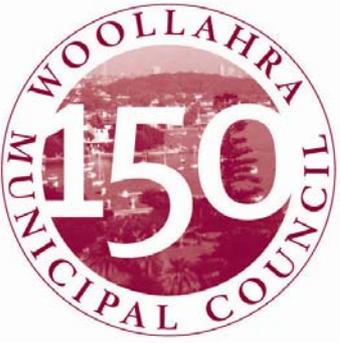


Corporate & Works Committee



Agenda: *Corporate & Works Committee*

Date: *Monday 7 March 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

3 March 2011

To: Her Worship The Mayor, Councillor Isabelle Shapiro ex-officio
Councillors Andrew Petrie (Chair)
Ian Plater (Deputy)
Anthony Boskovitz
Sean Carmichael
Susan Jarnason
Greg Medcraft
David Shoebridge

Dear Councillors

Corporate & Works Committee Meeting – 7 March 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 7 March 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	
3	Declarations of Interest	

Items to be Decided by this Committee using its Delegated Authority

D1	Confirmation of Minutes of Meeting held on 21 February 2011	1
D2	Customer Request Management (CRM) System – 6.G	2
D3	Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12, including draft Budget 2011/12 - 1229.G & 331.G 2011/12 * Annexure 1 & 5 distributed under separate cover	7

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

R1	18 Cranbrook Road, Bellevue Hill – Proposed Closure of Road Reserve Portion and Sale – 119.18	75
R2	Council Car Park Management Tender 10/08 – Tender 10/08 & 1240.G	80

Item No: D1 Delegated to Committee
Subject: **Confirmation of minutes of meeting held on 21 February 2011**
Author: Les Windle, Manager – Governance
File No: See Council Minutes
Reason for Report: The Minutes of the Meeting of Monday 21 February 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 21 February 2011 be taken as read and confirmed.

Les Windle
Manager – Governance

Item No: D2 Delegated to Committee
Subject: **Customer Request Management (CRM) System**
Author: Stephen Dunshea - Director Corporate Services
File No: 6.G
Reason for Report: Corporate & Works Committee meeting resolution

Recommendation:

That the report on the Council's Customer Request Management System be received and noted.

Background:

In considering the December 2010 Quarterly Review of Council's Delivery Program and Operational Plan at its meeting on 21 February 2011, the Corporate & Works Committee resolved as follows:

"THAT a statistical report on Council's Customer Request Management System (CRM) in relation to the time standards and expected levels of service (including issues raised at ward meetings and how these are addressed and dealt with) be prepared and reported to the Corporate & Works Committee".

This report responds to the above resolution and in doing so presents the Committee with an overview of the operations of Council's Customer Request Management System.

Overview:

The Customer Request Management (CRM) System is a software module in Authority, a local government enterprise suite of software applications that automate business processes for local government. Authority is developed by the Civica Group and is widely used by councils throughout Australia. Authority was installed at Woollahra Council in Council in July 2000 and the CRM module installed in 2006. Civica release regular upgrades of the various software applications. Woollahra Council currently uses Authority version 5.12.

The CRM module is a customer service tool that enables management of the full lifecycle of a customer request from lodgement through to finalisation. It has workflow capabilities that enable prompt delivery of customer requests to the appropriate service areas within Council. The CRM is used by most of our staff in all office locations.

The Authority CRM is designed to efficiently manage service requests and allow delivery of predictable service turnaround times in accordance with set service standards. The system currently has 482 request types that ensure appropriate allocation of requests to the relevant service areas and staff. Service requests into the CRM can be accepted at the counter, by phone, email, fax, web form and other communication means.

The CRM is tightly integrated with other Authority modules including the name and address register, the property database and other applications registers. This integration ensures that requests are handled efficiently due to availability of vast amount of information that may relate to the request.

Process:

The CRM provides a single environment to manage all incoming service requests. It has a knowledge base with special instructions that guides staff through the process of lodging a service request. The special instructions include information on what relevant data to ask the customer and what feedback to provide to the customer, including the relevant service standard for their particular request. The request is then allocated automatically to the relevant service staff via an email notification when it is lodged in the system.

Incoming requests are lodged via multiple contact channels including the call centre, customer service counter, fax, email, letter, website online form, Councillors portal, Councillor Ward Meeting service requests, and directly by Council employees. All CRM requests go through the same workflow process regardless of the contact method.

All Council employees with computer access have access to the CRM and are able to generate a customer service request. However the main users are the Customer Service team who receive service requests via all channels on a daily basis. When a request for service is lodged, a CRM record is generated with a unique reference number and an immediate automatic email notification is sent to the relevant 'Action Officer' for servicing the request. In addition, the CRM generates a task in the Action Officers' CRM inbox. The inbox is called 'My Tasks' and it alerts the Action Officer when the request is due for finalisation. The Action Officer can access the allocated tasks via the email inbox or My Tasks. Once the request is actioned and the service has been delivered, the CRM is updated with 'Comments' and 'Finalised' by the Action Officer. The CRM is then recorded as closed.

CRM Categories:

In total there are 482 request categories which are categorised under the following service areas or parent CRMs.

Animals	Council Car Parks	Parks & Reserves	Roads
Building Control	Drainage and Stormwater	Property	Street Cleaning
Complaints	Environmental Control	Public Place Nuisances	Traffic Mgmt
Compliments	Foreshore Facilities	Rates	Trees
Community	Graffiti	Records Mgmt	Waste Service
Council Buildings	Health Control	Risk Mgmt	

Some of the common CRM request categories are:

Waste Services – missed domestic collection, bin repairs, clean up paid service, dumped rubbish, green booked collection

Street Cleaning – litter and leaves

Drainage – cleaning, seepage

Roads – potholes, driveway line-marking, road repairs

Traffic Mgmt – parking enforcement immediate/ ongoing

Building Control – damaged footpath, illegal unauthorised works

Street Trees – branches fallen.

Service Standards:

The CRM service standards were developed by the relevant service areas and they vary for each CRM request category, depending on the complexity and nature of the request. Details of the service standards are included in the CRM Special Instructions. These can be viewed during the CRM generation process. The service standard timeframes have been implemented to allow for efficient escalation and resolution of the requests.

Examples of some common CRM request categories and service standards are enclosed in the table below:

CRM Request Category	Service Standard
Waste - missed domestic collection	3 days
Street Cleaning – litter and leaves	5 days
Drainage - cleaning	72 hours
Roads - potholes	4 days
Traffic Mgmt - ongoing	14 days
Building Control – damaged footpath	5 days
Street Trees – branches fallen	4 days

Statistics:

The CRM database has an extensive amount of information with sophisticated reporting tools that enable Council’s management team to identify open and finalised requests and to report on the level of adherence to service standards. The system reports on workloads and assists management in allocating resources accordingly.

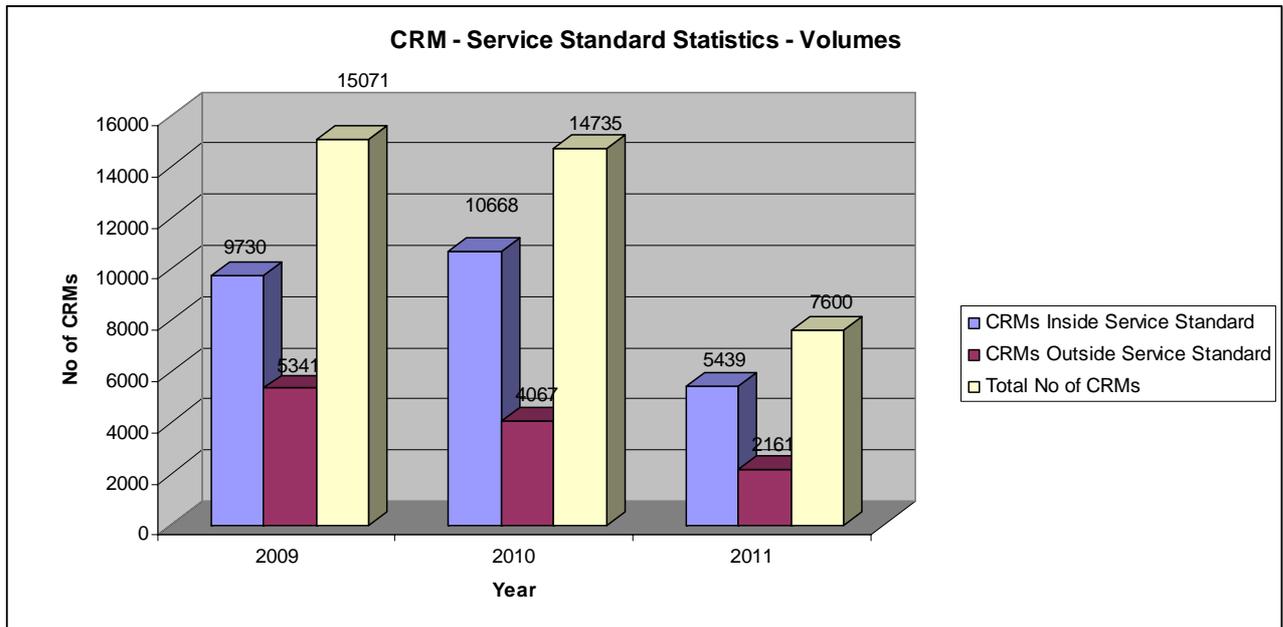
The following statistics were compiled from information recorded in the CRM and relate to the CRMs per Division in the 2nd quarter of the 2010/2011 financial year

Oct – Dec 2010	CRMs Received	CRMs Finalised	CRMs Open
Community Services	3	3	0
Corporate Services	13	6	69
Planning & Development	941	873	574
Technical Services	3078	3011	1439
Grand Total	4035	3839	2082

The following statistics relate specifically to the CRMs received from Councillors Ward Meetings in 2010. A detailed list of the Councillor Ward Meeting CRMs has been provided separately to Ward Councillors.

