

Corporate & Works Committee

Agenda: *Corporate & Works Committee*

Date: *Monday 15 April 2013*

Time: *6.30pm*

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).

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

- Such matters as are specified in Section 377 of the Local Government Act 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 Community Strategic Plan, Delivery Program and Operational Plan;
 - Delegations; and
 - Policies.
- Tenders as per Regulation requirements.
- Leases.
- Matters reserved by individual Councillors in accordance with any Council policy on "safeguards" and substantive changes.

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.
- Statutory reviews of Council's Delivery Program and Operational 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 the Minutes of its Meetings.
- 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 above.

Committee Membership:

7 Councillors

Quorum:

The quorum for a Committee meeting is 4 Councillors.

WOOLLAHRA MUNICIPAL COUNCIL

Notice of Meeting

11 April 2013

To: His Worship the Mayor, Councillor Andrew Petrie ex-officio
Councillors Katherine O'Regan (Chair)
Ted Bennett
Peter Cavanagh
Deborah Thomas
Elena Wise
Susan Wynne (Deputy Chair)
Jeff Zulman

Dear Councillors

Corporate & Works Committee Meeting – 15 April 2013

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 15 April 2013 at 6.30pm.**

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 Note Council resolution of 27 June 2011 to read late correspondence in conjunction with the relevant Agenda Item	
3	Declarations of Interest	

Items to be Decided by this Committee using its Delegated Authority

D1	Confirmation of Minutes of Meeting held on 2 April 2013	1
D2	Monthly Financial Report – March 2013 – 349.G	2
D3	Roads & Maritime Services Reclaimed Land in Woollahra LGA – 228.G Part 3	17
D4	52 Mona Road, Darling Point – Proposed Road Closure & Sale – 315.52	28
D5	152 Wolseley Road, Point Piper – Proposed Road Closure & Sale – 503.152	34
D6	Kiaora Lands Development - 1209.G Part 3	40
D7	Draft Delivery Program 2013 to 2017 & Operation Plan 2013/14 Priorities & Actions - 1229.G (2013 – 2017)	53

***Note Annexure Distributed Under Separate Cover**

**Items to be Submitted to the Council for Decision
with Recommendations from this Committee – ‘Nil R Items’**

Item No: D1 Delegated to Committee
Subject: **Confirmation of minutes of meeting held on 2 April 2013**
Author: Les Windle, Manager – Governance
File No: See Council Minutes
Reason for Report: The Minutes of the Meeting of Tuesday 2 April 2013 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 2 April 2013 be taken as read and confirmed.

Les Windle
Manager – Governance

Item No: D2 Delegated to Committee
Subject: **Monthly Financial Report - MARCH 2013**
Author: Don Johnston, Manager Finance
File No: 349.G
Reason for Report: To present the monthly financial report for March 2013

Recommendation:

That the Committee:

- i. Receive and note the Monthly Financial Report - March 2013.
 - ii. Note that Council's 12 months weighted average return on its direct investment portfolio of 4.54% continues to exceed the March 2013 benchmark 90 day term deposit index of 3.92%.
 - iii. Note that total interest earned to the end of March 2013 of \$1,299k is above the revised budget forecast of \$1,248k.
-

Background:

Clause 212 of the Local Government (General) Regulation 2005 requires the responsible accounting officer (Council's Manager Finance) to provide the Council with a monthly report setting out details of all money that the Council has invested.

The Monthly Financial Report for March 2013 is submitted to the Committee for consideration and includes the following:

- Investment Transactions for the Month
- Summary of Receipts, Payments and Bank Balance
- Summary of Investments
- Details of Investment Portfolio
- Statement of Investment Policy Compliance
- Charts:
 - ◆ Weighted Average Maturity and Weighted Average Returns
 - ◆ Weighted Average Returns v Australian 90 day Term Deposit Index
 - ◆ Actual Interest Earned v Original Budget & Revised Forecast
 - ◆ Maturity Profile Chart
- Movements in Book Value of Investments
- Quarterly update on Arrears of Rents & Fees

Investment Transactions for the Month

Date	Transaction	Description	Amount (\$)
28 Feb		Book Value of Investments Held	34,979,909.32
4 Mar	Maturity	St George, 182 days @ 4.92%	(2,000,000.00)
4 Mar	Maturity	National Australia Bank, 182 days @ 5.04%	(2,000,000.00)
4 Mar	Purchase	Bankwest (a div of CBA), 30 days @ 4.00%	3,000,000.00
4 Mar	Purchase	National Australia Bank, 365 days @ 4.25%	1,000,000.00
20 Mar	Maturity	Blackrock Capital Distribution	(204,024.56)
22 Mar	Maturity	Esperance CDO	(348,657.71)
22 Mar	Adjustment	Fair Value adjust for Esperance CDO (Book Value was \$0)	348,657.71
25 Mar	Maturity	Hunter United Credit Union, 182 days @ 4.80%	(250,000.00)
25 Mar	Purchase	Hunter United Credit Union, 182 days @ 4.10%	250,000.00
Various	Net Movement	Net Movement in Online Savings Cash Account	202,198.27
Various	Net Movement	Net Movement in UBS Cash Management Trust Account (Coupon payments + UBS interest + Deposits – UBS Fees)	(1,871.48)
Various	Net Movement	Net Movement in Macquarie Cash Trust (Macquarie interest – Macquarie Fees - Withdrawals)	5.32
		Net Change in Portfolio	(3,692.45)
31 Mar		Book Value of Investments Held	34,976,216.87

Commentary:

During March, \$4.25m in term deposits matured, \$3.25m of which was reinvested (\$3m at 4% and \$0.25m at 4.1%). The balance of the maturities (\$1m) was required to cover ongoing cash flow requirements until the next series of maturities.

During the month we received a further capital distribution from Blackrock of \$204,024.56 and, in addition, the Esperance CDO matured for \$348,657.71 representing the expected 69.73% of the original \$500,000 invested. The book value of Esperance at maturity was \$0 resulting in a fair value adjustment of \$348,657.71.

The allocation of Esperance's fair value adjustment, together with the adjustment resulting from the proceeds of the Dante Series Securities (\$818,249.78) will be considered in the March Quarterly Budget Review.

Investments Working Party Update

No further updates have been received in relation to the Lehman Brothers class action since the Investments Working Party last met on 4 March 2013.

In relation to the Oakvale matter, Piper Alderman has advised that confirmation has been received from the Court that the directions hearings in Liverpool and Wollongong's filed proceedings have been stood over to 24 April 2013.

In addition, Oakvale has agreed to extend the agreement in respect of limitation dates to 24 May 2013.

In respect of the proposed mediation, Oakvale's solicitor has advised that Oakvale's insurance position has not yet been clarified and that this will not be known for approximately 4 to 6 weeks, whilst the insurer determines indemnity. As such, Oakvale still cannot consent to mediation as the insurer's approval is outstanding.

Oakvale's solicitor has also proposed that Oakvale would provide responses to each of the Council's claims by 5 pm WST on 17 May 2013. By that time, they anticipate that Oakvale should know its indemnity position and will be better able to discuss the way forward.

Piper Alderman has responded to Oakvale's solicitor stating that they cannot agree to 17 May 2013 as the date for Oakvale to provide its responses, as Oakvale has had the filed statements of claim and letters of demand for some time and the Councils require a response. So that this can be progressed, they requested that the responses be provided by 5 pm WST on 12 April 2013, together with all relevant documents.

Further updates in relation to both matters will be provided as they come to hand.

Summary of Receipts, Payments and Bank Balance

Cash Book Balance as at 28 February 2013 1,693,390.61

Receipts

Rates 2,360,159.48
Investment Maturities 4,250,000.00
Transfers In from At Call Accounts 9,304,000.00
Other 3,002,151.55

18,916,311.03

Total Receipts

Description	Amount
Sundry Debtors	684,263.13
Parking Fines	421,004.66
s.94A Developer Contributions	332,921.22
Deposits & Bonds	241,583.00
Trade Waste Debtors	178,479.40
Parking Meter Charges	125,689.61
GST Refund	114,356.00
Plant & Fleet Sales	68,179.74
Dept of Infrastructure Grant	60,000.00
Development Application Fees	49,916.89

Payments - Cheque

Cheque Payments -416,535.96
Cancelled Cheques 9,674.34
Total Cheque Payments for period -406,861.62

Cheque No	Cheque Date	Payee	Description	Amount
216507	28/03/2013	Citywide Civil Engineering Pty Ltd	Gen works - Forest Rd, Double Bay	-70,761.40
216430	21/03/2013	Corporation Sole EPA Act	Statutory Contribution - Dept of Planning	-68,002.25
216326	1/03/2013	Withheld	Refund of security deposit	-42,008.10
216388	14/03/2013	Grafton Place BMC Sydney	BMC Levy payment - 1/4 - 306/13	-12,754.15
216547	28/03/2013	Telstra	Internet costs - Jan to Mar'13	-9,323.68
216497	21/03/2013	Withheld	Refund of security deposit	-9,302.92
216490	21/03/2013	Withheld	Refund of security deposit	-9,205.70
216491	21/03/2013	Withheld	Refund of security deposit	-7,724.41
216374	14/03/2013	AGL Sydney	Gas supply - Jan/Feb'13	-7,195.14
216375	14/03/2013	Allen Jack & Cottier Architects	Professional services re Cross St Carpark upgrade	-7,150.00

Payments - EFT

EFT Payments -4,930,845.92
Transfers Out to At Call Accounts -8,930,000.00
Total EFT Payments for period -13,860,845.92

Reference	EFT Date	Payee	Description	Amount
39603	28/03/2013	Ministry for Police & Emergency Services	Statutory contribution - Fire & Rescue NSW/SES	-640,471.50
39406	14/03/2013	Schwarze Industries Australia	Fleet purchases	-497,107.60
39515	21/03/2013	Ozpave (Aust) Pty Ltd	Gen works - Old South Head Rd, Vaucluse	-271,315.98
39530	21/03/2013	SITA Australia Pty Ltd	Waste tipping fees - 1-18/2	-239,974.99
39323	7/03/2013	SITA Australia Pty Ltd	Waste tipping fees - 17-31/1	-206,491.40
39628	28/03/2013	Volvo Commercial Vehicles	Fleet purchases	-184,253.90
39501	21/03/2013	Local Govt Super Scheme-Div.A	Employer/employee super - Feb'13	-177,043.84
39623	28/03/2013	Stateline Asphalt	Asphalt works - Queen St & Dwyer Lane, Woollahra	-163,670.65
39618	28/03/2013	SITA Australia Pty Ltd	Waste tipping fees - 19-28/2	-160,277.18
39257	7/03/2013	Veolia Environmental Services (Aust)	Weekly collection of recyclables - 1-31/1	-151,181.06

Payments - Direct Debits From Bank A/c

Payroll -1,654,996.68
PAYG Tax -531,483.00
Bank Charges -20,456.67
Investment Purchases -4,000,000.00
Councillors' fees -21,629.15
Total Direct Debits for period -6,228,565.50

Total Payments

-20,496,273.04

Cash Book Balance as at 31 March 2013

113,428.60

Unpresented Cheques No of Cheques: 160 Value: 198,391.66

Outstanding Deposits & Miscellaneous Items -111,603.14

Reconciled Cash Book Balance as at 31 March 2013 200,217.12

Bank A/c Balance as at 31 March 2013 200,217.12

Unpresented Cheques > \$30,000.00

Cheque No.	Cheque Date	Payee	Amount
216507	28/03/2013	Citywide Civil Engineering Pty Ltd	70,761.40

Commentary:

This statement presents Council's bank reconciliation as at 31 March 2013. The top ten receipt and payment items are provided in the report. Excluding investment transactions, payments exceeded receipts for the month by some \$2.2m.

INVESTMENTS AS AT 31 MARCH 2013

CATEGORY	FACE VALUE \$	BOOK VALUE \$
1. LEHMAN BROTHERS (formerly Grange Securities Ltd)		
Funds previously under management	5,314,322	1,256,292
2. OAKVALE CAPITAL Limited		
Funds previously under management	4,183,088	1,254,524

RATING	CATEGORY	PURCHASE DATE	MATURITY DATE	TOTAL TERM (DAYS)	REMAINING DAYS TO MATURITY	%	FACE VALUE \$	BOOK VALUE \$	GOV'T GUARANTEE
3. WMC DIRECT INVESTMENTS									
TERM DEPOSITS: (in order of Maturity)									
	<u>BANKWEST</u>								
	TERM DEPOSIT	4/03/2013	3/04/2013	30	3	4.00	3,000,000	3,000,000	#
	<u>ING DIRECT</u>								
	TERM DEPOSIT	21/08/2012	22/04/2013	244	22	5.12	1,000,000	1,000,000	#
	<u>BENDIGO/ADELAIDE BANK</u>								
	TERM DEPOSIT	26/10/2012	24/04/2013	180	24	4.50	1,000,000	1,000,000	#
	<u>RABO DIRECT</u>								
	TERM DEPOSIT	29/10/2012	29/04/2013	182	29	4.60	1,000,000	1,000,000	#
	<u>SUNCORP</u>								
	TERM DEPOSIT	29/10/2012	29/04/2013	182	29	4.35	1,000,000	1,000,000	#
	<u>RABO DIRECT</u>								
	TERM DEPOSIT	8/08/2012	6/05/2013	271	36	5.05	1,000,000	1,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	14/08/2012	14/05/2013	273	44	5.10	1,000,000	1,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	21/08/2012	21/05/2013	273	51	5.10	2,000,000	2,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	27/08/2012	27/05/2013	273	57	5.04	2,000,000	2,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	28/02/2013	29/05/2013	90	59	4.21	1,000,000	1,000,000	#
	<u>SUNCORP</u>								
	TERM DEPOSIT	29/01/2013	28/06/2013	150	89	4.37	1,000,000	1,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	13/02/2013	15/07/2013	152	106	4.26	1,000,000	1,000,000	#
	<u>ING DIRECT</u>								
	TERM DEPOSIT	29/01/2013	29/07/2013	181	120	4.47	1,000,000	1,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	28/02/2013	29/07/2013	151	120	4.23	1,000,000	1,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	19/02/2013	19/08/2013	181	141	4.20	1,000,000	1,000,000	#
	<u>HUNTER UNITED CU</u>								
	TERM DEPOSIT	25/03/2013	23/09/2013	182	176	4.10	250,000	250,000	Guaranteed
	<u>ING DIRECT</u>								
	TERM DEPOSIT	4/02/2013	2/10/2013	240	185	4.47	1,000,000	1,000,000	#
	<u>BENDIGO/ADELAIDE BANK</u>								
	TERM DEPOSIT	11/02/2013	9/10/2013	240	192	4.30	1,000,000	1,000,000	#
	<u>ING DIRECT</u>								
	TERM DEPOSIT	28/02/2013	28/10/2013	242	211	4.30	1,000,000	1,000,000	#
	<u>ING DIRECT</u>								
	TERM DEPOSIT	28/02/2013	28/10/2013	242	211	4.28	1,000,000	1,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	19/11/2012	19/11/2013	365	233	4.69	2,000,000	2,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	3/12/2012	3/12/2013	365	247	4.28	1,000,000	1,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	4/03/2013	4/03/2014	365	338	4.25	1,000,000	1,000,000	#
	<u>CBA</u>								
	FLOATING RATE NOTE*	5/03/2012	24/12/2015	1389	998	5.26	1,000,000	976,400	#

