface (hardstand surface) which may be constituted by:

- *brick paving, and/or*
- *cement-based materials, such as concrete and poured limestone, and/or*
- *synthetic turf.*

Acceptable material does not include the following:

- *asphalt/hot mix/bitumen seal/black top*
- *gravel*
- *crushed bricks*
- *compacted limestone*
- *loose stones.*

Where a person seeks to install an acceptable material under sub-clauses 8.7 (2) (c) or (d) of the local law, the following conditions apply:

- *for standard (non-corner) properties outside of HOAs the maximum area permitted for a hardstand surface is 75m² or 50% of the verge area (whichever is the lesser) exclusive of any existing footpaths and crossovers;*
- *for corner properties outside of HOAs the maximum hardstand area permitted is 150m² or 50% of the verge area (whichever is the smaller) exclusive of any existing footpaths and crossovers; and*
- *a minimum distance of one metre (4m² clearance) must be maintained between the base of any street tree and any hardstand surface or crossovers.*

For properties within HOAs no additional hardstand areas are permitted exclusive of existing footpaths, crossovers or on street parking enbayments constructed to the City’s specifications.

A person must not install or maintain a verge treatment which is not a permissible verge treatment.

DETAILS

Among the issues that officers have dealt with in applying and enforcing the local law and street verge guidelines is that they are relatively rigid. In practice there are a myriad of different circumstances and situations in regard to verge treatments and while the requirements may be clear their application may in some of these cases not achieve a worthwhile outcome. It is suggested that the current relatively rigid approach has put an unnecessary burden both on officers required to do the enforcement and the property owners required to make changes to their verge treatments.

By way of example, materials that are unacceptable include gravel, crushed brick and loose stones. The issue being that these types materials can potentially be dangerous if they were to spread to footpaths or the road surface. The approach therefore has been to not permit any form of these materials in a verge treatment. But there are some very well-designed verge treatments that have used various forms of stone in the landscaping in a way that is very unlikely to move or spread and yet retains permeability and does not contribute to water run-off while being aesthetically pleasing.

It is suggested that a more flexible outcomes-based approach to enforcing the local law would result in a better outcome for all.

A new 'Your Street Verge Guidelines' has been developed (Attachment 1 refers). There are a number of minor changes from the previous Verge Guidelines, but the three principle sets of changes are as follows:

- Inclusion of an Objective, section 2, to make it clear what the outcome is that is trying to be achieved as opposed to being just a matter of compliance.
- The section on landscaping of verge with lawn and / or garden (excluding hardstand areas) now provides for the use of inorganic mulches blue metal, pea gravel or similar when incorporated within a garden bed (Attachment 1 section 5.1 (5) refer).
- The section on hardstand surfaces (previously section 4.3 as shown above) has been rewritten as Hardstand Treatment, section 5.2.

The rewritten Hardstand Treatment, section 5.2, now includes in relation to acceptable material the outcomes that are to be achieved (the first set of dot points). As well, the acceptable materials of brick paving, cement-based materials such as poured limestone, concrete and synthetic turf rather than a finite list as previously are now listed as examples (the second set of dot points) and it is made clear that acceptable materials are not limited to this list. Finally, the hardstand material that is not acceptable (the third set of dot points) is also listed as examples and it is made clear that acceptable materials are not limited to this list. The list of examples also has context included to demonstrate what the outcome trying to be achieved or avoided is.

Issues and options considered

There are a couple of ways that a more flexible approach could be taken.

Option 1

The City could consider re-defining the acceptable materials. This would be a risky course of action because it is impossible to cover off all situations in which they may be applied particularly if someone was subsequently injured by these materials which have for a long time been considered hazardous. It is noted that the *Western Australian Local Government Association Model Local Law for Public Property* also identifies the same type of materials as hazardous as those identified by the City.

The current acceptable materials reflect the nature and type of the most suitable treatments, both for hard stand and soft landscaping while providing a degree of choice to the community to develop approved verge treatments to suit their needs. While re-defining acceptable materials is not recommended, it is acknowledged that they could be better explained by setting out the outcome that is trying to be achieved.

Option 2

The City could rather than re-defining acceptable materials provide flexibility and change the approach to how the requirements for these are applied with the key element being the outcome that is achieved.

This would require a revision of the *Your Street Verge Guidelines* to include:

- an Objective that articulates the outcome
- making it clear that landscaping is to be of a nature that does not create any undue hazard
- allowing the use of previously unacceptable materials in garden beds
- setting out what is trying to be achieved or the hazard that is trying to be avoided with certain treatment types.

Revising the Street Verge Guidelines to achieve a more flexible outcomes-based approach is the recommended option. A revised *Your Street Verge Guidelines* (version 3.0 May 2019) is at Attachment 1 to this Report which reflects the outcomes-based approach described above.

