



Corporate & Works Committee

Agenda: *Corporate & Works Committee*

Date: *Monday 19 February 2007*

Time: *6.00 pm*

Outline of Meeting Protocol & Procedure:

- The Chairperson will call the Meeting to order and ask the Committee/Staff to present apologies or late correspondence.
- The Chairperson will commence the Order of Business as shown in the Index to the Agenda.
- At the beginning of each item the Chairperson will ask whether a member(s) of the public wish to address the Committee.
- If person(s) wish to address the Committee, they are allowed four (4) minutes in which to do so. Please direct comments to the issues at hand.
- If there are persons representing both sides of a matter (eg applicant/objector), the person(s) against the recommendation speak first.
- At the conclusion of the allotted four (4) minutes, the speaker resumes his/her seat and takes no further part in the debate unless specifically called to do so by the Chairperson.
- If there is more than one (1) person wishing to address the Committee from the same side of the debate, the Chairperson will request that where possible a spokesperson be nominated to represent the parties.
- The Chairperson has the discretion whether to continue to accept speakers from the floor.
- After considering any submissions the Committee will debate the matter (if necessary), and arrive at a recommendation (R items which proceed to Full Council) or a resolution (D items for which the Committee has delegated authority).

Delegated Authority (“D” Items):

- General financial and corporate management of the Council, except those specifically excluded by statute, by Council direction or delegated specifically to another Committee.
- Note: This not to limit the discretions of nominated staff members exercising Delegated Authorities granted by the Council.
- Quarterly review of Council's Management Plan.
- Finance Regulations, including:-
 - Authorisation of expenditures within budgetary provisions where not delegated;
 - Quarterly review of Budget Review Statements;
 - Quarterly and other reports on Works and Services provision; and
 - Writing off of rates, fees and charges because of non-rateability, bad debts, and impracticality of collection.
- Auditing.
- Property Management.
- Asset Management.
- Traffic Management - Works Implementation.
- Works and Services - Monitoring and Implementations.
- Legal Matters and Legal Register.
- Parks and Reserves Management.
- Infrastructure Management, Design and Investigation.
- To require such investigations, reports or actions as considered necessary in respect of matters contained within the Business Agenda (and as may be limited by specific Council resolution).
- Confirmation of Minutes of its Meeting.
- Any other matter falling within the responsibility of the Corporate and Works Committee and not restricted by the Local Government Act or required to be a Recommendation to Full Council as listed below.

Recommendation only to the Full Council (“R” Items):

- Such matters as are specified in Section 377 and within the ambit of the Committee considerations.
- The voting of money for expenditure on works, services and operations.
- Rates, Fees and Charges.
- Donations
- Matters which involve broad strategic or policy initiatives within responsibilities of the Committee.
- Matters not within the specified functions of the Committee.
- Asset Rationalisation.
- Corporate Operations:-
 - Statutory Reporting;
 - Adoption of Council's Management Plans;
 - Quality Service/Communications;
 - Leases.
 - Matters reserved by individual Councillors in accordance with any Council policy on "safeguards" and substantive changes
 - Delegations.
 - Policies.
 - Tenders as per Regulation requirements.

Committee Membership:

7 Councillors

Quorum:

The quorum for a Committee meeting is 4 Councillors.

WOOLLAHRA MUNICIPAL COUNCIL

Notice of Meeting

14 February 2007

To: Her Worship the Mayor, Councillor Huxley, ex-officio
Councillors Julian Martin (Chair)
Marcus Ehrlich
Wilhelmina Gardner
Isabelle Shapiro
David Shoebridge (Deputy Chair)
Fiona Sinclair King
John Walker

Dear Councillors

Corporate & Works Committee Meeting – 26 February 2007

In accordance with the provisions of the Local Government Act 1993, I request your attendance at a Meeting of the Council's **Corporate and Works Committee** to be held in the **Council Chambers, 536 New South Head Road, Double Bay, on Monday 19 February 2007 at 6.00pm.**

Gary James
General Manager

Additional Information Relating to Committee Matters

Site Inspection

Other Matters

Meeting Agenda

| Item | Subject | Pages |
|-------------|--------------------------------|--------------|
| 1 | Leave of Absence and Apologies | |
| 2 | Late Correspondence | |
| 3 | Declarations of Interest | |

Items to be Decided by this Committee using its Delegated Authority

| | | |
|----|--|----|
| D1 | Confirmation of Minutes of Meeting held on 5 February 2007 | 1 |
| D2 | Monthly Financial Report – January 2007 | 2 |
| D3 | Budget Review Balance Sheet – 331.G | 8 |
| D4 | Organisation Support Principal Activity – 2 nd Quarter Management Plan Review | 20 |
| D5 | Customer Service & Communication Principal Activity – 2 nd Quarter Management Plan Review | 46 |
| D6 | Roads, Traffic & Transport Principal Activity – 2 nd Quarter Management Plan Review | 55 |
| D7 | Environmental & Infrastructure Works Program Principal Activity – 2 nd Quarter Management Plan Review | 72 |
| D8 | Capital Projects Status Update – 331.G | 91 |

Items to be Submitted to the Council for Decision with Recommendations from this Committee

| | | |
|----|---|-----|
| R1 | Probity & Direct Negotiation Issues with the Woolworths Scheme – 1133.G WP | 102 |
| R2 | Floodplain Risk Management – Progress Reports & Recommendations – 626.G Committee | 113 |

Item No: D1 Delegated to Committee
Subject: **Confirmation of minutes of meeting held on 5 February 2007**
Author: Les Windle, Manager – Governance
File No: See Council Minutes
Reason for Report: The Minutes of the Meeting of Monday 5 February 2007 were previously circulated. In accordance with the guidelines for Committees' operations it is now necessary that those Minutes be formally taken as read and confirmed.

Recommendation:

That the Minutes of the Corporate and Works Committee Meeting of 5 February 2007 be taken as read and confirmed.

Les Windle
Manager - Governance

Item No: D2 Delegated to Committee
Subject: **Monthly Financial Report - January 2007**
Author: Tracey Walker, Financial Accountant
Michelle Phair, Team Leader Financial Services
File No: 987G
Reason for Report: To present the monthly financial report for January 2007

Recommendation:

A. THAT the monthly financial report for January 2007 be received and noted.

Background:

The monthly financial report for January 2007 is submitted to the Committee for consideration.

The monthly report includes the following:-

- Summary of Investments
- Summary of Receipts, Payments and Bank Balance

Summary of Investments:

As discussed in last month's financial report, the investment report is now broken down into 3 sections:

1. WMC Investments
2. Oakvale Capital Ltd
3. Grange Securities Ltd

Our first month of investment with Oakvale Capital and Grange Securities shows pleasing results with Oakvale and Grange reporting annualised returns of 7.19% and 7.71% respectively. Monthly reports from Oakvale and Grange are attached as **ANNEXURES 1 & 2** respectively. While both funds performed well in January 2007 it is important to note that returns may be volatile, some months will exceed the benchmark and other months will perform below it. Overall we hope for any ups and downs to smooth in order to receive returns over and above the benchmark set by the UBS Warburg AUD Bank Bill Index.

There are a number of WMC investment holdings yet to mature and as they do we will continue the transition of funds to Oakvale and Grange.

Tracey Walker
Financial Accountant

Don Johnston
Manager Finance

Michelle Phair
Team Leader Financial Services

INVESTMENTS AS AT 31 JANUARY 2007

| CATEGORY | PURCHASE DATE | MATURITY DATE | DAYS | % | B/B | MARGIN | AMOUNT \$ | TOTAL \$ |
|---|---------------|---------------|-------------|--------|------------------|--|---------------------|-------------------|
| <u>1. WMC INVESTMENTS</u> | | | | | | | | |
| <u>BANKWEST (S&P) RATING, A1)</u> | | | | | | | | |
| 11AM CALL | | | | 6.20 | | | 506,271.86 | |
| TERM DEPOSIT | 22-Nov-06 | 21-Feb-07 | 91 | 6.46 | 6.36 | 0.10 | 1,000,000.00 | |
| TERM DEPOSIT | 08-Nov-06 | 07-Mar-07 | 119 | 6.54 | 6.43 | 0.11 | 750,000.00 | |
| TERM DEPOSIT | 15-Nov-06 | 14-Mar-07 | 119 | 6.51 | 6.42 | 0.09 | <u>1,000,000.00</u> | 3,256,271.86 |
| <u>ADELAIDE BANK (S&P RATING AAA)</u> | | | | | | | | |
| 11AM CALL | | | | 6.45 | | | <u>4,400,353.42</u> | 4,400,353.42 |
| <u>LOCAL GOVT FINANCIAL SERVICE P/L (S&P RATING, A1)</u> | | | | | | | | |
| C.R.I. | 20-Nov-06 | 20-Feb-07 | 92 | 6.48 | 6.36 | 0.12 | <u>1,000,000.00</u> | 1,000,000.00 |
| <u>AUST CENTRAL CREDIT UNION Limited</u> | | | | | | | | |
| TERM DEPOSIT | 22-Nov-06 | 21-Mar-07 | 119 | 6.62 | 6.39 | 0.23 | <u>1,200,000.00</u> | 1,200,000.00 |
| <u>CREDIT UNION AUSTRALIA Limited</u> | | | | | | | | |
| TERM DEPOSIT | 06-Dec-06 | 06-Feb-07 | 62 | 6.50 | | 6.50 | 1,500,000.00 | |
| TERM DEPOSIT | 13-Sep-06 | 14-Feb-07 | 154 | 6.52 | 6.26 | 0.26 | <u>1,500,000.00</u> | 3,000,000.00 |
| <u>CPS CREDIT UNION (SA) Limited</u> | | | | | | | | |
| TERM DEPOSIT | 11-Oct-06 | 11-Apr-07 | 182 | 6.56 | 6.33 | 0.23 | <u>1,200,000.00</u> | 1,200,000.00 |
| <u>SAVINGS & LOANS CU (SA) Limited</u> | | | | | | | | |
| TERM DEPOSIT | 25-Oct-06 | 07-Feb-07 | 105 | 6.54 | 6.32 | 0.22 | <u>1,000,000.00</u> | 1,000,000.00 |
| CATEGORY | PURCHASE DATE | ANNUALISED % | BENCHMARK % | MARGIN | CAPITAL VALUE \$ | ACCRUED VALUE \$ Unrealised Gain/(Loss) | MARKET VALUE \$ | TOTAL \$ |
| <u>2. OAKVALE CAPITAL Limited *</u> | | | | | | | | |
| MERRILL LYNCH | 04-Jan-07 | 7.19 | 6.65 | 0.54 | 3,000,000 | 15,458 | <u>3,015,458</u> | 3,015,458 |
| <i>* See Annexure 1</i> | | | | | | | | |
| <u>3. GRANGE SECURITIES Limited</u> | | | | | | | | |
| Individually Managed Portfolio (IMP) * | | 7.71 | 6.65 | 1.06 | 9,026,480 | 75,598 | <u>9,102,078</u> | 9,102,078 |
| <i>* See Annexure 2</i> | | | | | | | | |
| GRAND TOTAL | | | | | | | | 27,174,161 |