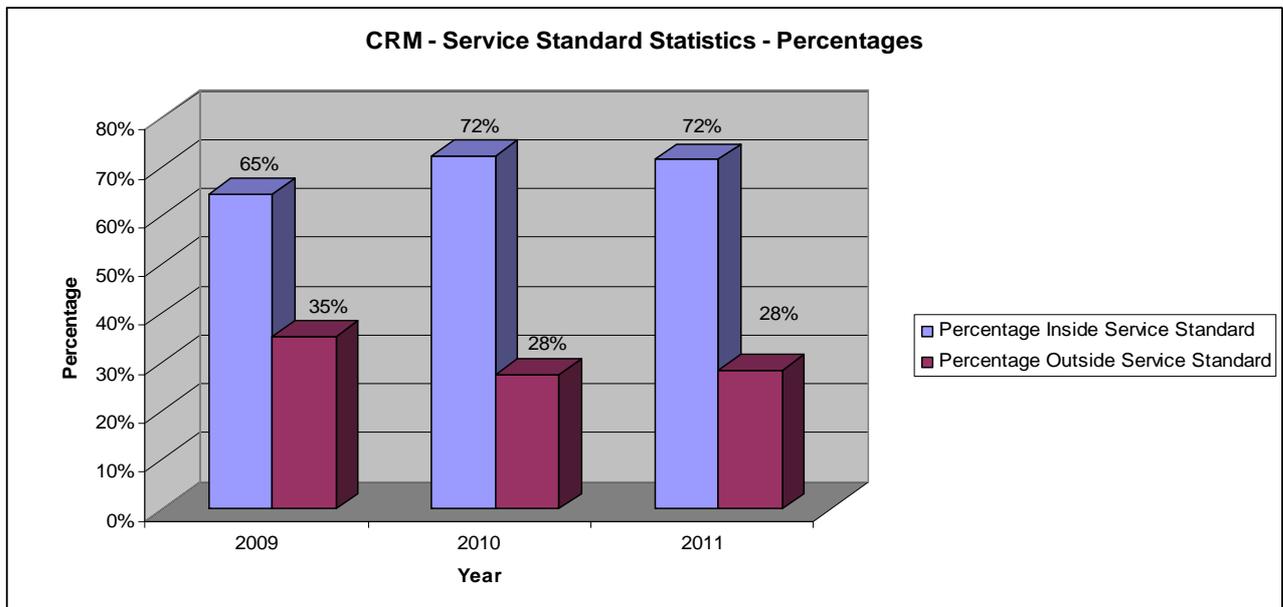
Ward	Meeting Date	CRMs Received	CRMs Generated	CRMs Open
Cooper Ward	12/08/2010	18	16 + 2 messages to Staff	1
Paddington Ward	9/09/2010	4	4	0

The graph below demonstrates that Council receives a large number of CRMs with a peak number of 15,071 CRMs received during 2008/2009. The majority of CRMs are resolved within the pre-determined service standards



The following graph demonstrates that the percentage of CRMs finalised inside the service standards for the 2009/2010 and 2010/2011 (to date) financial years is 72%. This represents an improvement from the 65% achieved in 2008/2009.

CRMs resolved outside of service standard can be due to factors such as wet weather, insufficient or incorrect information, staff shortages, or unforeseen circumstances such as natural disasters or accidents.



Future Authority CRM Development:

The CRM software is updated on a monthly basis to add new functionality and resolve any software issues. A new version of Authority (version 6.3) is proposed for implementation in 2011. The new version is web enabled and will provide tools to allow better integration of the CRM with Council's proposed Electronic Document Management System (EDMS), currently listed for funding in the draft 2011/12 budget. The integration will provide Council with the capacity to publish documents with the current online applications (such as DA Tracking). The CRM module is being developed further to allow requests to be lodged directly into the CRM via Council's website. The EDMS integration tool will also enable online submission of additional supporting documentation with the service request.

Woollahra plays a leading role in a customer service special interest group along with other Councils to guide Civica in the future development of the CRM product. This enables the Council to propose and secure software enhancements that are relevant for servicing Woollahra's customers and to assist in continually improving the service that we provide to our community.

Conclusion:

The CRM is a customer service tool that allows management to efficiently service and monitor a large number of customer requests on annual basis. It is a single environment that provides easy access to all request information. It has powerful performance monitoring features across all of Council's operations. The reporting tools provide information that allows effective allocation of resources to manage busy service areas and ensure maximum possible adherence to the service standards promised to our community.

Stephen Dunshea
Director Corporate Services

Item No: D3 Delegated to Committee

Subject: **Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12, including Draft Budget 2011/12**

Author: Gary James – General Manager
Stephen Dunshea – Director Corporate Services
Don Johnston – Manager Finance
Helen Tola – Corporate Planning & Reporting Coordinator

File No: 1229.G & 331.G 2011/12

Reason for Report: To table the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12, including the Draft 2011/12 Budget.

Recommendation:

- A. That the report on the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12, including the Draft 2011/12 Budget be received and noted.
- B. That the 2011/12 Draft Operating and Capital Budgets presented to the Committee as Annexures 2 and 3 be incorporated into the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 as Budget Scenario 1 (SRV Approval) for further consideration by the Corporate & Works Committee on 21 March 2011.
- C. That the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 referred to in recommendation B above also include as Budget Scenario 2 (SRV Non-Approval) the alternate budget strategy outlined in the report which includes borrowing \$1.8m in 2011/12.
- D. That the Committee note that the Actions in the draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 will be presented to the Urban Planning and Community & Environment Committees for review and comment on 14 March 2011, with recommended changes to be reported back to the Corporate & Works Committee on 21 March 2011.
- E. That the results of the random telephone survey in respect of the special rate variation conducted by Micromex Research be noted.
- F. That the Committee note that Council's Special Rate Variation Application will be lodged with IPART by 25 March 2011 upon completion of the work being undertaken by *Review Today*, and finalisation of Council's decisions in respect of the draft Delivery Program, Operational Plan and Budget for 2011/12 in accordance with the terms of Council's resolution from 31 January 2011.

Background

The 2011/12 financial year represents year three of Council's Delivery Program 2009 to 2013. The Delivery Program is designed as the single point of reference for all activities to be undertaken by Council during the Council's four (4) year term and identifies the priorities the Council will address during its term in supporting the achievement of the Goals and Strategies outlined in the Community Strategic Plan. All plans, projects, activities and funding allocations link to the Delivery Program.

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

As a means of streamlining the new integrated planning and reporting framework, Council combined its Delivery Program and Operational Plan into a single document comprising both the four year Delivery Program Priorities and the annual Operational Plan Actions, all of which support the Themes, Goals and Strategies contained our the Community Strategic Plan, *Woollahra 2025*.

This integrated approach enables Council to demonstrate to the community how its annual Operational Plan and Budget are contributing toward achieving Council's agreed four year Priorities as outlined in the Delivery Program. In this regard, a recent review of Council's implementation of the Integrated Planning & Reporting Framework undertaken by the Division of Local Government noted the integration of Council's Community Strategic Plan, Delivery Program and Operational Plan as exemplary.

This report presents Council with the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12, including the Draft 2011/12 Budget and outlines the results of the community consultation undertaken by Council in respect of our proposed Special Rate Variation Application to IPART.

Delivery Program 2009 to 2013

Whilst undergoing a review as part of Council's planning process for 2011/12, the Delivery Program remains the Delivery Program 2009 to 2013. As such, the existing Themes, Goals, Strategies and Priorities already adopted by Council continue for the remaining term of the current Council, unless any of these Themes, Goals, Strategies and Priorities change by specific resolution of Council. As previously noted, 2011/12 represents year three of Council's current Delivery Program and no changes to the Delivery Program Priorities are proposed for 2011/12.

Operational Plan 2011/12

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

At this stage, Council is yet to finalise its detailed budget for 2011/12 so specific details regarding the draft budget, the rating structure and the proposed fees & charges are yet to be included in the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 presented as **ANNEXURE 1** to this report. This information will be included in the document following the Corporate & Works Committee's consideration and recommendations in respect of the draft 2011/12 budget presented in this report. The draft Delivery Program and Operational Plan will then be presented for further considered by the Corporate & Works Committee on 21 March 2011.

In respect of the specific Actions proposed in the 2011/12 Operational Plan, these are shown in the draft Plan as supporting the specific Priorities of the Delivery Program.

The structure of the 2011/12 Operational Plan is unchanged to that of the 2010/11 Operational Plan and enables the reader to determine whether a specific Action is proposed for 2011/12 only, a continuing Action from 2010/11, or an Action that has already been flagged for inclusion in the remaining year of the Delivery Program, i.e. 2012/13. This is indicated by a tick alongside the respective Action under the relevant year.

Actions from the 2010/11 Operational Plan that are not proposed as continuing Actions have been deleted from the 2011/12 Operational Plan. Information regarding all 2010/11 Actions will continue to be reported to Council through the quarterly review process and will also be reported in Council's Annual Report. Following the finalisation of the end of June 2011 fourth quarter progress report against the 2010/11 Operational Plan, any Actions requiring re-inclusion in the DPOP for 2011/12 will be reported to the Corporate & Works Committee at such time.

To enable all Councillors the opportunity to provide input at the Committee level on the proposed Actions in the draft Delivery Program 2009 to 2013 & Operational Plan 2011/12, the relevant Actions as reported to the Urban Planning Committee and Community & Environment Committee meetings will be forwarded to the respective committees for consideration on the 14 March 2011.

This review process is the same process as was undertaken in the preparation of the 2010/11 Operational Plan. Following consideration at the Committee level any new Actions which are identified will be reported back to the Corporate & Works Committee for consideration on 21 March 2011, prior to the placement of the draft Delivery Program 2009 to 2013 & Operational Plan 2011/12 on public exhibition.

Further, at the Corporate and Works Committee meeting on the 21 February 2011 during consideration of the Quarterly Progress Report of Goals 6, 9, 10 and 11, it was resolved in part:

- C. *THAT Quarterly Progress Reports and all Delivery Program and Operational Plan reports:*
- i. *clearly identify and distinguish the different documents on the front covers of them;*
 - ii. *contain a plain English précis on the first page of the report explaining the purpose of the document and how it fits in the overall planning of the Council; and*
 - iii. *clearly identify new comments and amended target dates.*

Staff are currently reviewing the current format of progress reports to Committees in response to this resolution and will incorporate changes to the front covers to provide ease of identification of the different documents as well as inclusion of a plain English précis on the first page of the document for future quarterly reports, commencing in the third quarter of 2010/11.

A detailed explanation of the reporting and how it fits in the overall planning of the Council will also be included in the draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 prior to public exhibition. Further information in this regard will also be presented to the Corporate & Works Committee on 21 March 2011.

Special Rate Variation - Community Consultation:

The Division of Local Government's special rate variation application guidelines state that applications must demonstrate extensive community consultation and support for the proposed program of expenditure and the resulting special rate variation. Specifically, councils must include in their application:

- details of the range of methods used by the council to inform the community on the special variation proposal and to obtain community feedback on the proposal
- a summary of the outcomes from the community consultations and engagement, including details of the level of community support for the proposal.