Legislation / Strategic Community Plan / policy implications

Legislation	<i>Local Government and Public Property Local Law 2014.</i>
Strategic Community Plan	
Key theme	Community Wellbeing.
Objective	Community safety.
Strategic initiative	Build a community that works in partnership with government and non-government organisations to achieve real and long-lasting improvements in safety and wellbeing.
Policy	Not applicable.

Risk management considerations

The risk associated with the use of the Street Verge Guidelines is that some residents who have had a verge treatment for several years, and which is non-compliant because of the materials used, will feel aggrieved at being required to make the verge compliant. The revised *Your Street Verge Guidelines* (Attachment 1 version 3.0 May 2019) being an outcomes-based approach helps to mitigate this risk.

With the proposed change in approach to one that is outcome based there is a possibility that some residents who have already undertaken changes to their verge treatment to meet compliance under the previous approach may feel that they were required to make unnecessary changes as it might now comply.

Financial / budget implications

The City's street verge treatment inspection and compliance program, and associated actions are being undertaken within normal operating budgets.

Regional significance

Not applicable.

Sustainability implications

The current proliferation of verge hardstand treatments has implications for the management of rainwater run-off and the recharging of groundwater.

Consultation

The City has undertaken a number of proactive measures to assist residents to only install compliant verge treatments. It is hoped these measures will have a significantly positive impact on future verge treatments. Measures include the following:

- *Your Street Verge Guidelines* are sent out with every building and development application and approval.
- Clear and easy to understand educational materials on the City's website.
- Updates and news items on the City's social media platforms.
- When a non-compliant verge treatment has been identified, City officers engage and work with the property owner to achieve compliance.

COMMENT

It is considered that the current provisions of the local law and the revised *Your Street Verge Guidelines* (Attachment 1 refers) in respect to providing for an outcomes-based approach to verge treatments and the use of materials adequately addresses the identified risk management and environmental concerns.

It is acknowledged that some residents find it very difficult to accept that a verge treatment at their property and that has been in place, in some cases for many years, is considered non-compliant and needs to be changed. The City recognises this and provides all the assistance that can reasonably be provided in order to achieve compliance.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Chester, SECONDED Cr Hollywood that the Policy Committee NOTES the revised *Your Street Verge Guidelines* as at Attachment 1 to this Report offers residents an outcomes-based approach to appropriate and compliant verges within the City of Joondalup.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Jacob, Crs Chester, Fishwick, Hollywood, Norman and Taylor.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agnPOLICY190507.pdf](#)

ITEM 3 COASTAL LIMESTONES HAZARDS POLICY REVIEW

WARD	All
RESPONSIBLE DIRECTOR	Mr Nico Claassen Infrastructure Services
FILE NUMBER	101260, 101515
ATTACHMENTS	Attachment 1 <i>Coastal Limestone Hazards Policy</i> Attachment 2 Examples of coastal signage
AUTHORITY / DISCRETION	Legislative - includes the adoption of local laws, planning schemes and policies.

PURPOSE

For Council to revoke the *Coastal Limestone Hazards Policy* as part of the Policy Manual Review.

EXECUTIVE SUMMARY

The City's coastal foreshore is a key environmental asset and provides numerous opportunities for passive and active recreation. The natural diversity across the coastline includes limestone cliff faces, coastal heathland and sandy dunes. The City actively manages its coastal areas to maintain the integrity and biodiversity values and to provide safe recreational access for the community.

The nature of the City of Joondalup's coastline means that it is vulnerable to erosion processes which can be increased following disturbance to vegetation. Erosion of coastal structures such as limestone cliffs may pose a safety hazard to users of the coastal foreshore. The *Coastal Limestone Cliff Hazard Policy* was adopted by the Joint Commissioners at the meeting held on 23 November 2004 (CJ279-11/04 refers) to manage and mitigate the potential public hazard risks associated with limestone erosion along the City's coastline.

As part of the 2019 Policy Manual Review, the *Coastal Limestone Hazards Policy* was highlighted for revocation as the operational content listed in the policy has been superseded and duplicated by actions listed in the *Coastal Infrastructure Adaptation Plan*, *Coastal Foreshore Management Plan* and the City's *Capital Works Program*.

Since the policy was last reviewed in 2012, at its meeting held on 15 May 2018 (CJ082-05/18 refers), Council adopted its *Coastal Infrastructure Adaptation Plan 2018-2026*, which addresses coastal vulnerability and coastal public safety risk and recommends the City's coastal cliff hazard audits are reviewed and action taken to improve public safety. The City's *Coastal Foreshore Management Plan 2014-2024* also recommends regular inspection and risk assessment of limestone cliff areas within the foreshore reserve.

