

Corporate & Works Committee

Agenda: *Corporate & Works Committee*

Date: *Monday 5 May 2014*

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:

- 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 required to be determined by Full Council by specific legislative requirements
- Matters reserved by individual Councillors in accordance with any Council policy on "safeguards" and substantive changes.

Delegated Authority:

- 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.
- 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

1 May 2014

To: Her Worship the Mayor, Councillor Toni Zeltzer ex-officio
Councillors Peter Cavanagh (Chair)
Anthony Boskovitz
Andrew Petrie
Deborah Thomas
Elena Wise
Susan Wynne
Jeff Zulman (Deputy Chair)

Dear Councillors

Corporate & Works Committee Meeting – 5 May 2014

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 5 May 2014 at 6.00pm.**

Gary James
General Manager

Additional Information Relating to Committee Matters

Site Inspection

Other Matters

Meeting Agenda

Item	Subject	Pages
1	Leave of Absence and Apologies	
2	Late Correspondence Note Council resolution of 27 June 2011 to read late correspondence in conjunction with the relevant Agenda Item	
3	Declarations of Interest	

Items to be Decided by this Committee using its Delegated Authority

D1	Confirmation of Minutes of Meeting held on 14 April 2014	1
D2	Draft Delivery Program 2013 to 2017 & Operational Plan 2014/15 – Including Draft 2014/15 Budget – 1229.G 2013 to 2017 *Note Annexure 1 Distributed Under Separate Cover	2

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

R1	Transfer of Woolworths Lands – Kiaora Place Redevelopment Project – 1209.G (Land Classification)	5
R2	Provision of Centre Management Services for the New Kiaora Place – Tender No. 14/02	9
R3	Tender for the Collection, Material Recovery Facility (MRF) & Sale of Recyclables – 14/03	14
R4	Long Term Financial Plan - 331.G 2014/15 *Note Annexures 1 & 2 Distributed Under Separate Cover	20

Item No: D1 Delegated to Committee
Subject: **Confirmation of minutes of meeting held on 14 April 2014**
Author: Les Windle, Manager – Governance
File No: See Council Minutes
Reason for Report: The Minutes of the Meeting of Monday 14 April 2014 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 14 April 2014 be taken as read and confirmed.

Les Windle
Manager – Governance

Item No: D2 Delegated to Committee

Subject: **Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15 - Including Draft 2014/15 Budget**

Author: Stephen Dunshea - Director Corporate Services
Michelle Phair – Acting Team Leader Corporate Planning

File No: 1229.G 2013 to 2017

Reason for Report: To present the Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15 for noting prior to consideration by the Strategic & Corporate Committee.

Recommendation:

- A. THAT the Committee note the Urban Planning and Community & Environment Committees' endorsement of the Priorities and Actions proposed for inclusion in the Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15.
- B. THAT the Committee note that the Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15, inclusive of the Draft 2014/15 Budget previously endorsed by the Corporate & Works Committee, will be presented to the Strategic & Corporate Committee on 6 May 2014 with a recommendation that the document be placed on public exhibition for a period of 28 days in accordance with the requirements of Sections 404 and 405 of the *Local Government Act 1993*.
-

Report:

The Corporate & Works Committee has considered a number of reports to date in relation the preparation of the Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15, and the 2014/15 Draft Budget, the most recent being the report tabling the listing of Priorities and Actions proposed for inclusion in the Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15 which went to the meeting on 14 April 2014.

In considering the report on 14 April 2014, the Committee resolved, in part:

- B. *That the Committee note that the Priorities and Actions in the Draft Delivery Program 2013 to 2017 & Operational Plan 2014/15 will be presented to the Urban Planning Committee and the Community & Environment Committee for review and comment on the 28 April 2014, with recommended changes to be reported back to the Corporate & Works Committee on 5 May 2014.*

The relevant Priorities and Actions were referred to the Community & Environment Committee and the Urban Planning Committee on 28 April 2014 for consideration. Both Committees endorsed the Priorities and Actions as proposed with no recommended changes.

The purpose of this report is to table Council's entire Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15 for notation prior to consideration by the Strategic & Corporate Committee where a recommendation will be considered to put the document on public exhibition.

A copy of the Draft Delivery Program 2013 to 2017 & Operational Plan 2014/15 is provided as **Annexure 1**.

The Committee should note that the document presented as Annexure 1 includes the Draft 2014/15 Budget as previously endorsed by the Corporate & Works Committee. However, as the Committee is aware, the Draft 2014/15 Budget is to be provided to the Strategic & Corporate Committee on 6 May 2014 for further consideration.

Any changes to the Draft Budget recommended by the Strategic & Corporate Committee and subsequently adopted by Council will be incorporated into the draft plan prior to public exhibition.

Public Exhibition & Communication Strategy:

The Draft Delivery Program 2013 to 2017 & Operational Plan 2014/15, including the Draft 2014/15 Budget, will be considered by the Strategic & Corporate Committee tomorrow evening. The recommendations to the Strategic & Corporate Committee will include one that recommends to Council that the document be placed on public exhibition for a period of 28 days in accordance with Sections 404 and 405 of the *Local Government Act 1993*.

Subject to the adoption of these recommendations, similar to previous years, our communication strategy to support the public exhibition of the document will include:

- *Placement of advertisements in the Wentworth Courier*
- *Advertising via Council's website (including the use of an online feedback form)*
- *Advertising via the Council's Customer Service Centre and Library Service Points (including posters and feedback forms as in previous years)*
- *Advice to Councillors and staff members*
- *Writing to members of the community who have previously had input into the preparation of our strategic document in the past and inviting feedback*
- *Distribution to a range of community groups inviting feedback.*

Subsequent to the public exhibition of the document a further report will be presented to the Corporate & Works Committee advising of any submissions received, and responses to those submissions, with a recommendation to Council regarding the adoption of the Delivery Program 2013 to 2017 and Operational Plan 2014/15 taking into account any submissions received.