A key component of Council's consultation strategy for the special rate variation has been to commission Micromex Research to undertake a random survey to gauge community support for the continuation of the Environmental and Infrastructure Levy, as well as the proposed 1.1% rate increase for two years to cover the extraordinary increases in the State Government imposed Emergency Management Levy.

The results from the random telephone survey show that 84% of residents surveyed support the continuation of the levy and 68% of residents surveyed support the 1.1% increase in rates over the next two financial years to cover the extraordinary increases in the Emergency Management Levy. These results demonstrate that infrastructure continues to be a key priority for the community.

Detailed information regarding the special rate variation has been available on Council's website and this information will now be updated to include the results of the survey. Information regarding the special rate variation is also being provided through the Mayoral Column in the Wentworth Courier. The results of the community engagement will form part of our application to IPART.

As Councillors are aware, specialist consultants *Review Today Pty Ltd* have been engaged to assist Council with the preparation of its special rate variation application to IPART. Work is well progress in this regard and a briefing session for Councillors has been arranged for Monday 7 March at which *Review Today* will present the results of their financial analysis and progress to date.

Upon completion of the work being undertaken by *Review Today*, and finalisation of Council's decisions in respect of the draft Delivery Program, Operational Plan and Budget for 2011/12, Council's special rate variation will be submitted to IPART in accordance with the terms of Council's resolution from 31 January 2011.

Draft 2011/12 Budget

Introduction:

In considering the Budget Strategy report in January 2011, Council noted that in preparing a draft budget each year, management undertakes a comprehensive review of all services and service levels against the detailed budget estimates, having regard to the economic parameters and constraints on the budget. As advised at the time, the purpose of this detailed review is to ensure that any surplus funds arising from any non-recurrent or one-off discretionary project budget provisions in the current budget are identified as part of the budget process, and that sufficient funding is provided in the draft estimates for all continuing services, essential service expansions, and recommended service enhancements.

Having considered the Budget Strategy report, Council resolved, in part, that Council:

- A. *Note the principal strategy for the preparation of the draft 2011/12 Operational Plan (which supports the four year adopted Delivery Program) is to provide sufficient funding for all continuing services, essential service expansions, infrastructure renewal and capital improvements at similar budget levels and ratios, and maintenance of an adequate working capital balance, subject to the completion of management's comprehensive budget review process.*
- B. *Endorse the following economic parameters around which the draft 2011/12 Budget will be prepared:*

1. *That Council adopt a balanced budget for 2011/12.*
2. *That the Draft 2011/12 Budget be prepared on the basis of no new loan borrowings.*
3. *That no transfers from the Property Reserve, other than for the Kiaora Lands project, be proposed in the Draft 2011/12 Budget and any transfers to and from other Reserves be clearly shown.*
4. *That fees and charges be increased by at least CPI where practical unless it would have an adverse impact on forecast revenue or users' capacity to pay.*
5. *That the 2011/2012 draft Budget be prepared on the basis of a 5% vacancy rate.*
6. *That the 2011/2012 budget be prepared on the basis of the continuation of higher employer contributions to the defined benefits superannuation scheme as notified by the scheme.*

Specifically, the draft 2011/12 Budget presented in this report addresses the above Council resolution as follows:

- **Balanced Budget (B 1)**

Part B 1 of the above Budget Strategy resolution has been actioned. The draft Budget presented to the Committee in this report is a balanced budget and provides sufficient funding for all continuing services, essential service expansions, and recommended service enhancements. There are, however, numerous initiatives that could not be accommodated within a balanced budget with only a limited number of service expansions or enhancements included in the draft budget. There will be further discussion on the achievement of this target later in the report.

- **Borrowings (B 2)**

No new borrowings have been proposed in the draft budget as presented to the Committee in response to Point 2 of the economic parameters.

- **Transfers from the Property Reserve (B 3)**

No transfers have been proposed from the Property Reserve in the 11/12 Draft Budget. Transfers from the Preschool Reserve and Domestic Waste Management Reserve have been included in the Capital Budget as appropriate.

- **Fees & Charges (B 4)**

Applying at least the forecast CPI increase to fees and charges where practical, has been actioned. The draft 2011/12 Schedule of Fees and Charges was presented to the Corporate & Works Committee at its last meeting. At that meeting the Committee resolved, in part:

- B. *THAT the Draft Fees & Charges Schedule for 2011/2012 attached as Annexure 1 to this report (circulated separately) be included in the Delivery Program 2009 to 2013 and 2011/2012 Operational Plan document for the purposes of public exhibition.*
- C. *THAT part B be subject to a report being prepared to consider the benefits and impacts of an additional category of \$100,000 to \$499,999 with a fee of \$400 for Advertising & Neighbour Notification.*

In relation to Part C, a further report is being prepared for the next Corporate & Works Committee meeting on 21 March.

- **Vacancy Rate 5% (B 5)**

Point 5 of the economic parameters, applying a 5% vacancy rate, has also been actioned in the preparation of the draft budget.

- **Superannuation Contributions (B 6)**

Provision for the continuation of the higher employer superannuation contributions has been made in the draft budget as presented to the Committee in response to Point 6.

The draft operating budget presented to the Committee is also in accordance with Part A of the budget strategy resolution. Sufficient funding has been provided for the continuation of existing services while some service expansions have been recommended. These service expansions are:

- Extension of operating hours at Watsons Bay Library in response to increasing demand (\$23,600)
- Scheduled maintenance/cleaning of Watsons Bay Baths (\$20,000)
- Schedule cleaning of CCTV cameras at The Gap (\$8,000)
- Digitisation of historic resources (\$24,900) (entirely offset by savings)

The draft capital budget continues Council's commitment to infrastructure renewal and includes projects identified from the respective asset management plans. The capital budget also provides for the ongoing replacement of Information Technology infrastructure, library stock and plant and fleet. A specific budget allocation is also proposed for the development of an electronic records and document management system to promote accessibility and transparency in the provision of community access to online Council information.

Given the stringent budget process undertaken in the development of the draft 2011/12 budget presented in this report, which included reviewing service levels against the findings of the recent community survey, along with the achievement of meeting all of the economic parameters of Council's adopted Budget Strategy, it is considered that any further detailed line by line review of the draft Budget by a budget working party is not warranted. Further in this regard, it should be noted that such an exercise of reviewing the detailed budget by a budget working party in the past resulted in no amendments to the draft budget as presented.

Ultimately however the allocation of resources within and between the operating and capital budgets is a decision of Council.

This report steps through the draft operating and capital budgets as presented and also identifies the initiatives that have not been able to be accommodated within the draft Budget.

Summary of the Overall Draft 2011/12 Budget

Before looking at the operating and capital budgets in detail, the following table summarises the draft budget.

	08/09	09/10	10/11	11/12
	\$'000	\$'000	\$'000	\$'000
Operating Budget:				
Operating Income	59,379	65,387	63,796	67,193
Capital Income	1,129	2,741	3,064	4,703
Operating Expenditure	59,425	64,095	65,570	66,978
Operating Result	1,083	4,033	1,290	4,918
Net Operating Result before Capital	(46)	1,292	(1,774)	215
LESS:				
Transfers to Restricted Cash and Loan Principal Repayment	6,601	9,348	6,243	6,583
PLUS:				
Non-cash Depreciation	8,916	10,121	10,199	9,581
Reserve Funding of Operating Expenditure	1,931	350	443	150
Unmade Road Sales	200	553	816	353
Available Capital Funding	4,399	2,967	3,441	3,716
Capital Budget:				
Capital Works Program	8,279	8,078	9,520	10,824
Operating Capital	3,263	3,879	2,766	3,804
Total Capital Budget	11,542	11,957	12,286	14,628
Funded by:				
Operating Budget	4,399	2,967	3,441	3,716
E&IR Levy	3,199	3,319	3,417	3,511
Stormwater Mgt Charge	475	479	480	480
Section 94 & 94AA	907	1,273	1,298	1,521
Grants	444	1,186	1,062	2,975
Assets Sales	1,059	1,115	976	1,124
Reserves	1,062	1,633	1,627	1,299
Total Funding	11,545	11,973	12,301	14,627
Budget Result	3	16	(15)	1

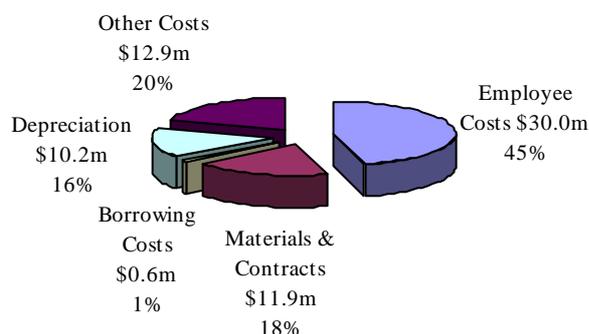
Detailed copies of the Draft 2011/12 Operating and Capital Budgets are provided in **ANNEXURES 2, 3 and 5**. Whilst Councillors would be familiar with receiving the draft operating budget proposals at Cost Centre level, for ease of reference, Annexure 2 presents the draft operating budget at a higher management level. The more detailed line item budget is however also provided as Annexure 5.

Draft 2011/12 Operating Budget

Expenditure

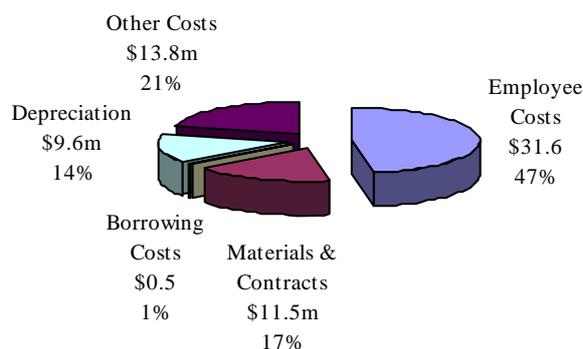
Council's operating budget provides resources for the day-to-day service delivery of Council plus a small number of specific new actions or projects identified in the draft Delivery Program and Operational Plan. The 2010/2011 original operating budget provided for expenditure totalling \$65.6m. The breakdown of the budget is shown in the chart below:

**2010/11 Original Budget Operating Expenditure
\$65.6m**



This breakdown of expenditure has remained largely unchanged in the draft 2011/12 operating budget. At this stage, operating expenditure has been estimated to total \$67.0m, as shown in the following chart:

2011/12 Draft Budget Operating Expenditure \$67.0m



An analysis of the major expenditure items in each category of expenditure appears in the tables below (please note the dollar values are expressed in thousands). The comments relate to the movement between the 10/11 Original Budget and the 11/12 Draft Budget. The revised 10/11 Current Forecast (as at the December Budget Review) is provided as additional information to show trends in the current budget.