I hereby certify that the above investments have been made in accordance with Section 625 of the Local Government Act 1993, Clause 212 of the Local Government (General) Regulation 2005 and Council's investment policy.

M. Phair
TEAM LEADER FINANCIAL SERVICES

D. Johnston
FINANCE MANAGER

Summary of Receipts, Payments and Bank Balance

Cash Book Balance as at 31 December 2006 - 596,610.05

Receipts

Rates 4,448,444.81
Other 5,336,856.73
Total Receipts 9,785,301.54

| Description | Amount |
|-----------------------------|---------|
| Parking Fines | 475,600 |
| Rates | 448,445 |
| Sundry Debtor Receipts | 293,138 |
| Car Park Leases | 214,046 |
| Deposits and Bonds | 192,100 |
| Parking Meters | 134,608 |
| Library Subsidy | 134,387 |
| Residential Parking Permits | 126,044 |
| GST Refund - December | 113,758 |
| Trade Waste | 98,656 |

Payments - Cheque

Cheque Payments (935,839.72)
Cancelled Cheques 157,618.67
Total Cheque Payments for period (778,221.05)

| Cheque No. | Cheque Date | Payee | Amount |
|------------|-------------|----------------------------------|-------------|
| 193319 | 05/01/2007 | Energy Australia Sydney | -102,857.10 |
| 193476 | 18/01/2007 | Energy Australia Sydney | -82,423.10 |
| 193550 | 25/01/2007 | Premier Parking Parramatta | -70,683.21 |
| 193585 | 30/01/2007 | Australian Government Solicitors | -44,500.00 |
| 193370 | 10/01/2007 | Machon Paul Consultancy P/L | -42,000.00 |
| 193552 | 25/01/2007 | Randwick City Council | -29,570.77 |
| 193378 | 10/01/2007 | Malabogie | -28,800.00 |
| 193402 | 12/01/2007 | Moduplay Commercial Play Systems | -27,500.00 |
| 193379 | 10/01/2007 | Wallhouse Pty Ltd | -23,600.00 |
| 193452 | 17/01/2007 | Deposit Refund | -16,400.00 |

Payments - EFT

EFT Payments (7,130,669.30)
Returned EFT Payments
Total EFT Payments for period (7,130,669.30)

| EFT No. | EFT Date | Payee | Amount |
|---------|------------|--|-------------|
| 13085 | 18/01/2007 | Collex Waste Management Pty Ltd Enfi | -221,237.02 |
| 13100 | 18/01/2007 | Local Govt Super Scheme-Div.A Grosve | -158,371.12 |
| 13046 | 12/01/2007 | Local Govt Super Scheme-Div.A Grosve | -121,700.29 |
| 13054 | 12/01/2007 | Ozpave (Aust) Pty Ltd Arndell, Nsw, 214 | -92,509.46 |
| 13012 | 05/01/2007 | Wsn Environmental Solutions Chatswod | -83,407.48 |
| 13101 | 18/01/2007 | Local Govt Super Scheme-Div.B Grosve | -62,207.94 |
| 13096 | 18/01/2007 | J N Civil Pty Ltd Bradbury, Nsw, 2560 Jr | -59,907.13 |
| 13047 | 12/01/2007 | Local Govt Super Scheme-Div.B Grosve | -48,144.93 |
| 13120 | 18/01/2007 | Stone Mason & Artist Pty Ltd Leichhard | -47,745.00 |
| 13033 | 12/01/2007 | Build & Const Ind L S Payments Corp C | -43,943.40 |

Payments - Direct Debits From Bank A/c

Payroll (1,515,404.41)
Credit Card Payments (1,736.11)
Bank Charges (7,978.17)
Total Direct Debits for period (1,525,118.69)

Total Payments - 9,434,009.04

Cash Book Balance as at 31 January 2007 - 245,317.55

Unpresented Cheques No. of Cheques: 127 222,435.37
Outstanding Deposits & Miscellaneous Items 325,119.25
Reconciled Cash Book Balance as at 31 January 2007 302,237.07
Bank A/c Balance as at 31 January 2007 302,237.07

Unpresented Cheques > \$30,000.00

| Cheque No. | Cheque Date | Payee | Amount |
|------------|-------------|----------------------------------|-----------|
| 193585 | 30/01/2007 | Australian Government Solicitors | 44,500.00 |

Item No: D3 Delegated to Committee
Subject: **Budget Review Balance Sheet**
Author: Don Johnston, Manager Finance
File No: 331G
Reason for Report: This report responds to questions raised at the last Corporate & Works Committee meeting in regard to the Balance Sheet in the December Budget Review report.

Recommendation:

THAT the report be received and noted

Background:

At the last Corporate & Works Committee meeting when considering the December Budget Review, the Committee resolved, in part:

B. that a further report(s) be provided on:

- *the changes and issues identified in the discussion concerning the balance sheet.*

The issues identified related to the forecast negative Net Current Assets position, there being no change forecast to the 2005/2006 Actual payables figure and to the impact of revotes/rollovers on our financial position. Disclosing non-current assets held for resale as a current asset was also questioned.

Discussion:

Negative Net Current Assets

The 2005/2006 financial reports were the first to be prepared under the Australian equivalent to the International Financial Reporting Standards (AIFRS). The move to IFRS had a significant impact on the disclosures on the face of the balance sheet. In the 2005/2006 financial reports Note 21 stepped through the changes to the financial reports between Australian Generally Accepted Accounting Principles (AGAAP) and AIFRS. Note 21(b) in particular indicates the changes to the balance sheet by disclosing the changes made to the 30 June 2005 balance sheet (the opening balance for the 30 June 2006 financial year. The same changes impacted on the 30 June 2006 balance sheet. Note 21(b) to the 30 June 2006 financial reports been attached as **ANNEXURE 1**.

The most significant impact on the net current assets position arise from the change in definition for 'current' liabilities. The criteria for disclosure as current no long only relates to the expectation that the liability will be settled within 12 months of reporting date but now adds the requirement that if the reporting entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date it shall also disclose those liabilities as 'current'.

The change in definition impacted on the treatment of current and non-current deposits and employee entitlements in particular. Theoretically, Council could be called on to pay out all of its deposits and all of its leave entitlements. It has not unconditional right to defer their settlement for 12 months from any reporting date. This effectively results in all such liabilities now being disclosed as current, transferring some \$11m in liability from non-current to current on the face of the balance sheet.

Council's key liquidity measure is the unrestricted current ratio. Recognising the impact these change have on this measure, the Code of Accounting Practice and Financial Reporting provides for it to be adjusted for those liabilities which, although classified as current, are not expected to be paid out in the next 12 months. These adjustments are disclosed in Note 10 to the financial statements, which is attached as **ANNEXURE 2**. The effect of these adjustments is that the unrestricted current ratio is restored to the pre-AIFRS calculation.

The negative net current assets position recognises that Council has unfunded liabilities. Essentially these relate to employee entitlements. Council has retained a cash reserve of \$2.2m that funds some 30% of its total liability which is some \$7m.

At the same time as having a liability non fully supported by current assets, the converse also applies. Council has raised funds for future expenditure such as section 94 contributions, Environmental Levy and through its domestic waste management charge. While Council has obligations to spend these funds for the purposes for which they were raised, there are no formal liabilities recognised in the balance sheet. In this case, these funds are held as restricted cash (reserves) and disclosed on Note 6(c) to the financial reports. Note 6(c) is attached as **ANNEXURE 3**.