RATING	CATEGORY	PURCHASE DATE	MATURITY DATE	TOTAL TERM (DAYS)	REMAINING DAYS TO MATURITY	%	FACE VALUE \$	BOOK VALUE \$	GOV'T GUARANTEE
<u>AT CALL:</u>									
<u>COMMONWEALTH BANK</u>									
	ONLINE SAVER A/C					3.25	4,189,002	4,189,002	#
<u>ANZ BANK</u>									
	11AM CALL ACCT					3.25	50,000	50,000	#
	Total WMC Direct Investments						<u>32,489,002</u>	<u>32,465,402</u>	
	Weighted Average Days to Maturity of WMC Direct Investments				139.33				
	Weighted Average Return of WMC Direct Investments					4.54			
PORTFOLIO TOTALS							<u>41,986,412</u>	<u>34,976,217</u>	

Covered under Council's new Investment Policy effective Tue 31/01/12

* Government Guaranteed deposits have been rated AAA

** BBSW + 1.05%p.a.

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.

D. Johnston
MANAGER FINANCE

INVESTMENTS PORTFOLIO AS AT 31 MARCH 2013

Security	Policy Ref	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
1. LEHMAN BROTHERS (formerly GRANGE SECURITIES)								
Issued by non-ADIs								
Lehman Global Property Note		Other	13/06/2007	15/06/2009	60,000	60,000	0	3
Corsair (Torquay AA)		CDO	4/07/2007	20/06/2013	500,000	501,860	0	3
Start (Blue Gum AA-)		CDO	8/01/2007	22/06/2013	400,000	402,768	0	3
Corsair (Kakadu AA)		CDO	22/01/2007	20/03/2014	500,000	503,300	0	1
Helium (Scarborough AA)		CDO	17/01/2007	23/06/2014	400,000	402,620	0	3
Helium (Scarborough AA)		CDO	4/07/2007	23/06/2014	500,000	502,270	0	3
Helium (Scarborough AA)		CDO	23/07/2007	23/06/2014	500,000	503,810	0	3
MAS6-7 (Parkes IIA 'AA-')		CDO	13/06/2007	20/06/2015	450,000	461,687	0	3
MAS6-7 (Parkes IIA 'AA-')		CDO	4/07/2007	20/06/2015	500,000	504,315	0	3
					3,810,000	3,842,630	0	
Issued by ADIs								
				Call Date				
Royal Bank of Scotland (AA)		FRN	4/07/2007	27/10/2014	500,000	508,290	474,650	2
Royal Bank of Scotland (AA)		FRN	31/01/2007	17/02/2017	1,000,000	1,014,560	777,320	2
					1,500,000	1,522,850	1,251,970	
Macquarie Cash Trust (AAA)		Cash			2,298	2,298	2,298	5
UBS Cash Management Trust		Cash			2,024	2,024	2,024	5
					4,322	4,322	4,322	
Total Lehman Brothers					5,314,322	5,369,801	1,256,292	
2. OAKVALE CAPITAL								
Emeral Reverse Mortgage Series 2007-1 Class B		Mortgage Backed	6/07/2007	6/07/2057	1,000,000	1,000,000	435,000	1
Momentum (Calyon Nickel) Credit Linked Note		CDO	15/05/2007	30/06/2012	1,000,000	1,000,000	0	3
Aramis (Merrill Lynch) Clear 40 - ABS		CDO	2/04/2007	20/12/2012	1,000,000	1,000,000	0	3
Blackrock (Merrill Lynch) Diversified Credit Fund		Managed Fund	5/01/2007		1,183,088	1,183,088	819,524	4
Total Oakvale Capital					4,183,088	4,183,088	1,254,524	
3. WMC INVESTMENTS								
National Bank (4.21% 90d)	A1	TD	28/02/2013	29/05/2013	1,000,000	1,000,000	1,000,000	5
National Bank (4.26% 152d)	A1	TD	13/02/2013	15/07/2013	1,000,000	1,000,000	1,000,000	5
National Bank (4.23% 151d)	A1	TD	28/02/2013	29/07/2013	1,000,000	1,000,000	1,000,000	5
National Bank (4.20% 181d)	A1	TD	19/02/2013	19/08/2013	1,000,000	1,000,000	1,000,000	5
National Bank (4.69% 365d)	A1	TD	19/11/2012	19/11/2013	2,000,000	2,000,000	2,000,000	5
National Bank (4.25% 365d)	A1	TD	4/03/2013	4/03/2014	1,000,000	1,000,000	1,000,000	5
St George - div of Westpac (5.10% 273d)	A1	TD	14/08/2012	14/05/2013	1,000,000	1,000,000	1,000,000	5
St George - div of Westpac (5.10% 273d)	A1	TD	21/08/2012	21/05/2013	2,000,000	2,000,000	2,000,000	5
St George - div of Westpac (5.04% 273d)	A1	TD	27/08/2012	27/05/2013	2,000,000	2,000,000	2,000,000	5
St George - div of Westpac (4.28% 365d)	A1	TD	3/12/2012	3/12/2013	1,000,000	1,000,000	1,000,000	5
Bankwest - div of CBA (4.00% 30d)	A1	TD	4/03/2013	3/04/2013	3,000,000	3,000,000	3,000,000	5
CBA FRN (BBSW + 1.05%)	A1	FRN	5/03/2012	24/12/2015	1,000,000	976,400	976,400	2
Sub-total Tier 1 Deposits					17,000,000	16,976,400	16,976,400	
ING Direct (5.12% 244d)	A2	TD	21/08/2012	22/04/2013	1,000,000	1,000,000	1,000,000	5
ING Direct (4.47% 181d)	A2	TD	29/01/2013	29/07/2013	1,000,000	1,000,000	1,000,000	5
ING Direct (4.47% 240d)	A2	TD	4/02/2013	2/10/2013	1,000,000	1,000,000	1,000,000	5
ING Direct (4.30% 242d)	A2	TD	28/02/2013	28/10/2013	1,000,000	1,000,000	1,000,000	5
ING Direct (4.28% 242d)	A2	TD	28/02/2013	28/10/2013	1,000,000	1,000,000	1,000,000	5
Sub-total Tier 2 Deposits					5,000,000	5,000,000	5,000,000	
Bendigo/Adelaide (4.50% 180d)	A3	TD	26/10/2012	24/04/2013	1,000,000	1,000,000	1,000,000	5
Bendigo/Adelaide (4.30% 240d)	A3	TD	11/02/2013	9/10/2013	1,000,000	1,000,000	1,000,000	5
RaboDirect (4.60% 182d)	A3	TD	29/10/2012	29/04/2013	1,000,000	1,000,000	1,000,000	5
RaboDirect (5.05% 271d)	A3	TD	8/08/2012	6/05/2013	1,000,000	1,000,000	1,000,000	5
Suncorp (4.35% 182d)	A3	TD	29/10/2012	29/04/2013	1,000,000	1,000,000	1,000,000	5
Suncorp (4.37% 150d)	A3	TD	29/01/2013	28/06/2013	1,000,000	1,000,000	1,000,000	5
Sub-total Tier 3 Deposits					6,000,000	6,000,000	6,000,000	

Security	Policy Ref	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
Hunter United CU (4.10% 182d)	B	TD	25/03/2013	23/09/2013	250,000	250,000	250,000	5
Sub-total Govt Guaranteed Deposits					250,000	250,000	250,000	
ANZ Bank 11am Call Account	A1	Cash			50,000	50,000	50,000	5
CBA Online Saver	A1	Cash			4,189,002	4,189,002	4,189,002	5
Total Direct Investments					32,489,002	32,465,402	32,465,402	
Total Portfolio					41,986,412	42,018,291	34,976,217	
PORTFOLIO SUMMARISED BY CLASSIFICATION								
CDO					5,750,000	5,782,630	0	
FRN					2,500,000	2,499,250	2,228,370	
Mortgage Backed					1,000,000	1,000,000	435,000	
Managed Fund					1,183,088	1,183,088	819,524	
TD					27,250,000	27,250,000	27,250,000	
Cash					4,243,323	4,243,323	4,243,323	
Other					60,000	60,000	0	
					41,986,412	42,018,291	34,976,217	
<ol style="list-style-type: none"> 1. Book Value (Fair Value) as at 30 June 2012 2. Mark-to-Market Valuation 31 December 2012 3. Defaulted 4. Current Value. Fund Closed - Assets being sold and repaid 5. Face value of deposit / bank bill 								
CDO - Collateralised Debt Obligation					CDOs are constructed from a portfolio of assets. These assets are divided by the issuer into different tranches: senior tranches (rated AAA), mezzanine tranches (AA to BB), and equity tranches (unrated). Losses are applied in reverse order of seniority and so junior tranches offer higher coupons (interest rates) to compensate for the added default risk.			
FRN - Floating Rate Note					Floating rate notes (FRNs) are bonds that have a variable coupon, equal to a money market reference rate, plus a spread. The spread is a rate that remains constant. Almost all FRNs have quarterly coupons, i.e. they pay out interest every three months.			
Managed Fund					Managed Funds are a way of investing money with other people to participate in a wider range of investments than those feasible for most individual investors, and to share the costs of doing so.			
Mortgage Backed Security					A mortgage-backed security is an asset-backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans. Payments are typically made monthly over the lifetime of the underlying loans.			
Term Deposit					Term Deposit is a money deposit at an approved deposit taking (ADT) institution for a fixed term at a fixed interest rate. When the term is over it can be withdrawn or it can be held for another term.			

Investment Policy Compliance Report as at 31 March 2013

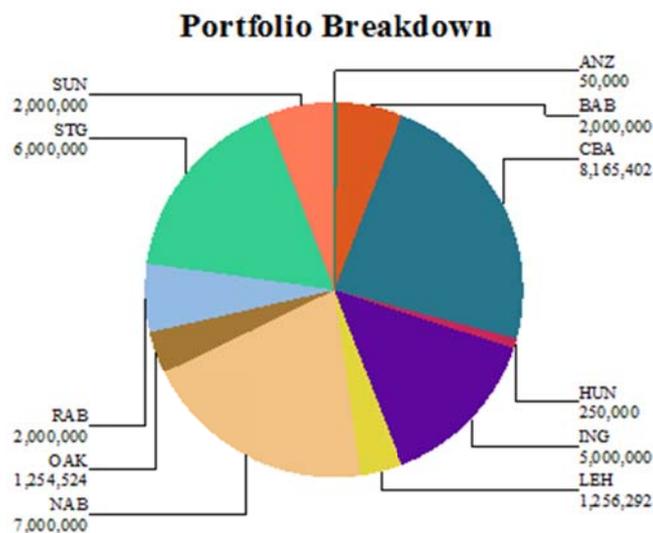
Acct	Bank	Policy Ref.	Policy Limit	Current Holdings	% of Total	Compliance
ANZ	ANZ Bank	TIER1	8,744,054	50,000	0.1%	Complies - \$ 8,694,054 available
BAB	Bendigo Adelaide Bank	TIER3	2,000,000	2,000,000	5.7%	Complies - \$ 0 available
CBA	Commonwealth Bank	TIER1	8,744,054	8,165,402	23.3%	Complies - \$ 578,652 available
HUN	Hunter United Credit Union	GTEE	250,000	250,000	0.7%	Complies - \$ 0 available
ING	ING Direct	TIER2	5,000,000	5,000,000	14.3%	Complies - \$ 0 available
LEH	Lehman Brothers	NA	0	1,256,292	3.6%	Grandfathered - Complies
NAB	National Australia Bank	TIER1	8,744,054	7,000,000	20.0%	Complies - \$ 1,744,054 available
OAK	Oakvale Capital	NA	0	1,254,524	3.6%	Grandfathered - Complies
RAB	Rabo Direct	TIER3	2,000,000	2,000,000	5.7%	Complies - \$ 0 available
STG	St George Bank	TIER1	8,744,054	6,000,000	17.2%	Complies - \$ 2,744,054 available
SUN	Suncorp	TIER3	2,000,000	2,000,000	5.7%	Complies - \$ 0 available
Total Portfolio as at 31 March 2013				34,976,217		