Salaries & Wages

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Salaries & Wages	24,010	23,986	25,607	1,597	6.7	1,621	6.8
Overtime	521	571	725	204	39.2	154	27.0
Superannuation	3,091	3,093	2,864	(227)	-7.3	(229)	-7.4
ELE	864	864	924	60	6.9	60	6.9
Workers' Comp Insurance	1,335	1,315	1,287	(48)	-3.6	(28)	-2.1
Other	200	200	200	0	0.0	0	0.0
	30,021	30,029	31,607	1,586	5.3	1,578	5.3

The largest increase in employee costs, which is both beyond Council's control and unavoidable, is the forecast 3.5% Award increase in salaries and wages. The 11/12 salaries and wages budget also includes provision for progression of staff through Council's salary structure. Further, the 11/12 salaries and wages budget includes an additional temporary staff member in strategic planning in lieu of using external consultants.

The increase in overtime is due to the omission of penalty rates for Regulatory and Library staff in the 10/11 Budget to the value of \$202k, while the provision for increased employee leave entitlements is in line with the forecast increase in salaries and wages.

These increases are offset by the savings in superannuation due to the revised funding structure for Council contributions.

Materials & Contracts

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Material:Goods & Services	2,133	2,246	2,272	139	6.5	26	1.2
Fuel	689	695	727	38	5.5	32	4.6
Recurrent Contracts	1,293	869	971	-322	-24.9	102	11.7
General Contracts							
General Works/Projects	2,738	2,832	2,817	79	2.9	-15	-0.5
Restorations	994	994	712	-282	-28.4	-282	-28.4
IPB Processing Charges	738	740	739	1	0.1	-1	-0.1
General Consultants	724	828	644	-80	-11.0	-184	-22.2
Legal Expenses - General	980	1,055	937	-43	-4.4	-118	-11.2
Other	1,643	1,705	1,692	49	3.0	-13	-0.8
	11,932	11,964	11,511	-421	-3.5	-453	-3.8

The Materials & Contracts category of expenditure covers a broad range of resources to deliver Council's services. Comments on the movements from year to year are provided below.

- There are three main contributors to the increase in Materials
 - \$68k related to IT maintenance contracts and software licencing
 - \$41k related to New Years Eve
 - \$17k related to increased library book maintenance expenditure
- The major contributors to the reduction in Recurrent Contracts are:
 - A \$514k reduction in operating contracts for car parks, offset by
 - \$96k increase in cleaning contract expenditure including improved park toilet cleaning, and
 - \$79k provision for paver cleaning in business centres
- The general works/projects component of general contracts has moved in line with CPI while the restorations component has reduced due to a forecast reduction of activity in this regard. This reduction in expenditure also gives rise to a reduction in income.
- The use of general consultants has reduced largely due to the use of a temporary staff member in Strategic Planning to deliver projects previously outsourced (\$95k) which is offset by small increases across Council including \$25k for assistance with tenders in Property Management.
- The reduction in legal costs is due to a forecast reduction in expenditure in Development Control (\$50k) offset by small increases across Council.
- The "Other" items is generally in line with CPI.

Interest Expenses

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Interest on Loans	569	569	507	-62	-10.9	62	-10.9

In total, borrowing costs remain the same between the 2010/11 and 2011/12 budget. There has, however, been a reduction in the interest repaid and an increase in the principle repaid. Total loan repayments are \$1.383m in each budget year.

Depreciation

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Plant Depreciation	1,050	1,052	1,051	2	0.2	0	0.0
Office Equipment Depreciation	355	355	378	23	6.5	23	6.5
F & F Depreciation	70	70	60	-10	-14.3	-10	-14.3
Buildings Depreciation	1,202	1,202	1,265	63	5.2	63	5.2
Roads Depreciation	3,240	3,240	2,800	-440	-13.6	-440	-13.6
Stormwater Drainage Depreciation	1,231	1,231	600	-631	-51.3	-631	-51.3
Footpaths Depreciation	857	857	1,250	393	45.9	393	45.9
Kerb & Gutter Depreciation	906	906	700	-206	-22.7	-206	-22.7
Library Books Depreciation	340	340	370	30	8.8	30	8.8
Other Assets Depreciation	948	948	1,107	159	16.8	159	16.8
	10,199	10,202	9,581	-618	-18.6	-620	-18.8

Of note in the 2011/12 forecast for depreciation is the overall reduction in infrastructure asset depreciation following the recent revaluation and condition reassessment.

Other Expenses

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Advertising	435	412	397	-39	-8.9	-15	-3.7
Cont'n's to Other Organisations	314	347	310	-4	-1.3	-37	-10.7
Statutory Contributions:							
DOP Contribution	257	257	265	8	3.0	8	3.0
NSW Fire Brigades Contribution	2,337	2,389	2,456	119	5.1	67	2.8
NSW State Emergency Service	0	91	94	94	100.0	3	2.8
Insurance Premium	1,252	1,287	1,304	52	4.1	16	1.3
Electricity Charges	230	254	254	23	10.2	-1	-0.2
Members Fees	242	242	249	7	2.8	7	2.8
Postage	131	131	134	3	2.6	3	2.6
Street Lighting Charges	1,342	1,342	1,388	46	3.4	46	3.4
Section 356 Donations	790	790	790	0	0.0	0	0.0
Telephone Rental & Call Charges	208	210	207	-1	-0.5	-3	-1.5
Tipping Charges	2,988	2,948	3,569	581	19.4	621	21.1
Self Funded Losses	585	590	565	-20	-3.4	-25	-4.2
Revenue Collection Charges	192	215	215	24	12.5	0	0.0
File Archival & Retrieval Costs	156	150	164	8	4.8	14	9.0
Valuer General's Charges	70	65	77	7	10.0	12	17.7
Registration	120	121	113	-7	-5.7	-8	-6.8
Rates - Outside Municipality	109	100	103	-6	-5.4	3	2.7
Water Rates	107	119	127	20	18.3	7	6.2
Learning & Development	351	351	339	-12	-3.4	-12	-3.4
Other	632	755	653	21	3.4	-102	-13.5
	12,848	13,170	13,772	924	170.9	602	31.3

The major increase, in dollar terms, in Other Expenses is the forecast increase in Tipping Charges. The majority of this increase is passed on through Council's Domestic Waste Management Charge.

Expenditure Summary:

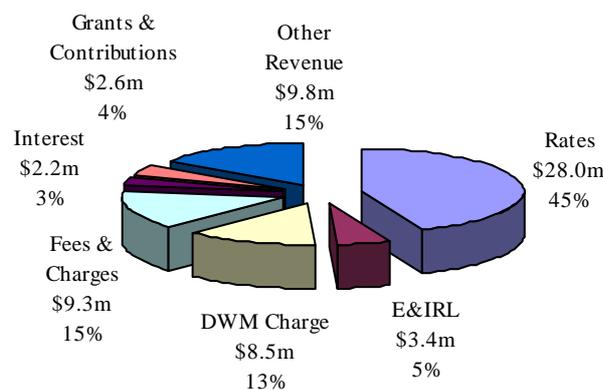
The table below summarises the forecast increase in operating expenditure. As noted above, increases in expenditure have generally been confined to those that are beyond Council's control, although there is a number of service enhancements in the 2011/12 Budget. Total operating expenditure, notwithstanding a forecast 5.3% increase in employee costs, has increased by only 2.1% from the original 2010/11 Budget to the draft 2011/12 Budget.

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Expenses							
Employee Costs	30,021	30,030	31,607	1,586	5.3	1,577	5.3
Materials & Contracts	11,932	11,964	11,511	-421	-3.5	-453	-3.8
Borrowing Costs	569	569	507	-62	-10.9	-62	-10.9
Depreciation	10,199	10,202	9,581	-618	-6.1	-620	-6.1
Other Costs	12,848	13,170	13,772	924	7.2	602	4.6
Total Expenses from continuing operations	65,570	65,934	66,978	1,409	2.1	1,044	1.6

Income

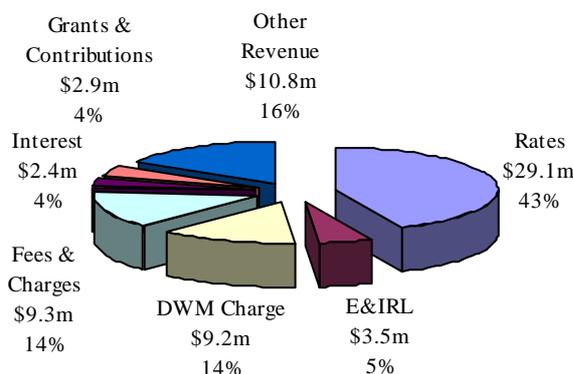
The 2010/11 original operating budget anticipated Council receiving some \$63.8m in income. A breakdown of income in the 2010/11 original budget is shown below:

2010/11 Original Budget Operating Income \$63.8m



There are only minor changes in the breakdown of income in the draft 2011/12 budget. Half of Council's income will still be derived from its Rates and Environmental & Infrastructure Renewal Levy, although this is dependant on a successful special rate variation application. The Rates figure also includes the proposed \$348,000 SRV related to extraordinary increases in Council's Emergency Management Contributions.

2011/12 Draft Budget Operating Expenditure \$67.2m



An analysis of the major income items in each category of income appears in the tables below (again please note the dollar values are expressed in thousands).

Rates & Annual Charges

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Rates							
Ordinary Rates	27,835	27,835	28,970	1,135	4.1	1,135	4.1
E & IR Levy	3,417	3,417	3,515	98	2.9	98	2.9
	31,252	31,252	32,485	1,233	3.9	1,233	3.9
Stormwater Management Charge	480	480	480	0	0.0	0	0.0
DWM Charge	8,527	8,635	9,267	740	8.7	632	7.3
Pensioner Rebate							
Government Rebate	-260	-260	-260	0	0.0	0	0.0
E & IR Levy Rebate	-105	-105	-108	-3	2.8	-3	2.8
	39,894	40,002	41,864	1,970	4.9	1,862	4.7

The Rates figures in the 2011/12 Draft Budget include the proposed special variation. Briefly, this application is for retention of Council's existing Environmental & Infrastructure Renewal Levy and to recover \$696,000 over 2 years in substantial increases in Emergency Management Contributions. The impact on ratepayers overall is an increase in total Rates of the rate peg limit of 2.8% plus an additional 1.1% relating to Emergency Management Contributions.