Conclusion:

The draft Priorities and Actions proposed for inclusion in the Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15 were considered by the Corporate & Works Committee on 14 April 2014 and relevant Priorities and Actions were referred to both the Urban Planning and Community & Environment Committees on the 28 April 2014 for review. Both Committees endorsed the inclusion of the proposed actions in the Draft Delivery Program and Operational Plan for public exhibition with no recommended changes.

The Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15, including the Draft 2014/15 Budget is to be considered by the Strategic & Corporate Committee tomorrow evening with a recommendation that it be placed on public exhibition for a period of 28 days.

Michelle Phair
Acting Team Leader Corporate Planning

Stephen Dunshea
Director Corporate Services

Annexures:

Annexure 1 Draft Delivery Program 2013 to 2017 and Operational Plan 2014/15
(circulated separately)

Item No: R1 Recommendation to Council
Subject: **Transfer of Woolworths Lands - Kiaora Place Redevelopment Project**
Author: Zubin Marolia, Manager – Property & Projects
File No: 1209.G (Land Classification)
Reason for Report: To recommend to Council to classify the lands being transferred to Council as Operational Land.

Recommendation:

That Council in accordance with Section 34 of the Local Government Act classify the lands being purchased by Council from Fabcot Pty Ltd and Woolworths Properties, as detailed in this report, as Operational Land.

Background:

Council has entered into a joint venture with Woolworths Ltd for the development known as Kiaora Place. This development includes two buildings either side of Kiaora Lane, Double Bay, which will include a supermarket, commercial and retail space, public car parking, public space and a library. The library is one component of a four storey building on New South Head Rd that will have retail premises, commercial spaces and a public arcade running between New South Head Rd and Kiaora Lane, Double Bay.

The construction of the project has commenced and the works are being undertaken in two stages:

Stage One Contract

On land to the south of Kiaora Lane, which is currently owned by Council and Woolworths, Woolworths will build a new Woolworths supermarket, Dan Murphys Liquor Store, Commercial office space, four small retail spaces and two levels of public car parking

Upon completion of construction in June 2014, Council will acquire the entire site from Woolworths and Council will manage the car park, commercial and small retail spaces.

Stage Two Contract

On the land between Kiaora Lane and New South Road (the site of the current Woolworths supermarket), Woolworths will build a new public library, arcade with specialty retail shops and commercial office space.

Upon completion of construction in mid-2015, Council will acquire the site from Woolworths and a public plaza will be constructed to the south of the New South Head Road building in Kiaora Lane.

Council's Corporate and Works Committee on 17 February 2014 resolved the following:

- A. *THAT Council in accordance with Section 34 of the Local Government Act, give public notice of the proposal to classify as Operational Land, the lands being purchased by Council from Fabcot Pty Ltd and Woolworths Properties as part of the Kiaora Lands Redevelopment Project.*

- B. *THAT a further report be submitted to the Committee at the conclusion of the notice period.*

Proposal:

Section 31(2) of the *Local Government Act* relevantly provides that before a Council acquires land, or within 3 months after it acquires land, a council “*may resolve... that the land be classified as community land or operational land*”. Under section 31(2A) any land acquired by a council that is not so classified is, at the end of the 3 month period, taken to be classified under a local environment plan as community land. The purpose of classification was considered by the Corporate & Works Committee at its meeting on 17 February 2014.

Pursuant to the Corporate & Works Committee resolution of 17 February 2014 for the land to be classified as operational and Section 34 of the *Local Government Act*, a public notice of the proposal to classify as Operational land the lands being purchased by Council was placed in the Council Notices section of the *Wentworth Courier* of Wednesday 5 March 2014, and was also displayed on site within a physical sign at Kiaora Place, Double Bay for a period of 31 days. This notice identified the land parcels being purchased, and made reference to Woollahra Council website which contained a plan showing the subject lands as defined by a pink hatched line infill (Figure 2, Annexure 1).

The notice stated that the proposal could be inspected at Council Offices at 536 New South Head Rd, Double Bay between the hours of 8:30 am to 4:30pm during the period 5 March to 8 April 2014. This notice stated that public submissions may be made in writing to the Council concerning the proposal to classify the land as Operational by the closing date for the notice, being 8 April 2014 and 31 days after commencement of the notice period.

The contact person for the notice Anthony Sheedy, Senior Property Officer received no calls or written submissions from the public in regards to these notifications during the public advertisement period. All steps required for the classification have now been completed in accordance with Section 31 and 34 of the *Local Government Act* and the lands are now classified as Operational.

Purchased Land Parcels

Under the Development Deed Council has agreed to purchase the following titles from Woolworths Properties Pty Limited and Fabcot Pty Limited under the Stage One Contract and Stage Two Contract:

Stage One Contract:

Land to be purchased from Woolworths Properties Pty Limited ABN 63 000 039 252

<i>Address or description</i>	<i>Lot and DP</i>	<i>Title</i>
1 Anderson Street, Double Bay	Lot 3 in DP 12264	3/12264
4 Anderson Street, Double Bay	Lot 19 in DP 12264	19/12264
2 Patterson Street, Double Bay	Lot 18 in DP 12264	18/12264

Land to be purchased from Fabcot Pty Limited ABN 88 000 014 675

<i>Address or description</i>	<i>Lot and DP</i>	<i>Title</i>
2 Kiaora Road, Double Bay	Lot 1 in DP 199252 (now Lot 1 in DP 1172846)	1/199252 (now 1/1172846)
3 Kiaora Road, Double Bay	Lot 10 in DP 1046816	10/1046816
4 Kiaora Road, Double Bay	Lot 4 in DP 150454 (now Lot 2 in DP 1172846)	4/150454 (now 2/1172846)
5 Kiaora Road, Double Bay	Lot 1 in DP 88003	1/88003
6 Kiaora Road, Double Bay	Lot 6 in DP 703558	6/703558
7 Kiaora Road, Double Bay	Lot 1 in DP 75900	1/75900
2 Anderson Street, Double Bay	Lot 20 in DP 12264	20/12264