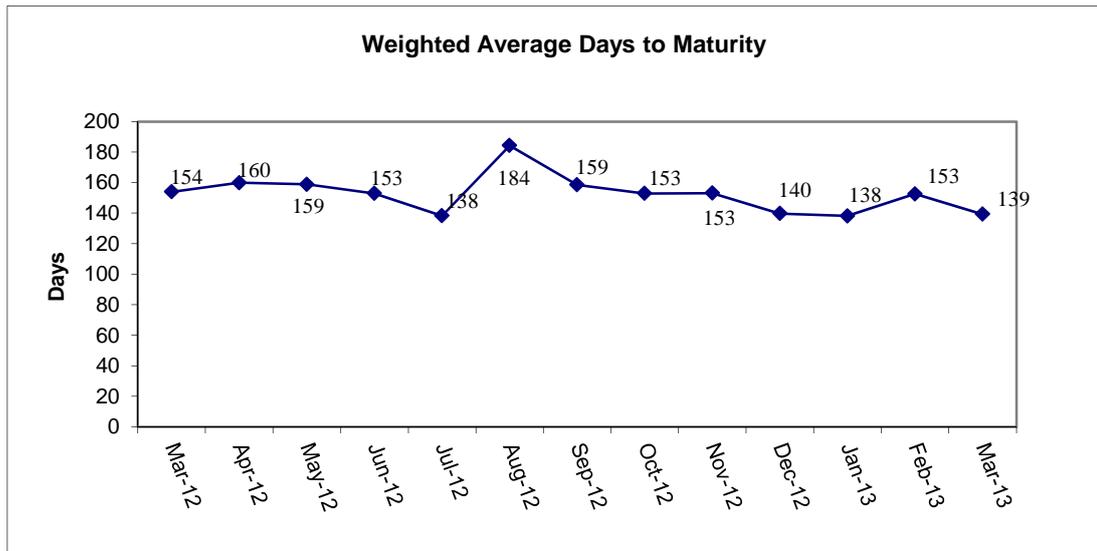
Secondary Compliance for Tier 1 & Tier 2 Investments, maximum term of 12 months

		Maximum Term (Days)	
BAB	Bendigo Adelaide Bank	240	Complies
ING	ING Direct	244	Complies
RAB	Rabo Direct	271	Complies
SUN	Suncorp	182	Complies

Final Compliance, Tier 2 maximum \$10,000,000 invested and Tier 3 maximum of \$6,000,000 invested

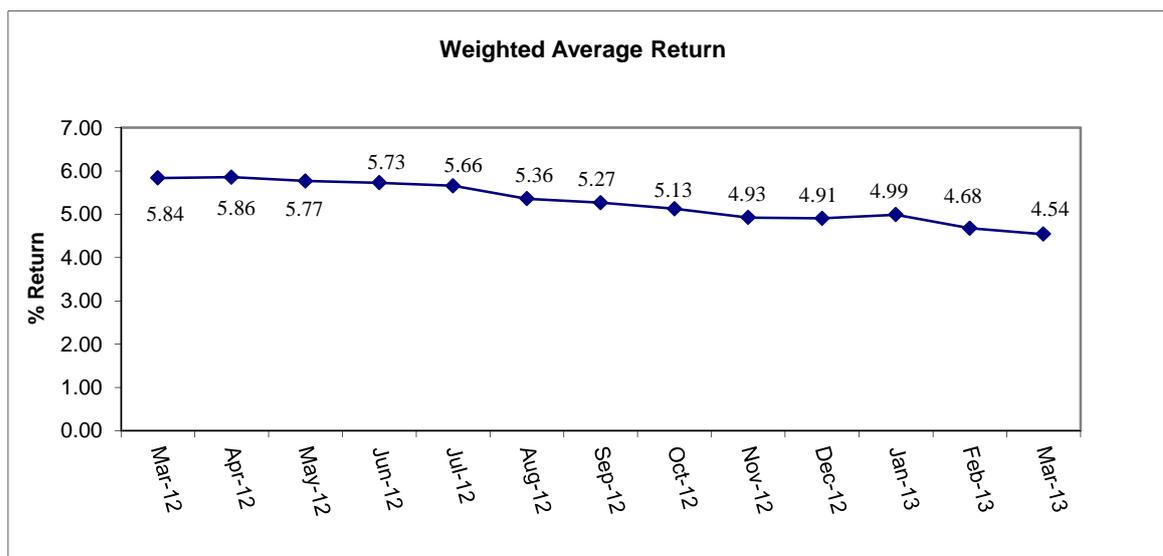
Total Investment in Tier 2 Banks:	5,000,000	Complies - \$5,000,000 available
Total Investment in Tier 3 Banks:	6,000,000	Complies - \$ 0 available





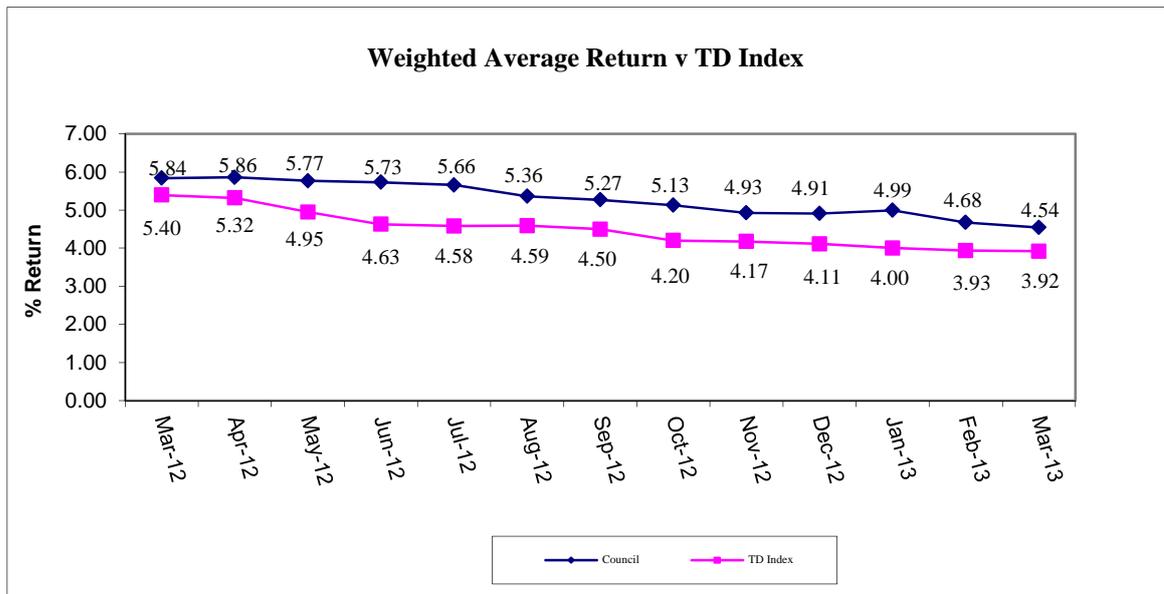
Commentary:

The weighted average days to maturity dropped during the month as the bulk of the maturities (182 day term) were reinvested for the short-term (30 days).



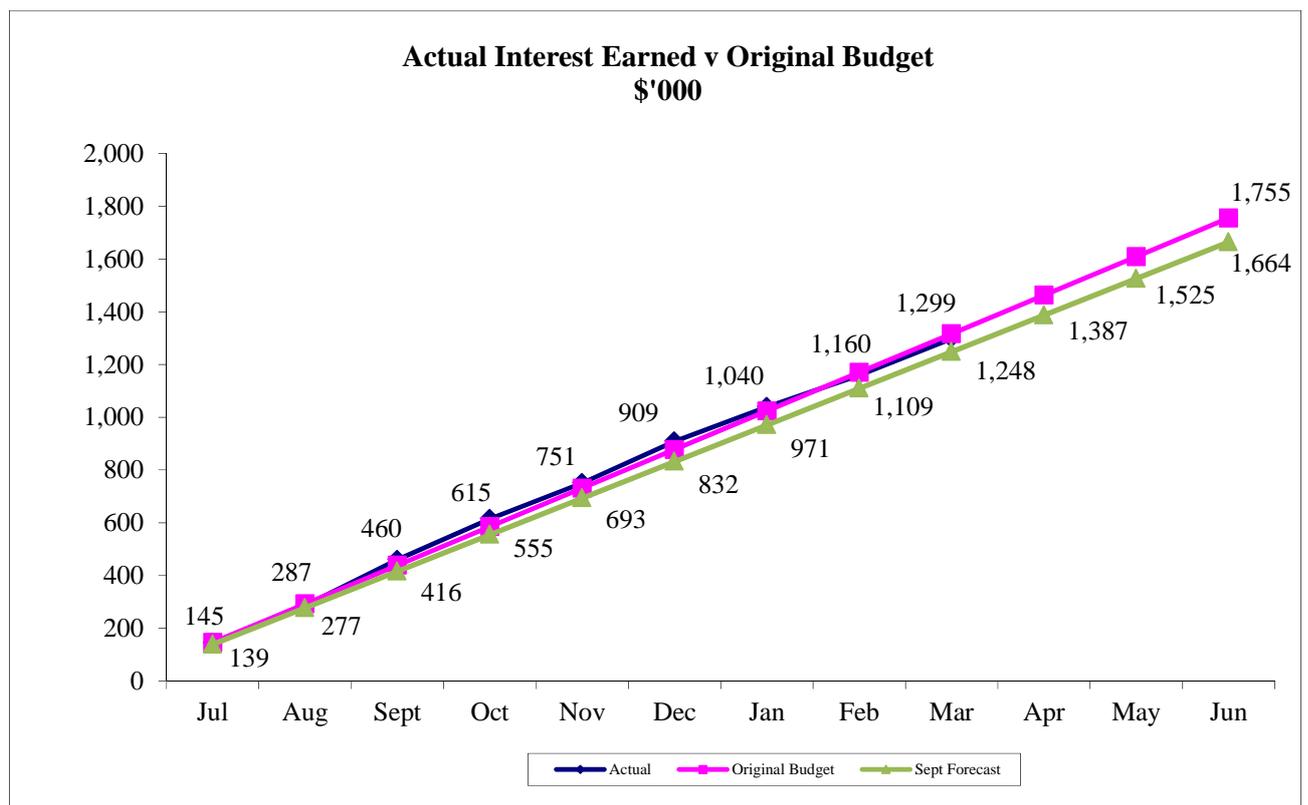
Commentary:

The weighted average return dropped 14 margin points during March with new short-term investments attracting a lower rate of return.



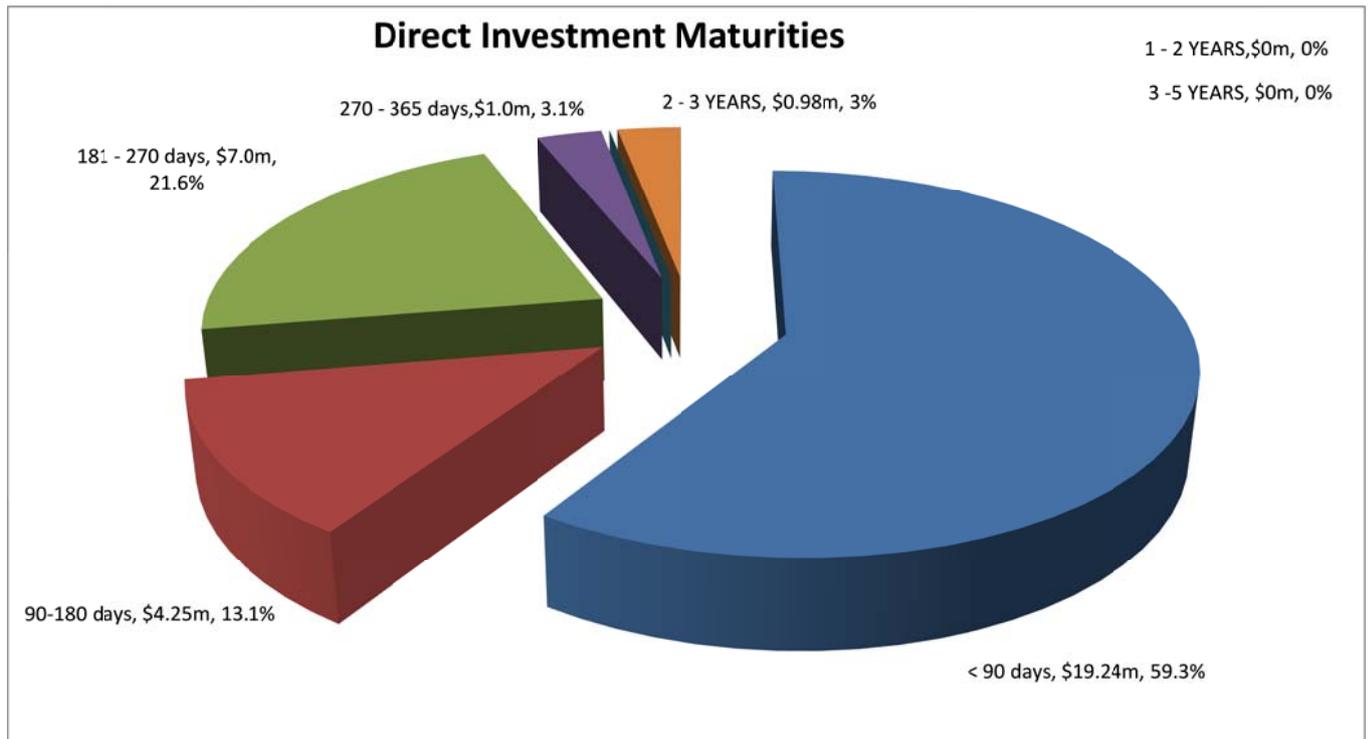
Commentary:

This chart tracks Council’s weighted average return on its direct investment portfolio against a 90 day term deposit index. The weighted average fell again for March to 4.54% but continues to trend above the benchmark of 3.92%.