Under AIFRS, Councils with low cash reserves may slip into a negative net current assets position. In the local government context, this is not necessarily an indication that the council is not liquid. As mentioned earlier, the key liquidity indicator is the unrestricted current ratio. This ratio excludes externally restricted cash (in our case primarily made up of section 94 contributions, unexpended environmental levy funds and the domestic waste management reserve) from current assets and adjusts liabilities for those not anticipated to be settled in the 12 months after reporting date. For example, a council holding \$50m in section 94 contributions might have a positive net current assets position on the balance sheet, but not necessarily a strong unrestricted current ratio.

The table below illustrates the point.

| | December Forecast for 30/6/07 \$'000 | Illustrative Increase in s94 | Illustrative Forecast for 30/6/07 \$'000 |
|--|---|---|---|
| Current Assets | 19,899 | 5,000 | 24,899 |
| Current Liabilities | 20,825 | | 20,825 |
| Net Current Assets | -926 | | 4,074 |
| External Restrictions: | | | |
| Section 94 | 2,277 | 5,000 | 7,277 |
| Unexpended Grants | 431 | | 431 |
| Environmental Levy | 11 | | 11 |
| Domestic Waste | 1,542 | | 1,542 |
| Current Liabilities not anticipated to settle in the next 12 months | | | |
| ELE | 4,327 | | 4,327 |
| Deposits | 6,829 | | 6,829 |
| Unrestricted current ratio | 1.62 | | 1.62 |

No Change to Forecast Payables

The balance sheet presented with the budget review each month details our assets and liabilities. The starting point is the actual result for the previous financial year. In striking the budget, a target is set to reduce receivables over the year (particularly rates), our loan liabilities are recalculated in line with repayments to be made and we forecast the movement in leave entitlements based on currently employed staff. A rough forecast is made of the potential movement in payables based on past experience.

Both payables and inventories are left at the same forecast throughout the year. Both of these figures are very difficult, if not impossible, to forecast with any confidence. With payables, for example, we cannot predict when we will be invoiced for services rendered toward the end of the year, therefore we cannot forecast a payables figure at year end. On the basis on not being able to make a meaningful forecast, the figures remain unchanged and are essentially there to detail the actuals for the previous year.

Further, the budget assumes everything is spent and received in the financial year and, theoretically, there is therefore no change in payables or receivables. In reality, as described above, there will be services received and unpaid at year end that will impact on the payables figure at year end and it will be different to last financial year. Even though that might be the case it ultimately has no impact on the net current assets as an increase in payables would be offset by an increase in cash/investments or, conversely, a reduction in payables would be offset by a reduction in cash/investments.

To illustrate the point, if we were to get a run on deposit refunds, our cash/investments and payables would be reduced equally by the amount of deposits refunded. The forecast net current assets position would not change. We would probably review the deposits not anticipated to be settled in the next 12 months figure downward as a result and there would only be a minor change to the unrestricted current ratio.

| | December Forecast for 30/6/07 \$'000 | Illustrative Increase in Deposit Refunds | Illustrative Forecast for 30/6/07 \$'000 |
|--|---|---|---|
| Current Assets | 19,899 | -2,000 | 17,899 |
| Current Liabilities | 20,825 | -2,000 | 18,825 |
| Net Current Assets | -926 | | -926 |
| External Restrictions: | | | |
| Section 94 | 2,277 | | 2,277 |
| Unexpended Grants | 431 | | 431 |
| Environmental Levy | 11 | | 11 |
| Domestic Waste | 1,542 | | 1,542 |
| Current Liabilities not anticipated to settle in the next 12 months | | | |
| ELE | 4,327 | | 4,327 |
| Deposits | 6,829 | -1,000 | 5,829 |
| Unrestricted current ratio | 1.62 | | 1.57 |

Notwithstanding the explanations above, this is clearly an issue that we will need to manage as an issue going forward through our budget and budget review processes.

Impact of Revotes/Rollovers on Financial Position

Revotes/rollovers are an issue that impact on our forecast financial position at the end of each year. As early as possible in each new financial year, revotes/rollovers are reported to Council and carried forward into the new year's budget. At the start of the current financial year some \$10.4m were rolled into the current year's budget. They are summarised below.

| | |
|------------------------|---------------|
| Operating | 408 |
| Capital | 9,946 |
| | 10,354 |
| Funded by: | |
| Grants & Contributions | 284 |
| Restricted Grants | 141 |
| Section 94 | 1,219 |
| Environmental Levy | 1,478 |
| DWM | 566 |
| Loan | 2,266 |
| Reserves | 1,811 |
| Sales | 210 |
| Revenue | 2,379 |
| | 10,354 |

In the budget review balance sheet the impact of the revotes/rollovers is probably disclosed in the wrong order. Currently the 2005/2006 actual figures are adjusted for the original budget and then the revotes/rollovers. This order should be reversed and disclosed as follows:

| | Actual 05/06 | Revotes/ Rollovers 05/06 | Adjusted Actual 05/06 | Original Budget | |
|--|-------------------------|---|--------------------------------------|------------------------|----------------|
| Current Assets | 30,053 | -9,860 | 20,193 | -475 | 19,718 |
| Current Liabilities | 20,342 | | 20,342 | 483 | 20,825 |
| Net Current Assets | 9,711 | | -149 | | -1,107 |
| Non current Assets | 645,497 | 9,725 | 655,222 | | 655,222 |
| Non current Liabilities | 2,987 | | 2,987 | | 2,987 |
| NET ASSETS | 652,221 | | 652,086 | | 651,128 |
| External Restrictions | 7,219 | -3,404 | 3,815 | 428 | 4,243 |
| Internal Restrictions | 13,547 | -4,077 | 9,470 | 1,300 | 10,770 |
| Current Liabilities not anticipated to settle in the next 12 months: | | | | | |
| ELE | 4,327 | | 4,327 | | 4,327 |
| Deposits | 6,829 | | 6,829 | | 6,829 |
| Unrestricted Current ratio | 2.49 | | 1.78 | | 1.60 |

Disclosure of Non Current Assets held for Resale as Current Assets

This disclosure again relates to the transition to AIFRS. Current Assets are defined in AASB 101(57) and in part (c) of the definition is:

It is expected to be realised within 12 months after reporting date

Further, AASB 5 is the accounting standard that relates specifically to '*Non-current Assets Held for Sale and Discontinued Operations*'. Between them, these requirements result in the disclosure of non-current assets held for sale as a current asset. A sample balance sheet from the Local Government Code of Accounting Practice and Financial Reporting is attached as **ANNEXURE 4** supporting this interpretation.

Council's disclosure of the incinerator site as a non-current asset is in accordance with the standards and the Code of Accounting Practice.

Conclusion:

The transition to AIFRS has resulted in quite significant changes to the face of the balance sheet. In turn, changes have been made to the key liquidity indicator, the unrestricted current ratio, to suit the local government environment. The changes to the disclosure on current and non-current liabilities may see some councils with a negative net current assets result. An adjustment is made to the unrestricted current ratio to take into account those liabilities which, although disclosed as current, are not expected to be settled within 12 months of reporting date.

Notwithstanding the explanations provided in the report, Council's liquidity is something that we will need to continue to manage through the budget and budget review processes.

While an initial forecast of asset and liability position are made in the budget process, it is difficult if not impossible to accurately forecast their year end position, particularly in regard to payables. There are no indicators throughout the year that would warrant changing the original forecast position. As a result, the original forecast remains unchanged over the course of the year.

In regard to the impact of revotes on the balance sheet, future balance sheets will be presented with the revotes/rollovers adjustment being made prior to the original budget figures being included. Currently they appear in the reverse order.

Finally, the presentation of non-current assets held for resale is the result of the transition to AIFRS through the definition of current assets and interpretation of AASB 5, '*Non-current Assets Held for Sale and Discontinued Operations*'. The disclosure of the incinerator site in this way is in accordance with the standards and the Code.

Don Johnston
Manager Finance

Geoff Clarke
Director Corporate Services

Annexures:

1. Note 21(b) to the 2005/2006 Financial Reports
2. Note 10 to the 2005/2006 Financial Reports
3. Note 6(c) to the 2005/2006 Financial Reports
4. Extract from the Local Government Code of Accounting Practice and Financial Reporting – Example Balance Sheet

Item No: D4 Delegated to Committee

Subject: **Organisation Support Principal Activity - 2nd Quarter Management Plan Review**

Author: Geoff Clarke - Director Corporate Services
Warwick Hatton - Director Technical Services

File No:

Reason for Report: To review the status of works, services, and Notices of Motion for the Management Plan principal activity of Organisation Support for the 3 months ending 31 December 2006

Recommendation:

- A. That the status of projects for the Organisation Support principal activity be noted.
- B. That the variations to projects be agreed subject to adoption of the relevant budget variations included in the separately reported end of year financial review.

Background:

Section 407(1) of the Local Government Act requires that Council review the progress of the adopted management plan on a quarterly basis. Included with this report is the second quarterly review of Principal Activity No 7 of the Management Plan, which is "Organisation Support". This principal activity has the following sub- activities:

- 7.1 Governance and Records Management
- 7.2 Finance
- 7.3 Risk Management
- 7.4 Human Resources
- 7.5 Information Technology
- 7.6 Property Management
- 7.7 Management Executive
- 7.8 Technical Services Management
- 7.9 Technical Services Operations

Included as annexure to this report are:

- 1. The Organisation Support Principal activity of the Management Plan with detailed comments on the status of items in each sub activity
- 2. Any uncompleted adopted "Notices of Motion" related to the Organisation Support principal activity

The annexures include all the details whereas set out in the following part of this report is a commentary on variations, changes, exception, completed work, achievements, etc. The purpose being to provide Councillors with a snapshot on the key influences or issues arising from this quarterly review.

