



Corporate & Works Committee

Agenda: *Corporate & Works Committee*

Date: *Monday 17 October 2011*

Time: *6.00pm*

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

13 October 2011

To: Her Worship The Mayor, Councillor Susan Wynne ex-officio
Councillors Peter Cavanagh (Chair)
David Shoebridge (Deputy Chair)
Anthony Boskovitz
Susan Jarnason
Greg Medcraft
Andrew Petrie
Toni Zeltzer

Dear Councillors

Corporate & Works Committee Meeting – 17 October 2011

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 17 October 2011 at 6.00pm.**

Gary James
General Manager

Additional Information Relating to Committee Matters

Site Inspection

Other Matters

Meeting Agenda

Item	Subject	Pages
1	Leave of Absence and Apologies	
2	Late Correspondence 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 26 September	1
D2	Monthly Financial Report – September 2011 – 349.G	2
D3	2010/11 Year End Budget Results – 331G 2010/2011	14
D4	Annual Statutory Reports – 149.G, 473.G, 817.G	24

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

R1	Tender 11/10 – Provision of Survey and Civil Infrastructure Design Services – Tender 11/10	27
R2	General Purpose Financial Statements for the Year Ended 30 June 2011 – 331G 2010/2011 * Note: Annexure 1 circulated under separate cover	34
R3	Public Interest Disclosures Act – Revised Internal Reporting Policy and Internal Reporting System – 1032.G	48
R4	Kiaora Lands Development – 1209.G Part 7 * Note: Confidential Report & Confidential Annexures circulated under separate cover	78

Item No: D1 Delegated to Committee
Subject: **Confirmation of minutes of meeting held on 26 September 2011**
Author: Les Windle, Manager – Governance
File No: See Council Minutes
Reason for Report: The Minutes of the Meeting of Monday 26 September 2011 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 26 September 2011 be taken as read and confirmed.

Les Windle
Manager – Governance

Item No: D2 Delegated to Committee
Subject: **Monthly Financial Report - September 2011**
Author: Don Johnston, Manager Finance
File No: 349.G
Reason for Report: To present the monthly financial report for September 2011

Recommendation:

That the monthly financial report be received and noted.

Background:

The monthly financial report for September 2011 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
- 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 (\$)
31 Aug		Book Value of Investments Held	38,979,471.89
5 Sep	Purchase	Citibank, 30 days @ 5.6%	1,000,000.00
5 Sep	Maturity	Beirut Hellenic (Laiki Bank) 120 days @ 6.0%	(1,000,000.00)
5 Sep	Maturity	Blackrock (capital distribution)	(174,878.20)
7 Sep	Maturity	Members Equity Bank, 90 days @ 6.1%	(1,000,000.00)
12 Sep	Purchase	St George Bank, 91 days @ 5.87%	1,000,000.00
12 Sep	Purchase	Newcastle Permanent Blg Society, 91 days @ 5.87%	1,000,000.00
12 Sep	Purchase	Beirut Hellenic (Laiki Bank), 120 days @ 6.0%	1,000,000.00
12 Sep	Purchase	Summerland CU, 120 days @ 6.0%	1,000,000.00
19 Sep	Purchase	B & E Limited, 120 days @ 5.72%	1,000,000.00
19 Sep	Purchase	Victorian Teachers CU, 120 days @ 5.8%	1,000,000.00
19 Sep	Maturity	NSW Teachers CU, 123 days @ 6.22%	(1,000,000.00)
19 Sep	Maturity	Victorian Teachers CU, 123 days @ 6.15%	(1,000,000.00)
20 Sep	Purchase	Macquarie Bank, 120 days @ 5.65%	1,000,000.00
20 Sep	Maturity	Quay CU, 30 days @ 5.75%	(1,000,000.00)
22 Sep	Maturity	HSBC FRN	(500,000.00)
22 Sep	Adjustment	Fair Value adjustment for HSBC FRN (Book Value \$499,435)	565.00
26 Sep	Purchase	Bank of Cyprus, 120 days @ 5.9%	1,000,000.00
26 Sep	Purchase	Hunter United Employees CU, 120 days @ 5.86%	1,000,000.00
26 Sep	Maturity	Hunter United Employees CU, 60 days @ 5.9%	(1,000,000.00)
26 Sep	Maturity	Bank of Cyprus, 152 days @ 6.2%	(1,000,000.00)
28 Sep	Maturity	CBA FRN	(1,500,000.00)
28 Sep	Adjustment	Fair Value adjustment for CBA FRN (Book Value \$1,497,525)	2,475.00

Date	Transaction	Description	Amount (\$)
30 Sep	Purchase	People's Choice CU, 122 days @ 5.88%	1,000,000.00
30 Sep	Purchase	Railways CU, 122 days @ 5.58%	1,000,000.00
30 Sep	Maturity	People's Choice CU, 30 days @ 5.69%	(1,000,000.00)
30 Sep	Maturity	Railways CU, 30 days @ 5.69%	(1,000,000.00)
30 Sep	Revaluation	Quarterly Fair Value Adjustment to Floating Rate Notes	(122,320.00)
Various	Purchase	Net Movement in Online Savings Cash Account	(1,477,651.57)
Various	Purchase	Net Movement in UBS Cash Management Trust Account (Coupon payments + UBS interest + Deposits - UBS Fees - Withdrawals)	1,781,097.43
Various	Deposit	Net Movement in Macquarie Cash Trust (Macquarie interest - Macquarie Fees - Withdrawals)	8.68
		Net Change in Portfolio	1,009,296.34
30 Sep		Book Value of Investments Held	39,988,768.23

Commentary:

The transaction summary above notes the maturity of twelve term deposits and two Floating Rate Notes that, together with a capital distribution from Blackrock, totalled \$11.2M. These funds were reinvested for 120+ days at rates between 5.58% to 6.22%.

The modest increase in the investment portfolio for September is consistent with a month following a rates instalment month where we have still have residual rates collections during the early part of the month.

The recent economic volatility has impacted on the fair value of Council's floating rate notes. Council's two Royal Bank of Scotland FRNs have both been marked down over the first quarter of the financial year, the note with a final maturity date in 2017 moreso than the note with a 2014 maturity. Details of the fair value adjustment to FRNs are provided in Annexure 1.

Investments Working Party Update

At the last Working Party meeting members expressed interest in selling Glenelg at no less than 38 cents. Work is continuing in relation to the sale of Glenelg in an effort to secure a bid in the high 30's, although this has been made difficult given recent market volatility. The working party will continue to be provided with pricing updates as they come to hand.

In relation to the IMF funded class action against Lehman Brothers that Council has joined, we are still awaiting the Court's decision following the conclusion of the trial.

Summary of Receipts, Payments and Bank Balance

Cash Book Balance as at 31 August 2011 146,652.30

Receipts

Rates 3,591,886.36
Investment Maturities 11,660,000.00
Other 2,975,219.30

Total Receipts 18,227,105.66

Description	Amount
S/Dr's-Rates	3,591,886.36
Sundry Debtors Control	643,871.56
Parking Fines	444,214.94
Deposits & Bonds Control Account	301,003.00
Disposal (Asset) Clearing A/C	186,703.94
Trade Waste Debtors Control	161,707.95
Other Developer Contributions	129,639.30
GST Clearing Balance Account	123,861.00
Parking Meter Charges	122,988.48
Work Zone Charges	58,203.50

Payments - Cheque

Cheque Payments -927,545.06
Cancelled Cheques 9,301.73
Total Cheque Payments for period -918,243.33

Cheque No	Cheque Date	Payee	Description	Amount
212001	15/09/2011	Energy Australia	Street lighting - Aug'11	-86,126.54
212089	23/09/2011	Withheld	Refund of security deposit	-42,605.99
212090	23/09/2011	Withheld	Refund of security deposit	-40,691.38
212052	22/09/2011	State Debt Recovery Office	Infringement processing fees - Aug'11	-35,819.00
211882	1/09/2011	Withheld	Refund of security deposit	-32,850.68
212113	29/09/2011	Roads & Traffic Authority	Motor vehicle registration renew als	-25,768.00
211917	6/09/2011	Insight Electrical Pty Ltd	Double Bay library refurbishment	-21,862.50
211918	6/09/2011	Carpet Power	Double Bay library refurbishment	-21,813.00
212039	22/09/2011	Clary Akon	Watsons Bay Baths sculpture	-19,800.00
212060	22/09/2011	Green Solar Group	Energy conservation costs - council chamber	-19,708.72

Payments - EFT

EFT Payments -3,545,039.47
Returned EFT Payments 0.00
Total EFT Payments for period -3,545,039.47

Reference	EFT Date	Payee	Description	Amount
32617	8/09/2011	Sydney Civil Pty Ltd	General works - Lyne Park carpark	-288,859.53
32836	29/09/2011	Holdswoorth St Community Centre	Grant funding - 2nd qtr	-198,000.00
32756	22/09/2011	Local Govt Super Scheme-Div.A	Employer/employee super - Aug'11	-166,527.81
32603	8/09/2011	Melhemcorp Pty Ltd	General works - Kulgoa Lane	-149,112.09
32815	29/09/2011	Veolia Environmental Services	Weekly collection of recyclables - 1-31/7	-133,116.82
210911	21/09/2011	Australian Taxation Office	PAYG WK 12	-116,425.14
70911	7/09/2011	Australian Taxation Office	PAYG WK 10	-114,690.14
280911	28/09/2011	Australian Taxation Office	PAYG WK 13	-112,482.54
140911	14/09/2011	Australian Taxation Office	PAYG WK 11	-112,463.14
32757	22/09/2011	Local Govt Super Scheme-Div.B	Employer/employee super - Aug'11	-98,392.12

Payments - Direct Debits From Bank A/c

Payroll -1,493,687.28
Bank Charges -29,715.48
Investment Purchases -12,670,000.00
Credit Cards -2,116.58
Councillors' fees -23,918.74
Total Direct Debits for period -14,219,438.08

Total Payments

-18,682,720.88

Cash Book Balance as at 30 September 2011

-308,962.92

Unpresented Cheques No of Cheques: 186 Value: 317,882.47

Outstanding Deposits & Miscellaneous Items 353,841.63

Reconciled Cash Book Balance as at 30 September 2011 362,761.18

Bank A/c Balance as at 30 September 2011 362,761.18

Unpresented Cheques > \$30,000.00

Cheque No.	Cheque Date	Payee	Amount
212052	22/09/2011	State Debt Recovery Office	35,819.00
212090	23/09/2011	Withheld	40,691.38

Commentary:

This statement presents Council's bank reconciliation as at 30 September 2011. The top ten receipt and payment items are provided in the report. Excluding investment transactions, receipts exceeded payments for the month by some \$0.6m, consistent with a non-rates instalment month.

INVESTMENTS AS AT 30 SEPTEMBER 2011

							FACE VALUE \$	BOOK VALUE \$		
CATEGORY										
1. LEHMAN BROTHERS (formerly Grange Securities Ltd)										
Funds previously under management							11,884,174	4,781,634		
2. OAKVALE CAPITAL Limited										
Funds previously under management							6,247,114	1,884,858		
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)										
AAA*	BANANA COAST CREDIT UNION									
	TERM DEPOSIT	4/04/2011	3/10/2011	182	3	6.30	1,000,000	1,000,000	Guaranteed	
AAA*	QUEENSLAND COUNTRY CREDIT UNION									
	TERM DEPOSIT	3/05/2011	3/10/2011	153	3	6.30	1,000,000	1,000,000	Guaranteed	
AAA*	POLICE CREDIT UNION SA									
	TERM DEPOSIT	3/06/2011	4/10/2011	123	4	6.10	1,000,000	1,000,000	Guaranteed	
AAA*	CITIBANK									
	TERM DEPOSIT	5/09/2011	5/10/2011	30	5	5.60	1,000,000	1,000,000	Guaranteed	
AAA*	BANK OF QLD									
	TERM DEPOSIT	9/08/2011	10/10/2011	62	10	5.85	1,000,000	1,000,000	Guaranteed	
AAA*	BANKWEST									
	TERM DEPOSIT	9/08/2011	10/10/2011	62	10	5.85	1,000,000	1,000,000	Guaranteed	
AAA*	BIG SKY CREDIT UNION									
	TERM DEPOSIT	9/08/2011	10/10/2011	62	10	5.85	1,000,000	1,000,000	Guaranteed	
AAA*	QANTAS STAFF CREDIT UNION									
	TERM DEPOSIT	9/08/2011	10/10/2011	62	10	5.85	1,000,000	1,000,000	Guaranteed	
AAA*	SUNCORP-METWAY LTD									
	TERM DEPOSIT	9/08/2011	10/10/2011	62	10	5.85	1,000,000	1,000,000	Guaranteed	
AAA*	MY STATE FINANCIAL CU									
	TERM DEPOSIT	11/07/2011	10/10/2011	91	10	6.05	1,000,000	1,000,000	Guaranteed	
AAA*	INVESTEC AUSTRALIA LTD									
	TERM DEPOSIT	26/11/2009	12/10/2011	685	12	6.61	1,000,000	1,000,000	Guaranteed	
AAA*	ELDERS RURAL BANK									
	TERM DEPOSIT	24/11/2009	24/11/2011	730	55	6.60	1,000,000	1,000,000	Guaranteed	
AAA*	BENDIGO ADELAIDE BANK									
	TERM DEPOSIT	31/05/2011	28/11/2011	181	59	6.20	1,000,000	1,000,000	Guaranteed	
AAA*	POLICE & NURSES CREDIT UNION									
	TERM DEPOSIT	31/05/2011	28/11/2011	181	59	6.25	1,000,000	1,000,000	Guaranteed	
AAA*	CREDIT UNION AUSTRALIA									
	TERM DEPOSIT	31/05/2011	28/11/2011	181	59	6.27	1,000,000	1,000,000	Guaranteed	
AAA*	ST GEORGE BANK									
	TERM DEPOSIT	12/09/2011	12/12/2011	91	73	5.87	1,000,000	1,000,000	Guaranteed	
AAA*	NEWCASTLE PERMANENT BLG SOC									
	TERM DEPOSIT	12/09/2011	12/12/2011	91	73	5.87	1,000,000	1,000,000	Guaranteed	
AA	COMMONWEALTH BANK									
	TERM DEPOSIT	16/12/2008	16/12/2011	1095	77	6.03	1,000,000	1,000,000		
AAA*	BEIRUT HELLENIC BANK (LAIKI BANK)									
	TERM DEPOSIT	12/09/2011	10/01/2012	120	102	6.00	1,000,000	1,000,000	Guaranteed	
AAA*	SUMMERLAND CREDIT UNION									
	TERM DEPOSIT	12/09/2011	10/01/2012	120	102	6.00	1,000,000	1,000,000	Guaranteed	
AAA*	B & E LIMITED									
	TERM DEPOSIT	19/09/2011	17/01/2012	120	109	5.72	1,000,000	1,000,000	Guaranteed	
AAA*	VICTORIAN TEACHERS CREDIT UNION									
	TERM DEPOSIT	19/09/2011	17/01/2012	120	109	5.80	1,000,000	1,000,000	Guaranteed	
AAA*	MACQUARIE BANK									
	TERM DEPOSIT	20/09/2011	18/01/2012	120	110	5.65	1,000,000	1,000,000	Guaranteed	
AAA*	HUNTER UNITED EMPLOYEES CU									
	TERM DEPOSIT	26/09/2011	24/01/2012	120	116	5.86	1,000,000	1,000,000	Guaranteed	
AAA*	BANK OF CYPRUS									
	TERM DEPOSIT	26/09/2011	24/01/2012	120	116	5.90	1,000,000	1,000,000	Guaranteed	
AAA*	PEOPLE'S CHOICE CREDIT UNION									
	TERM DEPOSIT	30/09/2011	30/01/2012	122	122	5.88	1,000,000	1,000,000	Guaranteed	
AAA*	RAILWAYS CREDIT UNION									
	TERM DEPOSIT	30/09/2011	30/01/2012	122	122	5.58	1,000,000	1,000,000	Guaranteed	
AAA*	RABO DIRECT									
	TERM DEPOSIT	1/03/2011	1/03/2012	366	153	6.60	1,000,000	1,000,000	Guaranteed	
AAA*	ING DIRECT									
	TERM DEPOSIT	28/02/2011	28/02/2013	731	517	6.74	1,000,000	1,000,000	Guaranteed	
AT CALL:										
AA	COMMONWEALTH BANK									
	ONLINE SAVER A/C					4.75	2,322,282	2,322,282	1st \$1m Gteed	
AAA*	AMP BANK									
	CASH MNGMT ACCT	11/06/2009				4.75	999,995	999,995	Guaranteed	
AAA*	ME BANK									
	CASH MNGMT ACCT	7/09/2011				5.60	1,000,000	1,000,000	Guaranteed	
Total WMC Direct Investments							33,322,277	33,322,277		
Weighted Average Days to Maturity of WMC Direct Investments					76.55					
Weighted Average Return of WMC Direct Investments						6.04				
% Government Guarantee of WMC Direct Investments									86%	
PORTFOLIO TOTALS							51,453,564	39,988,768		