Commentary:

The Actual v. Budget chart now includes the Original and Revised Budgets and Actuals. Total interest of \$1,299k earned to March is above our revised budget estimate of \$1,248k. This is consistent with having higher than average funds invested following the first three Rates instalments.



Maturity Range	\$M Invested	% of Portfolio
< 90 days	19.24	59.3
90 - 180 days	4.25	13.1
181 - 270 days	7.00	21.6
270 - 365 days	1.00	3.0
1 - 2 years	0.00	0.0
2 - 3 years	0.98	3.0
3 - 5 years	0.00	0.0
	32.47	100.0

Commentary:

The chart and table reflect Council’s position of generally rolling short term investments.

Movements in Book Value of Investments

Formerly managed by Lehman Brothers

Date	Description	Securities	Macquarie Cash Trust Account	UBS Cash Management Trust	Total Book Value
30/06/2012	Balance brought forward	1,997,945.00	2,248.40	67,120.61	2,067,314.01
30/06/2012	Lehman distribution - Lehman Property Note	(8,184.24)			2,059,129.77
30/06/2012	FV Adjustment - Lehman Property Note	8,184.24			2,067,314.01
30/06/2012	Mark-to-Market Valuation adjustment - Dante securities	179,500.00			2,246,814.01
16/07/2012	CBA FRN - quarterly interest			13,100.00	2,259,914.01
17/07/2012	UBS Fee - June '12 qtr management fee			(256.27)	2,259,657.74
24/07/2012	Blackrock cash distribution (all capital) to UBS account			102,012.28	2,361,670.02
25/07/2012	Withdrawal - UBS Cash Management Account			(180,000.00)	2,181,670.02
31/07/2012	July coupons			6,183.01	2,187,853.03
31/08/2012	August coupons			11,342.47	2,199,195.50
31/08/2012	Macquarie Cash Management Account - interest (net)		6.78		2,199,202.28
5/09/2012	Sale of Aphex (Glenelg) CDOs	(300,000.00)			1,899,202.28
5/09/2012	FV Adjustment (BV @ maturity \$0)	300,000.00			2,199,202.28
6/09/2012	UBS Fee - Sept '12 qtr management fee			(241.10)	2,198,961.18
7/09/2012	UBS Fee - Sept '12 qtr management fee			(233.29)	2,198,727.89
21/09/2012	Blackrock cash distribution (all capital) to UBS account			87,439.10	2,286,166.99
25/09/2012	Withdrawal - UBS Cash Management Account			(113,000.00)	2,173,166.99
30/09/2012	September coupons			8,150.52	2,181,317.51
30/09/2012	Interest - UBS Cash Account			228.79	2,181,546.30
30/09/2012	Macquarie Cash Management Account - interest (net)		6.78		2,181,553.08
30/09/2012	Mark-to-Market Valuation adjustment	56,510.00			2,238,063.08
15/10/2012	CBA FRN - quarterly interest			11,400.00	2,249,463.08
16/10/2012	UBS Fee - Sept '12 qtr management fee			(217.37)	2,249,245.71
31/10/2012	October coupons			6,946.32	2,256,192.03
31/10/2012	Macquarie Cash Management Account - interest (net)		6.55		2,256,198.58
8/11/2012	UBS Fee - Dec '12 qtr management fee			(227.38)	2,255,971.20
30/11/2012	November coupons			11,357.26	2,267,328.46
30/11/2012	Macquarie Cash Management Account - interest (net)		6.28		2,267,334.74
10/12/2012	UBS Fee - Dec '12 qtr management fee			(220.94)	2,267,113.80
31/12/2012	December coupons			9,862.10	2,276,975.90
31/12/2012	Interest - UBS Cash Account			129.22	2,277,105.12
31/12/2012	Macquarie Cash Management Account - interest (net)		6.05		2,277,111.17
31/12/2012	Mark-to-Market Valuation adjustment	(12,485.00)			2,264,626.17
15/01/2013	CBA FRN - quarterly interest			10,700.00	2,275,326.17
22/01/2013	UBS Fee - Dec '12 qtr management fee			(232.27)	2,275,093.90
31/01/2013	January coupons			5,041.10	2,280,135.00
31/01/2013	Macquarie Cash Management Account - interest (net)		5.90		2,280,140.90
7/02/2013	UBS Fee - Mar'13 qtr management fee			(236.20)	2,279,904.70
26/02/2013	Sale of Zircon Merimbula CDOs	(240,479.66)		240,479.66	2,279,904.70
26/02/2013	FV Adjustment (BV @ maturity \$125,000)	115,479.66			2,395,384.36
26/02/2013	Sale of Zircon Coolangatta CDOs	(989,753.82)		989,753.82	2,395,384.36
26/02/2013	FV Adjustment (BV @ maturity \$500,000)	489,753.82			2,885,138.18
26/02/2013	Sale of Beryl CDOs	(503,969.75)		503,969.75	2,885,138.18
26/02/2013	FV Adjustment (BV @ maturity \$319,500)	184,469.75			3,069,607.93
26/02/2013	Sale of Zircon Miami CDOs	(53,546.55)		53,546.55	3,069,607.93
26/02/2013	FV Adjustment (BV @ maturity \$25,000)	28,546.55			3,098,154.48
27/02/2013	Withdrawal - UBS Cash Management Account			(1,850,000.00)	1,248,154.48
28/02/2013	February coupons			9,997.53	1,258,152.01
28/02/2013	Macquarie Cash Management Account - interest (net)		5.85		1,258,157.86

Formerly managed by Lehman Brothers

Date	Description	Securities	Macquarie Cash Trust Account	UBS Cash Management Trust	Total Book Value
11/03/2013	UBS Fee - Feb '13 management fee			(218.29)	1,257,939.57
20/03/2013	Blackrock cash distribution (all capital) to UBS account			204,024.56	1,461,964.13
21/03/2013	Withdrawal - UBS Cash Management Account			(206,000.00)	1,255,964.13
22/03/2013	Sale of Helium Esperance CDOs	(348,657.71)		348,657.71	1,255,964.13
22/03/2013	FV Adjustment (BV @ maturity \$0)	348,657.71			1,604,621.84
25/03/2013	Withdrawal - UBS Cash Management Account			(358,000.00)	1,246,621.84
31/03/2013	March coupons			9,296.81	1,255,918.65
31/03/2013	Interest - UBS Cash Account			367.73	1,256,286.38
31/03/2013	Macquarie Cash Management Account - interest (net)		5.32		1,256,291.70
		1,251,970.00	2,297.91	2,023.79	

Formerly managed by Oakvale Capital

		Securities	Blackrock Managed Fund	Total Book Value
30/06/2012	Balance brought forward	450,000.00	1,230,833.63	1,680,833.63
30/06/2012	Mark-to-Market Valuation Adjustment	(15,000.00)	(17,834.07)	1,647,999.56
24/07/2012	Blackrock capital distribution		(102,012.28)	1,545,987.28
21/09/2012	Blackrock capital distribution		(87,439.10)	1,458,548.18
20/03/2013	Blackrock capital distribution		(204,024.56)	1,254,523.62
		435,000.00	819,523.62	

Direct Investments

		Securities	Total Book Value
30/06/2012	Balance brought forward	976,000.00	976,000.00
30/06/2012	FV Adjustment CBA FRN	400.00	976,400.00
		976,400.00	

Commentary:

The table above details any movements in Council's portfolio formerly managed by Lehman Brothers and Oakvale Capital along with Council's direct investment floating rate note. It typically includes the maturity or sale of securities, quarterly coupon payments and fair value (market) adjustments. It will also include small payments of interest earned on Council's cash management accounts and the deduction of fees associated with Council's current safe custody arrangements.

Council received all expected coupon payments for the month of March and there were no further defaults.

Arrears of Rents & Fees

The table below summarises the arrears (greater than 30 days) of rents and fees as at 31 March 2013. The Corporate & Works Committee has previously requested that this information be provided on a quarterly basis along with details of any outstanding debts greater than \$50,000.

Further, when last considering the quarterly arrears of debtors update, the Committee requested that comparative information be provided. Additional columns have been included in the table that provide the previous quarter's figures and the same quarter last year.

		ARREARS								
Type	Total Collectible (12/13 Revenue + Arrears)	> 30 days			> 60 days			> 90 days		
		Mar '13	Dec '12	Mar '12	Mar '13	Dec '12	Mar '12	Mar '13	Dec '12	Mar '12
		General	7,594,227	175,066	68,468	111,478	15,371	30,490	19,689	84,809
% of Total Revenue		2.8%	1.5%	1.8%	0.2%	0.7%	0.3%	1.4%	1.8%	1.4%
Environmental Health	98,914	1,643	14,292	1,680	820	2,462	80	22,820	14,048	17,656
% of Total Revenue		2.3%	16.1%	1.8%	1.2%	2.8%	0.1%	32.4%	15.9%	19.4%
Preschool	667,758	70,047	62,052	3,906	1,415	0	0	12,846	11,557	41,106
% of Total Revenue		12.1%	13.3%	0.5%	0.2%	0.0%	0.0%	2.2%	2.5%	5.4%
Trade Waste	1,830,110	38,077	39,461	72,474	12,888	12,839	150	21,862	21,826	60,979
% of Total Revenue		2.4%	3.2%	4.1%	0.8%	1.0%	0.0%	1.4%	1.8%	3.5%
Total	10,191,009	284,833	184,273	189,538	30,494	45,792	19,919	142,337	127,760	206,579
% of Total Revenue		3.4%	3.0%	2.2%	0.4%	7.0%	0.2%	1.7%	2.1%	2.4%

The aging in the above table is based on invoice date. Included in the greater than 30 days arrears in General debtors is a \$138k grant payment due before financial year end. Excluding this, arrears greater than 30 days would be only \$37k.

The amount outstanding for greater than 90 days under the heading of 'Environmental Health' has increased since last quarter and comprises 112 individual debtors (81 last quarter) relating to health inspection fees which are extremely difficult to recover cost effectively. Of the 112 individual debtors, 71 are for amounts of less than \$200 (66 last quarter).

The Preschool fee debts greater than 30 days will quickly reduce with the commencement of the new term, these fees relate to Term 2 for 2013.

Outstanding Rents and Fees Debts greater than \$50,000

There were no outstanding rent and fees debts greater than \$50,000 as at 31 March 2012.

Don Johnston
Manager - Finance

Stephen Dunshea
Director Corporate Services

Annexures:

Nil.

Item No: D3 Delegated to Council
Subject: **Roads & Maritime Services Reclaimed Land In Woollahra LGA**
Author: Zubin Marolia. Manager – Property and Projects
File No: 228.G Part 3.
Reason for Report: To advise Council of the intention of Roads & Maritime Services to commence negotiations to sell eight (8) parcels of surplus foreshore reclaimed land within the Woollahra Council Local Government Area.

Recommendation:

That Council note the Roads & Maritime Services intention to commence negotiations for the sale of eight (8) parcels of surplus foreshore reclaimed land within the Woollahra Council Local Government Area as identified in the annexures.

Background:

Council was contacted by Mr Dennis Buttigieg A/Principal Manager Property Projects, Roads & Maritime Services, to discuss the current procedure used by Roads & Maritime Services (RMS) for dealing with requests from waterfront property tenants who apply to purchase foreshore reclaimed land that they currently lease from Roads & Maritime Services.

Upon receipt of an application to purchase foreshore reclaimed land, RMS conducts an “initial assessment” of applications according to the following criteria;

1. Any potential contribution of the reclamation to the working harbour;
2. Any maritime safety issues; and
3. Any alternative public uses of the land, including the potential (if any) for increased public foreshore access.

If the sale of a parcel of reclaimed land to the adjoining land owner compromises the above criteria, RMS would not proceed to offer the land for sale.

RMS has advised Council that these eight parcels of surplus foreshore reclaimed land are land locked and offer no prospect of improving public foreshore access (Annexure 1).

Listed below are the eight (8) parcels of surplus foreshore reclaimed land within the Woollahra Council Local Government Area which are the subject of RMS negotiations.

1. 11 Coolong Road, Vacluse. (Annexure 2).
2. 3 Loch Marie Place, Vacluse. (Annexure 3).
3. 96 Wolseley Road, Point Piper. (Annexure 4).
4. 60 Wunulla Road, Point Piper. (Annexure 5).
5. 3 Wolseley Crescent, Point Piper. (Annexure 6).
6. 21 Wunulla Road, Point Piper. (Annexure 7).
7. 35 Wunulla Road, Point Piper. (Annexure 8).
8. 43 Wunulla Road, Point Piper. (Annexure 9).

Conclusion:

Roads & Maritime Services have as a courtesy, notified Council of their intention to commence negotiations to sell eight (8) parcels of surplus foreshore reclaimed land within the Woollahra Council Local Government Area. No permission is being sought from Council in relation to the possible sale to the adjoining property owners.

Roads & Maritime Services have also determined that these parcels are land locked and offer no prospect of improving public foreshore access.

Tony Myers
Casual Property Officer

Zubin Marolia
Manager -Property & Projects

Tom O'Hanlon
Director, Technical Services

Annexure:

1. List of applications to purchase reclaimed land – Woollahra.
2. Plan of 11 Coolong Road, Vaucluse.
3. Plan of 3 Loch Marie Place, Vaucluse.
4. Plan of 96 Wolseley Road, Point Piper.
5. Plan of 60 Wunulla Road, Point Piper.
6. Plan of 3 Wolseley Crescent, Point Piper.
7. Plan of 21 Wunulla Road, Point Piper.
8. Plan of 35 Wunulla Road, Point Piper.
9. Plan of 43 Wunulla Road, Point Piper.

Item No: D4 Delegated to Committee
Subject: **52 Mona Road, Darling Point - Proposed Road Closure and Sale**
Author: Anthony Sheedy, Property Officer
File No: 315.52
Reason for Report: To give consideration to the closure and subsequent sale of road reserve portion adjoining the property.