Stage Two Contract:

Land to be purchased from Woolworths Properties Pty Limited ABN 63 000 039 252

<i>Address or description</i>	<i>Lot and DP</i>	<i>Title</i>
New South Head Road, Double Bay	Lot 1 in DP 64445	1/64445
New South Head Road, Double Bay	Lot 1 in DP 88063	1/88063

Conclusion:

In accordance with the Development Deed entered into with Woolworths, these commercial lands will be acquired from Woolworths affiliated companies and Council will be the end owner of the whole project. In order to ensure that these lands are classified as operational lands, Council needs to resolve to classify all these titles as operational land before completion of these contracts (which will only occur once the Stage One Works and Stage Two Works respectively are completed). It is therefore recommended that Council in accordance with Section 31 of the Local Government Act classify the lands being purchased by Council from Fabcot Pty Ltd and Woolworths Properties as Operational Land.

Zubin Marolia
Manager – Property and Projects

Tom O’Hanlon
Director – Technical Services

Annexures 1:

Figure 1- Project Site – Aerial Photo / Approximate Site Boundary

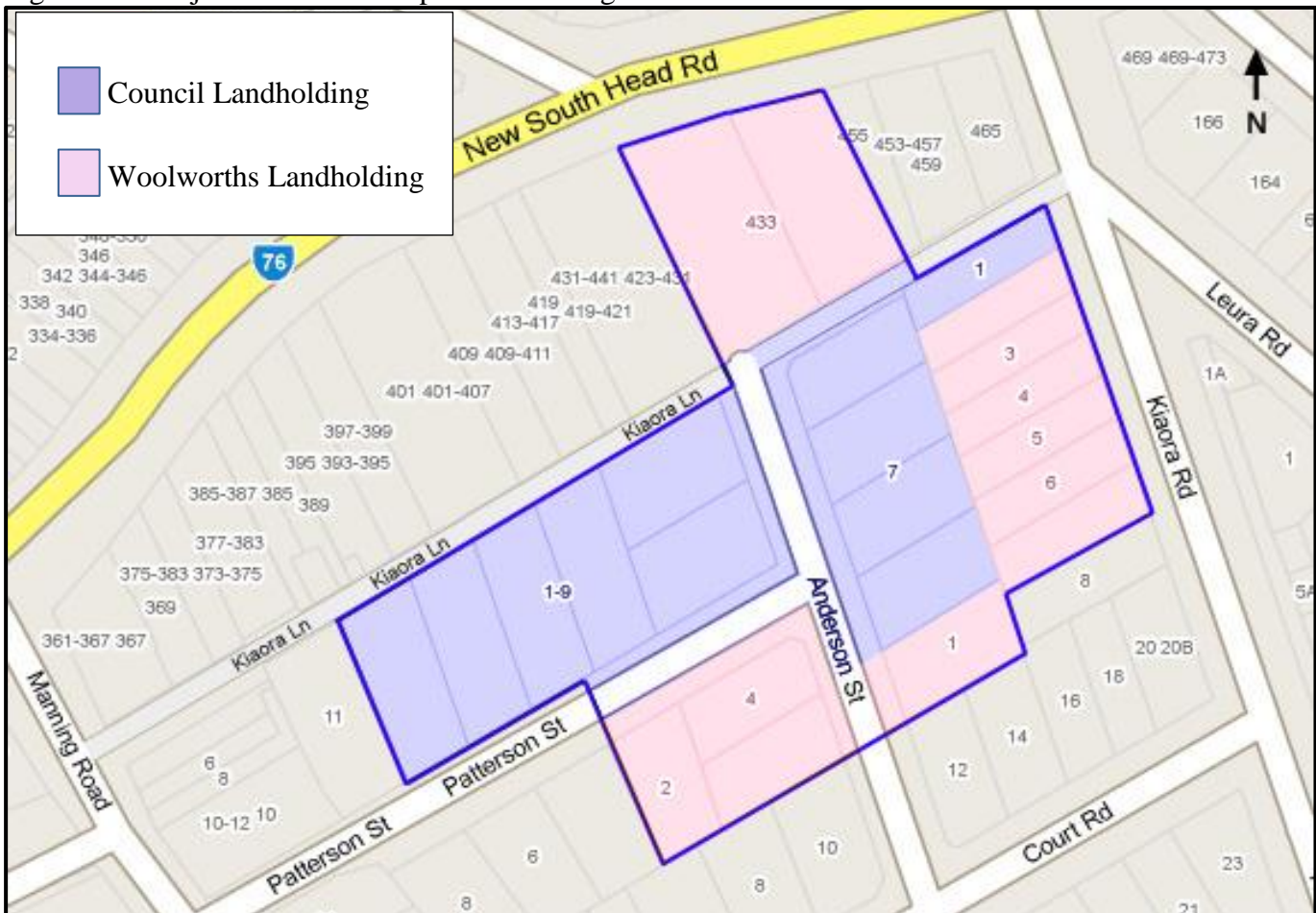
Figure 2- Project Site – Site Map / Landholdings

ANNEXURE 1

Figure 1- Project Site – Aerial Photo / Approximate Site Boundary



Figure 2- Project Site – Site Map / Landholdings



Item No: R2 Recommendation to Council
Subject: Provision of Centre Management Services for the New Kiaora Place
Author: Zubin Marolia, Manager Property & Projects
File No: Tender No 14/02
Reason for Report: To recommend to Council the acceptance of a Tender

Recommendation:

- A. That Council enter into an initial 3 year contract, with a 3 year option with Brookfield Johnson Controls for the provision of Centre Management Services for the new Kiaora Place in Double Bay.
 - B. That Council accept the tendered management fee of \$207,579 plus GST, for the management of stages 1 and 2 of the development, adjusted annually for CPI.
 - C. That successful and unsuccessful tenderers be advised accordingly.
-

Background

Woollahra Municipal Council is undertaking the redevelopment of the existing Woolworths site on New South Head Road; the Council owned car parks in Kiaora Lane and Anderson Street, as well as a number of properties in Kiaora Road and Patterson Street.