* Government Guaranteed deposits have been rated AAA

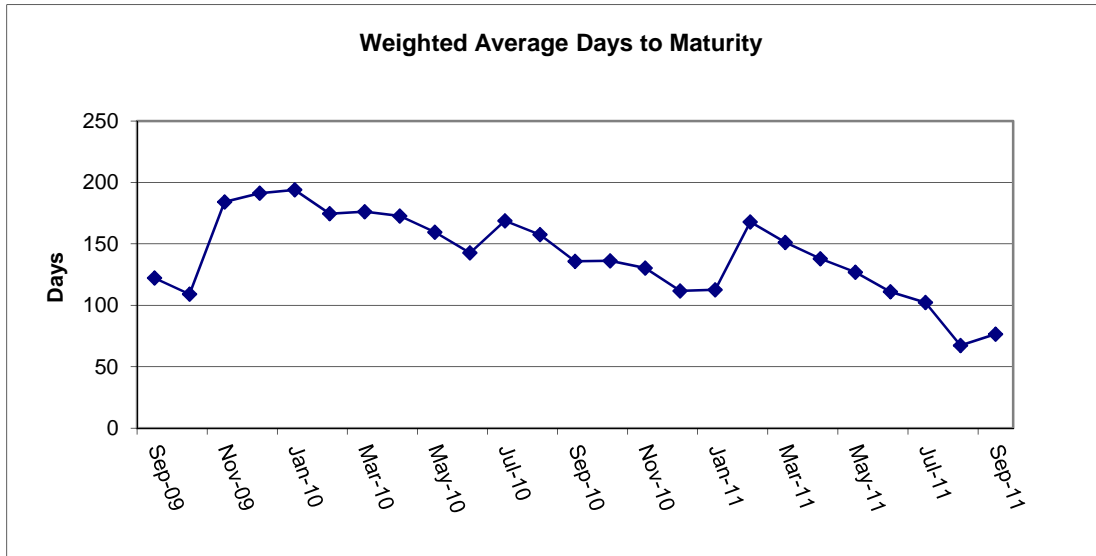
I hereby certify that the above investments have been made in accordance with Section 625 of the Local Government Act 1993, Clause 212 of the Local Government (General) Regulation 2005 and Council's investment policy.

D. Johnston
MANAGER FINANCE

INVESTMENTS PORTFOLIO AS AT 30 September 2011

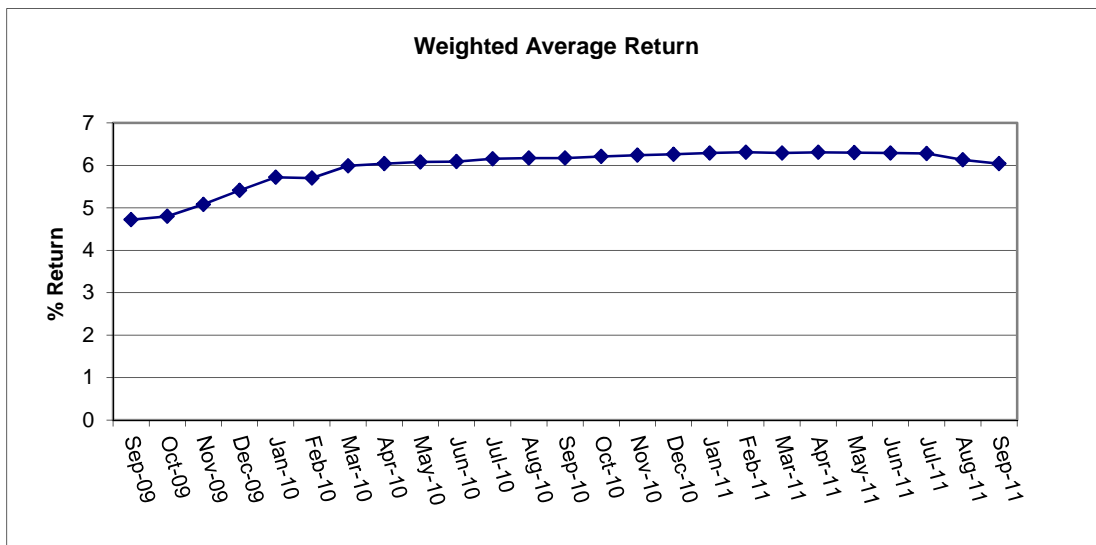
Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
1. LEHMAN BROTHERS (formerly GRANGE SECURITIES)							
Issued by no n-ADIs							
Lehman Global Property Note	Other	13/06/2007	15/06/2009	60,000	60,000	0	1
Magnolia (Flinders AA)	CDO	8/06/2007	20/03/2012	500,000	513,670	0	1
Helium (Esperance AA+)	CDO	4/07/2007	20/03/2013	500,000	501,565	0	1
Zircon (Merimbula AA)	CDO	6/06/2007	20/06/2013	250,000	250,000	100,000	1
Corsair (Torquay AA)	CDO	4/07/2007	20/06/2013	500,000	501,860	0	1
Start (Blue Gum AA-)	CDO	8/01/2007	22/06/2013	400,000	402,768	0	1
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	1
Helium (Scarborough AA)	CDO	4/07/2007	23/06/2014	500,000	502,270	0	1
Helium (Scarborough AA)	CDO	23/07/2007	23/06/2014	500,000	503,810	0	1
Zircon (Coolangatta AA)	CDO	20/03/2007	20/09/2014	500,000	500,000	200,000	1
Beryl (AAA Global Bank Note)	Other	3/04/2007	20/09/2014	100,000	100,000	60,000	1
Zircon (Coolangatta AA)	CDO	4/07/2007	20/09/2014	500,000	501,430	200,000	1
Beryl (AAA Global Bank Note)	Other	4/07/2007	20/09/2014	350,000	350,917	210,000	1
Aphex (Glenelg AA-)	CDO	10/01/2007	22/12/2014	500,000	501,960	0	1
Aphex (Glenelg AA-)	CDO	4/07/2007	22/12/2014	500,000	501,405	0	1
MAS6-7 (Parkes IIA 'AA-')	CDO	13/06/2007	20/06/2015	450,000	461,687	0	1
MAS6-7 (Parkes IIA 'AA-')	CDO	4/07/2007	20/06/2015	500,000	504,315	0	1
Zircon (Miami AA)	CDO	16/04/2007	20/03/2017	50,000	50,137	20,000	1
				7,560,000	7,613,714	790,000	
Issued by ADIs							
			Call Date				
Royal Bank of Scotland (AA)	FRN	4/07/2007	28/10/2009	500,000	508,290	422,270	2
Westpac FR Sub Debt (AA)	FRN	7/02/2007	24/01/2012	500,000	501,590	498,195	2
Royal Bank of Scotland (AA)	FRN	31/01/2007	17/02/2012	1,000,000	1,014,560	748,340	2
Adelaide Bank FRN (BBB+)	FRN	4/07/2007	28/03/2012	500,000	501,445	498,655	2
				2,500,000	2,525,885	2,167,460	
Macquarie Cash Trust (AAA)	Cash			2,170	2,170	2,170	5
UBS Cash Management Trust	Cash			1,822,004	1,822,004	1,822,004	5
				1,824,174	1,824,174	1,824,174	
Total Lehman Brothers				11,884,174	11,963,772	4,781,634	
2. OAKVALE CAPITAL							
Emeral Reverse Mortgage Series 2007-1 Class B	Mortgage Backed	6/07/2007	6/07/2011	1,000,000	1,000,000	450,000	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		3,247,114	3,247,114	1,434,858	4
Total Oakvale Capital				6,247,114	6,247,114	1,884,858	

Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
3. WMC INVESTMENTS							
Banana Coast CU (6.30% 182d)	TD	4/04/2011	3/10/2011	1,000,000	1,000,000	1,000,000	5
Qld Country Credit Union (6.3% 153d)	TD	3/05/2011	3/10/2011	1,000,000	1,000,000	1,000,000	5
Police Credit Union SA (6.10% 123d)	TD	3/06/2011	4/10/2011	1,000,000	1,000,000	1,000,000	5
Citibank (5.6% 30d)	TD	5/09/2011	5/10/2011	1,000,000	1,000,000	1,000,000	5
My State Financial CU (6.05% 91d)	TD	11/07/2011	10/10/2011	1,000,000	1,000,000	1,000,000	5
Bank of Qld (5.85% 62d)	TD	9/08/2011	10/10/2011	1,000,000	1,000,000	1,000,000	5
Bankwest (5.85% 62d)	TD	9/08/2011	10/10/2011	1,000,000	1,000,000	1,000,000	5
Big Sky CU (5.85% 62d)	TD	9/08/2011	10/10/2011	1,000,000	1,000,000	1,000,000	5
Qantas Staff CU (5.85% 62d)	TD	9/08/2011	10/10/2011	1,000,000	1,000,000	1,000,000	5
Suncorp-Metway Ltd (5.85% 62d)	TD	9/08/2011	10/10/2011	1,000,000	1,000,000	1,000,000	5
Investec Bank (6.61% 685d)	TD	26/11/2009	12/10/2011	1,000,000	1,000,000	1,000,000	5
Rural Bank (6.6% 730d)	TD	24/11/2009	24/11/2011	1,000,000	1,000,000	1,000,000	5
Bendigo Adelaide Bank (6.2% 181d)	TD	31/05/2011	28/11/2011	1,000,000	1,000,000	1,000,000	5
Credit Union Australia (6.27% 181d)	TD	31/05/2011	28/11/2011	1,000,000	1,000,000	1,000,000	5
Police & Nurses Credit Society (6.25% 181d)	TD	31/05/2011	28/11/2011	1,000,000	1,000,000	1,000,000	5
St George Bank (5.87% 91d)	TD	12/09/2011	12/12/2011	1,000,000	1,000,000	1,000,000	5
Newcastle Permanent Blg Soc (5.87% 91d)	TD	12/09/2011	12/12/2011	1,000,000	1,000,000	1,000,000	5
CBA TCD (90day BBSW + 1.6% - 3yrs)	TD	16/12/2008	16/12/2011	1,000,000	1,000,000	1,000,000	5
Beirut Hellenic (Laiki Bank) (6.0% 120d)	TD	12/09/2011	10/01/2012	1,000,000	1,000,000	1,000,000	5
Summerland CU (6.0% 120d)	TD	12/09/2011	10/01/2012	1,000,000	1,000,000	1,000,000	5
B & E (5.72% 120d)	TD	19/09/2011	17/01/2012	1,000,000	1,000,000	1,000,000	5
Victorian Teachers CU (5.80% 120d)	TD	19/09/2011	17/01/2012	1,000,000	1,000,000	1,000,000	5
Macquarie Bank (5.65% 120d)	TD	20/09/2011	18/01/2012	1,000,000	1,000,000	1,000,000	5
Bank of Cyprus (5.90% 120d)	TD	26/09/2011	24/01/2012	1,000,000	1,000,000	1,000,000	5
Hunter United Employees CU (5.86% 120d)	TD	26/09/2011	24/01/2012	1,000,000	1,000,000	1,000,000	5
People's Choice CU (5.88% 122d)	TD	30/09/2011	30/01/2012	1,000,000	1,000,000	1,000,000	5
Railways CU (5.58% 122d)	TD	30/09/2011	30/01/2012	1,000,000	1,000,000	1,000,000	5
RaboDirect (6.60% 366d)	TD	1/03/2011	1/03/2012	1,000,000	1,000,000	1,000,000	5
ING Direct (6.74% 731d)	TD	28/02/2011	28/02/2013	1,000,000	1,000,000	1,000,000	5
AMP Cash Management Account	Cash	16/06/2009		999,995	999,995	999,995	5
ME Bank Cash Management Account	Cash	7/09/2011		1,000,000	1,000,000	1,000,000	5
CBA Online Saver	Cash			2,322,282	2,322,282	2,322,282	5
Total Direct Investments				33,322,277	33,322,277	33,322,277	
Total Portfolio				51,453,564	51,533,163	39,988,768	
PORTFOLIO SUMMARISED BY CLASSIFICATION							
CDO				9,050,000	9,102,797	520,000	
FRN				2,500,000	2,525,885	2,167,460	
Mortgage Backed				1,000,000	1,000,000	450,000	
Managed Fund				3,247,114	3,247,114	1,434,858	
TD				29,000,000	29,000,000	29,000,000	
Cash				6,146,450	6,146,450	6,146,450	
Other				510,000	510,917	270,000	
				51,453,564	51,533,163	39,988,768	
1. Book Value (Fair Value) as at 30 June 2011							
2. Mark-to-Market Valuation 30 June 2011							
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 (ADI) 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.						