Many of the initiatives within these plans are embedded into operational business-as-usual services delivered by the City through its *Five Year Capital Works Program*. For example, the City's *Coastal Fencing Program* and the *Conservation Reserves Signage Program* commit on-going funding to the maintenance and installation of fencing and educational signage along the coastal dual-use pathway to mitigate and discourage access to high-risk limestone cliff locations.

It is therefore recommended that Council revokes the Coastal Limestone Hazards Policy as shown in Attachment 1 to this Report.

BACKGROUND

The nature of the City's coastline means that it is vulnerable to erosion processes which can be increased following disturbance to vegetation. Erosion of coastal structures such as limestone cliffs may pose a safety hazard to users of the coastal foreshore. The *Coastal Limestone Hazards Policy* was adopted by the Joint Commissioners at the meeting held on 23 November 2004 (CJ279-11/04 refers) to manage and mitigate the potential public hazard risks associated with limestone erosion along the City's coastline.

The policy has undergone two minor reviews since it was first adopted. At its meeting held on 11 October 2005 (CJ206-10/05 refers), Council adopted a proposed policy name change to *Coastal Limestone Hazards Policy* and removed an operational reference to the City's risk management strategies and the actions in place to mitigate coastal hazards. During the 2012 review, only minor wording changes were suggested to improve readability as the purpose and intention of the policy remained unchanged. Council subsequently adopted the revised policy at its meeting held on 15 May 2012 (CJ093-05/12 refers). The policy has remained unchanged since its review in 2012.

Coastal Infrastructure Adaptation Plan 2018-2026

The City's *Coastal Infrastructure Adaptation Plan 2018-2026* was endorsed by Council at its meeting held on 15 May 2018 (CJ082-05/18 refers) to ensure the City is adequately prepared to adapt to current and future coastal hazards and risk to City infrastructure and assets is minimised. In developing the plan, public safety risks associated with access areas above and below the cliffs was highlighted and an action to review previous audits of the City's coastline to identify any potential coastal cliff hazards and make recommendations to improve public safety was included within the plan.

The City has previously undertaken an audit to identify any coastal cliff hazards and has installed signage to warn visitors to the area. The City will review the outcomes of the previous audit; determine if there have been any changes to the cliff hazard areas and make recommendations to improve existing warning signage or access restrictions.

Coastal Foreshore Management Plan 2014 – 2024

The City's *Coastal Foreshore Management Plan 2014-2024* was endorsed by Council at its meeting held on 21 October 2014 (CJ193-10/14 refers) to provide direction for the ongoing management of the City's coastal natural areas over a period of 10 years. The plan describes the potential environmental impacts, risks and threats that are likely to affect the biodiversity values of the area.

This plan highlights that the rocky coastline that occurs along parts of the City's foreshore can potentially pose a risk to the public through natural and enhanced degradation processes, such as ongoing erosion resulting in cracking and collapse of limestone structures. To mitigate such risks, the plan recommends that the City should continue to implement a formal inspection and risk assessment of limestone cliff areas within the foreshore reserve and limit access to areas that are potentially unsafe.

Capital and Operational Works Program

The City discourages access to high-risk limestone cliff locations through the installation of fencing infrastructure and educational signage along the coastal dual-use pathway. Coastal fencing is utilised along the entire length of the City's coastline and serves the predominant purpose of discouraging access to coastal reserve areas, as well as ensuring the safety of coastal visitors within locations considered to be of high-risk, such as limestone cliff face areas.

The *Coastal Fencing Program* and the *Conservation Reserves Signage Program* under the City's *Capital Works Program* aims to mitigate risk of injury and misadventure associated with limestone cliffs as well as protect native vegetation and support dune restoration by preventing public access. The City maintains signage and fencing on the coastal pathways at locations identified as being of significant risk of limestone hazards. This is managed through the *Foreshore Reserves Operational Maintenance Program*. Examples of current signage can be found in Attachment 2 to this Report.

DETAILS

The City's policies are regularly reviewed to ensure their continued relevance and applicability. The *Coastal Limestone Hazards Policy* was identified for revocation as part of the 2019 Policy Manual Review as it contains operational content which is duplicated and superseded by actions identified in other City plans.

Reasons for revocation of this policy are as follows:

- The policy details actions of an operational nature, which is not appropriate for a City policy.
- Actions contained within the policy have been duplicated and superseded by the *Coastal Infrastructure Adaptation Plan*, the *Coastal Foreshore Management Plan* and the *Capital Works Program*.

Local Government Comparison

An analysis of other local governments was undertaken to inform the review of the City's *Coastal Limestone Hazards Policy*.

Of the 10 local governments that have coastal limestone outcrops between Gingin and Margaret River, only the City of Joondalup has a policy relating to coastal limestone hazards. Five of the local government authorities have actions within endorsed plans which mitigate risks associated with coastal limestone hazards, while four have a coastal fencing program and three have installed signs to deter members of the public from accessing high risk areas of coastal limestone. These policies and plans are outlined in the table below.