The redeveloped site will include a new Woolworths supermarket, a Dan Murphy's Liquor Store, new three storey public library, commercial office space and a range of specialty and retail outlets. The site will be serviced by a public car park with approximately 450 car spaces and a high quality public plaza, which will be available for outdoor dining and other activities.

Construction of Stage 1 of the development will be completed in May 2014 with trading commencing in June 2014. Stage 2 construction will commence in June 2014 and be completed in May 2015. The overall centre will be open for trading at that time.

Council needs to engage a suitably qualified and experienced party to manage the center once the various building construction is completed. Tenders were invited for the provision of Centre Management Services for the day to day facilities management services of the new development. The facilities management functions include rent collection (excluding for Woolworths tenancies which are covered by a separate Finance Agreement), recoverable expenses, lease administration and management. The services also include arranging preventative maintenance, capital works, cleaning, security, essential services inspections and annual building certifications.

Invitation to Tender

Tender 14/02 for the provision of Centre Management Services was advertised in the Tenders section of the Sydney Morning Herald commencing on Tuesday 4 February 2014, and the Wentworth Courier on Wednesday 5 February 2014.

A Pre-Tender meeting was held at Council Chambers on Wednesday 19 February 2014. 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. Further clarifications were provided to all tenderers in response to queries raised following the pre-tender meeting which included location of the office, recovery of outgoings, staging and leasing clarifications. Tenders for this project closed at 2.30pm on 6 March 2014. A total of eight (8) tenders were received prior to the closing date and time. No late tenders were received

Tender Assessment

The tender assessment panel comprised, Mr Zubin Marolia as the Commissioning Officer, Mr David Byatt Purchasing Co-ordinator and specialist property consultant Mr Tony Myers. Prior to the tender closing date, the tender panel agreed on the following weightings that would be used against the advertised selection criteria:

Cost to Council for provision of services	40%
Capability & resources of Tenderer	25%
Track record on similar projects	20%
Methodology for undertaking the contracted services	15%

Council has resolved that a probity adviser should be included during the tender assessment stage for high risk, high value or sensitive projects. This project was deemed not to require a probity adviser. The tenders were first checked for conformance and were accepted by the evaluation panel as having met the requirements for further consideration. All Tenders required clarification and responses were received and assessed.

Management Fee for Stages 1 and 2 (total)

Tenderer	Management Fee for stages 1 and 2 (excl GST)
Savills	\$200,000
Brookfield Johnson Controls	\$207,579
Arkadia	\$210,000
Ganellen	\$223,000
Colliers	\$262,000
Jones Lang LaSalle	\$280,000
CBRE	\$336,000
Cerno	\$513,500

The tender documents were then assessed in detail, including the responses to the qualitative criteria. Cost to Council for provision of services was scored relative to the lowest price. The tenders were scored on each item of the criteria to achieve a total score out of 100. Tenderers were then ranked in accordance with their total scores.

Criteria

Tenderer	Capability & resources (25)	Track record (20)	Methodology (15)	Sub Total Non-Pricing Criteria (60)	Cost to Council for services (40)	TOTAL
Brookfield Johnson	24.0	18.0	13.0	55.0	38.54	93.54
Savills	22.0	18.0	11.0	51.0	40.00	91.00
Jones Lang LaSalle	24.0	18.0	13.0	55.0	28.49	83.49
Arkadia	19.0	15.0	9.0	43.0	38.10	81.10
Ganellen	19.0	13.0	10.0	42.0	35.87	80.57
Colliers	24.0	10.0	12.0	46.0	30.53	76.53
CBRE	22.0	15.0	13.0	50.0	23.81	73.81
Cerno	19.0	10.0	15.0	44.0	15.58	59.58

Explanatory notes.

Cost to Council for provision of the services: Cost of service comprises 40% of the total calculated score for the stated lump sum management fee submitted. The lowest submission is scored highest. Scores are calculated and ranked in order of the lowest submission to the highest.

Capability and resources of Tenderer: Financial capacity of the company plus the skills, qualifications and experience of key personnel as well as any outside consultants and their role.

Track record on similar projects: Evaluated the size/value of past jobs; evaluate the type and complexity of past jobs; evaluate management team skills and experience; assess the quality of work from references provided.

Methodology for undertaking the contracted services: Evaluate the management systems and budget control, marketing and leasing experience and legal risk and facilities management.

Comment

Most of the tendered prices were within the \$200,000 to \$280,000 range, which represents the industry benchmark, for the services tendered. There were two tenders outside this range. The Tender Panel conducted post-tender interviews with the three highest ranked tenderers, Brookfield Johnson Controls, Savills and Jones Lang LaSalle. The purpose of the interviews was to review and test the information provided by the tenderers with regard to the published selection criteria, and where necessary to clarify Tendered information which the panel requested from any aspect of the tender.

1. Brookfield Johnson Controls

Brookfield Johnson Controls is a leading provider of integrated Real Estate, Facilities and Project Management Services, Strategy, Energy and Sustainability solutions, for which they have received awards. They have been operating in Australia for over fifteen years, formed out of a partnership combining Johnson Controls global operating model and technological expertise with Brookfield's Australian infrastructure, local knowledge and established capabilities.

Their submission provided a list of sites which their project team had been involved with, providing Integrated Property and Facilities Management Services, which further confirmed Brookfield Johnson's proven track record when it comes to the management of larger development sites in the area. Brookfield Johnson currently provides Integrated Property and Facilities Management Services to major land holders including World Square Retail Precinct, Wynyard Plaza and City of Sydney Retail Portfolio.

Brookfield Johnson has the added advantage of currently having experienced management personnel and a help desk available 24 hours, 7 days a week. In addition to the benefit of current and prior management experience with many similar sized and larger shopping centres with a retail/commercial tenancy mix, they are also able to facilitate contracts with cleaning, security and other contractors for the Kiaora Place, for which they will provide scope of requirements that will comply with Workplace Safety.