The increase in the Domestic Waste Management Charge is heightened by the forecast increase in waste disposal charges. These costs are forecast to increase by \$474,500 in 2011/12 which equates to \$18.30 per service. This accounts for over 75% of the \$23.75 increase in the charge. The 11/12 forecast also includes growth in the numbers of additional bins being requested at the higher charge.

Fees & Charges

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Parking Meter Charges	1,697	1,697	1,700	3	0.2	3	0.2
Mobile Bin Service	1,522	1,586	1,606	84	5.5	20	1.3
Road Restoration Charges	1,291	1,291	1,035	-256	-19.8	-256	-19.8
Development Application Fees	700	700	800	100	14.3	100	14.3
Kindergarten Fees	699	699	709	10	1.4	10	1.4
Work Zone Charges	512	512	500	-12	-2.3	-12	-2.3
s.149 Planning Certificates	240	240	320	80	33.3	80	33.3
Residential Parking Permits	310	310	320	10	3.2	10	3.2
Advertising Fees	200	220	250	50	25.0	30	13.6
s.96 Amendment Applications	270	270	230	-40	-14.8	-40	-14.8
Compliance Levy	190	190	190	0	0.0	0	0.0
Hoarding Application Fees	110	150	120	10	9.1	-30	-20.0
s.603 Certificates	108	108	111	3	2.8	3	2.8
Outstanding Orders & Notices Certifica	105	105	108	3	2.9	3	2.9
File Retrieval Charges	93	87	95	2	2.6	8	9.2
Credit Card Usage Fee	82	82	85	3	3.7	3	3.7
Crane Permits	74	74	80	6	8.1	6	8.1
Filming Fees	83	85	80	-3	-3.6	-5	-5.9
Building Certificate Applications	90	60	70	-20	-22.2	10	16.7
F/path Crossing Deposit Admin Fee	70	70	70	0	0.0	0	0.0
PCA Service Fee	70	70	70	0	0.0	0	0.0
Vehicles Crossing Inspection Fees	95	95	67	-28	-29.3	-28	-29.3
Other Fees & Charges	705	870	700	-5	-0.7	-170	-19.5
	9,315	9,570	9,316	1	0.0	-254	-2.7

The various items in the table above highlight the point that any forecast variations in fees and charges income are more related to the level of activity than the variations in the fees or charges themselves.

Of note is the reduction in Restoration Charges arising from the forecast reduction in activity mentioned earlier in the report.

Following the further review of the schedule of fees and charges in regard to CPI increases, associated income has increased forecast income by just under \$100,000.

Interest on Investments

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Interest on Overdue Rates	130	130	125	-5	-3.8	-5	-3.8
Interest on Investments	2,014	2,295	2,210	196	9.7	-85	-3.7
Fair Value Adjustments	0	549	0	0	0.0	-549	-100.0
Other Interest	15	40	25	10	66.7	-15	-37.5
	2,159	3,014	2,360	201	9.3	-654	-27.7

Over the course of the current budget year, returns on investments have slowly improved and this has been reflected in an increase in the budget forecast. The 2011/12 budget provision, however, factors in the impact of defaults in this financial year as well as anticipating the possibility of further defaults in structured securities. Any fair value adjustments arising from the sale or maturity of investment securities will be recognised in the budget as and when they arise.

Grants & Contributions

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Financial Assistance Grant	1,350	1,103	1,530	180	13.3	427	38.7
Traffic Route Lighting Subsidy	284	284	298	14	4.9	14	4.9
Paddington Library Cont'n	206	206	213	6	3.0	6	3.0
Preschool Subsidy	144	144	144	0	0.0	0	0.0
Pensioner Rebate Subsidy	143	143	143	0	0.0	0	0.0
Signs & Lines Grant	121	121	121	0	0.0	0	0.0
Library per capita Subsidy	100	102	102	3	2.5	0	0.0
Other Specific Purpose Grants	293	298	307	14	4.8	9	3.0
	2,641	2,401	2,858	217	8.2	456	19.0

The Financial Assistance Grant (FAG) looks a little unusual because of the early payment of the first quarter of the grant in June 2010 as part of the Federal Government's stimulus package. The 2010/11 current forecast is for only three quarters, the full year's grant being \$1,458,421.

The Pensioner Rebate Subsidy is 55% of the Government rebates granted by Council to eligible pensioners. Rebates to be granted in 2011/12 are forecast to remain at the same level as 2010/11 so the subsidy remains unchanged.

Other Income

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Leases & Licences	4,427,596	3,987,186	5,224,452	796,856	18.0	1,237,266	31.0
Parking Fines	4,400,000	4,400,000	4,400,000	0	0.0	0	0.0
Private Use Contributions	331,800	331,800	349,520	17,720	5.3	17,720	5.3
Recovered Costs	110,000	216,624	169,997	59,997	54.5	-46,627	-21.5
Other Fines	126,000	141,000	131,000	5,000	4.0	-10,000	-7.1
Ex Gratia Rates	99,360	99,360	103,712	4,352	4.4	4,352	4.4
Risk Management Bonus	90,000	107,615	100,000	10,000	11.1	-7,615	-7.1
Other	202,260	244,891	317,925	115,665	57.2	73,034	29.8
	9,787,016	9,528,476	10,796,606	1,009,590	10.3	1,268,130	13.3

Other Revenues are dominated by parking fines and leases and licences. Leases and licences income has increased substantially in line with the recommended tenderer for the operation of Council's car parks. A separate report appears elsewhere on tonight's agenda in this regard. This income stream also recognises new lease agreements entered into for Dunbar House and Chiswick Gardens Restaurant. Other leases and licences have been increased in line with CPI although some provisions have been made for market reviews.

Income Summary:

The table below summarises Council's income streams.

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Income							
Rates & Annual Charges	39,894	40,002	41,864	1,970	4.9	1,862	4.7
Fees & Charges	9,315	9,570	9,316	1	0.0	-254	-2.7
Interest	2,159	3,014	2,360	201	9.3	-654	-21.7
Grants & Contributions	2,641	2,401	2,858	217	8.2	456	19.0
Other Income	9,787	9,528	10,797	1,010	10.3	1,268	13.3
Total Income from continuing operations	63,796	64,516	67,193	3,398	5.3	2,677	4.1

Operating Result and Available Capital Funding

Bringing together both the operating expenditure and income gives us Council's operating result (before capital) for the year. This result, however, is not the amount of available capital funding derived from the operations of Council. Depreciation is treated as a non-cash item as it does not involve an actual outflow of cash. The exception to this the depreciation charged to the Preschool which is recovered through the fee structure (and subsequently restricted for future expenditure). In this respect it is treated as 'funded' rather than as a non-cash item.

The operating result is also adjusted for movements in restricted cash. This mainly involves the transfer of specific purpose income to restricted cash, for example the Environmental & Infrastructure Levy and Stormwater Management Charge. The 2011/12 budget also proposes a \$721,000 transfer of interest to the Property Reserve compared to \$627,000 in the 2010/11 Budget.

The final adjustment is to allow for the repayment of principal on loans. For 2011/12 this amounts to \$814,090 which, combined with the repayment of interest brings total repayments to \$1.383m which is the same as provided in the 2010/11 Budget.

In combination, these adjustments and transfers result in the available capital funding. These calculations are shown in the following table which summarises the operating result of the Council and notes the non-cash and restricted cash adjustments in both the 2010/11 Original Budget and the draft 2011/12 Budget.

	10/11 Budget	10/11 Current Forecast	11/12 Draft Budget	Variance to Original	%	Variance to Current Forecast	%
Income							
Rates & Annual Charges	39,894	40,002	41,864	1,970	4.9	1,862	4.7
Fees & Charges	9,315	9,570	9,316	1	0.0	-254	-2.7
Interest	2,159	3,014	2,360	201	9.3	-654	-21.7
Grants & Contributions	2,641	2,401	2,858	217	8.2	456	19.0
Other Income	9,787	9,528	10,797	1,010	10.3	1,268	13.3
Total Income from continuing operations	63,796	64,516	67,193	3,398	5.3	2,677	4.1
Expenses							
Employee Costs	30,021	30,030	31,607	1,586	5.3	1,577	5.3
Materials & Contracts	11,932	11,964	11,511	-421	-3.5	-453	-3.8
Borrowing Costs	569	569	507	-62	-10.9	-62	-10.9
Depreciation	10,199	10,202	9,581	-618	-6.1	-620	-6.1
Other Costs	12,848	13,170	13,772	924	7.2	602	4.6
Total Expenses from continuing operations	65,570	65,934	66,978	1,409	2.1	1,044	1.6
Net Operating Result before Capital Revenues	-1,774	-1,418	215	1,989	-112.1	1,633	-115.2
LESS: Transfers to Reserve & Loan Principal Repayments							
DWM Reserve	-750		-750	0			
Section 94 & 94A interest	-100		-130	-30			
Enviro & Infrastructure Levy	-3,417		-3,515	-98			
Stormwater Management Charge	-480		-480	0			
Property Reserve	-627		-720	-93			
Preschool Reserve	-55		-40	15			
Election Reserve	0		-75	-75			
Principal on Loans	-814		-873	-59			
ADD: Non cash items							
Depreciation	10,199		9,581	-618			
ADD:							
Reserve Funding of Operational Expenditure							
Street Lighting	160		0	-160			
Loan repayments	150		150	0			
Insurance	80		0	-80			
Other	53		0	-53			
Sale of Unmade Roads	816		353	-463			
CAPITAL FUNDING	3,441		3,717	275			

The table above highlights the achievement of the budget strategy target of maintaining the level of capital funding released from the operating budget to at least the same level as last year. Capital funding released from the operating budget has grown from \$3.441m to \$3.717m.

Draft 2011/12 Capital Budget

The draft 2011/12 capital budget continues Council's focus on infrastructure renewal, a program of works underpinned by the Environmental & Infrastructure Levy. The table below summarises the draft 2011/12 capital budget. Details of the projects are contained in the Draft Capital Budget included in this report as **ANNEXURE 3**.

The capital budget is broken into two parts, being the capital works program (CWP) and operating capital. The CWP comprises all of the physical works that Council proposes to undertake during the year whereas the operating capital budget provides for the cyclical and routine replacement of information technology, Library resources and the plant and fleet to support the service delivery functions of Council.