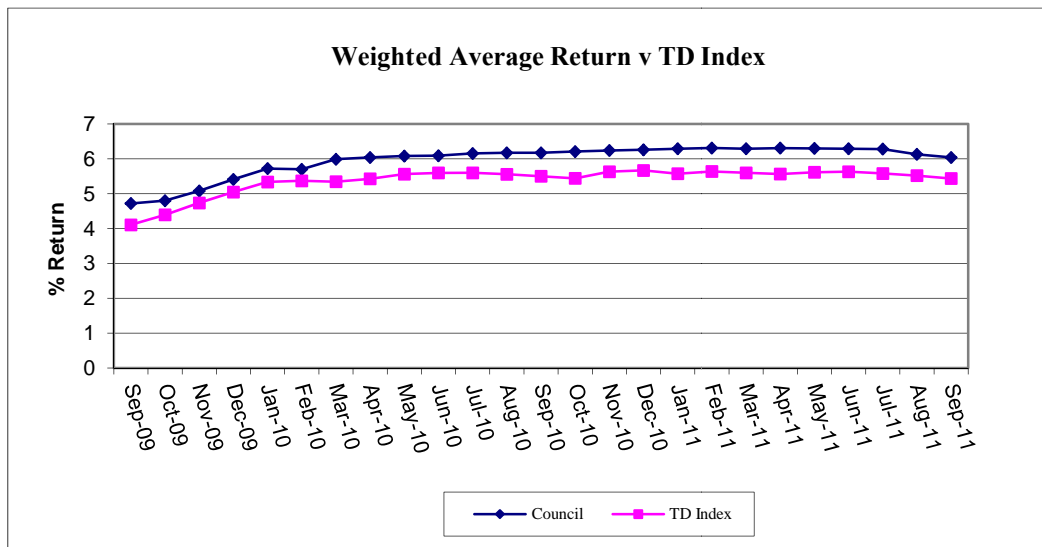
Commentary:

With the extension of the Government Guarantee/Financial Claims Scheme (until 31/01/12 for new investments) new deposits during September were taken out with terms of around 120 days taking advantage of this change, pushing up the average days to maturity for the month.



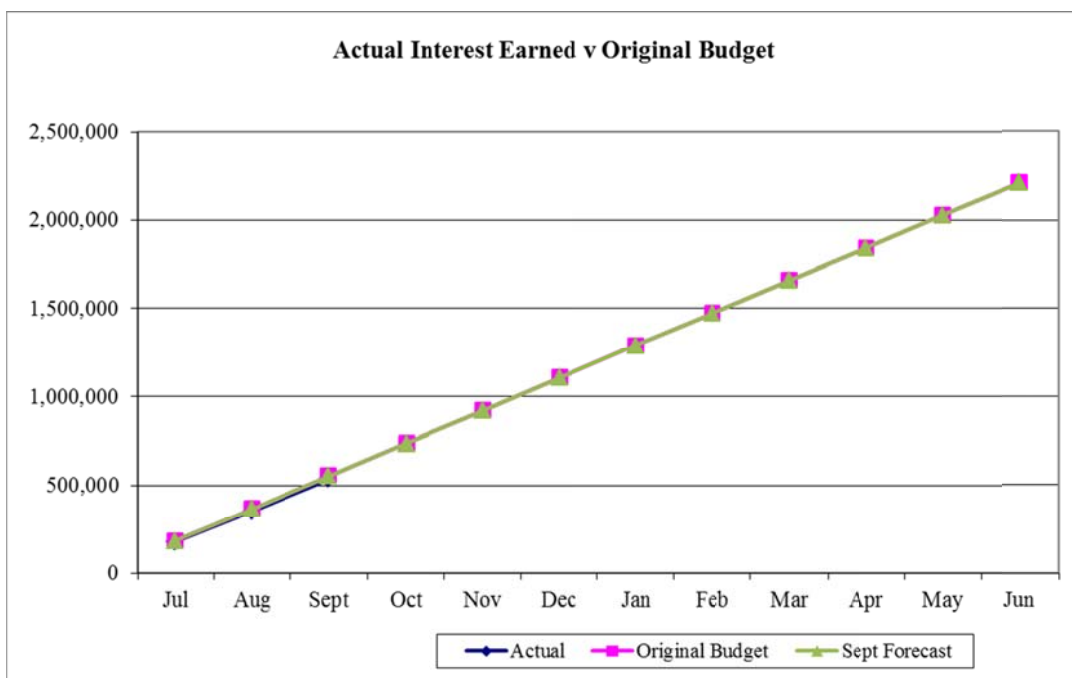
Commentary:

There was little variation in the interest rates of the maturing investments and the re-investment of term deposits. The weighted average return effectively remained unchanged from August.



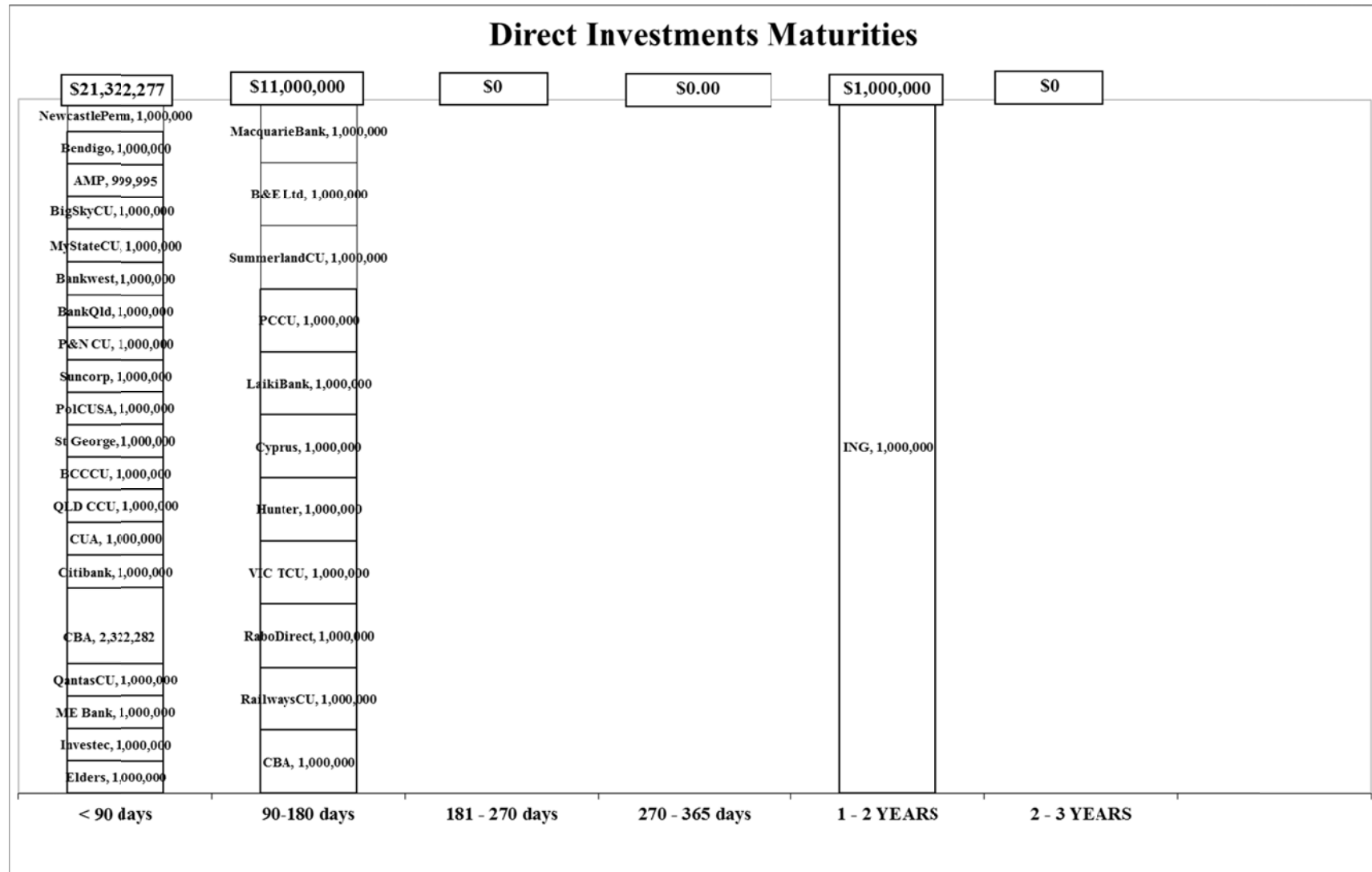
Commentary:

This chart tracks Council’s weighted average return on its direct investment portfolio against a 90 day bank bill index. As Council’s portfolio has become more weighted toward 90 day term deposits as illustrated in the Weighted Average Days to Maturity chart above, the margin Council is achieving above the 90 day term deposit index has contracted. The small margin effectively remained unchanged for September.



Commentary:

This chart tracks the Council’s budgeted interest revenue on investments against actual accrued interest to date. Accrued interest for the month of September was as budgeted with year-to-date interest down a marginal 2.8% when compared to budget.



Commentary:

The chart reflects Council's position of generally rolling short term investments.

Arrears of Rents & Fees

The table below summarises the arrears (greater than 30 days) of rents and fees as at 30 September 2011.

Type	Total Collectible (11/12 Revenue + Arrears)	ARREARS		
		> 30 days	> 60 days	> 90 days
General	2,542,633	94,800	21,143	114,952
% of Total Revenue		3.7%	0.8%	4.5%
Environmental Health	32,075	1,840	720	13,255
% of Total Revenue		5.7%	2.2%	41.3%
Preschool	344,789	122,022	620	22,207
% of Total Revenue		35.4%	0.2%	6.4%
Trade Waste	802,270	42,611	24,043	76,640
% of Total Revenue		5.3%	3.0%	9.6%
Total	3,721,767	261,273	46,526	227,054
% of Total Revenue		7.0%	1.3%	6.1%

The Committee will note that the various percentages of arrears are higher than those reported last quarter (June 2011). This results from having a lower Total Collectible figure at the start of the new financial year meaning the outstanding amounts are a higher percentage of a lower amount. In dollar terms total arrears has increased from \$498,449 in June to \$534,853 in September. Driving this increase is the Preschool fees debt greater than 30 days which will quickly reduce with the recent commencement of the new term.

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

There are no outstanding rents and fees greater than \$50,000.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

Annexures:

1. Mark-to-market valuation of Council's Floating Rate Notes as at 30 September 2011

September, 2011 Revaluation									
Security	Holding	Call Date	Final Maturity Date	Yield/ Margin 30 Jun 11	Yield/ Margin 30 Sep 11	Valuation 30 June 11	Valuation 30 Sept 11	Movement in Value Current Quarter	Movement in Value Year to Date
<i>Current Investments:</i>									
Royal Bank of Scotland (AA)	500,000	28/10/2009	28/10/2014	+5.00%	6.92%	442,385	422,270	-20,115	-20,115
Westpac FR Sub Debt (AA)	500,000	24/01/2012	24/01/2017	+1.27%	1.45%	497,205	498,195	990	990
Royal Bank of Scotland (AA)	1,000,000	17/02/2012	17/02/2017	+26.92%	83.59%	852,110	748,340	-103,770	-103,770
Adelaide Bank FRN (BBB+)	500,000	28/03/2012	28/03/2017	+0.87%	0.87%	498,080	498,655	575	575
	2,500,000					2,289,780	2,167,460	-122,320	-122,320
<i>Maturities:</i>									
N/A									
Total FRNs	2,500,000							-122,320	-122,320

Item No: D3 Delegated to Committee
Subject: **2010/11 Year End Budget Result**
Author: Don Johnston, Manager Finance
File No: 331G 2010/2011
Reason for Report: To present the Committee with the final result in relation to the 2010/2011 Budget.

Recommendation:

THAT:

- A. The report be received and noted.
- B. The Committee note the \$444,000 improvement in the 2010/2011 Budget result.
- C. The Committee note the unrestricted current ratio remaining sound at 2.06:1.
- D. The improved working funds position be further considered in conjunction with the September Review of the 2011/2012 Budget.

Background:

Over the course of each year the adopted budget is reviewed on a quarterly basis and revised forecasts made of Council's income and expenditure and overall financial position as at 30 June. This report presents the Committee with a final review of the 2010/2011 Budget, comparing Council's actual result for the year with the most recent revised forecast made in the March Quarterly Budget review.

The 2010/2011 financials have now been finalised. Part of this process is the revote or rollover of unexpended funds from the 2010/2011 budget into the new financial year budget. These were considered by the Corporate & Works Committee at its last meeting and adopted by Council on 10 October 2011.

The general purpose financial statements have also been prepared and have been informally referred for audit. They are the subject of a separate report on tonight's agenda seeking the adoption of Council's statement in relation to the financial statements and formal referral for audit.

Summary:

The most recent review of the 2010/2011 Budget in March anticipated a working funds position at 30 June 2011 of \$2.092m and an unrestricted current ratio of 2.41:1. The actual results for 2010/2011 are a working funds result of \$2.536m and an unrestricted current ratio of 2.06:1. This represents a much improved budget result for the year of \$440k surplus when compared to the \$4k deficit forecast at the March Review. Detailed discussion of this \$444k improved result is provided later in the report.

Council's Income Statement for 2010/2011 discloses an Operating Result from Continuing Operations (operating surplus) for the year of \$7.441m compared to the revised budget forecast of \$2.900m surplus. The operating result is derived by deducting Total Expenses from Continuing Operations (operating expenses) from Total Income from Continuing Operations (total income). It should be noted however that total income includes income provided for capital purposes, such as

capital grants and Section 94 contributions, the expenditure of which (capital expenditure) is not included in total operating expenses and therefore not deducted from the operating result.

Adjusting for income provided for capital purposes results in a Net Operating Result for the year before Capital Grants and Contributions provided for Capital Purposes of \$4.738m surplus. This is compared to a 2010/2011 budget forecast deficit of \$1.430m, as displayed on the Income Statement presented in this report.

The operating result, working funds movements and variances to budget are discussed in detail later in this report.

Council's working funds and liquidity both remain sound at year end, as does Council's overall financial position. There is a separate report on tonight's agenda dealing with the general purpose financial statements for the year ended 30 June 2011.

Discussion:

At the time of preparing its annual budget, and during the year at each quarterly review, four key indicators are used as a measure of Council's financial position. Two of these indicators, the Operating Result and the Unrestricted Current Ratio, are disclosed in the financial statements each year. The other two, the Budget Result (or Working Funds Movement) and the Working Funds Balance, are determined after allowing for transfers to and from Council's Reserves. The results of these key indicators for 2010/2011, along with budget comparatives are reported below.

Operating Results

The operating result is disclosed on the Income Statement which is shown below. As previously discussed, it is the result of taking total operating expenses away from total income.

	Original Budget \$'000	March Forecast \$'000	2010/11 Actual \$'000
<i>Income from continuing operations</i>			
Rates & Annual Charges	39,932	40,040	40,009
Fees & Charges	9,315	9,517	9,474
Interest	2,159	3,124	2,522
Grants & Contributions	2,641	2,378	2,793
Capital Grants & Contributions	2,461	4,345	3,925
Other Revenue	9,479	9,911	16,474
<i>Other Income</i>			
Net Gain/(Loss) on Sale of Assets	602	(15)	(1,222)
Total Income	66,859	69,300	73,975
<i>Expenses from continuing operations</i>			
Employee Benefits & On-Costs	30,021	30,248	30,239
Materials & Contracts	11,932	12,054	13,124
Borrowing Costs	569	569	568
Depreciation	10,199	10,202	9,080
Other Costs	12,848	13,328	13,523
Total Expenses	65,570	66,400	66,534
Net Result from continuing operations	1,289	2,900	7,441
Net Result before Capital Income	(1,774)	(1,430)	4,738

The unrestricted current ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due. The ratio eliminates externally restricted assets, such as Council's Section 94A Contributions Reserve and Unexpended Grants

Reserve, from other current assets and compares the unrestricted current assets balance to current liabilities.