Brookfield Johnson has a robust system in place for all contractors who attend on site and a dedicated centre manager to oversee that all contractors comply with current legislative requirements. They intend to supplement the centre manager and 24 hour help desk, by engaging the cleaning and security staff at different intervals to ensure that someone is on site at all times to deal with unforeseen situations such as food spills, unacceptable behaviour etc. at the centre. They have proposed very experienced key staff with necessary qualifications. They have also proposed an extensive team of administrative and specialist support staff.

Brookfield Johnson's tender sum was the second lowest fee offered and they scored the highest in the non-cost criteria.

2. Savills

Established in the UK in 1855, Savills is one of the world's leading providers of property services, with over 500 offices and associates in 45 countries. Savills is a large global real estate consultancy providing an integrated prime commercial and retail management service. Their Sydney office has been successful in the Sydney market and their key personnel were able to show the Tender panel some of the strong marketing practices that have placed them amongst the top agencies in their field locally.

Savills did not provide a detailed tender response, however they responded to all the selection criteria adequately. The tender submitted presented a strong case to Council with their international background and access to an experienced head office support team. They were able to demonstrate to the Tender committee their strength in shopping centre management, service feedback, and asset management systems and facilities management. However, their submission was marginally less convincing in relation to marketing, leasing and budget reporting. Accordingly they scored marginally less for these criteria. Their tender was less strong in response to a dedicated after hours service.

The referees that were contacted on behalf of Savills were enthusiastic about the service they provided. They are "hands on" managers who are fully conscious of the need to protect the interests of their client whilst providing the best quality service to the tenants and customers.

Savills tender sum was the lowest fee offered and they scored the third highest in the non-cost criteria.

3. Jones Lang LaSalle

Jones Lang LaSalle has Integrated Facilities Management teams who have experience in the property management and leasing of shopping centers and retail precincts. They have the ability to manage the daily operations of the center to ensure Councils interests are protected and satisfy the expectations of the customers and tenants.

Jones Lang LaSalle advised that they would work with Council and co-ordinate ancillary services, which included cleaning and security contractors.

They deliver services for all property types through dedicated on-site teams backed by a regional best practices platform. Their low-cost processing centers located throughout Asia deliver central functions such as scheduled and unscheduled maintenance, accounts payable and lease administration.

Jones Lang LaSalle has over 50 years of experience in Asia Pacific, with over 26,700 employees operating in 80 offices in 14 countries across the region and has received a number of awards.

Tender Panel Assessment

The tender panel recommends that the competitive tender submitted by Brookfield Johnson Controls is the most advantageous to Council in terms of value for money, extensive experience in managing larger shopping centres in the Sydney City area and potential to achieve the best result for Council. They have demonstrated through their direct local experience that they are capable of carrying out the requirements of this contract and their tender represents the best value for money of all the tenderers.

Conclusion:

The tender panel recommends that Council enter into a Contract with Brookfield Johnson Controls to provide Centre Management Services to Woollahra Council in the management of The Kiaora Place in Double Bay, for a fee of \$207,579 plus GST.

Zubin Marolia
Manager –Property & Projects

Tom O’Hanlon
Director - Technical Services

Annexures: Nil

Item No: R3 Recommendation to Council
Subject: **Tender for the Collection, Material Recovery Facility (MRF) and Sale of Recyclables**
Author: Manager Civil Operations – Mark Ramsay
File No: File No 14/03
Reason for Report: To recommend to Council the acceptance of a tender

Recommendation:

- A. That Council accept the tender submission offered by URM Environmental Services Pty Ltd for the provision of the collection, Material Recovery Facility (MRF) and sale of recyclables.
 - B. That the unsuccessful tenderers are notified of the tender result.
-

Background:

In 2004 Council entered into a contract with Veolia for the collection and recycling and sale of our domestic recycling. This contract expires in July 2014 and consists of a source separated crate based system whereby residents place paper into one crate and containers and bottles into the other.

When implemented this system was considered to be the best way to ensure recyclables were not contaminated and that the end product was of the highest value. Whilst this system has proven to be effective, it has also created issues for residents in that they are required to take the time to separate the various items and as the crates have no lids, the plastic and paper is often blown out of the crates and around the streets. It is also labour intensive and has created manual handling issues for the collectors as the crates can fill with water and become very heavy.

A memorandum was sent to Councillors in November 2013 outlining our intention to replace this source separated paper and container crate system with a weekly fully co-mingled collection system using 120lt wheelie bins in single unit dwellings and 240lt wheelie bins in multi unit dwellings.

As some residents in Paddington and Woollahra reside in dwellings with difficult access, a notification of our intention to move to a fully comingled wheelie bin system was sent to all residents in Paddington and Woollahra to determine their preference to either move to a fully comingled system retaining the use of crates, or move to using the new fully comingled wheelie bin system. Just over 400 residents have notified us that they wish to retain their crates.

The new fully comingled system will make it easier for residents to recycle as they will place all paper, bottles and plastic items into the one bin or crate. It is hoped that by making the process easier, we will further increase the amount of recyclables collected, thereby further increasing our waste diversion rate. It will also reduce the amount of litter that is currently blown around the streets and minimise manual handling issues created by having to manually lift thousands of crates each day.

With the advent of advanced treatment facilities it is no longer necessary to source separate all recyclable products to gain a high end value product. Modern facilities are extremely efficient in separating all types of paper, plastics and bottles without the need for source separation.

The change from blue and black crates to yellow lid wheelie bins will also bring our collection systems for all our domestic waste services into line with the State Governments best practice for the collection and disposal of domestic waste, recycling and organics.

The new contract will also see the contractor responsible for rolling out the new bins and repairing and replacing them when broken throughout the life of the contract. At the completion of the contract the bins will become the property of Woollahra Council.

Invitation to Tender

Due to the size and nature of the Tender, it was agreed that an industry expert consultant would be employed to assist in the writing and evaluation of the Tenders. Following a quotation process, Mike Ritchie and Associates were employed to carry out this role.