"Notices of Motion" which have a major impact on approved management plan core activities and projects have been included in the management plan as variations so as to facilitate the changing of priorities in an orderly and transparent manner.

Comments on budget variations where they are material or have an impact on the program of works or projects may be included in this report. However the budget review and confirmation of any changed forecast will be considered in a separate budget report which reviews the overall financial position of the Council at the end of the quarter.

Following is the commentary on each sub activity

7.1 Governance and Records Management

This sub-activity covers the areas of governance, committee, council and councillor support, and records management. All general management plan items identified have been completed except for the review of the privacy management plan which has been put back until the end of the march quarter. Routine records management activities have continued. The implementation of the document management system has been scheduled for the 2nd quarter 2007.

7.2 Finance

All routine and project activities have been completed in accordance with the Management Plan targets. A new team leader financial services commenced in September. A review of the investment policy and appointment of investment advisers was completed. Preliminary work for next year's budget was completed during this quarter.

7.3 Risk Management

Projects and core activities are proceeding in accordance with the revised management plan targets. A significant amount of effort is being placed on prevention activities and the underlying support systems. This year has seen the completion of a comprehensive risk management plan and the development of risk action plan by managers. A comprehensive procurement procedure has been rolled out throughout the organisation.

7.4 Human Resources

As reported in the last quarterly report staff turnover continues to provide a high workload for the HR staff in the recruitment area. It is becoming increasingly difficult to attract and retain certain professional staff due to industry wide shortages. A comprehensive response to retaining and attracting staff is being developed. Implementation of the new Human Resource Information System is in progress and modules will be progressively rolled out with payroll going live in the first week in December.

7.5 Information Technology

Projects and core activities are proceeding in accordance with the management plan. Work has been completed the upgrade of software to reduce the incidence of spam emails. The network operating system software has been changed from Novell to Microsoft active directory. Installation of new aerial photography has been completed. The installation of the content management system software has been completed.

7.6 Property Management

Negotiations in relation to the Process Plant continued in conjunction with Waverley Council and approval sought to enter into negotiations with Landcom. The drafting of the legal agreements for the Cosmopolitan Centre ground lease continued and it is envisaged that they will be finalised By March 2007. The Property Asset Study consultants undertook a Councillor Workshop to identify the paramount objectives. The have undertaken property inspections and once they have completed this process and spoken to the key stake holders a second workshop with all the Councillors will be arranged. Installation of rain water tanks have been completed and grant funding finalised. The Annexe external painting has been completed.

Negotiations concluded abruptly with NSW Maritime and Sailability in relation to a licence to manage the marina and hardstand at Sir David Martin Reserve. Maritime terminated the licence to Council effective 9 December 2006.

7.7 Management Executive

Systematic reviews within Divisions are proceeding in accordance with the Plan.

7.8 Technical Services Management

In the Civil Works department, amendments to team structure and positions were finalised and discussed with staff. Implementation of the new structure were commenced.

Geoff Clarke
Director - Corporate Services

Warwick Hatton
Director - Technical Services

Annexures:

1. December 2006 quarterly review of principal activity: Organisation Support
2. December 2006 quarterly review of Outstanding Notices of Motion Organisation Support

Item No: D5 Delegated to Committee

Subject: **Customer Service and Communication Principal Activity - 2nd Quarter Management Plan Review**

Author: Justine Henderson – Communications Manager
Geoff Clarke – Director Corporate Services/Judy Port – Acting Customer Services Manager

File No: 827.G 04-07

Reason for Report: To review the status of works and services for the Management Plan principal activity of Customer Service and Communication for the 3 months ending 31 December 2006

Recommendation:

- A. That the status of projects for the Customer Service and Communication principal activity be noted.
 - B. That the variations to projects be agreed subject to adoption of the relevant budget variations included in the separately reported end of year financial review.
-

Background:

Section 407(1) of the Local Government Act requires that Council review the progress of the adopted management plan on a quarterly basis. Included with this report is the second quarterly review of Principal Activity No 6 of the Management Plan, which is "Customer Service and Communication". This principal activity has the following sub- activity:

6.1 Customer Service & Communication

Included as an Annexure to this report is the Communication and Customer Service Principal Activity of the Management Plan with detailed comments on the status of items in the sub activity

The Annexure includes all the details whereas set out in the following part of this report is a commentary on variations, changes, exceptions, completed work, achievements, etc, the purpose being to provide Councillors with a snapshot of the key influences or issues arising from this quarterly review.

Comments on budget variations where they are material or have an impact on the program of works or projects may be included in this report. However, the budget review and confirmation of any changed forecast will be considered in a separate budget report which reviews the overall financial position of the Council at the end of the quarter.

Following is the commentary on each sub activity :

Customer Service

Core activities of the customer services department including the call centre and customer services counter have continued as normal however projects in the customer service section of the management plan have been affected by the resignation of the Manager Customer Service. During the quarter there has been a focus on getting the new web site up and operational. The new web site went live in early January.

Communication

Core activities and projects are proceeding in line with the management plan. A summary of communications strategy, event management and media liaison work over the last three months which supports the core activities of the Management Plan follows:

Communication & media:

Bushcare newsletter for volunteers
Urban Walkabout shopping guide – Paddington and Woollahra
Rose Bay and Point Piper Marinas DA public notification
Christmas banners for Double Bay and Rose Bay
Promotion of Vaucluse Bowling Club
Recycling drawing competition and truck artwork competition with local school participation
Woolpress magazine (monthly editorial)
Christmas Carols joint advert for local community groups and Council
Fire safety smoke alarm education on deadline for installation
Woollahra Small Sculpture Prize
Road Safety brochure for local schools and media campaign
Graffiti clean up blitz
New bike routes
Woollahra preschool grant
Playground upgrades
Quarterly Clean Up service (content, graphics, media)
Woollahra News (monthly)
Advertisement for Arrivals and Departures – Paddington feature
Website content updates
New website content and graphics and design input
Eastside radio interviews (monthly)
Mayoral column and advertising placements for SMH/Wentworth Courier (weekly - copy, proof, production).

Event management, publicity and support:

Citizenship (monthly)
Seniors Christmas Concert
National Recycling Week
HMAS Watsons Community Christmas Carols by the Bay
Summer holiday activities @ library branches
People and Pets Day evaluation report to Animal Advisory Committee and recommendations for 2007 event
Coastcare events
Rainwater tanks
Woollahra Philharmonic Orchestra photo text display for customer service centre
Grey is the new green – greywater launch
Woollahra Conservation Awards
Speech notes for events attended by the Mayor/representative
Chanukah sponsorship and event marketing
Red Cross Blood donation for January

Summary:

Communications staff continued to work closely with staff working in other departments to improve communication on projects and to assist with design, print production and publicity. An increasing emphasis has been placed on providing adequate planning time prior to an event or campaign launch in order to maximise media coverage and public participation.

Council's communications team will continue to offer in-house communications advice and support to the Mayor, Directors, Managers and staff in all departments. Communications and Risk Management will host an internal training session for staff involved in event management in late January. The aim of these sessions will be to provide a consistent approach to event planning, risk analysis and post event evaluation and continuous improvement.

Justine Henderson
Communications Manager

Judy Port
Acting Customer Service Manager

Geoff Clarke
Director Corporate Services

Annexure:

1. December 2006 quarterly review of principal activity: Customer Service & Communication

Item No: D6 Delegated to Committee
Subject: **Roads, Traffic and Transport Principal Activity - 2nd Quarter Management Plan Review**
Author: Warwick Hatton - Director Technical Services
File No: 827.G 04-07
Reason for Report: To review the status of works, services, and Notices of Motion for the Management Plan principal activity of Roads, Traffic & Transport for the 3 months ending 31 December 2006

Recommendation:

- A. That the status of projects for the Roads, Traffic & Transport principal activity be noted.
 - B. That the variations to projects be agreed subject to adoption of the relevant budget variations included in the separately reported end of year financial review.
-

Background:

Section 407(1) of the Local Government Act requires that Council review the progress of the adopted management plan on a quarterly basis. Included with this report is the second quarterly review of Principal Activity No 3 of the Management Plan, which is "Roads, Traffic and Transport". This principal activity has the following sub- activities:

- 3.1 Road and Infrastructure Asset Management
- 3.2 Maintenance and Construction
- 3.3 Traffic and Transport Management
- 3.4 Parking
- 3.5 Other Transport Facilities
- 3.6 Streetscape

Included as an Annexure to this report is the Roads, Traffic & Transport Principal Activity of the Management Plan with detailed comments on the status of items in each sub activity

The Annexures include all the details whereas set out in the following part of this report is a commentary on variations, changes, exceptions, completed work, achievements, etc, the purpose being to provide Councillors with a snapshot of the key influences or issues arising from this quarterly review.

"Notices of Motion" which have a major impact on approved management plan core activities and projects have been included in the management plan as variations so as to facilitate the changing of priorities in an orderly and transparent manner.

Comments on budget variations where they are material or have an impact on the program of works or projects may be included in this report. However, the budget review and confirmation of any changed forecast will be considered in a separate budget report which reviews the overall financial position of the Council at the end of the quarter.

Following is the commentary on each sub activity:

3.1 Road and Infrastructure Asset Management

Implementation of the asset renewal strategy was carried out to schedule. The condition of road infrastructure assets was and is currently being reviewed. The road infrastructure asset models are currently under review. Survey and investigation of retaining walls in roads has commenced.