The actual results for these indicators compared to the budgeted results for the 2010/2011 financial year are summarised in the following table.

Item	Original Budget \$'000	March Forecast Result \$'000	Actual Result \$'000
Operating Result	\$1,289 (Surplus)	\$2,900 (Surplus)	\$7,441 (Surplus)
Unrestricted Current Ratio	2.42:1	2.41:1	2.06:1

The operating surplus for 2010/2011 of \$7.441m is some \$4.541m higher than was forecast at the March Review. Significantly, this variance includes a \$6.54m revaluation adjustment to Council's investment properties. As a brief reminder to the Committee, investment properties are those held to earn rental income rather than for use in service delivery.

Council's investment properties are:

- the leased land and buildings at O'Dea Avenue
- the Grafton Street Car Park
- the Cosmopolitan Centre Car Park

There are numerous other variances that contribute to this result which are discussed in the Working Funds section of the report below.

The reduction in the unrestricted current ratio reflects the variations outlined below and in forecast net current assets and externally restricted cash. One of the contributing factors to the reduction was not realising the forecast fair value increase in investments due to the revaluation of Lehman securities at 30 June. The fair value increase would have seen an unrestricted current ratio of 2.35:1, closer to the 2.41:1 forecast. Notwithstanding the reduction, at this level the ratio still remains sound.

Working Funds

The operating result disclosed in the financial statements excludes transfers to and from Reserves. The inclusion of these transfers provides Council with its budget result for the year and working funds balance at the end of the year as disclosed in the following table.

Item	Original Budget \$'000	March Forecast Result \$'000	Actual Result \$'000
Working Funds 1 July 2010	2,096	2,096	2,096
Budget Result (Working Funds Movement)	15 (Increase)	(4) (Decrease)	440 (Increase)
Working Funds 30 June 2011	2,111	2,092	2,536

The movement in Council's working funds has improved by some \$444k since the March forecast to an increase of \$440k for 2010/2011, being the budget result. This leaves a working funds balance of \$2.536m at 30 June 2011 compared to the March forecast result of \$2.092m. The improvement arises from numerous variances to budget across Council. The table below summarises the major variances and provides a brief commentary.

Item	March Forecast \$'000	Actual \$'000	Variance Favourable (Unfavourable) \$'000 %		Comment
Income					
<i>Rates & Annual Charges</i>					
Rates	31,177	31,160	(17)	0.1%	Changes within Council's rating base resulted in forecast income not being achieved.
<i>Fees & Charges</i>					
Restoration Charges	1,311	1,426	115	8.8%	This increase relates to recognising contributions to works received in prior years.
Development Application, Section 96 Application and Replacement DA Fees	942	811	(131)	13.9%	The number and value of applications received were less than forecast.
Section 603 Certificate Fees	108	91	(17)	15.7%	The number of Certificates issued was less than forecast.
Residential Parking Permits	335	351	16	4.8%	There was a small increase in the number or permits issued.
Hoarding Application Fees	185	198	13	7.02%	Notwithstanding a mid-year review of the original \$110,000 budget, the revised forecast was still exceeded due to a small number of larger applications.
Trade Waste Charges	1,616	1,627	11	0.7%	While only a small variance in percentage terms, the dollar variance contributed to the overall variance in Fees & Charges.
Principal Certifying Authority Service Fees	70	80	10	14.3%	A conservative forecast of principal certifier appointments was exceeded.
Crane Permits	74	84	10	13.5%	The level of activity exceeded a conservative forecast.
Fire Safety Statement Lodgement Fees	55	62	7	12.7%	A heightened level of lodgements during the last quarter saw the forecast exceeded.
Compliance Levy	190	196	6	3.2%	While only a small variance in percentage terms, the dollar variance contributed to the overall variance in Fees & Charges.
Premises Inspection Fees	43	49	6	13.9%	An increase in the number of inspections over the last quarter saw the forecast exceeded.
Work Zone Charges	392	321	(71)	18.1%	Notwithstanding a mid-year reduction from the original budget of \$512,000, the revised forecast level of activity was still not achieved.
<i>Interest</i>					
Interest on Investments and Overdue Rates & Charges	3,124	2,522	77	3.8%	Actual interest received exceeded the \$2,336,000 forecast by \$77,000 due to slightly higher levels of investment and interest rates.
			17		Interest on overdue rates

Item	March Forecast \$'000	Actual \$'000	Variance Favourable (Unfavourable) \$'000 %		Comment
			(154)		exceeded the \$130,000 forecast due to higher levels of overdue rates over the course of the year.
			(38)		The required transfer of interest to Section 94 and 94A Reserves was higher than forecast.
					The budget anticipated a \$658,595 increase in the fair value of investments that was to be transferred to Reserve. As reported to Corporate & Works on 15 August 2011, a conservative valuation methodology resulted in a \$37,508 write down in value.
<i>Grants & Contributions</i>					
Total Grants & Contributions	2,378	2,793	415	17.5%	Council received the first quarter 11/12 Financial Assistance Grant payment in June in the amount of \$379,879. This aside, the FAG exceed forecast by \$20,896.
			(380)		Other variances include a \$22,000 increase in the Street Lighting Subsidy and a (\$6,639) reduction in the Bus Routes subsidy.
					The additional FAG payment was transferred to Reserve at year end and will be transferred from Reserve in the 2011/12 Budget.
<i>Capital Grants & Contributions</i>					
NOTE: The recognition of capital grants is tied to the timing of capital expenditure. Further, any variances in Section 94 and 94A contributions are transferred to Reserve. While the disclosed variation is (\$420k), after allowing for revotes, rollovers and Reserve transfers, the true variation is only (\$77k).					
Bike Plan Grants	38	0	(38)	100%	The grant anticipated in the budget will not be received.
Lyne Park Boat Ramp	66	49	(17)	25.8%	The full amount of grant anticipated in the budget will not be received.
Contributions to Works	63	35	(28)	44.4%	The budget anticipated various contributions, the total of which was not ultimately received.
<i>Other Revenues</i>					
NOTE: The actual Other Revenues amount for 2010/2011 includes \$6,540k relating to the revaluation of Council's Investment Properties. In the context of this Working Funds analysis, this is a non-cash item which does not affect the working funds result. The actual Other Revenues amount excluding this would have been \$9,934k, very close to the March Forecast of \$9,911. There are, however, still a number of variances to report.					

Item	March Forecast \$'000	Actual \$'000	Variance Favourable (Unfavourable) \$'000 %		Comment
Fuel Tax Credits	0	33	33	100%	Netted off against Fuel expense in the budget, the credits are recognized as income at year end.
Infringements & Penalties	4,668	4,713	45	1.0%	While small in percentage terms, the \$45k variance contributes to the overall improvement in working funds.
Leases & Licences	3,876	3,897	21	0.5%	While small in percentage terms, the \$21k variance contributes to the overall improvement in working funds.
Easement Compensation	150	52	(98)	65.3%	The timing of the payment of easement compensation is difficult to anticipate. Not all payments anticipated in the budget were received.
Expenditure					
<i>Employee Benefits and On-costs</i>					
Salaries & Wages	25,780	25,756	24	0.9%	The 2010/11 Budget provided for a 6% vacancy factor. Measured at each month end, the vacancy factor fell to as low as 3% and averaged around 4% across the financial year. This was the main contributor to the salaries and wages budget result. As a result of the level of expenditure, no transfer to the ELE Reserve has been made, maintaining it at \$897k, or just over 10% of Council's total leave liability (\$8,834k).
Superannuation	3,093	3,017	76	2.5%	While small in percentage terms, the \$76k variance contributes to the overall improvement in working funds.
Fringe Benefits Tax	185	235	(50)	27.0%	A low budget forecast and higher average statutory percentages used to calculate FBT resulted in this higher than forecast result.
Workers' Compensation Premium	1,315	1,013	302	22.9%	A significantly better result than forecast in the budget and relates to improved claims experience. Part of the saving relates to Domestic Waste Management and which is transferred to Reserve at year end.
<i>Materials & Contracts</i>					
NOTE: Completion of Council's Asset Management Plans during 2010/2011 brought with them improved processes					

Item	March Forecast \$'000	Actual \$'000	Variance Favourable (Unfavourable) \$'000 %		Comment
<p>relating to the capitalisation of expenditure. Where previously all expenditure in the Capital Budget was capitalised, now expenditure such as environmental education, sustainability programs, flood risk studies and minor capital works are not capitalised. The total of the expenditure not capitalised in 2010/11 was \$1,573k which is disclosed in Materials & Contracts.</p> <p>This area of expenditure is also impacted by revotes and rollovers. \$276k of unexpended budget provisions has been rolled into the 2011/12 Budget. A further \$13k of savings relate to Domestic Waste Management and the Preschool and were transferred to their respective Reserves at year end.</p> <p>Net of these items, the saving in Materials & Contracts totals \$246k. The main variances are provided below.</p>					
Materials	2,550	2,388	162	6.4%	<p>This type of expenditure covers a diverse range of activities across Council. The main variances are:</p> <ul style="list-style-type: none"> • Civil infrastructure maintenance \$26k • Restorations \$15k • Property maintenance \$17k • Business centres maintenance \$7k • Woollahra Community Centre \$17k due to less meals being purchased • Governance (paper and stationery for the whole Council) \$44k • Information Systems - \$12k • Furniture & Equipment purchases across Council \$14k
Plant Parts & Repairs	313	346	(33)	10.5%	Higher levels of plant and equipment maintenance and repairs related mainly to garbage compactors and street sweepers.
Printing & Stationery	173	153	20	11.5%	Multiple small variations across Council contributed to a reduction in forecast expenditure.
General Contracts	4,672	4,698	(26)	0.6%	Multiple small variations across Council make up this variation.
General Consultants	911	767	144	15.8%	<p>The largest variation in the use of consultants is in Strategic Planning and Urban Design where the engagement of a temporary Strategic Planner on staff replaced the need for \$75k in consultant work.</p> <p>Other variations include savings in consulting in:</p> <ul style="list-style-type: none"> • Risk Management \$38k • Property Management \$12k

Item	March Forecast \$'000	Actual \$'000	Variance Favourable (Unfavourable) \$'000 %		Comment
					<ul style="list-style-type: none"> • Communications \$10k • Executive \$7k • Finance \$5k
Assessment Consultants	40	23	17	42.5%	There was a reduced need for external development assessment consultants throughout the year.
Legal Expenses & Appeal Consultants	1,143	1,177	(34)	3.0%	<p>While small in percentage terms, the \$34k variance contributes to the overall improvement in working funds.</p> <p>Some over expenditure in Development Control, Car Parks and Tree Management was partly offset by under expenditure in other areas of Council.</p>
<i>Depreciation</i>					
<p>NOTE: While Depreciation does not impact on this working funds analysis, it is pleasing to note that Council's depreciation expense was less than forecast and less than previous financial years. This follows the revaluation and condition assessment of infrastructure assets as at 30 June 2010. This is a positive reaffirmation of the favourable effect of Council's infrastructure renewal program funded by the now permanent Environmental & Infrastructure Renewal Levy.</p>					
<i>Borrowing Costs</i>					
The repayment of interest on loans was in line with budget forecasts.					
<i>Other Costs</i>					
Insurance Claims Recoveries	35	57	22	62.9%	Claims recoveries exceeded budget forecasts in Public Liability and Property insurance classes by \$14k and \$8k respectively.
Recoverable Expenses	154	207	(53)	34.4%	<p>This over expenditure relates mainly to Property Management where the timing of recovery can be variable (\$35k).</p> <p>Other variances include:</p> <ul style="list-style-type: none"> • Rates recoverable costs \$9k • HR recoverable costs \$8k
Contributions to Other Organisations	292	220	72	24.7%	<p>The main variances here are:</p> <ul style="list-style-type: none"> • Council's \$ for \$ contribution to the Double Bay Partnership requiring only \$48k of the \$70k budget

Item	March Forecast \$'000	Actual \$'000	Variance Favourable (Unfavourable) \$'000 %		Comment
					<ul style="list-style-type: none"> • Double Bay Chamber of Commerce contribution \$30k lower than budgeted. • Council's \$16k contribution to the cleaning of Paddington Library not required.
Tipping Charges	3,178	3,485	(307)	9.7%	<p>The increase arises primarily from low budgets but also reflects some increases in tonnages tipped.</p> <p>\$203k of the over expenditure relates to Domestic Waste Management and is funded from Reserve.</p>
Self Funded Losses	615	591	24	3.9%	This saving relates mainly to motor vehicle self funded losses being less than forecast.
Advertising	374	361	13	3.5%	The saving relates mainly to budget provision for advertising the Principal LEP not being expended.
Electricity	292	280	12	4.1%	While a detailed analysis has not been done, the saving indicates lower consumption across Council activities.
Parking Space Levy	90	75	15	16.7%	The anticipated increase in the Parking Space Levy did not eventuate.
Other Minor Operating Budget Variations			29		This is the net of other minor variations in the Operating Budget.
Total Operating Budget Variations			386		
Capital Budget					
Project Expenditure	18,760	18,671 *	89	2.3%	There were overall savings across all projects.
			(60)		Unexpended Reserve funds returned to Reserve.
Plant & Fleet Replacement	1,244	1,215 *	29	2.3%	There were minor variations across Council's plant and fleet replacement program.
Total Capital Budget Variations *			58		
Increase in Working Funds			444		

* Includes rollovers and revotes to indicate Council's total commitment to capital expenditure and the effective variation to budget.

Conclusion:

The final budget result for the year was an improvement in working funds of \$440k, or \$444k more than forecast in the March Budget Review, resulting in a working funds balance of \$2.536m at 30 June. At this level the working funds balance is above the minimum benchmark figure (arrears of Rates & Charges plus Inventory) of \$2.278m.

In light of potential pressures on income and expenditure forecasts in the 2011/2012 Budget, it is considered appropriate to further consider the improved working funds position in the context of the September Budget Review which will be reported to the Committee in November.

Council's operating result for the year was a surplus of \$7.441m including the final \$6.54m fair value adjustment to Investment Properties.

The report details the major variances to Council's forecast result.

Council's working funds and liquidity both remain sound at year end as does Council's overall financial position. There is a separate report on tonight's agenda dealing with the financial statements for the year ended 30 June 2011.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

Annexures:

Nil.

Item No: D4 Delegated to Committee
Subject: **Annual Statutory Reports**
Author: Les Windle - Manager Governance
File No: 149.G, 473.G, 817.G
Reason for Report: To provide the annual statutory report on Pecuniary Interest Declarations, contractual conditions of senior staff and code of conduct complaints.

Recommendation:

That the information be noted.

Background:

The Local Government Act (LGA) requires Council to report the following matters on an annual basis:

1. annual returns disclosing interests of councillors and designated persons (section 450A)
2. contractual conditions of senior staff (section 339)
3. code of conduct complaints (part 12.33 of the Code of Conduct adopted under section 440)

Proposal:

Returns disclosing interests of councillors and designated persons (section 450A LGA)

Annual returns

Councillors and designated persons are required to lodge a disclosure of interest return within three (3) months of becoming a Councillor or designated person and for each July 1 to June 30 period, during which the person is a Councillor or designated person. Annual returns for the 1 July 2010 to 30 June 2011 period were due to be submitted by 30 September 2011.