Tender 14/03 for the Collection, MRF and Sale of Recyclables was advertised in the Tenders section of the Sydney Morning Herald commencing on Tuesday 21 January 2014 and in the Wentworth Courier on Wednesday 22 January 2014.

Tenders closed at 2.30pm on Tuesday 4 March 2014. A total of three tenders were received as listed in Table 1. Tenders provided by Veolia Environmental Services (Aust) Pty Ltd and URM Environmental Services Pty Ltd were conforming.

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

Table 1

TENDERER
Veolia Environmental Services (Aust) Pty Ltd
Visy Paper Pty Ltd
URM Environmental Services Pty Ltd

Tender Assessment

The tenders have been assessed in accordance with the selection criteria stated in the tender documents. The tender assessment panel comprised Dave Byatt, Purchasing Coordinator, as the convenor and independent member of the tender panel, Mark Ramsay, Manager Civil Operations, as the Commissioning Officer and Pamela Mina, Waste Projects Coordinator, as the Project Superintendent.

Council has resolved that a probity adviser should be included during the tender assessment stage for high risk, high value or sensitive projects. This contract was deemed to meet this definition and it was agreed that Les Windle, Manager Governance, would sit as the probity adviser throughout the tender process.

The tender provided by Visy Paper Pty Ltd was non-conforming as it related only to the MRF and sale of the product and did not include collection services. It was therefore not assessed any further.

The tender submission from Veolia Environmental Services Pty Ltd requested a number of departures to the contract that formed part of the Tender documentation. Following several conversations with Veolia representatives, Veolia have not agreed to meet all the terms of the contract. As some of the departures relate to insurance clauses and seek to reduce the legal risk to Veolia, thereby increasing Councils risk, the Panel consulted with both our Insurers and our Business Assurance & Risk Management section and agreed that the departures should not be accepted.

It is therefore the view of the Tender panel that the tender from Veolia is non-conforming. However, as the panel had assessed and scored the tender submission prior to determining that the tender is non-conforming, the tender price and scores have been included in this report for comparative purposes.

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

Tenders were assessed against the following criteria and weightings:

Prices/Schedule of Rates: Tenders were scored based on information provide for service delivery and bin disposal and delivery

Current & Previous Experience: Tenders were scored based on information provided relating to services similar to this that they currently have or have had in the past & Management experience

Resources & Capabilities: Tenders were scored based on information provided relating to number of staff, plant and equipment, disposal and depot facilities

Proposed Method & Service Delivery: Tenders were scored based on information provided relating to the proposed method of service delivery

Management Systems: Tenders were scored based on information provided on Quality Management Systems, WH&S Systems, Environmental Systems and Industrial Relations

The tenders and their lump sum prices are listed in Table 2:

Table 2

TENDERER	Lump sum tender price for 1st year of service (incl GST)	Lump sum tender price for bin roll out over 1st 3 years (incl GST)
URM Environmental Services Pty Ltd	\$2,115,424.30	\$898,748.40
Veolia environmental Services Pty Ltd (non-conforming)	\$2,113,203.40	\$925,006.50

Tender Analysis

The following table shows the scores and rankings for the conforming tender from URM and the non-conforming tender form Veolia. The scores are based on the opinion formed by the assessment panel from information provided in the Tender schedules and interviews, and verified by responses from referees. The figures tabled below represent the agreed scores from the assessment panel members.

Table 3

Tenderer (ranked by total score)	Current & Previous Experienc e	Resources & Capabilities	Proposed Method & Service Delivery	Management Systems	Sub Total Non Price Criteria	Price /schedule of rates	Total Score
Maximum possible score	15	15	15	15	60	40	100
Veolia Environmental Services (Aust) Pty Ltd	13.5	15	15	14.06	57.56	39.89	97.45
URM Environmental Services Pty Ltd	14.25	15	15	14.06	58.31	40	98.31

The tender panel conducted a post-tender interview with both Tenderers

The purpose of the interview was to review and confirm the information provided by the tenderers with regard to the published selection criteria, and where necessary to raise questions which the panel had regarding aspects of the tenders. As a result of post-tender interviews and clarifications made, some adjustments were made to tenderers scores.

Tender Summaries

Veolia Environmental Services (Aust) Pty Ltd:

Veolia are our current recycling contractors and have provided this service to Council since 2004. They have a long standing record in the Waste and Recycling industry and have clearly demonstrated experience and management systems capable of undertaking this contract. Their method of collection is based on their current service and is therefore tried and tested.

Veolia has nominated SULO MGB Australia as their contractor for the supply of the bins. SULO are a reputable Australian company located in Somersby NSW and have been supplying bins to Councils, including Woollahra, for many years. Their bins comply with Australian Standards and consist of 30% recycled materials.

Veolia has nominated Polytrade as their contractor for the MRF and sale of the product. Polytrade are an Australian company who have been operating since 1995 and have built up a solid reputation within the industry. They have extensive existing markets both here in Australia and overseas.

URM Environmental Services Pty Ltd:

URM are an Australian based company who provide waste and recycling collections services to several Sydney Councils. They have clearly demonstrated experience and management systems capable of undertaking this contract. Their method of collection is sound and if successful, will be based on risk assessments that will be carried out prior to commencing the contract.

URM has nominated MASTEC as their contractor for the supply of the bins. MASTEC manufacture their bins in Australia to Australian standards and they come with a 10 year warranty. They supply bins to many local Councils and have a solid reputation within the industry.

URM has nominated VISY as their contractor for the MRF and sale of the product. VISY have a solid reputation and have extensive existing markets both here in Australia and overseas.

Reference checks carried out on URM show that they are a reliable company with a good record in service delivery. Importantly they have also participated previously in a similar project to this, in that they were required to take a fully separated crate based collection system and roll out bins for a fully co-mingled bin collection system.