	2010/2011 Original Budget \$'000	2011/12 Draft Budget \$'000
Capital Works Program:		
Environmental & Infrastructure Renewal Levy Works	4,789	5,981
Stormwater Drainage	480	905
Public Open Space	2,263	2,535
Traffic & Transport	634	297
Streetscapes	910	383
Property	445	723
Operating Capital:		
Information Technology	100	763
Library Resources	372	381
Plant & Fleet Replacement	2,294	2,659
Total Draft Capital Budget	12,286	14,628

Highlights of the draft 2011/12 capital budget include:

- Continues Council's commitment to infrastructure renewal including a continuing increase in the seawalls provision to facilitate the reconstruction of the southern section of the Lyne Park seawall at an estimated cost of \$650,000.
- The Public Open Space Works also include:
 - \$500,000 for Lyne Park seawall promenade (partly funded by grant);
 - \$320,000 for shared pathways in Gap Park (funded by grant);
 - \$100,000 for a flying boats memorial at Lyne Park (funded 50/50 by grant); and
 - \$100,000 for public art, including \$90,000 for a public art installation at Royal Hospital for Women Park
- The Traffic program includes provision for various works arising from Community & Environment Committee resolutions
- The Streetscapes program includes:
 - \$283,000 for works in New South Head Road, Rose Bay, dependent on grant funding under the Roads and Traffic Authority's Black Spot Program; and
 - \$100,000 for bus shelter replacement
- The Property Program includes provision for a range of works across Council's property assets including \$165,000 for works at Sir David Martin Reserve and a \$200,000 for a renewals program at Redleaf.
- The operating capital program includes provision for ongoing replacement of information technology, Library stocks and the routine replacement of plant and vehicles. The IT program also includes provision for the implementation of electronic records and document management system.

The current funding available for the capital budget is outlined below along with the overall budget result.

	2010/11 Original Budget \$'000	2011/12 Draft Budget \$'000
Funding Sources	\$'000	\$'000
Environmental & Infrastructure Levy	3,417	3,511
Stormwater Management Charge	480	480
Section 94 and 94A	1,298	1,846
Grants	1,061	2,650
Reserves	1,627	1,299
Plant & Vehicle and IT sales	976	1,124
Available Capital Funding (from Operating Budget)	3,441	3,717
Total Funding for Draft Capital Budget	12,301	14,627
Total Draft Capital Budget	12,286	14,628
Overall Budget Result	15	(1)

There is a significant increase in grant funding included in the draft 11/12 budget, some \$1.6m. A summary of the major grant income increases forecast appears in the table below.

Program	10/11 Grants \$'000	11/12 Grants \$'000	Increase \$'000
Open Space Improvements	300	862	562
Environmental Works	215	594	379
Infrastructure Renewal	194	419	225
Stormwater Drainage	0	360	360
			1,526

The grants programs that applications will be made under include:

- Regional and Local Community Infrastructure program (round 3)
- Sharing Sydney Harbour Access Program
- Community Building Partnership program
- NSW Floodplain Management Program

Revised Budget Priorities

The allocation of resources within and between the Operating and Capital budgets is a decision for Council. The draft 2011/12 Budget has been prepared on the basis of priorities. The balanced draft budget as presented to the Committee includes sufficient funding for the continuation of services and a small number of expansionary and enhancement requests.

There is a range of service expansions or enhancements that have not been recommended for funding. These items are identified in **ANNEXURE 4**. All of the proposals have merit and, ideally, would have been included in the draft budget. Given the financial constraints around Council's budget this simply was not possible. The various budget priorities total \$380k and would have resulted in a budget heavily in deficit. The priorities are summarised in the table below.

	\$'000
Priority 1 Items	266
Priority 2 Items	82
Priority 3 Items	25
Priority 4 Items	8
Total of items not funded	380
Proposed Draft 2011/12 Budget Result – As Presented	(1)
Total of Items not funded	380
Budget Result with all requests funded	(381)

If Council is of the view that some or all of these items should be funded in the draft 2011/12 Budget, to include them and, consequently, identify something already in the draft Budget that will need to be reduced or removed.

Overall Financial Position:

The key driver of adopting a balanced budget is the maintenance of Council's sound financial position. The following table summarises Council's financial position.

	07/08	08/09	09/10	10/11	11/12
Working Funds	\$2.164m ¹	\$2,010	\$2,096 ²	\$2,223 ³	\$2,222
Unrestricted Current Ratio	3.1:1	2.51:1	2.16:1	2.41:1 ³	2.26:1
Reserves:					
External (s94, DWM, Grants, Levies)	\$10.336m	\$5.533m	\$2.881	\$4.456m ³	\$4.491m
Internal (ELE, Property, Insurance etc)	\$37.211m	\$26.014m	\$20.991	\$21.392m ³	\$22.382m
Capital Funding from Operating Budget	\$4.318m ⁴	\$4.399m ⁴	\$2.967m ⁴	\$3.441m ⁴	\$3.717

1. After allocation of \$1.3m to Restricted Cash (\$1m to Investments and \$300k to IT)
2. After allocating \$404k to Reserve to fund 10/11 capital projects
3. As at December 2010 Quarterly Budget Review
4. Original 2009/2010 Budget

2011/12 Draft Budget in the event the Special Rate Variation is not approved

When Council's 2011/12 draft Delivery Program and Operational Plan is on public exhibition it will need to include a scenario that deals with how Council would respond to the special rate variation application not being approved, the non-approval scenario.

In the status report presented to the last meeting of the Corporate & Works Committee, the following options were noted for consideration.

- A significant reduction in the environmental & infrastructure renewal program or other capital works programs given the basis for introducing the Environmental & Infrastructure Renewal Levy was to fund renewal works.
- A reduction in service provision and/or service levels across a range of operational areas.
- The potential for new borrowings to support the capital works program.
- Reconsideration of the use of Reserve funds.
- Presenting a deficit budget for 2011/12.
- A combination of the above.

In principle, the Environmental & Infrastructure Renewal Levy was introduced to fund a program of capital works. In the event this funding is not available it may be appropriate to reduce the program of capital works accordingly. Indeed, doing this would return Council to the level of infrastructure renewal expenditure prior to the introduction of the Levy.

Equally, given the pressure extraordinary increases in the Emergency Management Contributions has placed on Council to continue to meet its \$1.4m annual funding of the works program, it could be argued that this amount also reduce the program of works.

However, the long term impacts of reducing infrastructure renewal spending are significant. Council has a capacity to borrow to fund a continuing works program. This would only be viable as a very short term solution. Borrowing to fund an ongoing program of infrastructure renewal is not sustainable. Recurrent works programs should be funded from a recurrent income stream.

To continue to meet Council's commitment to infrastructure renewal, if the special rate variation is not approved, Council could borrow the shortfall with a view to submitting a fresh special rate variation application the following year. Repayments on a \$1.8m loan over 20 years would be in the order of \$180,000 per annum. This amount could be funded by reducing Council's \$1.4m contribution to \$1.22m for the life of the loan. In relation to the \$350,000 Emergency Management Contribution component, Council would need to consider a further reduction in the capital works program or find that amount through savings from the operating budget.

Subject to further discussion at the Corporate & Works Committee Meeting on 7 March, it will be recommended that this alternate budget strategy, including borrowing \$1.8m in 2011/12, form the basis of Council's non-approved special rate variation budget scenario as required under the special rate variation application guidelines. Further details of this alternate strategy will be reported to the Committee on 21 March 2011.

Corporate Planning Timetable

The timetable for consideration and ultimately endorsement of the *draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 including draft Budget* for the purpose of achieving the 25 March 2011 deadline to lodge the Special Rate Variation with IPART, is provided below:

2011 Corporate Planning Timetable

Month	Date	Activity
Mar	7	Councillor Information Session on Long Term Financial Plan (LTFP) and <i>Review Today</i> analysis.
Mar	7	Corporate & Works Committee to table the <i>draft Delivery Program 2009 to 2013 & Operational Plan 2011/12 including draft Budget</i> (incorporating the results of community consultation).
Mar	14	Community & Environment Committee and Urban Planning Committee to consider Actions as reported to the Committee via the Quarterly Reviews process.
Mar	21	Corporate & Works Committee to consider <i>draft Delivery Program 2009 to 2013 & Operational Plan 2011/12 & draft Budget</i> for public exhibition.
Mar	22/23 (TBC)	Potential Strategic & Corporate Committee Meeting to consider <i>draft Delivery Program 2009 to 2013 & Operational Plan 2011/12 including draft Budget</i> for public exhibition &/or consideration of LTFP etc
Mar	25	Lodgement of SRV Application with IPART.
Mar	30	Public Exhibition of <i>draft Delivery Program 2009 to 2013 and Operational Plan 2011/12</i> (28 days).
April	27	End of Public Exhibition.
May	9 / 23	Corporate & Works Committee meeting to consider submissions received and recommend adoption of <i>draft Delivery Program 2009 to 2013 and Operational Plan 2011/12</i> to Council.
May	16 / 30 (TBC)	Council meeting to adopt the <i>Delivery Program 2009 to 2013 and Operational Plan 2011/12</i> .
June	10	IPART to advise Council of SRV Application.
June	20	Corporate & Works Committee meeting to note the outcome of the SRV Application.
June	27	Council meeting to adopt the recommendation of the Corporate & Works Committee.

Conclusion:

Under the Integrated Planning Legislation, the draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 will need to be exhibited for a period of 28 days. To meet the required deadline of having the *draft Delivery Program 2009 to 2013 and Operational Plan 2011/12* adopted by Council by the 30 June 2011, it is recommended that above mentioned timetable be endorsed by Council.

In relation to the draft 2011/12 Budget, in January 2011 Council adopted its strategy for the preparations of the 2011/12 Budget. This strategy described, as a basic principle, that sufficient funding be provided in the draft estimates for all continuing services, essential service expansions, and recommended service enhancements and set a range of economic parameters. This basic principle, along with all of the economic parameters established by the adopted Budget Strategy, have been met in the draft 2011/12 Budget as presented to the Committee in this report.

Ultimately, the allocation of resources within and between the operating and capital budgets is a decision of the Council. To achieve a balance budget for 2011/12 a number of service expansion or enhancement initiatives have not been funded. These items total some \$380,000.

The budget presented to the Committee is in accordance with Council's adopted strategy and demonstrates significant fiscal constraint. It is recommended that it be referred to the Strategic & Corporate Committee for detailed consideration.