Name of Local Government	Policy	Mechanisms in Place
City of Joondalup	Yes	Coastal Infrastructure Adaptation Plan 2018-2026 Coastal Foreshore Management Plan 2014-2024 Coastal Fencing Program Conservation Reserves Signage Program
Shire of Gingin	No	Coastal safety warning signage (Seabird)
City of Wanneroo	No	Coastal Monitoring Program - Coastal Fencing
City of Stirling	No	Coastal Foreshore Action Plans - Coastal Fencing
City of Nedlands	No	N/A
Town of Cottesloe	No	Natural Areas Management Plan
City of Fremantle	No	N/A
City of Mandurah	No	Coastal Walkway Fencing Program
Shire of Busselton	No	Coastal Adaptation Plan
Shire of Augusta Margaret River	No	Foreshore Development Plans - Coastal signage

This comparison supports the recommendation that the *Coastal Limestone Hazards Policy* should be revoked as other local governments manage associated risks through similar operational activities to the City of Joondalup and do not require a formal policy position to facilitate this.

Issues and options considered

Council has the option to either:

- revoke the *Coastal Limestone Hazards Policy*, as shown in Attachment 1 to this Report
- suggest modifications to the *Coastal Limestone Hazards Policy*
or
- retain the *Coastal Limestone Hazards Policy* in its current format, as shown in Attachment 1 to this Report.

The recommended option is to revoke the *Coastal Limestone Hazards Policy*.

Legislation / Strategic Community Plan / Policy implications

Legislation Not applicable.

Strategic Community Plan

Key theme Community Wellbeing

Objective Community Safety.

For residents to feel safe and confident in their ability to travel and socialise within the community.

Strategic initiative Build a healthy community that is aware of and responsive to current public health risks.

Policy *Coastal Limestone Hazards Policy*.

Risk management considerations

The City is committed to ensuring hazards relating to coastal limestone erosion are appropriately mitigated through implementation of the *Coastal Infrastructure Adaptation Plan 2018-2026* and the *Capital Works Program*. As such, there would be no increased risk to the community in revoking the *Coastal Limestone Hazards Policy*.

Financial / budget implications

Approximately \$100,000 is allocated annually to the renewal of fences along the coastline through the City's *Five Year Capital Works Program - Coastal Fencing*. Signage regarding coastal limestone hazards are installed and maintained as a component of the City's *Five Year Capital Works Program - Conservation Reserves Signage*, to which approximately \$60,000 is allocated annually. These funds are used to provide signage in the City's conservation reserves. This detail is outlined in the table below:

Financial Year	Coastal Fencing Program	Conservation Reserves Signage Program
2018-19	\$ 85,000	\$60,000
2019-20	\$100,000	\$60,000
2020-21	\$110,000	\$60,000
2021-22	\$120,000	\$70,000
2022-23	\$120,000	\$70,000

As this funding is allocated through the *Capital Works Program*, revocation of the *Coastal Limestone Hazards Policy* would have no financial implications for the City.

Regional significance

The Western Australian Local Government Association (WALGA) has been undertaking considerable work relating to a coastal vulnerability policy to support and advocate for coastal local governments. The City will continue to engage with WALGA and remain cognisant of WALGA's work in this area.

Sustainability implications

Not applicable.

Consultation

Consultation with the City's insurer, LGIS WA, has confirmed that revoking the *Coastal Limestone Hazards Policy* will have no implications to the provision of insurance cover, as the City will manage the risks relating to the coastal limestone within its *Coastal Infrastructure Adaption Plan* and *Capital Works Program*.

COMMENT

The on-going review of the City's Policy Manual aims to increase consistency and relevance and reduce duplication and operational content. While the City remains committed to managing the risks associated with coastal limestone, the *Coastal Limestone Hazards Policy* has now been duplicated and superseded by actions contained within the *Capital Works Program* and *Coastal Infrastructure Adaptation Plan*. As such, it is recommended that the policy is revoked by Council.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Fishwick, **SECONDED** Cr Taylor that Council **REVOKES** the *Coastal Limestone Hazards Policy* provided at Attachment 1 to this Report.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Jacob, Crs Chester, Fishwick, Hollywood, Norman and Taylor.

Appendix 3 refers

To access this attachment on electronic document, click here: [Attach3agnPOLICY190507.pdf](#)

URGENT BUSINESS

Nil.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 6.43pm; the following Committee Members being present at that time:

Mayor Hon. Albert Jacob, JP
Cr Russ Fishwick, JP
Cr John Chester
Cr Kerry Hollywood
Cr Philippa Taylor
Cr Michael Norman