Recommendation:

- A. That the subject portion of Wolseley Road reserve adjoining 52 Mona Road, Darling Point, be valued for its current market sale price.
- B. That a further report be submitted, following part A above.

Background:

The Corporate and Works Committee considered this matter on 11 February 2013, where it was resolved:

- A. *That the proposal to sell a section of road reserve adjoining 52 Mona Rd, Darling Point, be advertised and notified to adjoining properties.*
- B. *That a further report be submitted, following part A above.*

Council has received a request from the owner of 52 Mona Road, Darling Point to purchase a rectangular shaped portion of Loftus Road reserve, adjoining the rear boundary of their property.

The subject land is shown in detail on the attached sketch plan drawing of Hill & Blume Surveyors (Annexure 1&2). This adjoining road reserve area is an estimated 63 square metres in size, subject to final survey, and consists of a medium rise sandstone retaining wall, and garden landscaping. The owner of No 52 has confirmed that they want to purchase the subject land for consolidation with their existing land parcel and building.

The Council's Team Leader, Infrastructure Assets Management inspected the subject land and confirmed that there are no Council assets within the subject land except for the retaining wall itself and confirmed that they have no objection to disposing of this piece of land; provided the retaining wall bordering the roadway in this land be attached to the title, and ownership is transferred to the purchaser. The owner of 52 Mona Road has agreed to include the sandstone retaining wall in the purchase of the road reserve portion.

Advertisement:

Pursuant to the Council resolution of 11 February 2013, an advertisement was placed in the Wentworth Courier of 27 February 2013 and on Council's web site home page under the "Have your say" section; calling for any submissions to be made within 28 days of the date of public notice. Adjoining neighbours within 50 metres of the subject land were also sent a letter of Notice, including a plan which detailed Council's proposal to close and sell the road reserve portion to the adjoining owner of 52 Mona Road, Darling Point.

During the advertisement period, a single letter of objection was received from the resident owners of Unit 2 at 50 Mona Road. This resident was concerned “that the purchase is intended to allow 52 Mona Rd to be Redeveloped or extended beyond its existing building alignment. This would seriously affect our privacy by allowing our terrace to be on View to our neighbour at any time.”

Prior to the public advertisement period and as a result of the initial site inspection Notice, Council’s Property staff have also received a letter of objection to the sale proposal from the Unit 3/ 50 Mona Rd owner, including a telephone call from the owners of Unit 1/ 50 Mona Rd. The owner of Unit 3 expressed the same concerns of Unit 2 in regards to the proposal. The owner of Unit 1 also had reservations about overshadowing and privacy issues as a result of site redevelopment, following sale of the road reserve.

Unit 1 owner attended the site inspection in February and spoke to Councillors and the owner of No 52. Both owners of Unit 1 and 3 were subsequently sent direct Notice of the advertisement, but have not written or contacted Property staff during the 28 day advertisement period, about any further enduring concerns or objection to the proposal.

In regard to the objection of Unit 2/ 50 Mona Rd about overshadowing and privacy concerns, I note that the Council’s Director of Planning and Development has advised that restrictive covenants attached to the sale and limiting development are unnecessary; as Council has adequate residential controls for privacy and overshadowing in the form of its Local Environment Plan and residential development controls instruments. These controls will be effectively utilised during the assessment of any future development application made by the owner of 52 Mona Road.

Given that we have only received a single objection to the proposal during the advertisement period, Property staff recommend that the owner purchases the land at the current market sale price as determined by valuation; in accordance with the policy and procedures for the Sale of Council land; and a further report be submitted.

The owner of 52 Mona Road has agreed to pay all Councils costs in connection with the purchase.

Conclusion:

During the 28 day public advertisement of the proposal to close the subject portion of road reserve and sell it the adjoining owner of 52 Mona Road, only one objection was received by Council’s Property staff. This objection was in regards to the possible redevelopment of the site giving overshadowing and privacy concerns.

Council has adequate residential development controls including those for privacy and overshadowing; and these will be effectively utilised during the assessment of any future development application by the owner of 52 Mona Road.

The possibility of any future road widening in this street has been diminished because the neighbour property owners of 44 & 48 Mona Road have already purchased road reserve fronting their property. It is therefore considered appropriate that the owner purchases the subject road reserve land at the current market price, as determined by an independent valuation.

In accordance with Council’s Policy and Procedure for the Sale of Council Land, it is recommended that the subject road reserve portion be valued for its current market sale price; and a further report be submitted.

Anthony Sheedy
Property Officer

Zubin Marolia
Manager Property & Projects

Tom O'Hanlon
Director, Technical Services

ANNEXURE:

1. Sketch Plan drawing of Hill & Blume Surveyors dated 11 October 2010 showing the subject road reserve for sale.
2. Cadastral Plan and Aerial view of Loftus Rd, Darling Point showing area of proposed road sale and neighbouring properties.

Item No: D5 Delegated to Committee
Subject: **152 Wolseley Road, Point Piper - Proposed Road Closure and Sale**
Author: Anthony Sheedy, Property Officer
File No: 503.152
Reason for Report: To give consideration to the closure and subsequent sale of road reserve portion adjoining the property.

Recommendation:

- A. That the subject portion of Wolseley Road reserve adjoining 152 Wolseley Road, Point Piper, be valued for its current market sale price.
- B. That a further report be submitted, following part A above.

Background:

The Corporate and Works Committee considered this matter on 11 February 2013, where it was resolved:

- A. *That the proposal to sell a section of road reserve adjoining 152 Wolseley Rd, Point Piper, be advertised and notified to adjoining properties.*
- B. *That a further report be submitted, following part A above.*

Council has received a request from the owners of 152 Wolseley Road, Point Piper to purchase a rectangular shaped portion of Wolseley Road reserve which adjoins their property (Annexures 1 & 2).

The subject land is shown on the attached Architect's plan drawing (Annexure 3). This road reserve area is an estimated 140 square metres in size subject to final survey, and is made up of that area bound by the proposed extension of the side boundary alignment through to the footpath. The subject road reserve has been alienated from Wolseley Road by brush fencing and a security gate. It contains encroaching building structures of No 152, and includes a hardstand area on paving stones, low rise rendered retaining walls and extensive garden landscaping.

The owners wish to purchase the subject road reserve to formalise the existing encroachment plus make minor alteration to the encroaching building structure and the hardstand area pursuant to the Development Application DA 220/2012/1 which is for "alteration and additions to the existing dwelling-house, garaging and swimming pool". DA 220/2012/1 was determined on 9 August 2012 and in accordance with consent condition A.5 "a legal agreement is to be entered into by the person with benefit of this consent for occupation of the road, construction and ongoing maintenance for the structures."

The DA stated that the legal agreement is to be in accordance with Council's "Policy for managing encroachments on Council road reserves, the existing and proposed encroachments must be formalised by purchase of the subject road reserve, or entering into an easement permitting the encroaching structures to remain, or removed from the road reserve."

Engineering Services staff have inspected the subject land and advised that there are no Council drainage assets within the subject parcel of road reserve. They have no objection to the proposal to close and dispose of this portion of road reserve, subject to the provision of a rectangular area of road reserve setback 1.5m from the road kerb for a pedestrian footpath. The owners have agreed to this condition, thus allowing for future pedestrian access along Wolseley Road.

Pursuant to DA 220/2012/1 consent conditions the owners have been granted staged development consent in condition (A.5) subject to formalising the encroachments by purchase of the subject road reserve portion, or failing that entering into an easement and positive covenant arrangement with Council which permits the proposed structures in the road.

The owners have agreed to pay all Council's costs in connection with the options for purchase of the subject road reserve portion, or entering into an easement/ positive covenant with Council.

Advertisement:

Pursuant to the Council resolution of 11 February 2013, an advertisement was placed in the Wentworth Courier of 27 February 2013 and on Council's web site home page under the "Have your say" section; calling for any submissions to be made within 28 days of the date of public notice. Adjoining neighbours within 50 metres of the subject land were also sent a letter of Notice, including a plan which detailed Council's proposal to close and sell the road reserve portion to the adjoining owner of 152 Wolseley Road, Point Piper.

During the advertisement period, a single letter of objection was received from a Double Bay resident subject to Council's Property staff provision of further information. The requested information was sent to the resident, and they were provided additional details in relation to possible alternative uses for the road reserve, an estimate of land value, and Council's valuation process. The resident stated that it was "critical that the valuation be made on the basis of what the land is worth to the adjoining landowner and not as a stand-alone piece of land." I note that it is already Council process to obtain the "add on" value of the land when determining the sale price, which does consider its worth to the adjoining owner.

Given that we have only received a single objection to the proposal during the advertisement period, and that this is about ensuring Council considers the "add on" value to the adjoining owner when determining the sale price; Property staff recommend that the existing encroachments are formalised by the owner purchasing the land at the current market sale price as determined by valuation, in accordance with the procedures for the Sale of Council land; and a further report be submitted.

The owner of 152 Wolseley Road, Point Piper has agreed to pay all Council's costs (including valuation) in connection with the purchase of the subject road reserve portion.

Conclusion:

The owner wishes to purchase the subject road reserve to formalise the existing encroachment plus make minor alteration to the encroaching building structure and the hardstand area pursuant to the DA 220/2012/1 consent conditions.

Engineering Services staff have inspected the subject land and advised that they have no objection to the proposal to close and dispose of this portion of road reserve, subject to the provision of a rectangular area of road reserve 1.5m setback from the road kerb for future pedestrian footpath/nature strip. The Owner has agreed to this condition.

Following the 28 day public advertisement of the proposal to close the subject portion of road reserve and sell it the adjoining owner of 152 Wolseley Road; only one objection was received by Council's Property staff. The objector wants to ensure that Council obtains a sale price for the road reserve having full regard of its value to the adjoining owner. It is already Council process to obtain the "add on" current market value of road reserve to be sold to the adjoining owner.

In accordance with Council's Policy and Procedure for the Sale of Council Land, it is recommended that the subject road reserve portion be valued for its current market sale price; and a further report be submitted.

Anthony Sheedy
Property Officer

Zubin Marolia
Manager Property & Projects

Tom O'Hanlon
Director, Technical Services

ANNEXURE:

1. Cadastral plan of Wolseley Road, Point Piper showing the proposed road reserve purchase and neighbouring properties.
2. Aerial view of Wolseley Road, Point Piper showing the proposed road reserve purchase and neighbouring properties
3. Architectural plan drawing showing proposed constructions on Wolseley Road reserve.

Item No: D6 Delegated to Committee
Subject: **Kiaora Lands Development**
Author: Stephen Dunshea - Director Corporate Services
Tom O'Hanlon – Director Technical Services
File No: 1209.G Part 3
Reason for Report: To present the Corporate & Works Committee with details of the commercial terms of the Public Private Partnership agreement with Woolworths Ltd for the Kiaora Lands Development.

Recommendation:

- A. THAT the Committee receive and note the report on the commercial terms of the Public Private Partnership agreement with Woolworths Ltd for the Kiaora Lands Development project.
- B. THAT the Committee receive a further report in conjunction with Council's draft 2013/14 Budget in relation to the financing of Council's equity contribution to the Kiaora Lands Development.

Background:

Council's Strategic & Corporate Committee received two reports on 31 August 2009 in relation to the Kiaora Lands Public Private Partnership (PPP) Development project with Woolworths Ltd. The first of those reports was presented in the open session of the meeting and formed the basis of a public briefing paper in relation to the development.

The second of the reports was presented to the Strategic & Corporate Committee in a confidential session of the meeting as it contained the detailed commercial terms of the PPP which at the time remained commercial-in-confidence.

The Council subsequently resolved as follows on 14 September 2009 in relation to the reports presented to the Strategic & Corporate Committee:

- A. *That Council note the proposal received from Woolworths Ltd dated 21 August 2009, and provided as Confidential Annexure 1 to this report, for the redevelopment of its supermarket complex in Double Bay and adjacent land holdings, including Council land holdings*
- B. *That Council note the Evaluation Report on the Woolworths proposal received from CBRE Richard Ellis and provided as Confidential Annexure 2 to the report.*
- C. *That Council note the presentation on the proposal provided to the Strategic & Corporate Committee from CBRE Richard Ellis.*
- D. *That, subject to planning considerations which are reserved, Council agree in-principle to progress a Public Private Partnership arrangement with Woolworths Ltd for the redevelopment of the subject Kiaora Lands in accordance with the commercial terms provided with the Woolworth letter dated 21 August 2009 and advice be provided to Woolworths Ltd accordingly.*

- E. Council note that in order for the proposed Public Private Partnership (PPP) arrangement to be formally established, a range of processes need to be progressed and concluded, including a site rezoning, finalisation and agreement of design, Development Application approval, review and approval of the PPP in accordance with the Department of Local Government's PPP Guidelines and preparation and execution of comprehensive legal documentation.*
- F. That Council proceed with the preparation of a comprehensive Public Private Partnership submission in relation to the proposal to be forwarded to the Department of Local Government for assessment.*
- G. That Woolworths be invited to proceed with the preparation of the appropriate legal agreements necessary to reflect the proposed financial arrangements outlined in the report and that protect Council's interest and demonstrate the community benefits of the development.*
- H. That confidential Attachment 1 to 4 remain confidential and that confidential Attachment 5, being the public briefing paper on the proposal, now be released to the public.*
- I. That in view of the debt to be taken on and increased debt servicing that Council consult with its bankers to ensure that the debt proposed and any associated proposals will not affect the Council's borrowing capacity for potential future capital works.*

Subsequent reports to the Corporate & Works Committee have kept Council informed of the progress of the successful submissions to the Division of Local Government's PPP review committee and the preparation of a comprehensive suite of legal documents that support the commercial terms of the PPP. The legal documents were prepared by Council's lawyers, Gilbert & Tobin and were presented to Council in October 2011. The legal documents comprise the following:

- Development Deed, with the attached documents;
 - Independent Certifier's Deed
 - Stage One Sale Contract
 - Stage Two Sale Contract
 - Supermarket Lease
 - Thomas Dux Lease
 - Right of Footway
- Loan Facilities Agreement
- Call Option Deed
- Lease Incentive Deed

Accompanying the suite of legal documents was a letter from Gilbert & Tobin certifying that in their opinion, the legal documents:

- are consistent with the Commercial Terms dated 25 August 2009 (which were reported to Council in August 2009)
- address the recommendations made by the Division of Local Government in their letter of 8 February 2011
- address the risks identified in the Risk Management Plan prepared by CBRE dated March 2010

Council subsequently resolved as follows in respect of the legal documents on 31 October 2011:

- A. *That the certification from Gilbert & Tobin Lawyers that the legal documents protect the Council's interests be noted.*
- B. *That Council authorise the Mayor and General Manager to sign and affix the seal of the Council to all the legal agreements, including land transfers and consolidation plans between Council and Woolworths Pty Ltd, in relation to the development of Kiaora Lands Development, Double Bay.*
- C. *That Council enter into a licence agreement with Jemena Gas Networks Pty Ltd, for the continued presence, use operation, repair and maintenance of the gas main on the land during the development.*
- D. *That Council authorise the Mayor and General Manager to sign and affix the seal of the Council to all necessary legal documentation, including consolidation and road closure plans, to affect the Road Closure.*
- E. *That the confidential report and annexures remain confidential until such time as the legal agreements are signed by both parties.*
- F. *That Council notes the further report from the General Manager dated 25 October 2011 in respect of funding options for any shortfall in funding Council's equity contribution, cost of the Library fitout and ESD elements of the development.*
- G. *That Council agrees to receive further detailed reports on each of the elements referred to in Recommendation F above as the Kiaora Lands Development progresses.*

The legal documents were subsequently signed in accordance with the above Council resolution.