3.2 Maintenance and Construction

All routine maintenance activities and programmed capital works were carried out in accordance with the Management Plan targets. Proactive footpath inspections and maintenance programs were commenced and continue.

Based on the proactive defects register the footpath trip hazard program has been prepared.

The following capital works projects were completed:

Road Reconstruction Projects including Stormwater Drainage Works:

- Courtenay and Mitchell Road, Rose Bay (Ebsworth to Old South Head Road);
- Fletcher Street, Woollahra (Small Street to Kendall Street);

Road Reconstruction and resurfacing Projects:

- Ocean Street, Woollahra (Jersey Road to Albert Street);
- Ocean Avenue, Edgecliff (New South Head Road to Greanoakes Ave);
- Gurner Street, Paddington (Duxford Street to Glenmore Road);
- Hargrave & Cascade Street intersection, Paddington;
- Barcom Avenue, Paddington;

Footpath reconstruction:

- Ormond Street, Paddington (Oxford Street to Glenmore Road);

3.3 Traffic and Transport Management

The impact of the Cross City Tunnel continued to be monitored. An 18 month review is planned for March-April 2007.

Bellevue Hill Shopping Centre LATM, Edgecliff Road pedestrian refuge, and Brown Street/Glenmore Road pedestrian facilities concepts were approved and designs commissioned.

Paddington 40K Zone was introduced and the 3-year PAMP program for Paddington was adopted by Council.

Hopetoun Avenue Traffic Calming and Bike Route plans were placed on public display.

2006 Australian Open was completed successfully with minimal impact on traffic and local parking. A traffic management scheme for the Australian Women's Open in February was approved.

3.4 Parking

Expansion of weekend resident parking in Elanora Street, Manion Avenue and Iluka Street to include weekdays was reported to Council for approval.

The staged replacement of all No Standing signs with No Parking or No Stopping was completed on schedule. The GIS database is in the process of being updated.

3.5 Other Transport Facilities

Routes 9 (Victoria Rd) and 38 (O'Sullivan Rd) completed. Civil works for Route 34 50% completed – remaining works scheduled for 1st half of 2007. Routes 4 and 25 preliminary design completed. Signage Plan for Route 1 was approved by the Bicycle Working Party in October 2006.

Plans for the Hopetoun Avenue bicycle route (amended to include full length of Hopetoun Avenue) were placed on public display in December 2006.

A status report on the handover and ongoing services of ferry wharves by the State Government was submitted to Council in November 2006. Negotiations continued on the terms of the agreement to transfer ownership of the ferry wharves to the State Government.

3.6 Streetscape

In the previous quarter, the bus shelter designs and locations for Military Road, Watsons Bay and Glenmore Road, Paddington were approved and documentation was commenced for quotations to construct. However, in response to a report to Council in November on phasing of Watsons Bay Stage 1 streetscape works, it was resolved a further site meeting should be held. At the site meeting 20 November 2006 it was agreed to explore alternative locations for the shelter. This has involved discussions with Sydney Buses and will be reported on shortly. The Glenmore Road shelter has been ordered and installation is anticipated in March 2007. Council has called for a further report on Etham Avenue and Lyne Park bus shelters which will be available in the near future.

Delays were experienced, particularly from the lighting consultant, with the design and documentation of the footway and balustrade restoration for the Rose Bay Promenade. It is proposed to call tenders in mid to late February 2007.

Detailed design and documentation was carried out for the Five Ways project. It is proposed to call tenders in mid February 2007. Negotiations continued with Energy Australia regarding undergrounding,.

Warwick Hatton
Director Technical Services

Annexures:

1. December 2006 Quarterly Review of Principal Activity: Roads, Traffic and Transport
2. December 2006 Quarterly Review of Outstanding Notices of Motion, Roads, Traffic and Transport

Item No: D7 Delegated to Committee
Subject: **Environmental and Infrastructure Works Program Principal Activity - 2nd Quarter Management Plan Review**
Author: Warwick Hatton - Director Technical Services
File No: 827.G 04-07
Reason for Report: To review the status of works, services and projects for the Management Plan principal activity 8.0 Environmental and Infrastructure Works Program for the 3 months ending 31 December 2006.

Recommendation:

- A. That the status of projects for the principal activity 8.0 Environmental and Infrastructure Works Program be noted.
- B. That the variations to projects be agreed, subject to adoption of the relevant budget variations included in the separately reported end of year financial review.

Background:

Section 407(1) of the Local Government Act requires that Council review the progress of the adopted Management Plan on a quarterly basis. Included with this report is the second quarterly review of Principal Activity No 8 of the Management Plan, which is the "Environmental and Infrastructure Works Program". This principal activity has the following sub-activities:

- 8.1 Administration and auditing
- 8.2 Water Quality "at source" treatment program
- 8.3 Water quality "end of line" treatment program
- 8.4 Watercourse and bushland vegetation treatment program
- 8.5 Stormwater Works
- 8.6 Road pavements
- 8.7 Footpaths
- 8.8 Kerb and guttering
- 8.9 Seawalls
- 8.10 Retaining walls

The Annexure includes all the details for this principal activity, whereas, set out in the following part of this report is a commentary on variations, changes, exception, completed works, achievements, etc. The purpose being to provide Councillors with a snapshot of the key influences or issues arising from this quarterly review.

Comments on budget variations, where they are material or have an impact on the program of works or projects, may be included in this report. However, the budget review and confirmation of any changed forecast will be considered in a separate budget report, which reviews the overall financial position of the Council at the end of the quarter. It should be noted that this program is funded from a special rate levy and needs to meet the special rate requirements when it comes to variations and changes

Following is the commentary on each sub activity:

8.1 Administration and Auditing

The delivery of the Environmental Works Program (EWP) requires project management support to deliver the program. The following is a brief outline over the quarter:

- Twelve projects were actively managed over the quarter.
- The Environmental Levy Community Reference Group last met in November 2006.
- Developed EWP material for new Council web site.
- Draft Spill Response Procedure under review.

8.2 Water Quality "at source" Treatment Program

The objectives of this program are to prevent pollutants, litter, vegetation matter and sediment entering the Harbour. Targeted education programs and installation of water quality devices, such as stormwater inlet pit baskets, are the types of projects that meet this objective.

Achievements over the quarter:

- Advertised for Temporary Part Time Environmental Education Officer to implement the EWP environmental education program for 06/07.
- Water Sensitive Urban Design (WSUD) encompasses new technologies and methods for treating stormwater by filtering a large range of pollutants at source, including heavy metals. This stormwater treatment has now been incorporated into the Rose Bay Promenade upgrade project. It is proposed to reconstruct the parking bays along New South Head Road with porous pavers for stormwater treatment with storage tanks below to re-use treated stormwater for irrigation of the fig trees along the promenade.

8.3 Water Quality "End of Line" Treatment Program

The objectives of this program are to prevent pollutants, litter, vegetation matter and sediment entering the Harbour. This may be achieved by projects such as installation of larger water quality devices, such as GPT's and Stormwater Booms, constructed low in the catchment, at the end of the stormwater network, prior to discharging into the Harbour.

Achievements over the quarter:

- Draft report with recommendations to improve foreshore cleaning services was issued to the Environmental Levy Community Reference Group for information and comments.
- Preparations made for summer sampling by Biotrack Australia Pty Ltd in the main creek tributaries of Cooper Park and Parsley Bay Reserve.

8.4 Watercourse and Bushland Vegetation Treatment Program

The objective of this program is to prevent uncontrolled run-off, erosion, nutrient transport and weed intrusion into remnant bushland.

Achievements over the quarter:

- Draft tender document under review for four new pollution control devices including; upstream of Queens Ave, Hermitage Reserve, Rakes Gully Vacluse, Harbour View Park and Hopetoun Ave, Vacluse.
- Primary weed removal on the western sandstone outcrop in Parsley Bay has been completed.
- Primary weed removal in Gap Park has been completed.

8.5 Stormwater Drainage

The objective of this program is to prevent local flooding of flood-affected properties and to minimise the level of pollution reaching streams and watercourses by reducing uncontrolled overland flows.

Achievements over the quarter:

- Quotations called for detailed design and tender documents for the drainage works and water quality treatment for The Crescent, Vaucluse.
- Construction works 95% completed in Cliff Street, Watsons Bay, to upgrade the drainage infrastructure and lower the road level to improve overland flow to alleviate flooding impacts.
- Draft flood study and public exhibition for Rushcutters Bay has been completed.
- Double Bay Catchment Flood Study survey complete, flood modelling complete and the overall study 90% complete.
- Project brief underway for Cooper Park Water Quality Pond and stormwater treatment and ancillary environmental works.