The purpose of this report is to table:

1. the Ordinary Returns of the Councillors and Designated Persons who have lodged Ordinary Returns for the period 1 July 2010 to 30 June 2011.
2. the Primary (first) Returns of new staff members determined as Designated Persons who were required to submit a return during the period 1 July 2011 to 30 September 2011.

Councillors:

All Councillors submitted their annual return in accordance with the legislative requirements.

Designated Persons:

79 designated persons submitted their annual return by the due date in accordance with the legislative requirements. 1 designated person who works part time at Council submitted their annual return on 10 October. This represents all designated persons at Council except 2, who are on extended leave from Council.

Those persons will be required to complete their annual return when they return to work and the return will be tabled at a Corporate and Works Committee meeting in conjunction with the then next scheduled 3 monthly report.

Primary Returns submitted for the period July – September 2011 - Designated Persons

Two (2) new designated persons who were required to complete a Primary Return during the period 1 July to 30 September 2011 submitted their Returns in accordance with the legislative requirements.

It is recommended that the information be noted.

Contractual conditions of senior staff (section 339 LGA)

Council is required to report the contractual conditions of senior staff on an annual basis.

The senior staff of Council are:

1. General Manager – Mr Gary James
2. Director Corporate Services – Mr Stephen Dunshea
3. Director Community Services – Ms Kylie Walshe
4. Director Planning and Development – Mr Allan Coker
5. Director Technical Services – Mr Tom O’Hanlon

The General Manager is employed under the Division of Local Government, Department of Premier and Cabinet’s “Standard Contract of Employment – General Managers of Local Councils in New South Wales.” The contract has no exceptions or additions to the standard contract.

Each Director is employed under the Division of Local Government, Department of Premier and Cabinet’s “Standard Contract of Employment for Senior Staff (other than the General Manager)”. None of the Directors’ contracts contain exceptions or additions to the standard contract.

The contract termination dates are as follows:

1. General Manager – 1 July 2016.
2. Director Corporate Services – 8 February 2014.
3. Director Community Services – 31 August 2013.
4. Director Planning and Development – 31 August 2013.
5. Director Technical Services – 31 January 2015

It is recommended that the information be noted.

Code of Conduct Complaints (part 12.33 of the Code of Conduct adopted under section 440 LGA)

The Code of Conduct adopted by Council under section 440 of the Local Government Act requires Council to report annually on:

1. number of complaints received,
2. nature of the issues raised by complainants, and
3. outcomes of complaints.

There were no substantiated complaints relating to Code of Conduct breaches received by Council during the period 1 July 2010 to 30 June 2011. There were also no matters referred to Council from the Division of Local Government, Department of Premier and Cabinet or the NSW Ombudsman involving breaches or alleged breaches of the Code of Conduct during this period.

It is recommended that the information be noted.

Conclusion:

This report advises Council of the submission of annual returns for the period 1 July 2010 to 30 June 2011 disclosing interests of councillors and designated persons, primary returns for the period 1 July 2011 to 30 September 2011 disclosing interests of newly employed designated persons, the contractual conditions of senior staff and code of conduct complaints.

It is recommended that the information be noted.

Les Windle
Manager Governance

Stephen Dunshea
Director Corporate Services

Annexures:

Nil

Item No: R1 Recommendation to Council
Subject: **Tender 11/10 – Provision of Survey and Civil Infrastructure Design Services**
Author: Jake Matuzic – Manager Capital Projects
File No: Tender 11/10
Reason for Report: To recommend a panel of consultants to provide council survey and civil infrastructure design services for a period of 2 years

Recommendation:

- A. That Woollahra Municipal Council enters into a contract with Aspect Australia Pty Ltd, Complete Urban Pty Ltd, Trehy Ingold Neate Pty Ltd, MacDonald International, Lambert and Rehbein Pty Ltd and Jones Nicholson Pty Ltd for a period of 2 years for the provision of survey and design of civil infrastructure services.
- B. That successful and unsuccessful tenderers be advised of the outcome of the tender process.
-

Background:

As part of Council's Infrastructure Renewal Program Council has adopted a five year works program with a priority list of civil infrastructure projects. The scope of the works for civil infrastructure projects typically include, but are not limited to the following:

- Kerb & gutter reconstruction.
- Road pavement patching, resurfacing or reconstruction.
- Reconstruction of residential driveways, ensuring compliance with the off street parking code.
- Reconstruction of the footpath.
- Construction of standard kerb access ramps at crossing points.
- Re-connection of household drainage lines as required.
- Reconstruction of Council drainage pits, lintels, grates and stormwater pipes and culverts.
- Design and construction of water sensitive urban design features such as rain gardens and wetlands.
- Reconstruction of structural elements such as retaining walls, footings and pits as required.

The extent of the works for each project is determined in consultation with Council staff. Specific design details such as road pavement design, stormwater pit and pipe sizes and grades are provided in consultation with Council staff. Each project has unique design issues that are particular to its location. This includes (but is not limited to) the condition of infrastructure, grades and access issues, traffic and pedestrian safety, heritage items, choice of construction materials.

Expenditure on the survey and design services for the 2010/11 financial year was approximately \$450,000; several consultants were engaged to complete a number of the projects.

In order to comply with Section 55 of the Local Government Act and Local Government (General) Regulation 2005 open tenders were invited for the provision of survey and civil infrastructure design services.

The purpose of this tender is to establish a panel of survey and design consultants who will be available to supply designs based on this request for tender for a period of two years. The period will start at from the date that the offer is accepted by Council.

Invitation to Tender

Tender 11/10 for the provision of survey and civil infrastructure design services was advertised on Tuesday 23 August 2011. Tenders for this project closed at 2.30pm on 15 September 2011. A total of nineteen tenders were received prior to the closing date and time. In addition, two tenders were received after the closing date and time and could not be accepted.

All the tenders received by the closing date and time are listed in Table 1:

Table 1

TENDERER
Aspect Australia Pty Ltd
Complete Urban Pty Ltd
GHD Pty Ltd
GTA Consultants (NSW) Pty Ltd
J. Wyndham Prince Pty Ltd
Jones Nicholson Pty Ltd
KF Williams and Associates Pty Ltd
Knobel Consulting Pty Ltd
Lambert and Rehbein Pty Ltd
MacDonald International
Meinhardt Infrastructure and Environment Pty Ltd
Mott MacDonald Hughes Trueman Pty Ltd
Opus International Consultants (NSW) Pty Ltd
Silver Wolfe Projects Pty Ltd
SMEC Australia Pty Ltd
Trehy Ingold Neate Pty Ltd
URS Australia Pty Ltd
Woolacotts Consulting Engineers Pty Ltd
Worley Parsons Services Pty Ltd

Tender Assessment

The tender assessment panel comprised Mr David Byatt, as the convenor and independent member of the tender panel, Mr Jake Matuzic, Manager Capital Projects as the Commissioning Officer and Mr Yasas De Silva, Team Leader Infrastructure Asset Management as the Project Manager.

Council has resolved that a probity adviser should be included during the tender assessment stage for high risk, high value or sensitive projects. This contract was deemed to not meet this definition and it was agreed that a probity adviser should not be included in the tender process.

Prior to the closing date, on the 1 September 2011 the tender panel agreed on the weightings that would be used against the advertised selection criteria.

The tender panel carried out an initial evaluation of the tenders and deemed two tenders to be non-conforming, for the following reasons:

- URS Australia Pty Ltd – Included significant qualifications and changes to the standard conditions of contract which were unacceptable.
- Worley Parsons Service Pty Ltd - Included significant qualifications and changes to the standard conditions of contract which were unacceptable and changed the deliverables such that they were not in line with the Request for Tender.

The tenderers submitted a schedule of hourly rates listing all personnel and subcontractors that are used to complete survey and design projects as described by the Request for Tender.

Prices were determined by applying the hourly rates applicable to completing a typical survey and design of civil infrastructure project as per the following formula:

Principal/Director Checking:	8 hours multiplied by the submitted hourly rate
Civil Designer:	80 hours multiplied by the submitted hourly rate
Draftsperson:	85 hours multiplied by the submitted hourly rate
Surveyor:	36 hours multiplied by the submitted hourly rate
Survey Assistant:	36 hours multiplied by the submitted hourly rate
Admin:	8 hours multiplied by the submitted hourly rate
PLUS	

Disbursement costs in the provision of deliverables as described in the Request for Tender.

The sum of the above provides a theoretical price for a typical survey and design project and allows us to compare the tendered submitted rates.

The tenders deemed conforming and their prices are listed in Table 2:

Table 2

TENDERER	Tender price to complete a typical Survey and Design Project (excl GST)
Aspect Australia Pty Ltd	\$32,085.00
Complete Urban Pty Ltd	\$33,825.00
GHD Pty Ltd	\$40,102.50
GTA Consultants (NSW) Pty Ltd	\$41,068.33
J. Wyndham Prince Pty Ltd	\$41,660.00
Jones Nicholson Pty Ltd	\$33,337.00
KF Williams and Associates Pty Ltd	\$37,833.33
Knobel Consulting Pty Ltd	\$33,683.33
Lambert and Rehbein Pty Ltd	\$31,510.00
MacDonald International	\$39,899.20
Meinhardt Infrastructure and Environment Pty Ltd	\$36,113.33
Mott MacDonald Hughes Trueman Pty Ltd	\$37,958.50
Opus International Consultants (NSW) Pty Ltd	\$35,505.00
Silver Wolfe Projects Pty Ltd	\$37,950.00
SMEC Australia Pty Ltd	\$30,472.00
Trehy Ingold Neate Pty Ltd	\$29,395.00
Woolacotts Consulting Engineers Pty Ltd	\$30,090.00

The tenders were assessed in accordance with the selection criteria stated in the tender documents. The tenders were given a preliminary score on each item of the selection criteria, which resulted in a total score out of 100. Tenderers were ranked in accordance with their scores.

Post-Tender Interviews were conducted with the three of the highest ranked tenderers, who were previously not known to Council, Trehy Ingold Neate, MacDonald International and Jones Nicholson Pty Ltd. The purpose of the interviews was to review and test the information provided by these tenderers with regard to the published selection criteria, and where necessary to raise concerns which the panel may have had with any aspect of a tender. Following the interviews,

where necessary, the panel amended tenderers' scores, and reviewed rankings. Final scores and rankings are shown in Table 3.

Referees were contacted and their opinions sought on previous projects carried out.

Assessment of highest ranked tenderers

Table 3 shows the scores and rankings of all tenders considered:

Table 3

TENDERER	Demonstrated Experience 40	Capacity to deliver the designs within the nominated timeframe 15	OHS Record 5	Price 40	Total Score 100	Ranking
Aspect Australia Pty Ltd	36.67	15	2.5	36.65	90.81	1
Complete Urban Pty Ltd	36.67	10.63	5	34.76	87.06	2
Trehy Ingold Neate Pty Ltd	30.00	10.21	3.75	40.00	80.63	3
MacDonald International	33.33	14.79	5	29.47	82.59	4
Lambert and Rehbein Pty Ltd	30.00	8.29	5	37.32	80.60	5
Jones Nicholson Pty Ltd	30.00	8.36	3.75	35.27	77.38	6
SMEC Australia Pty Ltd	26.67	5.44	5	38.59	75.69	7
Opus International Consultants (NSW) Pty Ltd	30	8.02	3.75	33.12	74.88	8
GHD Pty Ltd	30	7.97	5	29.32	72.29	9
Woolacotts Consulting Engineers Pty Ltd	23.33	5.98	3.75	39.08	72.13	10
Mott MacDonald Hughes Trueman Pty Ltd	26.67	7.45	3.75	30.98	68.84	11
Meinhardt Infrastructure and Environment Pty Ltd	23.33	7.49	5	32.56	68.38	12
GTA Consultants (NSW) Pty Ltd	26.67	7.21	5	28.63	67.51	13
J. Wyndham Prince Pty Ltd	26.67	7.38	2.5	28.22	64.77	14
Knobel Consulting Pty Ltd	23.33	1.88	2.5	34.91	62.62	15
Silver Wolfe Projects Pty Ltd	16.67	7.72	3.75	30.98	59.12	16
KF Williams and Associates Pty Ltd	13.33	1.88	5	31.08	51.29	17
*URS Australia Pty Ltd	26.67	12.97	5	30.87	75.51	18
*Worley Parsons Services Pty Ltd	23.33	4.79	5	35.16	68.28	19

***Deemed to be non-conforming, scores provided for information**

1. ***Demonstrated Experience:***

- Assessment of CVs provided: CVs of personnel provided. Assessment of CVs to determine if the nominated personnel have extensive, good, some, little or no experience in delivering the services as described by the tender.
- List of past projects and referees: Assess if the consultants past projects show extensive, good, some, little or no experience in delivering survey and civil infrastructure designs.
- Example project Deliverables: Assess if the deliverables of the sample plans submitted by the tenderer exceed, are of a good standard, are satisfactory, are limited or do not meet the requirements for typical civil infrastructure projects designs.

2. ***Capacity to deliver the designs within nominated timeframes***

- Example project program: Assess if the project program of the sample project submitted by the tenderer demonstrates a realistic timeframe to complete the stages for the provision of survey and design for a typical civil infrastructure project. Assess if the program submitted has excellent detail and adequate capacity to deliver within the program, good detail and adequate capacity to deliver within the program, fair level of detail and capacity to deliver within the program, little detail and/or no indication of capacity to deliver as per program, no detail and/or limited capacity to deliver as per program.

- Example project program duration: Convert the duration of the sample project program submitted by the tenderer to duration per 100m of road. The shortest duration per 100m will be awarded the highest score, the remaining scores will be calculated by the formula: Shortest Duration (per 100m)/Duration (per 100m). If no program is submitted a zero is awarded for duration.
- 3. **Occupational health and safety record**
 - Assess if the tenderer has an accredited OHS System, a well documented OHS System, a satisfactory OHS compliance demonstrated by satisfactory completion of the OHS questionnaire, limited OHS compliance demonstrated by partial completion of the OHS questionnaire, no OHS system.
- 4. **Price**
 - The lowest price is awarded the highest score. The score for the remaining prices are calculated by the formula: lowest price/price x 40

After consideration of the tenders that were submitted it was deemed that the top six tenderers provided tenders that met our expectations on the delivery of survey and design services for infrastructure projects. The strengths of these tenderers submissions are summarised following:

Aspect Australia Pty Ltd

Was assessed as having the equal best demonstrated experience, and best capacity to deliver the survey and designs within the nominated timeframes. Have satisfactory OHS systems and record. Provides these services at a competitive rate. Is known to Council having completed many survey and design projects for us over the past 6 years.

Complete Urban Pty Ltd

Was assessed as having the equal best demonstrated experience, and sufficient capacity to deliver the survey and designs within the nominated timeframes. Have an accredited OHS system and record. Provides these services at a competitive rate. Is known to Council having completed many survey and design projects for us over the past 6 years.

Trehy Ingold Neate Pty Ltd

Was assessed as having good demonstrated experience, and sufficient capacity to deliver the survey and designs within the nominated timeframes. Has a documented OHS system and record. Provides the services at the cheapest rate. Is not known to Council, however reference checks provided a high level of satisfaction from all clients.