Preliminary Construction work on Stage 1 of the Kiaora Lands Development commenced on-site in January 2013.

The purpose of this report is to acquaint the new Council with details of the commercial terms of the PPP with Woolworths Ltd and to foreshadow matters to be considered in respect of funding Council's equity contribution, the Library fit-out and the ESD elements of the development.

As will be discussed later in the report, whilst presenting these matters for consideration in conjunction with the preparation of Council's 2013/14 budget, they are not matters that require immediate resolution in order for Council to finalise its budget for next year. Further consideration will be given to the finalisation of a financing strategy for Council's equity contribution to the Kiaora Lands development as Council reviews its long term financial plan over the coming months.

The Development:

By way of letter dated 21 August 2009, Woolworths Ltd presented Council with a formal proposal for the redevelopment of various parcels of land owned by Woolworths and Council around Kiaora Lane in Double Bay. The Woolworth proposal resulted from extensive negotiations undertaken between Woolworths, Council's senior staff, and Council's specialist property consultants CBRE Richard Ellis. Council's specific objectives for the Kiaora Lands Development during the negotiations included:

- Council ownership of the development upon completion.
- That the project be self-funding after debt repayment for the purchase of the completed project.
- A net present value outcome which reflects the Council's land contribution to the project.

- Project delivery risk to be borne by Woolworths Ltd.
- A new purpose built library, public domain works, additional public car parking, commercial and retail offerings.

Councillors would be aware that Woolworths had presented previous proposals to Council in relation to the redevelopment of its supermarket complex in Double Bay and adjacent land holdings, but these proposals did not proceed for project viability reasons, including costs associated with in-ground car parking construction.

The proposal presented to Council in August 2009 sees Woolworths developing a new supermarket complex on their extended landholdings as well as Council's land, with the redeveloped site transferring to Council's ownership upon completion. As reported to Council in August 2009, the development enhances the value of Council's land contribution and increases the options available for Council to achieve a well-designed, high quality integrated local precinct and including a new purpose built Council Library.

The redevelopment is proposed to progress in the following two stages:

Stage 1

Stage 1 is the Kiaora Lane carpark site and comprises:

- | | |
|---------------------------|------------|
| • Woolworths Supermarket | 4,961 m2 |
| • Dan Murphys Liquor | 1,181 m2 |
| • Thomas Dux Grocer | 1,135 m2 |
| • Speciality retail space | 326 m2 |
| • Commercial office space | 1,773 m2 |
| • Car Parking | 442 spaces |

The commercial terms fix the value of the Stage 1 development at \$58.25 million, excluding the value of Council's land, which was valued at approximately \$20 million at the time of the negotiations. Stage 1 construction has commenced with an expected completion date of May 2014. At this point, Woolworths have announced that they intend to keep the existing Woolworths supermarket open during the construction of Stage 1.

Stage 2

Stage 2 is the New South Head Road site (the current Woolworths site) and comprises:

- | | |
|--|----------|
| • Purpose built Council Library | 2,170 m2 |
| • Commercial Tenancies | 1,418 m2 |
| • Specialty Retail Tenancies | 1,855 m2 |
| • Public Arcade between Kiaora Lane and New South Head Road. | |

The commercial terms fix the value of the Stage 2 development at \$35.5 million with construction proposed to commence, at this stage, upon the completion of Stage 1 and take 12 month to complete. This would see the entire development completed by May/June 2015.

It should be noted however that the legal agreements provide for Woolworths to elect to undertake Stage 2 construction concurrently with Stage 1. At this point Woolworths have provided no indication of any intention to construct the two stages concurrently.

More specifically, the Kiaora Lands Development involves:

- New supermarket at first floor level over most of the consolidated site accessed by travelators from the Kiaora Lane entry level.
- Car parking at ground level over most of the consolidated site with specialty retail and supermarket entry to/from Kiaora Lane.
- Car parking on the roof of the supermarket with pedestrian travelator access to the supermarket.
- New four level retail and commercial office development, including a new purpose designed public library and public arcade connecting the supermarket with New South Head Road on the site of the existing Woolworths.
- Upgraded public domain around the development including a public plaza connecting the Stage 1 and Stage 2 developments.
- The project requires the closure of Patterson Street near midway between Manning Road and Anderson Street, and closure of Anderson Street north of the rear boundaries of the properties with frontage to Court Road.

Upon completion, the project value is in the order of \$115 million dollars with CBRE estimating an annual turnover of approximately \$100 million. By comparison, the current Woolworths centre is achieving a turnover of some \$55 million. The development is anticipated to employ some 54 people during construction and approximately 289 full time equivalent positions upon completion.

CBRE further advise that by Year 6 of trade, the estimated asset value of Council's asset to be in the order of \$134m, well in excess of the total project value and the associated debt.

Council established the following triple bottom line objectives for the project. These objectives were of primary consideration during the commercial negotiations with Woolworths in terms of the quality of buildings, configuration of uses within the precinct, public domain and total development costs.

Commercial Objectives

- Structure the project delivery to enable Council to be the ultimate owner of the completed redevelopment including the New South Head Road property.
- Achieve a return for Council which appropriately reflects its land contribution, opportunity cost of funds and identified project risks.
- Achieve a positive cash flow after project financing based on lease structures which underwrite project funding and value growth throughout the project life.
- Contribute to the revitalisation of Double Bay.

Social Objectives

- Provide a modern integrated retail and community centre based on a new library and public car parking to meet expectations of the local population.
- Development of pedestrian linkages and public domain to attract and retain local users.

Environmental Objectives

- Design and development of buildings representing appropriate ESD initiatives
- A set of design and development outcome requirements has been provided to Woolworths by Council

Detailed information regarding the development, including concept design plans and a 'fly-through' video of the development is available on a dedicated Kiaora Lands page on Council's website. This information will be updated regularly as construction progresses.

The Commercial Terms:

A comprehensive evaluation report on the Woolworths proposal prepared by Council's specialist consultants, CBRE Richard Ellis, was presented to Council in conjunction with the reports to the August 2009 Strategic & Corporate Committee meeting. The Evaluation Report outlined:

- Council's key project objectives
- Project proposal, evaluation and concept
- Council's estimated financial position – including detailed financial modelling for 80 years
- Key project risks and management
- Council, Community and State Government benefits

A copy of the CBRE evaluation report can be made available to Councillors upon request.

A summary of the key commercial terms of the PPP agreement follows:

- Council provides land on Kiaora Lane, Kiaora Road and Anderson Street with a value in the range of \$20 million, given it is encumbered by the requirement to replace the existing car parking.
- Council closes sections of Anderson Street and Patterson Street for the project, with a value of \$3 million for the purposes of redevelopment.
- Council provides \$17 million equity funding towards Stage 2 of the development being the New South Head Road retail / library / office uses project.
- Council debt funds the acquisition of the net project cost of \$58.25 million for Stage 1 development and a further \$18.5 million debt funding for the New South Head Road project.
- Woolworths will provide a fixed interest loan of \$76.75 million at an interest rate of 7.5% locked for the 27 year loan period of principal and interest repayments, after an initial 2 year interest only loan servicing period.
- Council retains the right to seek a better interest rate and not be bound by the Woolworths loan offer.
- Woolworths bear construction cost delivery risk, subject to any scope changes by Council
- Woolworths Tenancies guaranteed at \$4.2 million base (per annum) with an additional turnover component for the lease term(s) for the term of the lease.
- The lease terms for the Woolworths supermarket and other Woolworths' tenancies are 30 years (initially) with five 10 year options to extend.
- Council will pay for the outgoings from the rent it receives from all the tenancies. However, Woolworths will be responsible for any increase in Land tax, their utility costs and maintenance of their plant and equipment.
- Council will derive all the income from the commercial and retail spaces.
- Council will derive income from the extended car park. The car park will offer the first hour free in line with all public parking stations in Double Bay. Woolworths' customers will receive an additional hour free; subject to a minimum spend of \$30.
- Woolworths will pay Council \$250,000 per annum for loss of car parking during the construction of the supermarket complex.
- Woolworths will pay 50% of Council's costs for legal and financial advice to a maximum \$250,000.
- Woolworths will pay Council a lump sum of \$400,000 in lieu of rent guarantee.

- The development providing significant long-term financing returns to Council, particularly upon retirement of the 30 year debt.

It is important to note in relation to the proposal for project debt funding to be provided by Woolworths, that Council retains the right to seek alternate borrowing sources. Whilst this remains an option, advice from Council's bankers indicates that there is little opportunity to obtain alternate fixed rate long term (30 year) debt for the proposed level of borrowings in the current economic climate. Further, it may also be necessary to negotiate with more than one financial institution to obtain the \$76.75 million required for the two stages of the development should Council not wish to pursue the Woolworths funding offer.

The advice from Council's bankers also raises the following risk management issues for Council to consider when comparing its funding options:

- **Completion Risk** – Should Woolworths not complete each project stage by the due dates, this could result in financial (break) costs for any pre-agreed fixed rate loan contract.

Comment:

There is no completion risk under the Woolworths funding offer.

- **Availability Risk** – The risk that Council is not able to raise the required financing from one or multiple banks at initial funding, or the required refinancing at any facility maturity date.

Comment:

There is no availability risk under the Woolworths funding offer.

- **Interest Rate Risk** – The risk that Council will be exposed to fluctuations in interest rates during the term of the project.

Comment:

The Woolworths funding offer is a fixed rate 30 year loan so there is no risk associated with rising interest rates. Whilst acknowledging the opportunity cost to Council of interest rates falling over the 30 year term, this is considered that overall risk is mitigated to a greater extent under the Woolworths funding offer.

- **Cash Flow Risk** – The risk that Council's cash inflows will be insufficient to service the cash outflows associated with the facility.

Comment:

While this remains a risk associated with the retail and commercial tenancies, the risk is significantly reduced under the Woolworths funding due to the off-set provisions in the legal documents in respect of the Woolworths leases and debt, whereby should Woolworths default on any rent payment, Council is not required to make the equivalent amount of debt repayments.

Equity Funding Considerations:

Under the agreed commercial terms reflected in the legal documents, Council's equity contribution to the development is determined at \$17m. This figure is derived as follows:

Stage 1 - fixed project cost:	\$58.25m	
Stage 2 - fixed project cost:	<u>\$ 35.5m</u>	
Total project cost:	\$93.75m	(Excluding land value)
Less: Woolworths Borrowings:	<u>(\$76.75m)</u>	
Equity Contribution:	\$17.0m	

How Council funds its equity contribution is not relevant to the commercial terms reflected in the legal documents.

Council has previously earmarked the Property Reserve as a source of funding towards its equity contribution to the project. Current projections indicate that there will be approximately \$12.9m available in the Property Reserve at 30 June 2013 following the transfer of \$0.5m for preliminary costs including Library design. In the absence of any additional transfers to the Reserve, there will be approximately \$12.9m available in the Property Reserve at the time of Council's equity contribution being required, assuming a completion date for Stage 2 of June 2015.

The Confidential report to the Corporate & Works Committee meeting on 17 October 2011 also referred to future reports to be presented to Council in relation to funding the design and fit-out of the Library, currently estimated to be in the order of \$5.7m, and for funding a number of Ecologically Sustainable Development (ESD) initiatives associated with the project that are beyond the scope of the agreed commercial terms. These ESD initiatives are estimated to be in the order of \$1.5m.

These funding requirements are not matters specifically relevant to the agreed commercial terms for the Kiaora Lands development and the legal documents clearly state Council's responsibility for funding these items.