8.6-8.10 Infrastructure Renewal Projects (includes 8.6 Road Pavements, 8.7 Footpaths, 8.8 Kerb and Guttering, 8.9 Seawalls and 8.10 Retaining Walls)

The following capital works projects were completed:

Road Reconstruction Projects including kerb and gutter and Stormwater Drainage Works:

- Fletcher Street, Woollahra (Small Street to Kendall Street);

Road Reconstruction and resurfacing Projects:

- Ocean Street, Woollahra (Jersey Road to Albert Street);
- Ocean Avenue, Edgecliff (New South Head Road to Greenoakes Ave);
- Gurner Street, Paddington (Duxford Street to Glenmore Road);
- Hargrave & Cascade Street intersection, Paddington;
- Barcom Avenue, Paddington;

Footpath reconstruction:

- Ormond Street, Paddington (Oxford Street to Glenmore Road);

Seawall Reconstruction:

- Dumaresq Reserve Seawall, Rose Bay;
- Yarranabbe Park Seawall Stabilisation, Darling Point;

Tenders were invited and contracts awarded for the following projects:

- Annandale Street, Darling Point – Includes road pavement reconstruction, kerb and gutter and footpath reconstruction and stormwater drainage works;
- Blaxland Road, Bellevue Hill – Includes road pavement, footpath and kerb and gutter reconstruction;
- Courtenay and Mitchell Road, Rose Bay – Includes road pavement reconstruction, kerb and gutter and footpath reconstruction and stormwater drainage works;

- Magney Street, Woollahra – Includes Tree removals and replacements, road pavement, kerb and gutter and footpath reconstruction.

Documentation for the following projects completed or under way:

Road Reconstruction Projects including kerb and gutter and Stormwater Drainage Works:

- Kiaora Lane/Anderson Street, Double Bay;
- Edgecliff Road, Woollahra;

Footpath reconstruction:

- Forth Street, Woollahra;
- Gipps Street, Paddington;
- Duxford Street, Paddington;
- Old South Head Road, Vacluse;

Seawall Reconstruction:

- Duff Reserve, Point Piper;
- Wingadal Place, Point Piper;

Retaining Wall Reconstruction:

- Hopetoun Avenue, Vacluse;
- Johnston's Lookout, Vacluse;
- Drumalbyn Road, Bellevue Hill;

Warwick Hatton
Director Technical Services

Annexures:

1. December 2006 Quarterly Review of Principal Activity: Environmental and Infrastructure Works Program

Item No: D8 Delegated to Committee
Subject: **Capital Projects Status Update**
Author: Don Johnston, Manager Finance
File No: 331G
Reason for Report: To provide the Committee with an update on the status of capital projects in the 2006/2007 Budget

Recommendation:

THAT the report be received and noted.

Background:

The Committee has previously received projects status updates reports. Based on the feedback from the Committee when those reports were presented, some changes have been made to the information provided in the report which hopefully improves its usefulness.

Discussion:

The Capital Projects Status Update Report, as at the end of November, is attached as **ANNEXURE 1**. The report shows the previous status and the current status of the projects and highlights those projects where the status has changed as an indication of progress. An additional column has been included to indicate the forecast status of each project as at 30 June 2007, be it 'Completed', 'Commenced' or 'Not Commenced'. The report also provides the projects budgets, year to date (YTD) expenditure and brief comments.

Within the Infrastructure Renewal Program, the projects have been grouped by Ward. The other projects are grouped into the program areas of:

- Environmental Works
- Open Space
- Roads, Traffic & Streetscapes
- Other Council Properties
- Other Infrastructure

Within each of these program areas the projects are grouped by cost centre to indicate the nature of the project.

Conclusion:

The status of each of the projects in the Capital Budget has been updated by the relevant Manager and is provided for the information of the Committee.

Don Johnston
Manager Finance

Warwick Hatton
Director Technical Services

Annexures:

1. Capital Projects Status Report – February 2007
-

Item No: R1 Recommendation to Council
Subject: **Probity and direct negotiation issues with the woolworth's scheme**
Author: Allan Coker, Director Planning and Development
File No: 1133.G WP
Reason for Report: To respond to Items 2 and 3 of Council's resolution of 24 July 2006 on the probity and direct negotiation issues that arise from the Woolworths approach to develop the Kiaora Lands site, including any alternatives to direct negotiation such as open tender.

Recommendations:

1. That Council agree to discussions with Woolworths in relation to the joint development of the Kiaora lands site.
2. That Council authorise the General Manager to have preliminary discussions with Woolworths to ascertain the basis on which the parties could proceed.
3. That Council indicate its strong preference to retain ownership of the land and for any commercial arrangements to be structured on this basis.
4. That the General Manager report back to the Kiaora Lands Working Party following the preliminary discussions referred to in 2 above.
5. That direct negotiations with Woolworths be deferred until Council can determine whether or not the Woolworths scheme will satisfy the guidelines and principles set out by the ICAC in its publication, *Direct Negotiations: Guidelines for Managing Risks in Direct Negotiations* (May 2006), including whether or not the scheme will deliver best value for money.
6. That a further report be presented to the working party on how the process should be managed to comply with ICAC and Public Private Partnerships Guidelines including criteria for determining best value for money.
7. That a copy of this report be provided to the Department of Local Government.

1. Background

At its meeting on 13 February 2006 the Urban Planning Committee considered a report on planning controls and future commercial decisions for the Kiaora Lands in Double Bay. The Council adopted the following recommendation on 27 February 2006:

- A. *That the report on Kiaora Lands, Double Bay be received and noted.*
- B. *That Council retain the current planning controls for the Kiaora Lands site pending a review of Council's assets and investigation of alternate schemes.*
- C. *That Council urgently convene a Working Party to consider the future of Council's Kiaora lands. The Working Party to comprise the Double Bay and Cooper Ward Councillors and any other interested Councillors.*
- D. *That Council request that the DA Consent be surrendered to Council.*
- E. *That Council extends the Section 94 Plan to include all the land covered by the Kiaora Lands development consent.*

2. Consideration by the Kiaora Lands Working Party

The first meeting of the Working Party was held on 16 May 2006. The minutes and recommendations from that meeting were presented to the Urban Planning Committee on 29 May 2006. The committee received and noted the report.

The second meeting of the working party was held on 27 June 2006 to hear a presentation from Woolworths in response to recommendation 3 from the working party of 16 May 2006. Recommendation 3 provided that, "subject to 2, the owners of lands comprising the Kiaora Lands site be invited to make representations as to their lands at a future meeting of the Kiaora Lands Working Party."

At this working party meeting Woolworths presented a new scheme for the site, involving only that part of the site owned by Woolworths and council. The new scheme involves:

- The closure of Patterson Street near midway between Manning Road and Anderson Street
- Closure of Anderson Street north of the rear boundaries of the properties with frontage to Court Road
- Car parking at ground level over most of the consolidated site with specialty retail and supermarket entry to/from Kiaora Lane
- New 3 storey retail and commercial office development on the site of the existing Woolworths supermarket with arcade connecting the proposed supermarket with New South Head Road
- New supermarket at first floor level over most of the consolidated site accessed by travelers from the Kiaora Lane entry level
- Car parking on the roof of the supermarket with pedestrian travelator access to the supermarket
- Loading and unloading off Kiaora Lane west of the supermarket/car parking building.

Councillor response to the new scheme is recorded in the minutes of the working party meeting of 27 June 2006. Suffice to say that there was a general consensus that council should continue to work with Woolworths in developing an alternative scheme. The minutes and recommendations of the working party were presented to the Urban Planning Committee on 10 July 2006 and subsequently to Council on 24 July 2006.

Council resolved in the following terms:

1. *That Woolworths Ltd be advised that Council has made no commitment in relation to the sale, lease or development of Council's land.*
2. *That staff report to the next meeting of the working party on the probity and direct negotiation issues that arise from Woolworth's approach to develop the Kiaora Lands site. That the report consider in what circumstances Council may enter into direct negotiations with Woolworths Ltd, and if Council proposes to do so, how the process should be managed to ensure that it is conducted in accordance with the guidelines provided by the Independent Commission against Corruption (ICAC).*
3. *That the report also consider any alternative to direct negotiations with Woolworths Ltd, the benefits and processes for an open tender.*

4. *That, as part of the report required by recommendation No. 2, staff report on how the proposal may or may not satisfy the objectives of the Double Bay DCP and whether the development of the site, including Council and Woolworth's owned lands will provide the opportunity to produce a better planning outcome than separate development by the land owners.*
5. *That Woolworths be requested to address the following issues at the next working party meeting:*
 - a. *proposals for loading and unloading*
 - b. *traffic circulation and traffic impacts on the local street network, including the intersections with New South Head Road*
 - c. *how the west, south and east walls of the supermarket will be designed to achieve an attractive design and minimise impacts on adjoining properties*
 - d. *proposals for open space and landscaping*
 - e. *evaluation of the scheme against the objectives of the Double Bay DCP, Section A2.3, and how it will achieve a connectivity between north and south Double Bay*
 - f. *calculation of the site lands owned by Woolworths and Council, including public roads*
 - g. *proposals for making the development fully accessible*
 - h. *proposals for making Kiaora Lane more pedestrian friendly.*
 - i. *opportunities for greater access to the site from Kiaora Road to improve the pedestrian amenity on Kiaora Road.*

The third meeting of the working party was held on 14 November 2006 to consider two reports, one of which addressed probity and direct negotiation issues and the other which provided a planning and urban design assessment of Woolworth's scheme. The minutes and recommendations of this meeting are attached as **Annexure 1**. The working party recommended that the reports be presented separately to the relevant Council Committees, namely the Urban Planning Committee and the Corporate and Works Committee.

This report responds to Items 2 and 3 in **bold** of the above resolution. This involves a response to three (3) key questions:

1. In what circumstances Council should enter into direct negotiations with Woolworths
2. How the process should be managed, and
3. are there alternatives to direct negotiations such as open tender?

These questions are best answered after consideration of the legal position and ICAC guidelines on direct negotiations.