Helen Tola
Corporate Planning & Reporting Coordinator

Stephen Dunshea
Director – Corporate Services

Don Johnston
Manager Finance


Gary James
General Manager

Annexures:

- Annexure 1** Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12
(*Circulated Separately*)
- Annexure 2** Draft Operating Budget 2011/12 – Management Level
- Annexure 3** Draft Capital Budget 2011/12
- Annexure 4** Draft Operating Budget – Optional Service Variations
- Annexure 5** Draft Operating Budget 2011/12 – Cost Centre Level (*Circulated Separately*)

ANNEXURE (4)

Draft Operating Budget – Optional Service Variations

	\$
Priority 1 Items	
Library Services – additional operating hours at Double Bay	2,419
Org Development/HR – Trainee Training & Development Officer	32,700
Information Technology – GIS Officer	76,300
Civil Works – critical pits maintenance	18,000
Open Space & Trees:	
Increase in Tree Management staffing levels	74,120
Expand toilet cleaning to include feminine hygiene bins	2,000
Development Control – assessment consultants	60,000
	265,539
Priority 2 Items	
Library Services – Library branding	12,000
Org Development/HR – additional Communications training	1,500
Engineering Services:	
Trainee Engineers	30,194
Plans archiving	6,000
Open Space & Trees – Part time Inspections Officer	32,700
	82,394
Priority 3 Items	
Engineering Services – Parking signs audit	25,000
Priority 4 Items	
Community Liaison – website improvements	1,500
Open Space & Trees – vehicle based mobile phones	6,000
	7,500
	380,433

Item No: R1 Recommendation to Council
Subject: **18 Cranbrook Road, Bellevue Hill - Proposed Closure of Road Reserve Portion and Sale**
Author: Anthony Sheedy, Property Officer
File No: 119.18
Reason for Report: To give consideration to the closure and subsequent sale of a road reserve portion adjoining the property.

Recommendation:

- A. That Council proceed with the closure of the road reserve portion, subject to a deposit of \$19,000 being received by Council before the application to close the road is made. This amount is to be non-refundable except where the Minister's approval to the closure is not given.
- B. That subject to the portion of road being closed, Council proceed with the sale of unmade roadway adjoining 18 Cranbrook Road, Bellevue Hill with the following conditions:
- i. A purchase price of \$1,187.50 per square metre (plus GST); sale price to be subject to final survey.
 - ii. The balance of the purchase price is to be paid in full upon Gazettal of the road closure and completion of the sale.
 - iii. The owner of 18 Cranbrook Road, Bellevue Hill is to pay all costs, including but not limited to GST, legal fees, valuation, survey etc associated with the road closure and sale.
- C. That the Seal of Council be affixed to all necessary documentation to effect the Road closure and sale, ie Contract for Sale, Plan of Road Closure, Transfer documents etc.
-

Background:

Council has received a request from the Owner of 18 Cranbrook Road, Bellevue Hill to purchase an estimated 160 square metre rectangular shaped section of Cranbrook Road reserve which adjoins the property; for the purpose of formalising the existing encroachments, consisting of an estimated 25 square metre garage portion, concrete gate structure and stairway, retaining walls and garden landscaping.

The subject land is identified hatched on the attached plan (Annexure 1). This land is steeply sloping with no need for pedestrian access. There is no benefit to Council to widen the road at this location.

The neighbouring property owners of 12A, 20, 30, 44 & 50 Cranbrook Road have already purchased the unmade road reserve fronting their property (Annexure 2). It is considered appropriate that the encroachments are formalised by the owner purchasing the land at the market price as determined by valuation.

The Corporate and Works Committee considered this matter on 31 May 2010, where it was resolved:

- A. *That the subject portion of unmade road reserve adjoining 18 Cranbrook Road, Bellevue Hill, be valued for its market sale price.*
- B. *That a further report be submitted, following part A above.*

In determining the current market sale price for the road reserve portion the Council's consultant Valuer used the direct comparison method, having regard to the value of market transactions of residential land where improvements are considered to have a small value, and that were recently sold in the Woollahra LGA.

The Valuer considered all of the following matters when making his determination of the sale price, including land size, shape, topography, location, and position relevant to the adjacent property. Road reserve land cannot be developed in isolation and there is a restricted market for these properties; with the only potential purchaser being an adjoining owner. The rates per square metre of road reserve are significantly lower than the rates achieved for sales of residential area that can be developed for a residence.

Addition of the subject road reserve to the adjoining land will increase the area of the amalgamated site by 160 square metres to a total estimated area of 994.7 square metres. This represents a 19% increase in site area. The consolidation of the road reserve portion will stay with the adjoining property in perpetuity and provide an increase in the floor space ratio applicable to the amalgamated property.

The Valuer determined that the current 'add on' market value of the subject land as at 29 June 2010 is considered to be \$1187 per square metre. This equates to \$190,000 (exclusive GST) subject to final survey, plus applicable GST for the estimated land parcel size of 160 square metres. The adjoining Owner of 18 Cranbrook Road was accordingly advised of Council's valuation.

On 6 August 2010 a letter was sent to the Owner advising the Council's Valuation sale price. The Owner advised that they would be seeking professional advice regarding the valuation and requested a 28 day extension of response time due to overseas travelling commitments. The Owner was not able to respond by the agreed time, but provided details on 24 September of an alternative valuation recommending \$100,000 excl GST. The Owner offered to purchase at \$100,000.

Property staff sought a review of the Owner's \$100,000 valuation by the Council's consultant Valuer. They believed that the Owner's Valuation methodology was flawed, and reaffirmed the original \$190,000 (excl GST) valuation. A response was sent to the Owner on 2 December stating that the initial valuation was fair and reasonable, and that staff are not willing to recommend sale of the subject road reserve for less than \$1187 per square metre (excl GST) plus GST.

The Owner requested a meeting with staff on 18 February 2011 to negotiate an agreed sale price. At the meeting, both sides submitted their position and the Owner offered to purchase the land for \$167,000 (excl GST). The Property staff advised that this offer was not acceptable and the meeting concluded without finding agreement. The Owner undertook to investigate further and provide a response.

Council finally received a letter from the Owners on 24 February 2011 agreeing to Council's valuation and to pay the proposed sale price of \$190,000 (exclusive GST) subject to final survey, plus applicable GST.

The next step in the Road closure and sale procedure is for Council to resolve to sell the land. A deposit of \$19,000 (10%) will be required from the purchaser prior to lodging a road closure application with the Land and Property Management Authority (LPMA).

Council will further apply to the LPMA and arrange for the closing and public Gazettal of the road reserve portion.

Conclusion:

Pursuant to the Council's resolution of 29 March 2010, the subject portion of road reserve has been valued at \$1187 per square metre, being \$190,000 for an estimated 160 square metre parcel size subject to final survey.

The adjoining owner of 18 Cranbrook Road has agreed to purchase the portion for \$1187 per square metre subject to final survey, to pay the applicable GST, and has requested Council perform all necessary steps to progress the matter to settlement.

The adjoining owner is seeking to purchase this land so that the existing encroachments comprising an estimated 25 square metre garage portion, concrete gate structure and stairway, retaining walls and garden landscaping can be formalised. It is beneficial for them to purchase the said portion, consolidating it with their existing land title.

Anthony Sheedy
Property Officer

Zubin Marolia
Manager- Property & Projects

Tom O'Hanlon
Director, Technical Services

ANNEXURE:

1. Plan of the rectangular shaped subject land area, bound by a thickened line and shown hatched.
2. Cadastral plan of Cranbrook Rd, showing subject land and sites of previous Cranbrook Rd sales.

Item No: R2 Recommendation to Council
Subject: Council Car Park Management Tender 10/08
Author: Zubin Marolia, Manager Property & Projects
File No: Tender 10/08 & 1240.G
Reason for Report: To consider tenders received for the management of Cross Street, Kiaora Lane, Cosmopolitan Centre and Grafton Street car parking stations.

Recommendation:

1. That Council accept the tender received from S & K Car Park Management Pty Ltd for a seven year term with an option to renew for a further seven years for:
 - a) the management of Cross Street, Double Bay car park for a minimum guaranteed income of \$1,250,000 per annum excluding GST plus 50% of surplus fees;
 - b) the management of Cosmopolitan Centre, Double Bay car park for a minimum guaranteed income of \$235,000 per annum excluding GST plus 50% of surplus fees; and
 - c) the management of Grafton Street, Bondi Junction car park for a minimum guaranteed income of \$575,000 per annum excluding GST plus 50% of surplus fees;
2. That Council accept the tender received from S & K Car Park Management Pty Ltd for a month to month basis for the Kiaora Lane, Double Bay car park for a minimum guaranteed income of \$250,000 per annum excluding GST plus 50% of surplus fees.
3. That the initial bank guarantees in the Management Agreement be amended for all the car parks, to two (2) months Guaranteed Income submitted by S & K Car Park Management Pty Ltd.
4. That the Management Agreement list the mandatory capital equipment specified by S & K Car Park Management Pty Ltd, to ensure that all the proposed works are carried out and there is no disadvantage to Council.
5. That successful and unsuccessful tenderers be advised accordingly.

Background:

Woollahra Council owns the following commercial car parks and Council provides car parking facilities at the car parks for local business owners, staff, customers and visitors:

- Cross Street car park , Double Bay;
- Cosmopolitan Centre car park situated in the Cosmopolitan Centre, at 2-22 Knox Street, Double Bay;
- Kiaora Lane car park, Double Bay;
- Grafton Street car park situated in the residential complex at 79-81 Grafton Street, Bondi Junction.

All the above car parks were under the management of Premier Parking Pty Ltd until they went into voluntary administration and receivership in 2009. During their Management period, Premier Parking collected the casual as well as the permanent parking income, on behalf of Council and was paid a management fee plus a share of the surplus income. Apart from electricity and lift maintenance, all other expenses were the responsibility of Premier Parking.

Since the termination of Premier Parking contract, the interim management of the car parks has been on a month to month, fixed rent basis. Wilson Parking manages Grafton Street car park (\$14,500 per month) and S & K Car Park Management (trading as Secure Parking) manage the three Double Bay car parks (\$78,500 per month). During this period both companies have performed very well and there has not been any material difference in the performance of either Wilson or S & K. Both organisations have a long and well established presence nationally within Australia, as well as locally in the Sydney market.

Council invited Tenders from suitably qualified parties to operate and manage all or any of the car parks. Tender 10/08 was advertised in the Tenders section of the Sydney Morning Herald and in the Wentworth Courier in November 2010. Grafton Street car park, Cross Street car park and the Cosmopolitan Centre car park, were offered to the successful Tenderer for seven (7) years, including an option to renew for a further seven (7) years). As the Kiaora Lane car park is to be developed in the near future in conjunction with Woolworths Ltd, this car park was offered to the successful Tenderer on a monthly basis.

As a condition of the tender, Council required new parking equipment to be installed at Cross Street car park, Cosmopolitan Centre car park and Grafton Street car park, as specified in the tender documents. As a consequence of the capital works undertaken by the successful Tenderer, the Council will not incur any capital expenditure in relation to any of the car parks. However, Council has the obligation to install a parking guidance indication system at Cross Street car park on two levels to assist with the management of short term parking on these lower levels.