Council has previously been advised that specific funding sources for the Library design/fit-out and the ESD initiatives are yet to be determined and that they would be the subject of further specific reports to the Corporate & Works Committee as detailed information and firm cost estimates become available. Funding options that will be considered in the development of this financing strategy will include:

- Additional borrowings
- Local Infrastructure Renewal Scheme (LIRS) loan subsidy
- State Library Capital Grants
- Budget adjustments to enable transfers to the Property Reserve to increase the balance to the required level
- Future investment performance including improved CDO valuations

Whist these options will be considered in detail as part of the review of Council's long term financial plan to be undertaken in conjunction with the preparation of the 2013/14 budget, brief comments in respect of these options in provided below:

Additional Borrowing / LIRS Loan Subsidy

In presenting the 2013/14 Budget Strategy report in December 2012, the Corporate & Works Committee was advised that work had commenced on an application to the Division of Local Government under Round Two of the Local Infrastructure Renewal Scheme (LIRS) for the new Double Bay Library. The LIRS provides for a 3% interest rate subsidy for borrowings taken out by councils for legitimate infrastructure backlog works. The maximum term of a loan to be subsidised under the scheme is 10 years. The program is designed to promote the use of debt to accelerate investment in infrastructure backlogs. The Guidelines note that:

“The borrowing to be subsidised under the LIRS should be incurred for the purpose of funding specific new works, upgrades, or renewal of infrastructure of the council that meets a core purpose of local government and is intended for community use – e.g. roads, community halls, libraries, parks, sportsgrounds....”

Council's LIRS application for the Double Bay Library was for a total project value of \$11 million, fully funded from new borrowings, and comprising:

Library Design and fit-out:	\$5.7 m
Base Library building construction costs:	<u>\$5.3 m</u>
Total Library Project Cost:	\$11.0 m

As shown above, in addition to providing the \$5.7 million capital funding for the design and fit-out of the new Library, a successful \$11m LIRS application would also enable the \$5.3 million cost for the construction of the base library building, a component of Council's \$17 million equity contribution to the Kiaora Lands project, to be funded from the additional borrowings at the effective interest rate (indicative) of 2.69%.

Again, subject to a successful LIRS application, funding the \$5.3m for the construction of the base Library building from LIRS borrowings would reduce the equity contribution still to be funded from \$17m to \$11.7m. With a further \$1.5m required to fund the ESD initiatives previously referred, potentially the \$13.2m required could be funded from the Property Reserve or other funding sources including Section 94 and/or Council's Environmental & Infrastructure Renewal Levy.

The indicative interest rate for an \$11 million loan over 10 years obtained from Council's bankers for the purpose of the LIRS application was 5.69%. A successful application would see the effective interest cost to Council for this loan reduce to 2.69%.

Council has also submitted a second application under Round Two of the LIRS for a \$2.1 million commercial centres streetscapes improvement program.

It is Council's understanding that successful LIRS projects will be announced in May 2013 at which time Council will need to decide whether it intends to accept any funding offer. As previously advised, lodging the LIRS applications does not commit Council to the proposed borrowing.

Earlier modelling included longer terms borrowings for the \$11 million over 20 years. While the shorter term LIRS borrowings will increase pressure on Council's operating budget over that term, a net present value analysis shows that Council is some \$3.0 million better off when borrowing over the shorter term and having regard to the 3% interest rate subsidy potentially available under the LIRS.

Section 94 Contributions

Under its 1997 and 2002 Section 94 Contributions Plans Council has available some \$1.4m in relation to car parking in Double Bay. Council could resolve to direct this toward the construction of the new car park with 442 new parking spaces being created.

Environmental & Infrastructure Renewal Levy

The Environmental Works Program, funded by the Environmental & Infrastructure Renewal Levy, provides annual allocations to energy conservation and sustainability projects. It would not be unreasonable to direct some of the funding toward the ESD initiatives in the development.

State Library Capital Grants

Council has commenced discussions with the State Library of NSW in relation to State Library Development Grants. It is intended to make an application for funding under the 2014/15 allocations. An indicative estimate of \$250,000 for a potential State Library Capital Grant is to be considered for inclusion in Council's 2014/15 estimates.

Budget adjustments to enable transfers to the Property Reserve to increase the balance to the required level

In recent Budget considerations, Council has consistently adopted a strategy to provide sufficient funding for all continuing services, essential service expansions, infrastructure renewal and capital improvements at similar budget levels and ratios, and maintenance of an adequate working capital balance. This strategy is supported by the fact that Council's Budget is well targeted at the high importance works and services identified in community surveys.

There is no capacity to cut expenditure in the Budget without impacting on these works and services.

Future investment performance including improved CDO valuations

The Corporate & Works Committee receives monthly reports on Council's investments which include information regarding the status of Council's CDO investments and details of CDO revaluations and recoveries. The allocation of any surplus funds is a matter for consideration at quarterly budget reviews, including the potential to return funds from CDOs to the Property Reserve.

Total Project Funding:

The estimated total project cost for the Kiaora Lands Development can be summarised as follows:

Project Costs:		
Stage 1 - fixed project cost:	\$58.25m	(Excl. Council land value)
Stage 2 - fixed project cost:	\$35.5m	
Library Fit-out	\$5.7m	
ESD Initiatives	\$1.5m	
Other Preliminaries	<u>\$0.6m</u>	
Total Project Cost	<u>\$101.55</u>	

Noting the total funding requirements for the project, the following table presents for discussion a draft financing strategy for the Kiaora Lands development which will be the subject of further review in the context of Council's preparation of its 2013/14 budget and updated long term financial plan.

Project Funding:	
Woolworths Borrowings:	(\$76.75m)
Library Borrowings:	(\$11.0m)
State Library Grant	(\$0.25m)
S94 Carparking	(\$1.4m)
E&IR Levy	(\$0.4)
2012/13 Budget allocation	(\$0.5m)
Property Reserve	<u>(\$11.25m)</u>
Total Funding	<u>(\$101.55)</u>

As noted earlier in the report, at 30 June 2013 following the allocation of \$0.5m to preliminary costs in the 2012/13 Budget, it is forecast that there will be \$12.9m in the Property Reserve. The amount required from the Property Reserve to fund the total project cost is \$11.3m which will leave a balance of some \$1.6m in the Property Reserve.

Council's capacity to borrow:

Council has taken a conservative approach to borrowing having borrowed only \$3m in 2005/2006 and \$6.5m in 2007/2008 to accelerate capital renewal projects. At 30 June 2012 Council's total loan debt was \$5.98m with a debt service ratio of only 2.09%. These loans will be retired in 2015/16 and 2017/18 respectively.

Local government indicators suggest a debt service ratio of 15% is the highest sustainable level for councils, while the IPART report on the *Revenue Framework for Local Government* suggests that an upper limit debt service ratio of 20% is sustainable.

Council's long term financial plan, updated recently for review by NSW Treasury Corporation (TCorp) as part of their review of Council's LIRS applications, indicated our debt servicing ratio not exceeding 11.1% over the ten year forecasts. This is inclusive of the \$76.75 million borrowings under the commercial terms of the PPP, as well as the two LIRS applications totalling \$13.1 million. At 11.1%, Council's long term forecast debt service ratio is well within the benchmark indicators of 15% and 20% referred to above.

Further, in their assessment of our previous long term financial plan, submitted to TCorp for the purpose of their review of the financial sustainability of NSW Councils, TCorp concluded that Council had the capacity for further borrowing in the order of \$10 million in addition to the proposed \$76.75 million borrowings under the commercial terms of the PPP and the \$11 million LIRS loan for the Library – noting that the second LIRS application for \$2.1 million had not been considered at that time.

Long-Term Financial Modelling:

As referred to previously, the CBRE Evaluation Report presented to the Strategic & Corporate Committee meeting in August 2009 included detailed financial modelling for the development project extending for 80 years. Since that time, the financial modelling has been the subject of on-going review as design of the development and other planning considerations have progressed. Indeed, financial modelling will continue to be updated as construction progresses and income and expenditure estimates are refined. The outcome of Council's LIRS Library application is one matter that will impact on the financial modelling as the term of the proposed \$11 loan will need to be revised if Council's application is unsuccessful.

Whilst it is not intended to provide the full detailed financial modelling for the Kiaora Lands Development in this report, it is important that Council is aware of the most recent forecasts which, as already stated, are the subject of on-going review.

The following tables present a high level summary of financial forecasts for the Kiaora Lands Development upon completion of Stage 1 construction and the initial operation of the Woolworths Ltd tenancies and the car-park in 2013/14. The forecasts then extend to the operation of the Stage 2 development from the end of 2014/15 and extending out to year 31, being the first year of the project being debt free.

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	43/44
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Commercial Development												
<i>Revenue</i>												
Woolworths Leases	1,060	4,240	4,240	4,240	4,240	4,240	4,240	4,240	4,240	4,262		9,450
Other Leases	390	2,168	5,022	5,236	5,389	5,557	6,121	6,375	6,638	6,702		15,852
Carparking (Net)	126	541	557	574	591	608	626	645	664	684		1,266
Other Revenue	0	514	128	143	158	174	190	206	224	219		236
Total Revenue	1,576	7,462	9,947	10,193	10,378	10,580	11,178	11,466	11,766	11,867		26,804
<i>Expenditure</i>												
Outgoings	255	1,168	1,566	1,613	1,661	1,711	1,762	1,815	1,870	1,926		3,583
Loan Repayments	1,099	4,792	6,154	6,656	6,656	6,656	6,656	6,656	6,656	6,656		0
Other (incl. Land Tax)	293	1,040	551	566	581	597	613	629	646	664		1,124
Total Expenditure	1,646	7,000	8,271	8,834	8,898	8,964	9,031	9,100	9,172	9,246		4,707
Operating Surplus/(Deficit)	(70)	463	1,677	1,359	1,480	1,616	2,147	2,366	2,594	2,621		22,097
Library Development												
<i>Revenue</i>												
LIRS Subsidy	0	81	318	292	265	236	203	171	137	101		0
Other Revenue	0	0	175	175	175	175	175	175	175	175		0
Total Revenue	0	81	493	467	440	411	378	346	312	276		0
<i>Expenditure</i>												
Additional outgoings	0	17	69	71	73	75	77	80	82	85		157
Additional operating costs	0	76	314	324	333	343	354	364	375	386		719
Loan Repayments	0	154	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458		0
Total Expenditure	0	247	1,841	1,853	1,865	1,877	1,889	1,902	1,916	1,929		876
Operating Surplus/(Deficit)	0	(166)	(1,349)	(1,386)	(1,425)	(1,466)	(1,511)	(1,556)	(1,603)	(1,654)		(876)
Total Surplus/(Deficit)	(70)	297	328	(27)	55	150	636	810	990	968		21,221
Cumulative Surplus/(Deficit)	(70)	227	555	527	583	733	1,369	2,178	3,169	4,137		166,958
Ongoing Capex	0	0	0	0	0	0	0	1,341	1,731	0		0
Retained Surplus	(70)	227	555	527	583	733	1,369	837	96	1,064		141,246

The forecasts show:

- the commercial development providing significant surpluses from the first full year of operation;
- the commercial development surpluses are sufficient to fund building a new state-of-the-art Library and the additional costs of its operation;
- setting aside the total surpluses in Reserve will provide sufficient funding for ongoing capital expenditure requirements in years 8 and 9;
- in year 31, the first year of the project being debt free, a surplus in excess of \$21m

While these forecasts are the subject of on-going review, it is clear that there are significant long term financial benefits provided to Council and the community from Council's investment in the Kiaora Lands Development.

Conclusion

As mentioned previously, the purpose of this report is to acquaint the new Council with details of the commercial terms of the PPP with Woolworths Ltd and to foreshadow matters to be considered in respect of funding Council's equity contribution, the Library fit-out and the ESD elements of the development. In doing so, the report has also presented for discussion a draft financing strategy for the Kiaora Lands development which will be the subject of further review in the context of Council's preparation of its 2013/14 budget and updated long term financial plan.

The report has also presented a high level summary of the current long term financial modelling for the operation of the Kiaora Lands centre upon completion of the two stage development. Whilst it is acknowledged that this modelling will be subject to further refinement as the construction progresses, the Library fit-out design is finalised and tendered, and Council's leasing strategy for the retail and commercial spaces is implemented, it is clear from the modelling that there are significant long-term benefits to Council and the Woollahra community from Council's investment in the Kiaora Lands development.

Stephen Dunshea
Director Corporate Services

Gary James
General Manager

Tom O'Hanlon
Director Technical Services

Item No: D7 Delegated to Committee

Subject: **Draft Delivery Program 2013 To 2017 and Operational Plan 2013/14 Priorities & Actions**

Author: Stephen Dunshea - Director Corporate Services
Helen Tola - Governance & Corporate Planning Coordinator

File No: 1229.G (2013 – 2017)

Reason for Report: To table the Draft Delivery Program 2013 to 2017 and Operational Plan 2013/14 Priorities & Actions and outline the Integrated Planning & Reporting process.

Recommendation:

- A. That the report on the *Draft Delivery Program 2013 to 2017 and Operational Plan 2013/14* be received and noted.
- B. That the Committee note that the Priorities and Actions in the *Draft Delivery Program 2013 to 2017 & Operational Plan 2013/14* will be presented to the Urban Planning Committee and the Community & Environment Committee for review and comment on the 22 April 2013, with recommended changes to be reported back to the Corporate & Works Committee on 6 May 2013.

Background

The Corporate & Works Committee to date have received two reports outlining the statutory requirement for Council to review its suite of strategic and operational plans prior to 30 June 2013, the most recent being the report presenting the results of the 2012 Community Satisfaction Survey to the Corporate & Works Committee on 18 March 2013.