On 12 February 2006 the Urban Planning Committee deferred consideration of a report responding to items 4 and 5 of the 24 July 2006 resolution. The committee considered that this report to the Corporate and Works Committee on the probity and direct negotiation issues should be dealt with prior to consideration of the planning and urban design issues.

3. The legal position

The legal position in relation to the sale or lease of Council owned land was recently considered in a report to the Corporate and Works Committee dealing with the sale of the Waverley/Woollahra Process Plant. This consideration arose since Landcom offered to purchase the land. This offer raised the question as to whether or not the Councils could legally enter into direct negotiations with Landcom to sell the land or whether the Councils were legally bound to pursue an open tender process. Legal advice from Clayton Utz, Lawyers confirmed that section 55(3) of the *Local Government Act 1993* (LGA) exempts Councils from the need to pursue an open tender process where land is being sold. The legal advice recommended that the Councils should have regard to the ICAC guidelines with particular reference to:

- obtaining best value for money
- demonstrating accountability and transparency
- dealing with conflicts of interest.

The legal advice also addressed the question about the application of Part 6, Division 1 of the LGA dealing with public private partnerships (PPPs). It indicated that a key aspect of the PPP definition in the LGA is that a PPP must be an “arrangement” (as defined in the LGA) between a council and a “private person”.

A “private person” is defined in the LGA to mean any person other than:

- (a) the Government (including the State, the Crown and a Minister of the Crown);
- (b) a public or local authority (including a council or a State owned corporation); or
- (c) a public sector employee or other person or body acting in an official capacity on behalf of the Government or a public or local authority.

The advice concluded that the PPP provisions of Part 6, Division 1 of the LGA do not apply to a contract between the Councils and Landcom. However, the circumstances with Woolworths are different and there remains some uncertainty as to whether or not the PPP provisions of the LGA will apply to any contract between Council and Woolworths. For this reason it would be prudent to get further advice on this matter from the Department of Local Government.

4. ICAC Guidelines

The Independent Commission against Corruption (ICAC) has released a paper titled *Direct Negotiations: Guidelines for Managing Risks in Direct Negotiations* (May 2006). This publication has been prepared in response to the more widespread use of non-traditional forms of procurement, contracting and service delivery across the NSW public sector, whereby a traditional ‘open competition’ approach is replaced with a more closed process that could leave an agency exposed to perceptions of conflict of interest or improper conduct. The guidelines identify those situations where a direct negotiation is justified and explain how it can be managed in a way that is impartial, accountable and transparent and delivers best value for money.

4.1 In what circumstances may Council enter into direct negotiations with Woolworths

The ICAC guidelines define ‘direct negotiations’ as “exclusive negotiations between an agency and a proponent without first undergoing a genuine competitive process”. At the outset the guidelines advise that because of the risks that accompany the process, direct negotiations, as a general rule, should be avoided. However, the guidelines also acknowledge that there are certain situations where direct negotiations may be appropriate. These include transactions between the private and public sectors such as:

Disposal – this can include the disposal of goods or property as well as intangible assets such as leases, airspace, management rights, advertising space, rights to use natural resources and other types of leases and licenses. Where a particular proponent owns real property that is on or near the site of a proposed project, direct negotiations may be justified on the basis that the land is unique and necessary to the project. However, before agreeing to direct negotiations the ICAC guidelines state that the agency should ensure that the ‘unique’ solution offered by the proponent by virtue of its property is the only, or clearly the best, solution to meet the agency’s requirements.

Sponsorships – including proposals from groups and companies to enter into sponsorship arrangements.

Administration of grants – including the oversight of cash or in-kind grants made to the private and not for profit sectors.

Joint Ventures – where an agency cannot deliver a project or outcome with its own resources, it may choose to enter into a joint venture arrangement with another entity.

Debt and equity – involving the private financing of public infrastructure and private sector financiers taking debt and/or equity positions in public projects.

Bartering arrangements – these include agreements to exchange assets, goods and services in kind rather than transacting in cash.

Seconding staff or resources – including agency provision of staff or equipment for an external project or purpose.

Business proposals from staff – includes circumstances where public sector staff approach management with innovative ideas that may have a commercial or entrepreneurial component.

Other circumstances – such as when a competitive process has failed to produce an advantageous or satisfactory offer and the agency does not expect a repeat of the process to produce a better result.

In the case of Kiaora Lands:

- Council cannot deliver the project, including a new supermarket and public access to New South Head Road with its own resources
- The Woolworths and/or Solotel sites are central to achieving the planning and urban design outcomes envisaged by the Double Bay DCP but, in the event that both privately owned land holdings are not available for development, Woolworth’s land, including its land on New South Head Road is most likely the only land capable of achieving these outcomes.

In these circumstances Woolworths is likely to be the only single proponent and potential partner that can meet our needs in achieving a new supermarket, specialty shopping and public access to New South Head Road. For these reasons direct negotiations may be justified.

The ICAC guidelines also indicate that agencies should consider the following principles when deciding whether or not to enter into direct negotiations:

Obtaining best value for money – a fundamental principle of public sector work. We need to consider whether there are other proponents who could feasibly provide better value than Woolworths. In this case there is another land owner, Solotel, who may be interested in working with Council on a proposal for the precinct. In a letter of 3 August 2006 Solotel indicated:

“If another public tender is required, the result may be one of Solotel, Woolworths or a third party approaching Council with a proposal for the development of the Kiaora Lands precinct.”

What is significant in this statement is that the option of a joint tender by Woolworths *and* Solotel is not identified as a possibility. Therefore, while Woolworths is likely to be the only proponent who can deliver a new supermarket and specialty shopping precinct, with access to New South Head Road, Solotel with its strategic land holdings on Kiaora Road and New South Head Road may also be able to develop a scheme which largely meets the objectives of the Double Bay DCP. In these circumstances we cannot say at this stage that the Woolworths scheme would result in best value of money.

Providing a fair chance to do business with government – we need to be sure that direct negotiations with Woolworths will not unfairly exclude other firms. In this case Solotel may be interested in participating in a public tender or EOI process. For this reason, direct negotiations with Woolworths may be seen to exclude another firm which may have the capacity and land holdings to develop an attractive alternative scheme.

Demonstrating accountability and transparency – we need to demonstrate and justify how our public resources, including land, are used and to open the project and its processes to public scrutiny and criticism. This involves giving reasons for all decisions and providing appropriate information to all stakeholders.

Dealing with conflicts of interest – direct negotiations can create an environment where private interests (such as Woolworth’s desire for a new supermarket) could influence or be seen to influence the outcome. In contrast open, competitive selection processes, with a predetermined business plan and selection criteria and an accompanying audit trail, make it difficult for private interests to influence, or be seen to influence, the outcome of a contract.

Council tested the market with an expressions of interest (EOI) process for the development of the car park sites in 2001 and on the basis of the submissions received, determined that the Woolworths/Solotel proposal could best meet Council’s needs. It could be argued that the current Woolworths proposal would also satisfy those needs and that a repetition of the EOI process is unlikely to produce a better result. This is because Woolworth’s land holdings on New South Head Road are immediately adjacent to the Council’s car park sites, and their proposal is likely to be the only one that has the potential to provide a new supermarket, specialty shopping and new pedestrian connections to New South Head Road. Direct negotiations with Woolworths would result in a simpler and faster outcome than one involving public tender or another EOI process potentially involving other land owners. The current reported poor trading conditions in Double Bay and a desire to move quickly with a scheme that will have positive flow on economic benefits to the centre is another factor that can be taken into consideration.

On the other hand it could be argued that the Woolworth’s site alone will not result in the best possible planning and urban design outcome (see report on the Planning and Urban Design Assessment, presented to the Urban Planning Committee on 12 February 2006) and since we are aware that Solotel may be interested in developing an alternative scheme we should not proceed with direct negotiations with Woolworths.

It is therefore clear that, at this stage, we should not enter into direct negotiations with Woolworths. However, there is no reason why we cannot continue discussions with Woolworths, including discussions as to possible commercial arrangements. Such discussions are likely to provide additional information critical to the decision as to whether or not we should or should not proceed with direct negotiations.

4.2 How the process should be managed

If Council decides to enter into direct negotiations with Woolworths in relation to the sale or lease of its land there are a number of principles that should be followed, including those set out in the ICACs checklist:

- using the general principles outlined in section 2.1 to decide whether direct negotiations can be justified
- verify that the project or proposal is consistent with the agency's overall strategic plan
- check that there is an appropriate project or business case and that funding has been approved
- ensure that the decision to enter into direct negotiations has been made or approved at a senior level with the agency
- ensure that the decision to enter into direct negotiations and the reasons for it, are recorded and are publicly accessible
- perform cost-benefit analysis or similar study to verify that direct negotiations will not sacrifice value for money
- obtain conflict of interest declarations from persons associated with the project including staff, the proponent's employees and advisors
- ensure that the contract entered into gives the agency the authority to intervene in the event of poor performance or unethical conduct
- engage external assistance if necessary
- prepare a probity plan
- establish an agreed negotiation protocol
- ensure that an auditable document trail is established
- obtain an independent estimate of the price or financial consideration
- establish project benchmarks for deliverable items
- arrange for an 'open book' relationship with the proponent
- segregate duties
- form a steering committee or similar oversight mechanism
- supervise the project to ensure that the contract is adhered to
- conduct a post-completion evaluation of the project to assess whether value of money has been obtained.