A pre-tender meeting was held on Wednesday 8 December 2010. All tenderers who had registered their interest in the tender were invited to attend. Questions raised by tenderers were answered and a record of the questions and answers was circulated to all tenderers who attended, or who were unable to attend but registered their wish to receive information. Tenders closed at 2:30pm on Thursday 16 December 2010. Only two (2) tenders were received by the closing date and time.

Tender Assessment

Submissions were received from S & K Car Park Management Pty Ltd (trading as Secure Parking) and Wilson Parking Australia 1992 Pty Ltd. The tenders were evaluated by an assessment panel comprising Mr David Byatt, Purchasing Coordinator as the convenor, and Mr Adrian Bird as the independent specialist parking consultant and the Mr Zubin Marolia, Manager Property & Projects as the commissioning officer. Council has resolved that a probity adviser should be included during the tender assessment stage for high risk, high value or sensitive projects. This tender was deemed to meet this definition and it was agreed that a probity adviser should be included in the tender process. Mr Les Windle Manager – Governance, performed this role. The tenders received (excluding GST) were as follows:

Car Park	S & K Car Park Management	Wilson Parking	
		Conforming	Non-Conforming
Grafton Street	\$575,000	\$224,000	\$224,000
Cross Street	\$1,250,000	\$426,000	\$526,000
Cosmopolitan	\$235,000	\$120,000	\$187,000
Kiaora Lane	\$250,000	\$54,000	\$72,000
Total for 1st Year	\$2,310,000	\$824,000	\$1,009,000

S & K Car Park Management submitted a conforming tender only, where as Wilson Parking submitted a conforming as well as a non-conforming tender, which is permitted. However it was deemed by the panel, that the conforming tender submitted by Wilson Parking was also non-conforming, as their offer was conditional upon Wilson Parking being appointed to operate all three car parks and upon redevelopment of the Kiaora Lane car park. They stipulated that the rates shall not be less than those charged at Cross Street and Cosmopolitan Centre. Their tender response also reduced Council's surplus revenue share stipulated in the Management Agreement from 50% to 10%. Though none of these conditions are of a crucial nature, Council tender conditions are not negotiable and Council cannot commit to any future rate structure at Kiaora Lane car park. Although a non-conforming tender, the submission from Wilson was evaluated in order to provide a comparison to S & K submission for assessment purposes.

The assessment panel assessed each conforming tender in accordance with the selection criteria, the results of the panel assessments are detailed below:

Selection Criteria	S&K Parking	Wilson Parking	
		Conforming	Non-conforming
Guaranteed Income Return (50)	50.0	17.8	21.84
Experience and Capability (30)	13.9	13.9	13.9
Comprehensive Business Plan (15)	12.2	11.7	11.7
Occupational Health and Safety Management (5)	5.0	5.0	5.0
Total Score	81.1	48.5	52.49

Explanatory notes:

1. **Guaranteed Income Return:** The highest tender price received the highest score, with all other prices ranked accordingly using the formula ((lowest price/each price) x 50).
2. **Experience and capability:** Each tender was scored on experience and capability of the principals in operating and managing a commercial car park, including financial information
3. **Comprehensive business plan:** Information relating to a comprehensive business plan for the operation of the Car Park/s including:
 - estimates of the time and cost for the supply and installation of new car parking equipment
 - estimates and details of any other capital expenditure proposed by the Tenderer (including sketches and specifications)
 - marketing and business improvement plans; and
 - staffing details including staff experience, staffing levels, provision of staff amenities; and
4. **OH&S detailed Occupational Health and Safety plan for the Premises.**

From the above table, it is clear that both S & K and Wilson have similar qualifications. S & K was given a marginal advantage for their business plan, however there is a very significant gap in the return to Council. Council conducted post-tender interviews with both tenderers and a second interview was conducted with S & K due to the high level of Guaranteed Income offered. The tender assessment panel members wanted to make sure that S & K fully understood the Tender Conditions and Management Agreement, particularly the condition of shared surplus income. Following the second interview, the tender assessment panel members are comfortable that S & K have submitted their tender submission fully aware of their obligations under the Management Agreement.

Experience and Capability: Wilson and S & K have provided comprehensive detail related to their parking industry experience, capability, management and operations. Both Wilson and S & K have a long well established presence nationally within Australia. The former is a privately held company ultimately owned by a significant Hong Kong based investor. This investor's main business is a major stock exchange listed property conglomerate. S & K is an entity which is a 50/50 joint venture between the original business owners and Ariadne a public company listed on the Australian Stock Exchange. S & K operates over 220 car parks across Australia and 800 worldwide, employing 15,000 staff. In their tender response and at the interview, they stated that their particularly competitive bid demonstrates their desire to operate the Council car parks and their commitment towards growing the business.

In specific terms related to management of the Council car parks, both Wilson and S & K are comparable. Each has a large Sydney portfolio of leased and managed car parks with significant infrastructure and support to ensure professional operations. Detailed listings of car parks have been provided by each along with client references.

Based on the information provided as well as ongoing interaction with both, Wilson and S & K have minor differences as well as varying corporate cultures; however the ability of each to deliver on the key performance aspects would be comparable.

Business Plan: Wilson and S & K have provided comprehensive and comparable business plans and have provided considerable information complying with the requirement of new parking equipment. S & K intend to employ a number of Marketing techniques and campaigns to increase the car park patronage, including e-marketing capabilities. Their web based marketing approach allows them to capture a growing consumer market and offer online convenience to their customers. They also communicate directly with customers via a wide range of social media such as Facebook and Twitter.

Their Club Secure online loyalty program has over 130,000 active members and promotes specific car park specials and a range of offers from local businesses and national brands, to drive extra revenue into the car park. Advantage Parker, is their unique fleet management card which ensures that more than 10,000 drivers are actively seeking their car park on any day. They have also established exclusive agreements with Caltex (800,000 Starcards) and NRMA (2.2 million members) to extend their reach and expose Council car parks to substantial customer base by providing off-peak discounts and access to facilities. They also regularly undertake radio campaigns to increase public awareness of the local car parks.

Their strategy to increase customer patronage is by implementing an approved marketing plan, building relationships with key stakeholders including retailers, members of the public and local stakeholders. They have proven systems, procedures and training packages, with particular emphasis on OH&S and customer service. They intend to put in place value adding services for the customers of Council car parks.

In broad terms both Wilson and S & K will endeavour to minimise staff through synergies of the new equipment and their existing monitoring control room infrastructure. Staffing details provided by Wilson are comprehensive with both companies having considerable resources available in the immediate Sydney market.

Occupational Health and Safety: Both S & K Parking and Wilson Parking have submitted comprehensive information which covers O H & S management plan, workplace inspections covering all issues including fire control, general house keeping etc. Both companies have shown good understanding of O H & S principles and issues related to their car parking business. They have proven systems, procedures and training packages, with particular emphasis on OH&S.

Financial Security Arrangements

Due to the bad debt experience with Premier Parking, it is proposed that in the new contract, Council will engage an independent collection agency to collect all the casual parking fees from the ticket machines. The contractor will deposit all the collected fees in cash on behalf of Council and all credit card payments made through Council's payment gateway into a Council nominated bank account and identify the car park to which each such deposit relates. The appointed Manager will only be responsible for the collection of Permanent Parking fees. Tenderers were initially required to only submit three months equivalent of the permanent parker income as security deposit, thus minimising Council's exposure to any future financial loss. However due to the high tender submitted by S & K, it is recommended that the initial bank guarantees should be increased to cover two (2) months Guaranteed Income i.e. \$385,000. This matter has been discussed with S & K representatives and they have accepted this change, if they are appointed as the preferred Tenderer.

The new contract ensures that the responsibility for the day to day running costs is borne by the operator. This provides Council protection against any escalating operating costs. The contract is structured to provide Council with a guaranteed income plus a 50% share of the surplus fees, after deduction of Management fee.

New Car Parking Equipment

Tenderers were required to provide detail and costing for parking equipment, specified for supply and installation at each of the car parks. Proposal for capital works upgrades received from S & K are as follows:

Cross Street car park	\$283,192
Cosmopolitan Centre car park	\$173,785
Grafton Street car park	\$236,794
Kiaora Lane car park	<u>\$27,640</u>
Total Cost	\$721,411 exc. GST

S & K proposes the installation of Zeag Car Park Access Control equipment at the Cross Street, Cosmopolitan Centre and Grafton Street car parks facility. The Zeag product is used extensively across the S & K Car Park Management portfolio and is supported through SecureTech on a national basis. The new car park access equipment is to be installed at Cross Street, Double Bay, Cosmopolitan Centre, Double Bay and Grafton Street, Bondi Junction car parking stations.

S & K tender and the post tender interview indicates that for Kiaora Lane operations, they are considering the re-use of the current Cosmopolitan Centre equipment, which is acceptable as the car park is going to be developed in the near future. To enable the operators to get the returns of the significant capital cost of the new parking equipment and spread the costs over its expected useful life, a seven plus seven year terms is offered.

It is recommended that the capital upgrade specified in the equipment schedule included in the tender by S & K Car Park Management should be documented in the Management Agreement to ensure that all the proposed works are carried out.

Income and Expenditure

The offer from S & K for an annual Guaranteed Income to Council is \$2,310,000 for all four car parking stations is a substantial increase from previous years. Council will now have an added expense of collecting casual car parking payments from the automatic parking machines located from each of the car parks and associated administration. In future, if there is any surplus income from the operations of the car parks, Council will be entitled to 50% of the surplus income.

Conclusion

S & K Car Park Management have submitted a very competitive tender. They have offered more than double the Guaranteed Income submitted by Wilson Parking's highest submission. The capital equipment upgrades proposed, estimated at \$720,000, will also increase the patronage of the car parks as a consequence of the improved Council asset. In their tender response and at the interview, they stated that their particularly competitive bid demonstrates their strong desire to operate the Council car parks and their commitment towards growing the business.

The tender submitted by S & K Car Park Management with a commencing guaranteed income of \$2,310,000 per annum excluding GST and subject to annual CPI adjustment, is a superior submission. This offer is further improved by their substantial commitment to the capital upgrading of the car parking equipment and associated works. Their business plan is well thought out and based on their past history and references, we are confident that this proposal will be beneficial for Council. Accordingly, the tender panel therefore recommends that, Council enters into a Management Agreement with S & K Car Park Management Pty Ltd.

Zubin Marolia
Manager Property & Projects

Tom O'Hanlon
Director Technical Services

ANNEXURES:

NIL

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