In summary, Council is required to:

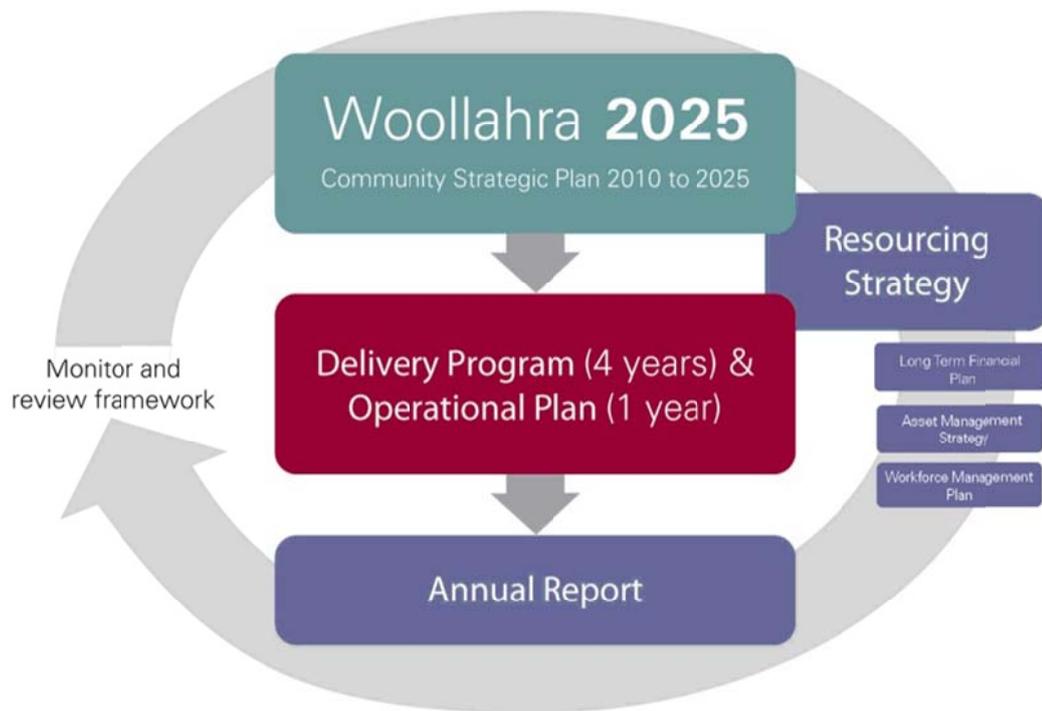
1. *Review its Community Strategic Plan before 30 June following an ordinary election of councillors.*
2. *Prepare a new Delivery Program after each ordinary election of councillors to cover the principal activities of the council for the four year period commencing 1 July following the election.*
3. *Adopt its annual Operational Plan before the beginning of each financial year*

The purpose of this report is to present the draft Priorities and Actions prepared by Management and proposed for inclusion in the *Draft Delivery Program 2013 to 2017 and Operational Plan 2013/14*. Subject to feedback from the Corporate & Works Committee, it is recommended that the relevant Priorities and Actions be referred to the Urban Planning Committee and Community & Environment Committee respectively for detailed review and comment. This list of draft Priorities and Actions is provided as **Annexure 1**.

The referral of Priorities and Actions to the respective committees is the same review process undertaken in previous years.

Council's Integrated Planning Framework

By way of background, Council's *Integrated Planning and Reporting Framework* is demonstrated in the diagram below.



The Community Strategic Plan presents Council's and the Community's long term vision for the Local Government Area, whilst the Delivery Program is designed as the single point of reference for all activities to be undertaken by Council during the Council's four (4) year term and identifies the priorities the Council will address during its term in supporting the achievement of the Goals and Strategies outlined in the Community Strategic Plan.

Supporting the four year Delivery Program is the annual Operational Plan. It identifies the individual Actions and projects that will be undertaken each year in response to the four year Priorities outlined in the Delivery Program. The Operational Plan also includes Council's budget for the financial year, comprising detailed estimates of income and expenditure, the proposed capital works program, the rating structure and schedule of fees and charges.

As a means of streamlining Council's integrated planning and reporting framework, Council has combined its Delivery Program and Operational Plan into a single document comprising both the four year Delivery Program Priorities and the annual Operational Plan Actions, all of which support the Themes, Goals and Strategies contained in the Community Strategic Plan. This integrated approach enables Council to demonstrate to the community how its annual Operational Plan and Budget are contributing toward achieving Council's agreed four year priorities as outlined in the Delivery Program.

A further report will be prepared to the Corporate & Works Committee on 6 May 2013 detailing the draft Budget and tabling revised *Woollahra 2025* and the *Draft Delivery Program 2013 to 2017 and Operational Plan 2013/14*.

Review of Community Strategic Plan

Having considered the data gathered through the community satisfaction survey, the community capacity study, and the review of the social and cultural plan, it is recommended that only minor changes to the following strategies are required:

- Strategy 2.1: ‘increase access to services and information to support families, young people and seniors’ becomes ‘increase access to services and information to support the community’
- Strategy 2.6: ‘increase opportunities for youth involvement in developing activities and facilities’ becomes ‘increase opportunities for young people’

Details of these proposed changes were reported to the Community & Environment Committee on the 11 March 2013.

These strategies will be included in the revised *Woollahra 2025 Community Strategic Plan* and also the *Draft Delivery Program 2013 to 2017* which will be tabled for consideration by the Corporate & Works Committee on the 6 May 2013.

Draft Delivery Program 2013 to 2017

The 2013/14 financial year represents the first year of the Council’s new four year *Delivery Program 2013 to 2017*.

In preparing the new *draft Delivery Program 2013 to 2017*, senior staff have undertaken a review of the Priorities contained in the current *Delivery Program 2009 to 2013* and have proposed minor amendments, addition and deletion of Priorities. These minor amendments have been made to take into consideration data gathered through the community satisfaction survey, the community capacity study, and the review of the Social & Cultural Plan 2013 to 2023, as reported to the Community & Environment Committee in March 2013.

The following table has been prepared to highlight proposed changes to existing Priorities for the purpose of compiling the new draft *Delivery Program 2013 to 2017*. Existing Priorities not recommended for inclusion in the *draft Delivery Program 2013 to 2017* are ~~striked through~~ and new Priorities replacing these are shown in red.

Current Delivery Program 2009 to 2013 Priorities (Recommended for deletion)	Draft Delivery Program 2013 to 2017 Priorities (Amended Priorities to replace deleted)
1.1.1 Increase links between residents, local agencies and business.	1.1.1 Promote and facilitate community participation and partnerships. 1.1.2 Continue to work in partnership with Holdsworth Community Centre and Services (HCC&S). 1.1.3 Work collaboratively with other government and non-government local, regional and State organisations.
1.2.2 Provide grants to community organisations to support community and cultural services and activities.	1.2.2 Provide access to multipurpose and flexible meeting places within improved community facilities and libraries.
1.2.3 Provide and promote access to community venues for community activities.	1.2.3 Develop, support and promote activities that encourage cohesive neighbourhoods. 1.2.4 Provide support for volunteers.
1.4.1 Provide a range of social and cultural programs and resources to key target groups, including youth, seniors, Aboriginal and Torres Strait Islanders.	1.4.1 Encourage and promote inclusive multicultural and cross-cultural events and activities.
1.4.2 Participate in the Eastern Region Local Government Aboriginal and Torres Strait Islander Forum (ERLGATSI).	1.4.2 Recognise and promote reconciliation.
2.1.1 Support the provision of childcare in the Municipality.	2.1.1 Encourage and promote increased provision of children’s

Current Delivery Program 2009 to 2013 Priorities (Recommended for deletion)	Draft Delivery Program 2013 to 2017 Priorities (Amended Priorities to replace deleted)
	services.
2.1.2 Manage the Woollahra Preschool Service.	2.1.2 Fund Holdsworth Community Centre and Services (HCC&S) to provide appropriate services for the Woollahra community.
2.1.3 Provide services and activities to seniors through the Woollahra Seniors and Community Centre.	2.1.3 Provide information and resources to support families.
2.1.4 Contract Holdsworth Community Centre and Services to provide family support services.	
2.1.5 Provide information and resources to support families.	
2.1.6 Provide support for volunteers.	
2.2.2 Contract Holdsworth Community Centre and Services to provide recreational services to seniors and people with a disability.	2.2.2 Encourage and support increased recreation programs for people with limited mobility.
2.3.1 Provide services and information to support older people and people with a disability to live independently.	2.3.1 Encourage services and support for older people and people with special needs to live independently.
2.3.2 Contract Holdsworth Community Centre and Services to provide services for seniors, people with a disability and their carers.	2.3.2 Encourage increased supported accommodation and community transport to be located in the Woollahra Local Government Area (LGA).
	2.4.2 Promote healthy lifestyles to support good physical and mental health.
	2.4.3 Work in partnership with groups and organisations to reduce suicide.
2.6.1 Encourage youth participation in developing activities and facilities.	2.6.1 Support youth friendly spaces and youth programs.
	2.6.2 Empower and build resilience for youth to navigate life's challenges.
3.2.2 Provide cultural development services through facilitation and the development of partnerships.	3.2.2 Support opportunities for appreciation and promotion of local Aboriginal and Torres Strait Islander cultural and natural heritage.
3.3.1 Provide a high quality library and information service for the Woollahra community.	3.3.1 Provide a high quality library information service for the Woollahra community.
3.5.2 Facilitate and develop an annual public art program.	3.5.2 Coordinate public art and public art opportunities across the LGA.
4.1.1 Provide an environmental planning and compliance framework for managing and controlling land development.	Provide an environment planning and compliance framework for managing and controlling land development.
5.1.1 Plan for community, cultural and recreation facilities to ensure they reflect community needs and aspirations.	5.1.1 Plan for community, cultural and recreational facilities to ensure they reflect community needs and aspirations.
5.5.1 Implement Neighbourhood Centre Strategies (Stages 2 and 3) considering neighbourhood functionality.	5.5.1 Maintain and improve accessibility to public places for all user groups.
5.5.2 Staged implementation of recommendations in the Disability Action Plan relating to town centres and neighbourhoods.	
5.6.2 Develop Floodplain Risk Management Plans for all Woollahra catchments: Rusheutters Bay, Double Bay, Rose Bay and Vaucluse.	5.6.2 Develop a Floodplain Risk Management Plan for Watsons Bay Catchment.
6.3.2 Review and analyse bus, train and ferry services, and linkages between services and lobby State Government.	6.3.2 Maintain and upgrade where possible, public transport facilities.
6.3.3 Maintain and upgrade where possible, public transport facilities.	
6.3.4 Provide community transport connections between neighbourhoods and town centres.	
6.4.1 To reduce vehicle speed and traffic congestion through the introduction of traffic management facilities.	6.4.1 Reduce vehicle speed and traffic congestion through the introduction of traffic management facilities.
10.2.1 Develop and maintain a long term Community Strategic Plan for Woollahra.	10.2.1 Maintain a long term Community Strategic Plan for Woollahra.
10.3.1 Work closely with the Southern Sydney Regional Organisation of Councils (SSROC) to improve service efficiency and effectiveness and to promote Council's position on matters of common interest.	10.3.1 Work closely with the Southern Sydney Regional Organisation of Councils (SSROC) and other appropriate regional bodies to improve service efficiency and effectiveness and to promote Council's position on matters of common interest.

Operational Plan 2012/13

As mentioned previously, Council has combined its Delivery Program and Operational Plan into a single document for ease of reference. The Operational Plan presents the individual actions and projects that will be undertaken each year in response to the Priorities identified in the Delivery Program, along with the detailed estimates of income and expenditure, the proposed capital works program, the rating structure and schedule of fees and charges.

In respect of the specific Actions proposed in the 2013/14 Operational Plan, these are shown in the draft Plan as supporting the specific Priorities of the Delivery Program.

Council's Operational Plan is structured to enable the reader to determine whether a specific Action is proposed for one year only e.g. 2013/14 or beyond. This is indicated by a tick (✓) alongside the respective Action under the relevant year.

In preparing the draft Operational Plan 2013/14, senior staff have undertaken a review of the Actions contained in the current Operational Plan 2012/13 and have proposed minor amendments, additions and deletions of Actions where applicable. These minor amendments have been made to take into consideration data gathered through the community satisfaction survey, the community capacity study, and the review of the Social & Cultural Plan 2013 to 2023, as reported to the Community & Environment Committee in March 2013.

Annexure 1 to this report details the Priorities and Actions proposed for inclusion in the *Draft Delivery Program 2013 to 2017 & Operational Plan 2013/14*, for consideration by the Committee.

Further, information regarding all 2012/13 Actions will continue to be reported to Council through the quarterly review process and will also be reported in Council's Annual Report. Following the finalisation of the end of June 2013 fourth quarter progress report against the 2012/13 Operational Plan, any Actions requiring re-inclusion in the *Delivery Program 2013 to 2017 & Operational Plan 2013/14* will be reported to the Corporate & Works Committee at that time.

To ensure all Councillors are provided the opportunity to provide input at the Committee level on the proposed Priorities and Actions in the *Draft Delivery Program 2013 to 2017 & Operational Plan 2013/14*, the relevant Priorities and Actions as reported to the Urban Planning Committee and Community & Environment Committee meetings will be forwarded to the respective committees for consideration on the 22 April 2013.

Following consideration at the Committee level, any new or amended Priorities and Actions which are identified will be reported back to the Corporate & Works Committee for consideration on 6 May 2013.

Conclusion

In accordance with the Integrated Planning Legislation, Council is required to review its Community Strategic Plan and prepare a *Draft Delivery Program 2013 to 2017 & Operational Plan 2013/14* by the 30 June 2013. Both documents will need to be exhibited for a period of 28 days and it is recommended that a further report be prepared to consider the referral of Priorities and Actions to the Community & Environment Committee and Urban Planning Committee any proposed amendments to such and tabling of revised *Woollahra 2025* and the *draft Delivery Program 2013 to 2017 & Operational Plan 2013/14*.

A further report will be prepared to the Corporate & Works Committee on 6 May 2013 detailing the draft Budget and tabling revised *Woollahra 2025* and the *Draft Delivery Program 2013 to 2017 and Operational Plan 2013/14*.

Helen Tola
Corporate Planning & Reporting Coordinator

Stephen Dunshea
Director – Corporate Services

Annexures:

Annexure 1 Draft Delivery Program 2013 to 2017 and Operational Plan 2013/14
 Priorities & Action Listing (*Circulated Separately*)

Political Donations – matters to be considered by Councillors at Meetings