MacDonald International

Was assessed as having extensive demonstrated experience, and more than adequate capacity to deliver the survey and designs within the nominated timeframes. Have an accredited OHS system and good record. Provides the services at a more expensive rate, however has more capacity to undertake detailed drainage designs and geotechnical designs which are not provided by the other tenderers. Is not known to Council, however reference checks provided a high level of satisfaction from all clients.

Lambert and Rehbein Pty Ltd

Was assessed as having good demonstrated experience, and sufficient capacity to deliver the survey and designs within the nominated timeframes. Has an accredited OHS system and record. Provides the services at a competitive rate. Is known to Council having completed several survey and design projects for us over the past 2 years.

Jones Nicholson Pty Ltd

Was assessed as having good demonstrated experience, and sufficient capacity to deliver the survey and designs within the nominated timeframes. Has a documented OHS system and record. Provides the services at a competitive rate. Is not known to Council, however reference checks provided a high level of satisfaction from all clients.

The remaining tenderers did not meet our expectations. Some of these tenderers had good demonstrated experience however take too long to deliver surveys and designs or provided more expensive rates. Some of these tenderers had competitive rates however had limited demonstrated experience and therefore were not considered.

Tender Assessment Panel Opinion

The tender panel is of the opinion that the tenders of Aspect Australia Pty Ltd, Complete Urban Pty Ltd, Trehy Ingold Neate Pty Ltd, MacDonald International, Lambert and Rehbein Pty Ltd and Jones Nicholson Pty Ltd are the most advantageous to Council in terms of value for money, quality of work and the ability to complete the works within acceptable time frames.

It is recommended that these tenderers are placed on a panel to supply survey and civil infrastructure designs services for a period of two years.

The rates are structured on a schedule of rates based arrangement, and therefore the rates tendered are applicable to any quantity of works requested by Council. Awarding of the tender does not guarantee any or a minimum quantity of work.

Identification of Income & Expenditure:

The budget allocation for specific survey and design projects are incorporated in the project budget listed in the adopted Capital Works Program. Depending on the detail of design required the total cost of survey and design services for each project will vary. There is allowance for sufficient funds to cover the cost of survey and design services for each project.

This is reviewed each year as part of the Capital Works Program budget development.

By having a panel of six consultants available to provide survey and designs for these projects gives us the best flexibility in ensuring the best value consultant is engaged for each project, and more projects are delivered each year.

Conclusion:

That Woollahra Municipal Council enters into a contract with Aspect Australia Pty Ltd, Complete Urban Pty Ltd, Trehy Ingold Neate Pty Ltd, MacDonald International, Lambert and Rehbein Pty Ltd and Jones Nicholson Pty Ltd for a period of 2 years for the provision of survey and design of civil infrastructure services.

Jake Matuzic
Manager Capital Projects

Tom O'Hanlon
Director Technical Services

Annexures: Nil

Item No: R2 Recommendation to Council
Subject: **General Purpose Financial Statements for the Year Ended 30 June 2011**
Author: Don Johnston, Manager Finance
File No: 331G 2010/2011
Reason for Report: To present the General Purpose Financial Statements for the year ended 30 June 2011 to the Committee and seek the adoption of Council's statement in relation to the Statements.

Recommendation:

1. That Council, having noted the statement by the General Manager and Responsible Accounting Officer, adopt the following statement in relation to its Financial Statements for the year ended 30 June 2011:

That, in relation to the Financial Statements for the year ended 30 June 2011, Council is of the opinion that:

The Financial Statements have been drawn up in accordance with:

- i. the Local Government Act 1993 (as amended) and Regulations made thereunder;
- ii. the Australian Accounting Standards and professional pronouncements; and
- iii. the Local Government Code of Accounting Practice and Financial Reporting

and to the best of our knowledge and belief the Report:

presents fairly Council's financial position and operating result for the year; and

accords with Council's accounting and other records;

and further, the signatories to the Report, to the best of our knowledge and belief, know of nothing that would make the report false or misleading in any way;

2. That Council formally refer the 2010/2011 Financial Statements for audit; and
 3. In anticipation of receiving the Auditor's Reports, set the Corporate & Works Committee meeting to be held on 21 November 2011 as the meeting at which the 2010/2011 Financial Statements will be presented to the public.
-

Executive Summary:

The financial statements for the 2010/2011 financial year have been prepared and informally referred for audit. While the audit of the financial reports attached to this report is in progress, Council needs to adopt its statement in relation to the reports and formally refer them for audit prior to the provision of an auditor's report.

A copy of the General Purpose Financial Statements for the year ended 30 June 2011 is provided as **Annexure 1**. The financial statements disclose:

Income Statement

- an operating surplus for the year of \$6.792m compared to the prior year surplus of \$5.465m.

Balance Sheet

- Net assets having increased from \$553.1m to \$609.592m, primarily due to the revaluation of infrastructure assets.
- Asset revaluations were undertaken for 30 June 2011 for Investment Properties, Land and Buildings, the effect of these revaluations are summarised later in the report.

Performance Measurement Indicators (Note 13)

- Council's unrestricted current ratio reducing from 2.25:1 to 2.06:1 reflecting the expenditure of previously restricted cash reserves.
- Council's debt service ratio decreasing to 1.97% from 2.22% reflecting the same level of loan repayments relating to a higher revenue base.
- The Rates and Annual Charges Coverage ratio decreasing to 53.2% of Council's revenue from 53.52%, reflecting a small growth in Council's total revenue.
- Outstanding Rates increasing from 4.64% to 5.01%, but still in line with the 5% benchmark for metropolitan Councils.
- The relatively new Building & Infrastructure renewals ratio increased from 73.5% to a pleasing 101.12% and now sits in line with the 100% benchmark. The increase is primarily due to the revaluation and condition re-assessment of infrastructure assets last financial year and the resultant reduction in depreciation.

As a result of the year's operations, working funds have been increased from \$2.092m to \$2.536m. An earlier report on tonight's business paper details the movement in working funds.

Overall, Council's financial position remains sound.

Background:

Each year, Council is required to prepare general purpose financial statements and must refer them for audit as soon as practicable after the end of that year. The audited financial statements must be included in Council's Annual Report. The financial statements must include general purpose financial statements, other matters prescribed by Regulation, being the notes to the financial statements and special schedules, and a statement by the Council as to its opinion on the general purpose financial statements.

The Financial Statements for 2010/2011 circulated with this report are the financial statements of the Council only. It should be noted that due to the new Agreement entered into with Holdsworth Street Community Centre, their financials are no longer consolidated into Council's financial statements. It should also be noted that, although Council remains a member of the Premsure Insurance Pool, it has nil equity in the pool.

The general purpose financial statements must be prepared in accordance with the Local Government Act 1993 (as amended) and Regulations made thereunder, Australian Accounting Standards and professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting.

Before the financial report can be formally referred for audit, Council is required to adopt a statement on its financial statements. The statement must indicate:

- (a) Whether or not the financial report has been drawn up in accordance with:
 - i. the Local Government Act 1993 (as amended) and Regulations made thereunder;
 - ii. the Australian Accounting Standards and professional pronouncements; and
 - iii. the Local Government Code of Accounting Practice and Financial Reporting
- (b) whether or not those report presents fairly Council's operating result and financial position for the year;
- (c) whether or not the report accords with Council's accounting and other records; and
- (d) whether or not the signatories know of anything that would make the report false or misleading in any way.

The statement must be signed by the Mayor, at least one Councillor (generally the Chair of the Corporate & Works Committee), the General Manager and the Responsible Accounting Officer. The Manager Finance is the Responsible Accounting Officer.

Statement by the General Manager and the Responsible Accounting Officer:

To assist Councillors with their decision in respect of the recommendations to this report, the following statement by the General Manager and Responsible Accounting Officer is provided:

We acknowledge our responsibility for the preparation of the general purpose financial statements. We confirm, to the best of our knowledge and belief, the following:

The financial statements have been prepared in accordance with the Local Government Act 1993 (as amended) and Regulations made thereunder, Australian Accounting Standards and professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting so as to present fairly Council's operating result and financial position for the year.

There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.

We have made available to the auditors all books of account and supporting documents and all minutes of meetings of Council.

The financial report is free of material misstatements, including omissions.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed all guarantees that we have given to third parties.

All claims have been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

There are no formal or informal set-off arrangements with any of our cash and investment accounts. Except as disclosed in the financial statements we have no overdraft arrangements.

Overall Financial Position

At the end of the 2010/2011 financial year Council's financial position remains sound. A summary of the three indicators provided with each quarterly review of the Budget is provided below.

Working Funds

Working funds are accumulated funds that have not been set aside for a specific purpose and provide Council with some capacity to respond to unforeseen circumstances. Council's working funds increased from \$2.092m to \$2.536m as a result of the year's operations.

At this level, Council's workings funds balance is above the benchmark (arrears of Rates plus Inventory) of \$2.278m.

There is a separate report on tonight's agenda dealing with the June quarter budget review and 2010/2011 year end result.

Unrestricted Current Ratio

The unrestricted current ratio is the ratio of current assets to current liabilities after allowing for external restrictions on our cash such as Section 94 Contributions and unexpended grants. It provides an indication of our capacity to cover our liabilities.

The reported unrestricted current ratio is 2.06:1. As at the March Review, the 2010/2011 Budget forecast an unrestricted current ratio of 2.41:1.

At this level, Council's unrestricted current ratio remains above the minimum benchmark level of 1.5:1.

The ratio shows a reduction from the previous year (2.25:1) due to the expenditure of previously restricted cash reserves, predominantly comprising unexpended Environmental & Infrastructure Renewal Levy and loan funds.

Operating Result before Capital Movements

The Income Statement discloses a net operating surplus of \$6.792m compared to last year's surplus of \$5.465m.

Total income increased from \$72.324m in 2009/2010 to \$75.198m in 2010/2011, an increase of \$2.874m or 3.97%.

Operating expenses increased from \$66.859m to \$68.406m, an increase of \$1.547m or 2.31%.

Details of the changes year to year are provided in the next section of the report.

Comparison - 30 June 2010 to 30 June 2011

Income (Page 4 of Annexure 1)

Rates & Annual Charges (Increased from \$38,743k to \$40,009k (\$1,266 or 3.3%)) (Note 3 p.27 of Annexure 1)

Ordinary Rates income increased from \$26,935k to \$27,603, an increase of \$668k or 2.5% which reflects the permissible increase of 2.6%. The Environmental & Infrastructure Renewal Levy special rate increased by \$121k to \$3,341k.

The domestic waste management charge (annual charge) increased from \$304.50 to \$316.90 for 2010/2011 or 4.1% generating an increase in income from \$8,070k to \$8,544, or \$474k.

These variations add to \$1,263k.

User Charges & Fees (Increased from \$8,598k to \$9,474 (\$876k or 10.2%)) (Note 3 pp. 28 of Annexure 1)

Restoration charges increased in 2010/2011 by \$393k as a result of more restoration works being undertaken. Parking Meter charges increased by \$224k due to new meters being utilised for a full financial year.

Other increases in income include: Hoarding Fees \$69k, Kindergarten Fees \$65k, Casual Park Hire \$62k, Inspection Fees \$25k, Advertising Fees \$21k and Compliance Levy \$19k.

These variations add to \$878k.

Interest (Decreased from \$3,076k to \$2,522k ((\$554k) or 18.0%)) (Note 3 p.29 of Annexure 1)

Interest disclosed in the 2009/2010 financial statements included fair value increase of \$636k while the 2010/2011 statements include a fair value decrease of (\$38k), a difference from year to year of (\$674k).

Actual interest earned for the year was \$2.56m, an increase of \$120k on the \$2.44m in 2009/2010. This reflects the slightly higher interest rates in 2010/2011 compared to 2009/2010.

These variations add to (\$554k).

Other Revenues (Increased from \$10,401k to \$16,474k (\$6,073k or 58.4%)) (Note 3 p.29 of Annexure 1)

Council's Investment Properties were revalued in 2010/2011 by an external valuer resulting in an increase in Fair Value of \$6,540k.

Rental Income – Other Council Properties increased by \$425k. Increases were offset by reductions in income, the main ones being Parking Fines (\$438k) and Recovered Costs & Reimbursements (\$320k).

These variations add to \$6,207k.

Operating Grants & Contributions (Decreased from \$8,218k to \$2,988k ((\$5,230k) or 63.6%)) (Note 3 pp. 30-31 of Annexure 1)

The major variation relates to \$4m received for the Cosmopolitan Centre Agreement for Lease in 2009/2010. Community Care grants decreased from \$1,333k to \$83k, a reduction of \$1,250k as a result of the deconsolidation of the Holdsworth Street Community Centre accounts from Council's financial statements.

These variations add to \$5,250k.

Capital Grants & Contributions (Increased from \$3,288k to \$3,731k (\$443k or 13.5%)) (Note 3 pp. 30-31 of Annexure 1)

Revenue from capital grants can vary significantly from year to year depending on the nature of projects being undertaken and the timing of related expenditure and also the payment policies of funding bodies.

Open Space grants increased by \$957k due to the \$1.1m grant received for Gap Park. The increase in Open Space grants was offset by a decrease in Section 94 and Section 94A Developer Contributions of (\$612k).

Other variations in grants occurred across the Capital Works Program as a result of the different projects undertaken..

These variations add to \$345k.

Gain/(Loss) on Sale of Assets (Increased from \$528k Loss to a \$1,223k Loss ((\$695k) or 131.6%)) (Note 5 p.35 of Annexure 1)

The previous year loss included the write off of the decommissioned parking meters which had a written down value of \$302k and the disposal of a parcel of unmade road for (\$130k). The 2010/11 loss includes, for the first time, the write off of replaced infrastructure assets and library books totalling (\$889k). These variations total (\$717k). The remainder of the variation arises from variations in the routine disposal of Council's plant and vehicle fleet.

Expenses (Page 4 of Annexure 1)

Employee Benefits and On-costs Costs (Decreased from \$31,915k to \$30,581k (\$1,334k or 4.2%)) (Note 4 p.32, Annexure 1)

Holdsworth Street Community Centre which has now being deconsolidated accounts for \$1,845k of the variance.

Excluding Holdsworth Street Community Centre, employee costs for Council increased overall by (\$511k) or just 1.7%.

Salaries and wages for Council increased year-on-year by (\$703k) or 3.3%. This increase includes an Award increase of 2.6%, increases attributable to staff progressing through the salary system and market increases allowing Council to remain competitive in attracting and retaining staff.

Superannuation expenses increased by (\$208k) or 7.4%. As a percentage of salaries and wages superannuation increased only slightly from 13% to 13.4% which can be attributed to changes in Retirement Scheme contributions. The provision for Employee Leave Entitlements decreased by \$160k in 2010/2011 which mainly relates to the effect of higher interest rates on the discounted amounts disclosed.

Pleasingly, Workers' Compensation insurance decreased by \$343k due to improved claims experience and expenditure on staff training increased by (\$149k) due to improved delivery and recording of training and the capture of all training related expenditure.

These variations add to (\$557k).

Borrowing Costs (Decreased from \$626k to \$568k, (\$58k or 9.3%)) (Note 4 p32, Annexure 1)

This decrease reflects the lower interest repayments required as Council's loans progress toward maturity.