Therefore, if Council decides to proceed with direct negotiations it will need to set up appropriate internal management structures to ensure that there is a separation of council's role as the planning authority and its role as a land owner. Advice on this approach was previously taken from the ICAC and translated into a management framework which included a land ownership working party and a masterplan group both of which reported to a special committee of Councillors. In the event that Council decides to proceed with direct negotiations we will provide a more detailed report on the management of this process.

4.3 Alternatives to direct negotiation

The alternatives to direct negotiation are to proceed by way of Expressions of Interest or by way of an open tender. This approach has the benefit that it opens up the process to all parties who may be interested in participating in either the separate development of Council land or jointly with other lands. The previous EOI process did not result in an attractive proposal for the separate development of Council's land and this result may be repeated. However, there are reasonable prospects that an open public process would result in alternative schemes to that currently proposed by Woolworths.

5 Conclusion

We cannot be satisfied at this point in time that the Woolworths proposal is the best scheme for the site and will deliver the best value for money. However, there is nothing preventing Council from further exploring and investigating the Woolworth's proposal and commercial options upon which negotiations may proceed.

Allan Coker
Director Planning and Development

Gary James
General Manager

ANNEXURES:

1. Minutes of the Kiaora Lands Working Party meeting 14 November 2006

Item No: R2 Recommendation to Council

Subject: **Floodplain Risk Management - Progress Reports and Recommendations**

Author: Myl Senthilvasan - Asset Management Engineer (Drainage)

File No: 626.G Committee

Reason for Report:

1. To report on the outcomes of the Floodplain Risk Management Committee (FPRMC) meeting, held Thursday, 1 February 2007 and recommend further actions.
2. To recommend the Rushcutters Bay Catchment Flood Study for adoption
3. To recommend Council accept the grant funding offer from the NSW State Government for the Rose Bay Flood Study.

Recommendation:

- A. That the minutes of the FPRMC meeting, 1 February 2007, be noted.
- B. That Council adopt the Rushcutters Bay Catchment Flood Study prepared by Webb McKeown & Associates Pty Ltd.
- C. That preparation of a Floodplain Risk Management Study and Floodplain Risk Management Plan for the Rushcutters Bay Catchment be commenced, using available funds and continuing to seek grant funding from the NSW Government and/or Commonwealth Government.
- D. That funding to complete the Floodplain Risk Management Study and Floodplain Risk Management Plan for the Rushcutters Bay Catchment be included for consideration in the 2007-08 draft budget.
- E. That Council accept the grant funding offer of \$30,000 from the NSW Government for the preparation of a flood study for the Rose Bay Catchment, and that Council write to the Minister for Natural Resources, Hon Ian Macdonald MLC, thanking him for approving grant funding for this Woollahra floodplain management initiative.
- F. That the Rose Bay Catchment Flood Study be carried out using available funds, including the grant of \$30,000, and that Webb McKeown & Associates Pty Ltd be commissioned to carry out the study.
- G. That Council continue to pursue further grant funding from the NSW State Government and/or the Commonwealth Government for this project.

Background:

In October 2005 Council resolved to establish a Floodplain Risk Management Committee to provide community input and to assist Council in the development of floodplain management plans. The development of floodplain management plans serves three primary purposes:

- Under the New South Wales Flood Prone Management Policy the management of flood prone land is primarily the responsibility of councils. As part of Council's strategic planning process under the EP&A Act, Council needs to examine the merit (including impacts on personal safety and property damage) of different types and extents of developments in flood prone areas. The assessment of these developments is therefore facilitated by the development of floodplain management plans for flood prone areas.
- Floodplain management comprises a three stage process, namely, a flood study, a floodplain risk management study, and a floodplain risk management plan. The completion of this process provides the information and strategy for Council to manage flood prone lands effectively and efficiently.
- Compliance with the New South Wales Flood Prone Management Policy provides significant advantage to Council with both technical assistance and financial assistance from the State Government.

Council is developing floodplain management plans for Double Bay, Rose Bay and Rushcutters Bay. The Double Bay Flood Study is 85% completed. The Rushcutters Bay Flood Study has been completed. The Rose Bay Flood Study has not commenced.

The fourth meeting of the FPRMC was held in the Council Chambers on Thursday, 1 February 2007. The minutes of the meeting are attached as Annexure 1. The Committee received progress reports on the Double Bay Flood Study and the Rushcutters Bay Flood Study, including the results of the public exhibition of the Rushcutters Bay study, and considered a recommendation for the appointment of a consultant to carry out the Rose Bay Flood Study. The FPRMC also received a report for noting on the Drainage Study and Strategy adopted by the Community and Environment Committee for The Crescent, Vaucluse.

The FPRM Committee's recommendations are as follows:

- a. That Council adopt the Rushcutters Bay Catchment Flood Study prepared by Webb McKeown & Associates Pty Ltd.*
- b. That Council proceed to prepare a Floodplain Risk Management Study and Floodplain Risk Management Plan for the Rushcutters Bay Catchment, subject to the availability of further funding for these studies.*
- c. That Council commence the Rose Bay Catchment Flood Study with the available funds.*
- d. That Webb McKeown & Associates Pty Ltd be commissioned to complete the Rose Bay Catchment Flood Study.*
- e. That Council continue to pursue grant funding from the NSW State and/or the Commonwealth Government for this project.*

It is recommended that the minutes of the FPRMC meeting held on 1 February 2007 be noted.

Rushcutters Bay Catchment Flood Study

The Flood Study for Rushcutters Bay Catchment has now completed to draft stage. The draft study was placed on public exhibition from 22 November 2006 to 22 December 2006 and public comments were invited by placing newspaper advertisement in the Wentworth Courier on 22 and 29 November 2006. The draft study was also made available on Council's Website during the exhibition periods. The exhibition copy of the draft study documents were also distributed to the members of the FPRMC and Councillors.

Two submissions were received. Copies of submissions received and their summaries and responses are included in the report presented to the FPRMC (Attached with the minutes to the FPRMC meeting of 1 February 2007 which is attached as Annexure 1). The comments in the submissions received are of very minor nature and will not affect any predicted flood levels. The draft flood study document will be amended to include these comments.

The draft Rushcutters Bay Catchment Flood Study document will be tabled at the meeting. A copy of the Executive Summary of this study is attached as Annexure 2.

The draft Rushcutters Bay Catchment Flood Study prepared by Webb McKeown & Associates Pty Ltd amended to incorporate the comments that address public comments as detailed in the report to the FPRMC is complete and received the support of the FPRMC. It is recommended that the Flood study be adopted, and proceed with the next stage which is the preparation of a Floodplain Risk Management study and Floodplain Risk Management Plan.

Rose Bay Catchment Flood Study –Grant Offer Update

At the time of the FPRMC meeting (1 February 2007), Council had not been successful in receiving grant funding to undertake the Rose Bay Flood Study. Since then, Council has been advised by the Minister for Natural Resources that Council's application has been reconsidered and that we have secured a \$30,000 grant to prepare the Rose Bay Catchment Flood Study, under the 2006/07 Floodplain Management Program. A copy of the grant offer from the Minister is attached as Annexure 3.

Identification of Income & Expenditure:

With reference to the Rose Bay Catchment Flood Study, the FPRMC has recommended that Council commence the Rose Bay Catchment Flood Study with the available funds and continue to pursue the NSW State Government and Federal Government for grant funding for this project.

Council allocated \$75,000 as part of 2006/07 Environmental Levy Works Program to contribute towards the completion of the Rose Bay Flood Study.

Council invited quotations from a selected list of consultants to undertake the Rose Bay Flood Study and the quoted fee from the successful consultant, as reported to the FPRMC, is \$68,845.

This is the base cost to undertake the Study and does not consider the additional costs required to complete the Study, such as additional field survey work that is identified during the flood modelling process, publication costs and other disbursements associated with the project.

The total budget available to complete the Rose bay Flood Study, including the grant of \$30,000, is \$105,000. The minimum Council contribution required under the terms of the grant is \$15,000.

Council is fulfilling its contribution as required by the grant and there is sufficient budget to complete the Rose Bay Flood Study, including the additional costs as noted above.

Due to grant funding support, limited funds are also available in the budget to allow us to commence work on the next stage at Rushcutters Bay, that is, the preparation of a Floodplain Risk Management Study and Floodplain Risk Management Plan. Additional funds will continue to be sought by way of grant applications, and it is proposed to recommend funding in the 2007-2008 draft budget, to allow completion of this Floodplain Risk Management project.

Conclusion:

The grant offer, dated 1 February 2007, states that Council's General Manager is to write to the Department of Natural Resources within 45 days regarding acceptance of the offer and related conditions.

It is recommended that Council accept the grant funding of \$30,000 by the NSW Government for the preparation of the Flood Study for the Rose Bay Catchment and to write to the Minister for Natural Resources, Hon Ian Macdonald MLC, thanking him for approving grant funding for this project.

It is also recommended that Council adopt the recently exhibited Rushcutters Bay Flood Study, and commence work on the next stages of developing a flood plain management strategy for this catchment, using available funds, while seeking further grant funding, and recommending an allocation of funds in next year's budget.

Myl Senthilvasan
Asset Management Engineer - Drainage

Warwick Hatton
Director Technical Services

Annexures:

1. Minutes of the FPRMC meeting held Thursday, 2 November 2006
2. Executive Summary of the Rushcutters Bay Catchment Flood Study
3. Letter of grant offer from the Minister for Natural Resources