Materials & Contracts (Increased from \$11,661k to \$13,124 ((\$1,463k) or 12.5%)) (Note 4 p.33, Annexure 1)

Raw Materials & Consumables (Increased by (\$1,408k))

The deconsolidation of Holdsworth Street accounts for \$103k of this variance. Excluding Holdsworth Street, raw materials and consumables for Council increased by (\$1,511k).

The most significant variance in Materials & Contracts is the expensing of \$1,544k of project expenditure from Council's capital budget that ultimately did not meet capitalisation criteria compared to \$109k last year. As noted in the earlier report on the year end budget result, completion of Council's Asset Management Plans during 2010/2011 brought with them improved processes relating to the capitalisation of expenditure. Where previously all expenditure in the Capital Budget was capitalised, now expenditure such as environmental education, sustainability programs, flood risk studies and minor capital works are not capitalised.

Taking these adjustments into account, expenditure year-on-year increased by (\$76k) or 2.1%.

Increases in this area included materials, goods and services utilisation in:

- Parks & Street Trees – (\$159k) mainly related to New Years Eve (costed to contractors last year; and
- Plant Operations – (\$73k) related to increased fuel costs (\$56k) and parts & repairs (\$17k)

Decreases in this area included materials, goods and services utilisation in:

- Domestic and Trade Waste - \$28k arising from a reduction in the number of bins issued;
- Waste Projects - \$22k relating mainly to a reduced spend on waste education programs;
- Horticultural Projects - \$36k arising from changes to toilet cleaning arrangements; and
- Property Maintenance - \$66k across all property maintenance which is largely reactive.

These variations add to (\$80k).

Contractor & Consultancy Costs (Decreased by \$24k)

The deconsolidation of Holdsworth Street accounts for \$94k of this variance.

Excluding Holdsworth Street, Contractor and Consultancy Costs for Council increased by (\$70k).

The main decreases in the use of general contracts relate to:

- New Years Eve expenditure \$172k including security, traffic control, fencing and toilet hire (costed to materials this year);

- Tree Maintenance contracts \$126k, with Yarranabbe Park tree works and more tree stump grinding being undertaken in 2009/2010;
- Urban Design \$25k related to the Edgecliff DCP;
- Domestic Waste \$49k, being a reduced demand for temporary staff;
- Waste Projects \$26k;
- Traffic \$81k, being mainly reduced traffic counts and the Traffic & Transport study being undertaken in 2009/2010;
- Parking Meters \$59k due to reduced maintenance on new meters;
- Business Centres \$34k, again being a reduced demand for temporary staff;
- Community Services Management \$38k related to the Community Strategic Plan work undertaken in 2009/2010;
- Community Development \$57k related to the Child Car Study undertaken in 2009/2010;
- Customer Service \$30k due to a customer service survey undertaken in 2009/2010;
- Communications \$54k due to temporary staffing arrangements in place in 2009/2010;
- Risk Management \$54k; and
- Property Management \$43k

The decreases were offset by increases in the use of contracts and consultants in:

- Restoration works (\$460k);
- Infrastructure maintenance (\$165k);
- Special Rate Variation application (\$132k)
- Open Space Plans of Management (\$62k);
- Cleaning contract arrangements (\$61k) and
- Recycling Contract (\$39k) being the annual CPI increase.

These variations add to a net reduction of (\$71k).

Audit Fees

The Holdsworth Street Community Centre audit fees of \$8k are no longer included.

Legal Expenses (Increased by (\$120k))

Appeal consultants were used in Development Control in 13 matters this year compared to 5 last year resulting in an additional (\$41k) in expenditure. Development Control also incurred (\$141k) more in general legal expenses this year. Legal advice relating to the car parking tender also saw (\$24k) more spent this year compared to last.

Offsetting this additional expenditure was reduced expenditure in Environmental & Public Health \$19k, Strategic Planning \$13k and Property Management \$46k.

These variations add to (\$128k).

Operating Leases (Decreased by \$16k)

Operating lease payments decreased year-on-year due to the renewal and rationalisation of operating leases for Council's photocopiers.

Depreciation (Decreased from \$10,349k to \$9,080 (\$1,269k or 12.2%)) (Note 4 p.33 of Annexure 1)

The deconsolidation of Holdsworth Street accounts for \$158k of this variance and contributes entirely to Plant and Equipment depreciation. Excluding Holdsworth Street, depreciation for Council decreased by \$1,111.

The major variation in depreciation is the reduction in infrastructure asset depreciation following the revaluations and condition re-assessment at the end of the last financial year. Infrastructure depreciation reduced by \$1,221k.

There were increases across most other asset classes as a result of the full year depreciation of 2009/2010 acquisitions, although there was a fall in Furniture & Fittings depreciation due to items reaching the end of their useful life.

Other Expenses (Increased from \$11,780k to \$13,830 ((\$2,050k) or 17.4%)) (Note 4 p.34 of Annexure 1)

The deconsolidation of Holdsworth Street accounts for \$1,105k of this variance. Excluding Holdsworth Street, other expenses for Council increased by (\$945k).

There are numerous increases and decreases making up this overall variance. Among the increases were:

- Waste disposal charges (\$475k);
- Emergency Management Contribution (NSW Fire Brigades and SES) (\$337k);
- Street lighting charges (\$213k);
- Insurance premiums (\$76k); and
- Bank Charges (\$47k) (due to merchant service fees for parking meters);

There were offsetting decreases in:

- Interest paid on deposits refunded \$39k
- Advertising \$23k
- Bad debt provisioning \$30k
- Postage \$32k; and
- Self funded losses on tree root claims \$33k; and
- Water rates \$22k.

These variations add to a net increase in other costs of (\$969k).

30 June 2011 Actual to 30 June 2011 Original Budget (Material Variations)

Details of material variations between the 2010/2011 Original Budget and Actuals form part of the notes to the financial statements and are disclosed at Note 16 on page 57 of Annexure 1.

Asset Revaluations

Asset Revaluations were undertaken for 30 June 2011 by an external valuer for Investment Properties, Land and Buildings. The movement in asset values as a result of the revaluation are summarised in the table below.

Asset Class	Note	Opening Carrying Value \$'000	Additions / Other Movements \$'000	Depreciation \$'000	Revaluation Increments \$'000	Closing Carrying Value \$'000
Investment Properties	14	11,064	1,471	0	6,540	19,075
Land	9a	482,996	0	0	(361,150) (Equity adj.) 47,602 (Reval. Reserve)	169,448
Buildings	9a	34,289	(1,444)	(1,251)	2,098	33,692
		528,349	27	(1,251)	(304,910)	222,215

Of note in the revaluations is the \$361m reduction in the valuation of land. This reduction relates specifically to the revaluation of community land. The Division of Local Government mandated the use of Valuer General valuations for community land, replacing the previously mandated “average municipal land value” applied in 1997.

The “average municipal land value” took in highly valued residential and business properties giving a per square metre rate of \$490 (in 1997). Using an extreme example, the valuation of Cooper Park (approximately \$176,000 m²) fell from \$86,093,000 to \$10,516,000 using the 2009 based dated Valuer General valuations.

The revaluation of community land was treated as a change of accounting policy in the financial statements resulting in a change to opening equity as disclosed on the Statement of Changes in Equity (page 7 of Annexure 1) and described in Note 20 (page 69 of Annexure 1).

Restricted Cash Balances

The table below details Council’s restricted cash balances and the notional fair value adjustment arising from the valuation of Council’s investment portfolio.

Externally Restricted Cash

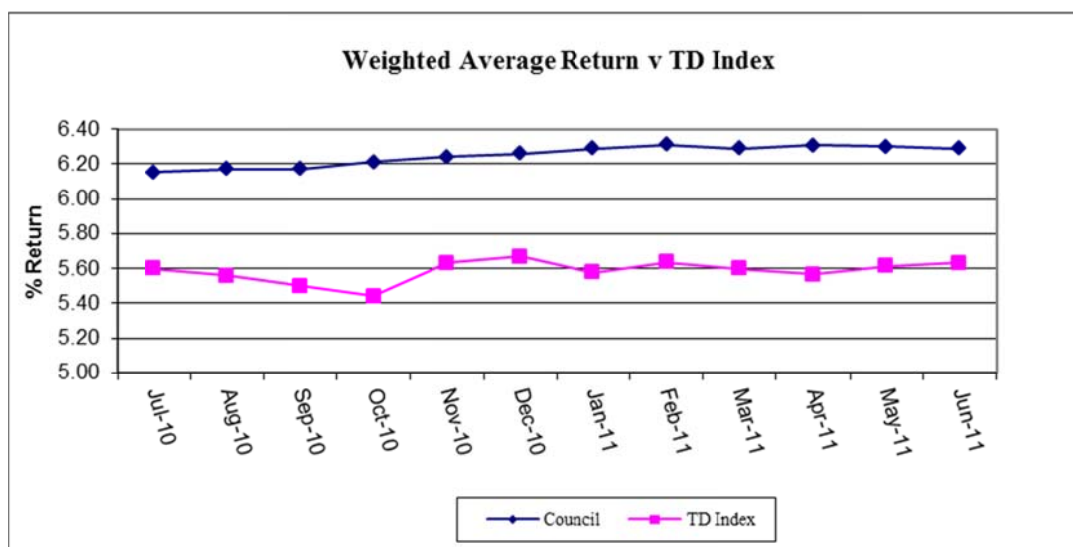
Purpose	Opening Balance July 10	Transfer To	Transfers From	Closing Balance June 09	Notional Fair Value Adjustment	Closing Balance June 11
Section 94 Contributions	3,794,823	192,907	83,232	3,904,498	-1,324,102	2,580,396
Section 94A Contributions	1,768,696	1,787,319	1,394,073	2,161,941	-595,000	1,566,941
Unexpended Grants	1,248,888	473,693	534,510	1,188,071		1,188,071
Environmental Levy	96,769		50,072	46,697		46,697
Infrastructure Levy	9,285		957	8,328		8,328
Enviro & Infrastructure Levy	2,609,715	3,415,340	4,122,681	1,902,374		1,902,374
Stormwater Mgt Charge	195,359	480,823	419,162	257,019		257,019
Domestic Waste	1,233,732	390,858	722,295	902,295	-443,794	458,501
	10,957,266	5,740,940	7,326,982	10,371,224	-2,362,896	8,008,328

Internally Restricted Cash

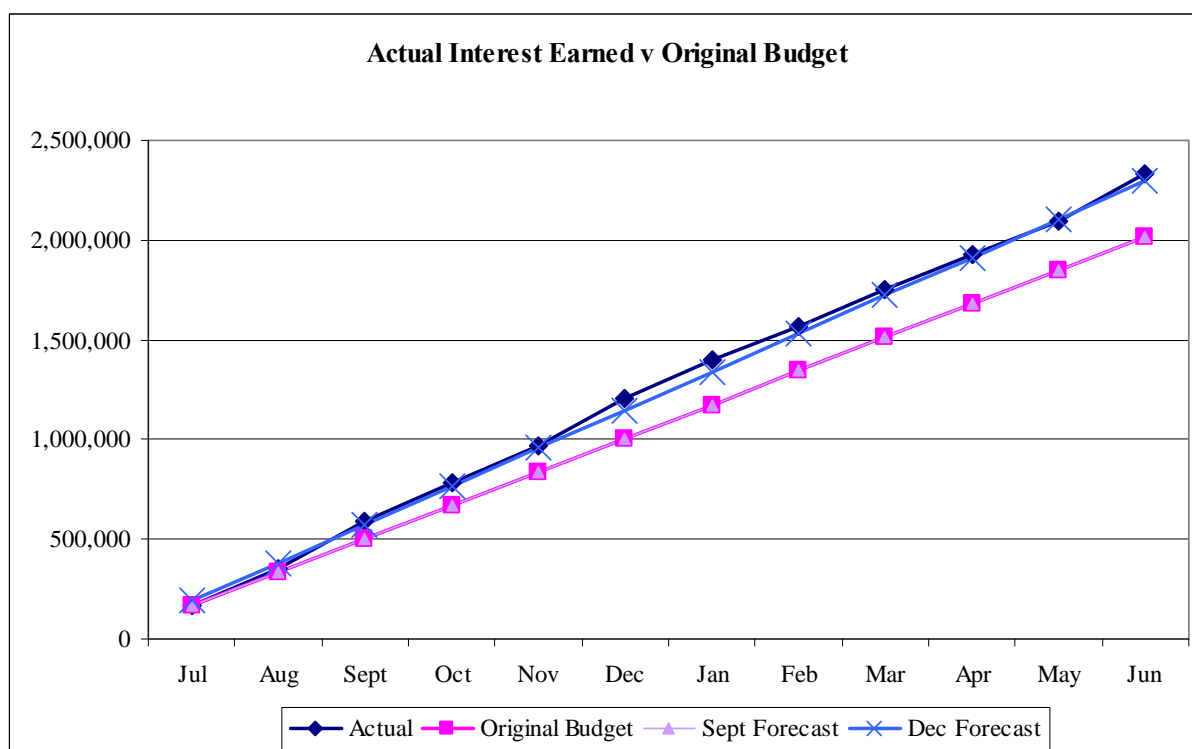
Employee Leave Entitlements	1,487,321		5,102	1,482,220	-584,844	897,376
Plant Replacement	271,050	144,111	164,203	250,958	-73,412	177,546
Insurance	293,750	33,134	80,000	246,884	-128,830	118,054
Computer	744,034	122,539	101,581	764,993		764,993
Infrastructure	558,595		35,184	523,411	-492,802	30,609
Election Reserve	125,000			125,000		125,000
Deposits	6,607,100	899,853		7,506,953		7,506,953
Kindergarten	289,316	41,086		330,401	-53,052	277,349
Loan	558,507		363,468	195,039		195,039
Loan Repayment Reserve	12,711			12,711		12,711
Property Reserve	18,477,156	627,000	1,467,363	17,636,793	-6,623,126	11,013,667
Carry Over Works	1,947,615		507,885	1,439,730		1,439,730
Investments Reserve	1,000,000			1,000,000		1,000,000
Financial Assistance Grant	355,381	379,879	355,381	379,879		379,879
General Reserve	764,571		480,714	283,857	-115,421	168,436
	33,492,109	2,247,602	3,560,881	2,178,829	-8,071,487	4,107,342
Total Restricted Cash	44,449,375	8,988,542	10,887,863	2,550,053	-10,434,383	2,115,670

Investment Portfolio Performance and Valuation

Council's weighted average return on its term deposit investments consistently outperformed the 90 day bank bill index, returning a little above 6% for the majority of the year. This performance is shown in the chart below.



This level of return also contributed to Council exceeding its budget forecast for interest on investments for the year. Actual interest on investments of \$2.413m exceeded the \$2.336m budget forecast by some \$77,000. This result is shown in the chart below.



The valuation of Council's securities at 30 June 2011 is consistent with the conservative valuation methodology applied last financial year. As reported to the Corporate & Works Committee on 15 August 2011, over the course of 2010/2011, Council's floating rate notes improved in value by \$216k. The sale of three CDOs returned a further \$445k to Council. However, at 30 June 2011, the revaluation of the Dante series of CDOs and impact of market volatility on other securities, reduced the value of Council's portfolio by \$699k. The resulting net downward movement in the value of the portfolio for 2010/2011 was \$38k.

Council, through the Investment Working Party, continues to monitor opportunities for the sale of CDOs. Of the CDOs valued at \$0, the actual market value is some \$1.559m which could be realised upon the sale of these securities. This is noted as a contingent asset in Note 18 (page 66 of Annexure 1).

Council continues to participate in a class legal action against Lehman Brothers in relation to CDO investments. The trial in this matter has concluded and we are awaiting the Court's decision.

Other Entities

Up until 30 June 2010 the Holdsworth Street Community Centre's (HSCC) accounts were consolidated into Council's financial statements as a controlled entity. Due to a change in the funding agreement between Council and the HSCC there is no longer the requisite "control" to warrant the consolidation. As a result, the HSCC, in the 30 June 2011 financial statements, has been derecognised through transactions in the Income Statement and corresponding adjustments to the Balance Sheet.

An organisation that continues to be included in Council's Financial Report by way of joint venture is the Premsure Insurance Pool, although Council holds zero equity. Premsure is subject to separate audit and Council is provided with financial reports for the purposes of consolidation.

Conclusion:

Each year Council is required to prepare general purpose financial statements. Council's 30 June 2011 financial statements have been prepared and have been audited. This report has outlined the major variances between the 30 June 2010 and 30 June 2011 financial results while Note 16 to the financial statements contains the material variances to the original Budget. An earlier report on tonight's business paper has provided details of the 30 June 2011 result compared to Council's revised budget forecasts.

As at 30 June 2011, working funds and liquidity are both adequate and Council's overall financial position is sound.

This report recommends adoption of Council's statement in relation to its General Purpose Financial Statements for the year ended 30 June 2011 and formal referral of the 2010/2011 Financial Statements for audit.

It will also be recommended that in anticipation of receiving the Auditors Reports, that Council set the Corporate & Works Committee meeting to be held on 21 November 2011 as the meeting at which the Financial Statements will be presented to the public.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

Gary James
General Manager

Annexures:

1. General Purpose Financial Statements for the year ended 30 June 2011 (circulated separately)

Item No: R3 Recommendation to Council
Subject: Public **Interest Disclosures Act - Revised Internal Reporting Policy and Internal Reporting System**
Author: Les Windle - Manager Governance
File No: 1032.G
Reason for Report: To update Council's Internal Reporting Policy and Internal Reporting System following recent legislative changes

Recommendation:

That the Public Interest Disclosures Internal Reporting Policy and Internal Reporting System (Version 3) be adopted.

Background:

A report was submitted to the Corporate and Works Committee on 12 September 2011 advising Council that the Protected Disclosures Act 1994 is now called the Public Interest Disclosures Act 1994 and of new requirements imposed on Council including the adoption of a Internal Reporting Policy and Internal Reporting System.

The report recommended adoption of a Internal Reporting Policy and Internal Reporting System based on the NSW Ombudsman's Model Internal Reporting Policy for Local Government. The recommendation from the Committee was considered at the Council Meeting held on 19 September 2011.

On 7 September the NSW Parliament passed the Public Interest Disclosures Amendment Bill 2011 which introduced further changes to the Public Interest Disclosures Act. The Bill will come into effect on 1 November 2011. The NSW Ombudsman has subsequently issued a revised Model Internal Reporting Policy for Local Government.

The Internal Reporting Policy and Internal Reporting System submitted to the Corporate and Works Committee included some of the changes required by the Amendment Bill but not all of the changes introduced through the Amendment Bill.

Late correspondence was submitted to the Council Meeting on 19 September recommending adoption of a revised Internal Reporting Policy and Internal Reporting System based on the Ombudsman's revised Model Policy and the Council resolved as follows:

- A. *That the Public Interest Disclosures Internal Reporting Policy and Internal Reporting System be adopted.*
- B. *That a further report be submitted to the Corporate and Works Committee in relation to the revised Model Reporting Policy issued by the NSW Ombudsman following Assent to the Public Interest Disclosures Amendment Act 2011 on 13 September 2011.*

Proposal:

The changes introduced by the Public Interest Amendment Act 2011 are summarised as follows:

1. All references to 'protected disclosures' in the Public Interest Disclosures Act are changed to 'public interest disclosures'.
2. The responsibilities of the head of an agency are explained.

3. Agencies need to provide half-yearly data to the NSW Ombudsman on their compliance with the Public Interest Disclosures Act.
4. All agency Public Interest Disclosure policies need to state that a person who makes a public interest disclosure will receive the agency's Public Interest Disclosure Policy and an acknowledgment of receipt of their disclosure within 45 days of making it.
5. All agencies need to refer any evidence of detrimental action to the Police or the Independent Commissioner Against Corruption (not the Director of Public Prosecutions as previously required).
6. Additional public interest disclosures about councils can now be made externally to the Division of Local Government, Department of Premier and Cabinet.
7. The Information Commissioner is included on the Public Interest Disclosures Steering Committee.

The above changes have been included in the attached (Annexure 2) Revised Internal Reporting Policy and Internal Reporting System (Version 3) and are shown as underlined and italic text. Discussion of the proposed changes follows.

All references to 'protected disclosures' in the Public Interest Disclosures Act are changed to 'public interest disclosures'.

This requirement was included in the proposed Internal Reporting Policy and Internal Reporting System submitted to the Corporate and Works Committee on 12 September 2011 and no further change is required.

The responsibilities of the head of an agency are explained.

This additional information is included as a "Note" at the end of Part 2 – "Organisational Commitment" on page 4 of the revised Policy.

Agencies need to provide half-yearly data to the Ombudsman on their compliance with the Public Interest Disclosures Act.

This is an operational requirement which comes into force from 1 January 2012 and does not require an amendment to the Policy.

All agency Public Interest Disclosures policies need to state that a person who makes a public interest disclosure will receive the agency's Public Interest Disclosures policy and an acknowledgment of receipt of their disclosure within 45 days of making it.

The 45 day response requirement was included in the proposed Internal Reporting System submitted to the Corporate and Works Committee on 12 September 2011 however the Ombudsman's model policy requires a reference to this requirement in the Internal Reporting Policy.

This additional information is included under Part 11 – "Feedback to staff who report wrong doing" on page 12 of the revised Policy.

All agencies need to refer any evidence of detrimental action to the Police or the Independent Commissioner Against Corruption (not the Director of Public Prosecutions as previously required).

This requirement was included in the proposed Internal Reporting Policy and Internal Reporting System submitted to the Corporate and Works Committee on 12 September 2011 and no further change is required.

Additional public interest disclosures about councils can now be made externally to the Division of Local Government, Department of Premier and Cabinet.

Previously public interest disclosures could only be made to the Division of Local Government about serious and substantial waste of local government money. Public interest disclosures may now be made to the Division of Local Government in relation to local government corrupt conduct, maladministration, government information contraventions and pecuniary interest contraventions.

Information relating to corrupt conduct, maladministration and government information contraventions and the ability to externally report these matters to the Division of Local Government were included in the proposed Internal Reporting Policy and Internal Reporting System submitted to the Corporate and Works Committee on 12 September 2011 and no further change in relation to these matters is required.

In relation to reporting pecuniary interest contraventions, a new Section (e) under Part 4 – “What should be reported” has been added to the revised Policy (see page 7) which allows disclosures to the Division of Local Government, Department of Premier and Cabinet relating to local government pecuniary interest contravention as a public interest disclosure and the person making the disclosure receiving the same protections as a person making other disclosures under the Act. Prior to this change persons making complaints to the Division of Local Government in relation to pecuniary interest matters were not entitled to the protections of the Public Interest Disclosures Act.

The Information Commissioner is included on the Public Interest Disclosures Steering Committee.

This is an operational requirement and does not require an amendment to the Policy.

The Public Interest Disclosures Internal Reporting Policy and Internal Reporting System adopted by Council on 19 September 2011 has been reviewed following assent of the Public Interest Disclosures Amendment Act 2011 and publication of the NSW Ombudsman’s revised Model Reporting Policy for Local Government and is submitted for adoption.

Consultation:

Public consultation on the Public Interest Disclosures Internal Reporting Policy and Internal Reporting System is not required.

Conclusion:

Under the provisions of the amended Public Interest Disclosures Act 1994 Council was required to adopt an Internal Reporting Policy and Reporting System by 1 October 2011 after taking into consideration the NSW Ombudsman’s model reporting policy for local government. Council adopted the policy and reporting system on 19 September 2011.

Following assent of the Public Interest Disclosures Amendment Act 2011 which introduced further changes to the Public Interest Disclosures Act 1994, the NSW Ombudsman issued a revised Model Internal Reporting Policy for Local Government. Council’s Public Interest Disclosures Internal Reporting Policy and Internal Reporting System has been amended, based on the revised Ombudsman’s model policy, to include the new legislative requirements.

Three changes have been made to Council's Public Interest Disclosures Internal Reporting Policy and Internal Reporting System as detailed in this report.

It is recommended that the revised Public Interest Disclosures Internal Reporting Policy and Internal Reporting System (version 3) be adopted.

Les Windle
Manager Governance

Stephen Dunshea
Director Corporate Services

Annexures:

1. Report to Corporate and Works Committee 12 September 2011
2. Revised Public Interest Disclosures Internal Reporting Policy and Internal Reporting System (Version 3)

Item No: R4 Recommendation to Council
Subject: Kiaora Lands Development
Author: Gary James – General Manager
Tom O’Hanlon – Director Technical Services
Zubin Marolia – Manager Property & Projects
File No: 1209.G Part 7
Reason for Report: To seek approval to affix Council’s seal to all necessary legal documents for the commercial arrangement with Woolworths Pty Ltd, previously approved by Council.

Recommendation:

- 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 in accordance with Section 10A of the Local Government Act 1993 the Committee resolve into closed session with the press and public excluded to consider the confidential report. These matters are to be considered in closed session in accordance with sub-clause 2(c) as the report includes information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
- F. That the confidential report and annexures remain confidential until such time as the legal agreements are signed by both parties.

This report is to seek approval in accordance with the Local Government Act, to affix Council’s seal to all necessary legal documents for the commercial arrangement with Woolworths Pty Ltd for the Kiaora Lands Development, previously approved by Council on 14 September 2009.

A separate, confidential report which includes detailed commercial information has been provided to the Committee for consideration in closed session.

Background:

Since September 2009, Council has received a number of progress reports in relation to the proposed Kiaora Lands Development Project, regarding the negotiations that were continuing with Woolworths Pty Ltd (Woolworths).

In accordance with item F of the resolution above, Council submitted a comprehensive Public Private Partnership submission to the Project Review Committee of the Division of Local Government for assessment. The assessment was conducted in two stages, which included teleconference meetings with the Department staff and an on site inspection of the draft legal documents. On 8 February 2011, we received confirmation that the Committee was satisfied that, based on all information provided, Council had satisfied the Guidelines on the Procedures and Processes to be followed by Local Government in Public-Private Partnerships (Annexure 1). The advice includes some recommendations, which have been addressed and incorporated into the legal agreements.

In accordance with item G of the resolution, senior Council staff, with the assistance of Gilbert & Tobin Lawyers, have continued negotiations with Woolworths Pty Ltd to finalise all the necessary legal agreements. This report provides the fundamental framework of the legal documents for which authorisation is being sought. A briefing in relation to the legal documents was provided to Councillors by Ms Diane Skapinker of Gilbert and Tobin Lawyers on 11 October 2011. Ms Skapinker will also attend the Corporate and Works Committee to answer any queries in relation to her advice and certification.

Description of the Project

The negotiated legal documents are consistent with the Commercial Terms for the project which were reported to Council in 2009. Key elements of the project;

Stage 1

1. On land to the south of Kiaora Lane, which is currently owned by Council and Woolworths, Woolworths will construct:
 - A new Woolworths supermarket
 - A Dan Murphys Liquor Store
 - Commercial office space
 - Eight small retail spaces
 - Two levels of car parking
2. On completion of construction, Council will acquire the entire site from Woolworths.
3. The acquisition will be funded from a fixed interest loan from Woolworths with a repayment period of 29 years. For the first two years, repayments will be interest only and thereafter will be principal and interest.
4. Woolworths will take out two leases; one for the Supermarket and Dan Murphys, the other for the Thomas Dux store. The terms of the leases will be 30 years initially, with a further 5 x 10 year options.
5. Council will manage the car park and small retail spaces.

Stage 2

1. On the land between Kiaora Lane and New South Road (the site of the current Woolworths supermarket), Woolworths will build:
 - A new library
 - An arcade with specialty retail shops
 - Commercial office space
2. On completion of construction, Council will acquire the site from Woolworths.
3. The purchase will be funded by a loan from Woolworths plus equity funding.
4. The loan will be at a fixed interest rate and will be repayable over 27 years.
5. A public plaza will be constructed to the south of the New South Head Road building.

The project will deliver significant benefits to the Woollahra community. The most important of these are:

1. A new public library building.
2. Ownership of a significant, revenue generating asset.
3. Revitalisation of the Double Bay precinct. A 2009 report by CBRE estimates that the centre will directly generate approximately 290 new permanent jobs. It is also anticipated that the development will have significant flow on into development of neighbouring properties in Kiaora Lane and New South Head Road.

Legal Documentation

Council's lawyers, Gilbert & Tobin have finalised the legal contracts on the agreed commercial basis. The legal documents are as follows:

- 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

Gilbert and Tobin have provided Council with a letter 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.

Legal Agreements with Utility Service Providers

As part of the Kiaora Lands development project, Council will need to permanently close part of Anderson and Patterson Streets in Double Bay. Jemena Gas Networks Pty Ltd presently has its gas main running through the road portions proposed for closure and is entitled to maintain its assets there pursuant to the Gas Supply Act 1996. Jemena has lodged an objection to the proposed road closure with the NSW Crown Lands Department, but will agree to lift that objection if Council agrees to grant it a licence in relation to the continued presence, use operation, repair and maintenance of the gas main on the land during the development. Normally Jemena would require a registered easement from Council however to streamline the road closure process, they have agreed to use of an unregistered licence.

The terms and conditions of the licence are to be on identical terms to the Jemena easement instrument (Agreed Easement Terms). Jemena may terminate the licence at any time by providing prior written notice to Council. If required by Jemena in writing after completion of the development, Council must grant Jemena an easement for the gas main on the land on the agreed easement terms.

Woolworths have advised that various other easements will need to be granted over land by Council to utility providers for example electrical, telecommunications, and sewer and water, supply services once the development project is reaching its completion. It is therefore necessary that Council resolve to enter into all required easements and apply the Council Seal to all documents for transfer of land required to enable successful completion of the Kiaora Lands development.

Conclusion:

The legal documents outlined in this report are the culmination of lengthy discussion and negotiation between Council officers and Woolworths representatives, with assistance from lawyers for both parties. Gilbert and Tobin Lawyers, acting for Council, have certified that the documents are consistent with the Commercial Terms previously reported to Council and that they protect Council's commercial interests and address the risks identified by CBRE and reported to the Division of Local Government in Council's PPP submission.

Accordingly, it is recommended that Council authorise the General Manager and Mayor to execute and affix the Council seal to all necessary legal documentation certified by Gilbert & Tobin Lawyers.

Zubin Marolia
Manager Property & Projects

Tom O'Hanlon
Director Technical Services

Gary James
General Manager

Annexures: Nil

**POLITICAL DONATIONS DECISION MAKING FLOWCHART
FOR THE INFORMATION OF COUNCILLORS**