Resident Notification and Education:

To ensure that residents are aware of the commencement of the new service, it is intended that they will receive notification and educational materials both via post and during the bin-roll out. The first of two notifications by mail will consist of a letter explaining the introduction of the new bins and service. The second letter closer to commencement date will provide information about what to do with old bins, when to start using new bins and will include an educational brochure highlighting the Dos and Don'ts of the new service. In addition, another brochure will be provided with the bins upon roll-out as a reminder of what can and can't be recycled.

The new service will also be promoted through various Council mediums including the website, Wentworth Courier, newsletters and other available channels of advertisement.

Identification of Income and Expenditure:

Council's operational budget for the Waste Services Department will be used to fund works provided under this contract. Allowance has been made in the 2014/15 operational budget and included in the Domestic Waste Management Charge.

Conclusion

There was very little difference in the submissions of both Veolia Environmental Services Pty Ltd and URM Environmental Services Pty Ltd. but the tender from URM scored slightly higher on both price and non-price criteria. As Veolia were not able to agree to the terms of the contract as included in the Tender documents, their tender is non-conforming.

URM are a very capable provider who currently performs this service for numerous Councils in metropolitan Sydney. Noting their previous experience in a similar project and the favourable response from the reference checks, the Panel recommends that Council award the contract for the collection MRF and sale of recyclables to URM Environmental Services Pty Ltd.

The decision to procure the service of URM Environmental Services Pty Ltd will assist Council in meeting the NSW Government's waste recovery targets and will improve the environmental performance of our waste service by reducing our demand on landfill and our greenhouse gas emissions.

It will also improve our economic performance in view of the escalating waste levy on landfill disposal and will provide a long term waste management solution at predictable cost whilst assisting us to better comply with community expectations for managing our waste as a resource.

Pamela Mina
Waste Projects Coordinator

Mark Ramsay
Manager Civil Operations

Tom O'Hanlon
Director Technical Services

Item No: R4 Recommendation to Council
Subject: **Long Term Financial Plan**
Author: Don Johnston, Chief Financial Officer
Stephen Dunshea, Director - Corporate Services
File No: 331.G 2014/15
Reason for Report: To brief the Committee on opportunities to improve Council's financial sustainability and to recommend the inclusion in the 2013 to 2017 Delivery Program and 2014/15 Operational Plan information flagging a potential special rate variation application for 2015.

Recommendation:

- A. THAT Council receive and note the NSW Treasury Corporation (TCorp) Financial Assessment and Sustainability Report – February 2014 for Woollahra Council presented as **Annexure 1**.
- B. THAT details of the TCorp Report be included in Council's draft Delivery Program 2013 to 2017 and Operational Plan 2014/15, noting in particular the following conclusions from TCorp in respect of the 'Base Case' and 'Sustainability Scenario' long term financial plan models assessed:
- i. *“Based on the revised information provided to TCorp for the Base Case scenario, Council is currently assessed as having a FSR [financial sustainability rating] of Moderate. The outlook for Council for the next three years is positive, which means that Council could achieve a FSR of Sound within three years, but based on the LTFP forecasts, it would then be likely that the FSR would revert to Moderate in 2018.*
 - ii. *Based on the revised information provided to TCorp for the Sustainability scenario, Council is currently assessed to have a FSR [financial sustainability rating] of Moderate. The outlook for Council is currently positive which means that Council could achieve a FSR of Sound within the next three years and remain sound based on LTFP forecasts.*
- C. THAT the draft Delivery Program 2013 to 2017 and Operational Plan 2014/15 also flag a potential special variation application in 2015 identifying the significant improvement in financial sustainability a successful application would bring with a modest increase in average rates.
- D. THAT the information proposed in Recommendations B and C above for inclusion in the draft Delivery Program and Operational Plan be in the form provided as **Annexure 2**.
- E. THAT further modelling of Council's long term financial plan be undertaken as the sale of two significant strategic asset sales included in the 2014/15 Budget, being Council's current depot site at O'Dea Avenue and the property 9A Cooper Park Road, are finalised, noting that the funds from the sale of 9A Cooper Park Road are to be quarantined in a special reserve until a further report is considered in relation to the allocation of the proceeds.
- F. THAT Council note the finalisation of Council's Sustainability Model long term financial plan and any special rate variation application for 2015 will be subject to community consultation.

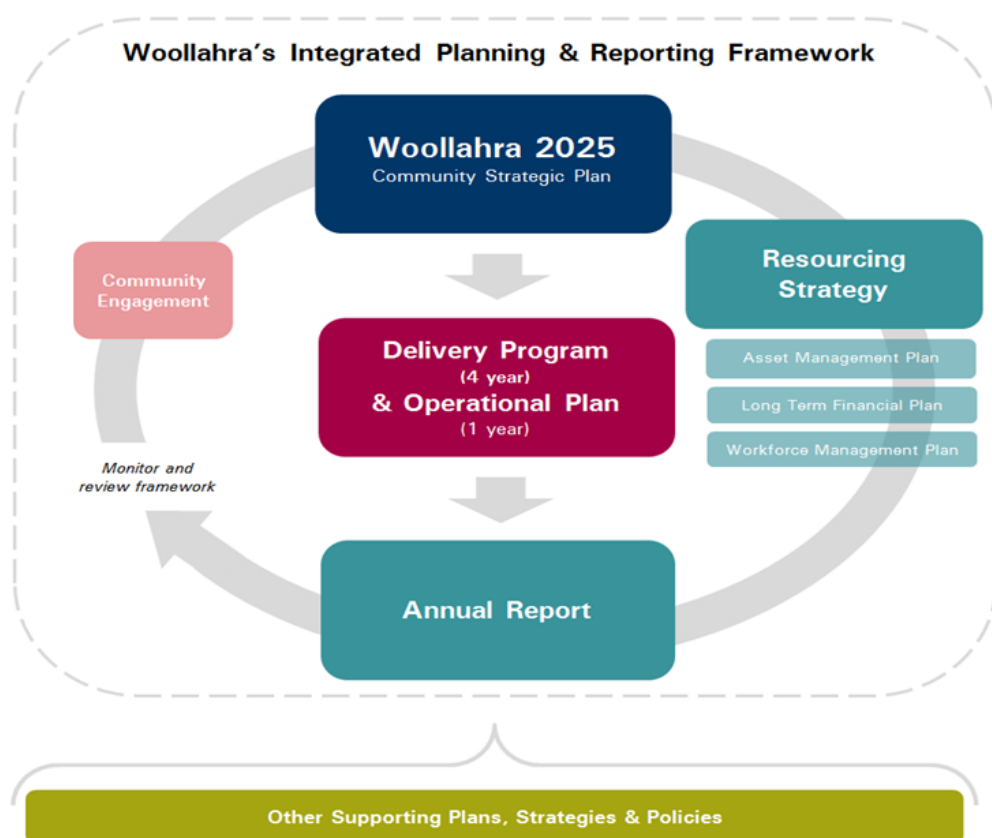
Preamble:

Council’s Community Strategic Plan, *Woollahra 2025 - our community...our place...our plan* is a long term visioning document that expresses the Woollahra community’s long term aspirations. *Woollahra 2025* was reviewed and updated in 2013.

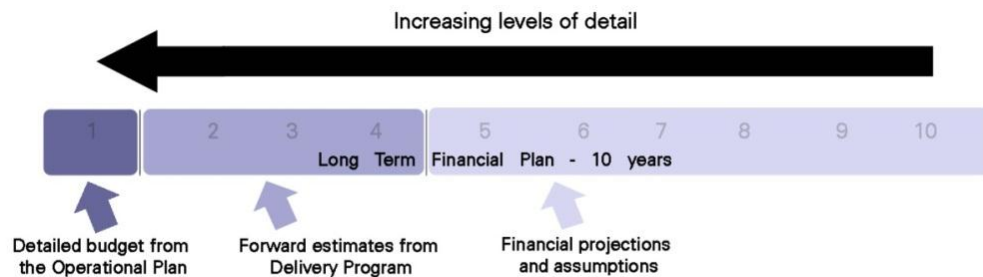
To work toward delivering these long term aspirations for our community (represented by the Themes, Goals and Strategies in the Community Strategic Plan), sufficient resources, time, money, assets and people will need to be provided. Council’s plans for each of these are set out in its Resourcing Strategy which includes:

- Long term financial planning
- Workforce management planning
- Asset management planning

The Resourcing Strategy is a key part of the integrated planning and reporting framework for Council’s long term planning.



Council’s Long Term Financial Plan (LTFP) is a 15 year plan, against the minimum requirement of a 10 year plan, that tests the council’s financial capacity to deliver against the Themes, Goals and Strategies presented in the Community Strategic Plan. It will be used as a decision-making and problem-solving tool. The LTFP is not set in concrete and will continually evolve and change as circumstances change and decisions are made. The longer the planning horizon, the more general the plan will be.



At the heart of the integrated planning and reporting framework is planning for a sustainable future. Financial sustainability is a key contributor to Council's overall sustainability. The financial sustainability of local government has been the subject of a number of reviews which discuss contributing factors such as constraints on revenue growth, ageing infrastructure, ageing population, legislative change and cost shifting.

Through the Integrated Planning & Reporting framework, the LTFP opens the way for Council to address these issues and, in consultation with the community, set funding priorities and service levels that set Council on a path to a more sustainable future.

Indicators of financial sustainability and sound financial position have been around for some time. Council has a set of its own indicators in its LTFP and indicators are also reported annually in the financial statements. More recently, New South Wales Treasury Corporation has undertaken an assessment of the financial sustainability of local government in NSW, adding its own indicators of sustainability in the process.

Further indicators of sustainability and sound financial position are used by Council's external auditors. Of particular interest in this regard is the appropriate level of funding of liabilities for employee leave entitlements and long-term deposits and bonds.

All of these indicators have been incorporated into our LTFP to assess Council's financial sustainability.

This report discusses the issues affecting Council's long term financial sustainability and maps out a path to move toward it, in consultation with the community.

Background:

Over the past twelve months there has been a heightened focus on the financial sustainability of local government in NSW. Commencing with the release of NSW Treasury Corporation's (TCorp) 'Financial Sustainability of the New South Wales Local Government Sector' report in April 2013 and supported by the various Local Government Review Panel reports, it is clearly evident that councils throughout NSW need to map out a course to financial sustainability in consultation with their communities.

In addition to these independent reports, Council itself has identified the need to address some particular issues in relation to its financial wellbeing. In fact, the issues Council has identified itself were reflected in the outcomes of TCorp's financial sustainability assessment. These issues are:

- increased investment in infrastructure renewal, particularly buildings infrastructure;
- improving the level to which Council 'reserves' funds to cover future Employee Leave Entitlements and long-term security deposits and bonds; and
- addressing Council's structural deficit (i.e. increases in recurrent expenditure exceeding increases in recurrent income).

TCorp's assessment of Council's financial sustainability rated Council as 'Moderate' for Financial Sustainability (FSR) and 'Neutral' for Outlook – which assesses likely movement in Council's FSR over the next three years. The following tables extracted from the final TCorp report presents Council's 'Moderate' and 'Neutral' rating in comparison to all NSW councils.

Table 1 - FSR Distribution

Rating	Count	Percentage
Very Strong	0	0.0%
Strong	2	1.3%
Sound	32	21.1%
Moderate	79	52.0%
Weak	34	22.4%
Very Weak	5	3.3%
Distressed	0	0.0%
Total	152	100.0%

Table 2 - Outlook Distribution

Outlook	Count	Percentage
Positive	5	3.3%
Neutral	74	48.7%
Negative	73	48.0%

In comparison to all NSW councils, Woollahra's results were certainly not disappointing and indeed were somewhat expected, given our previous long term financial planning had focussed on securing our existing Environmental & Infrastructure Renewal Levy (E&IRL) through our 2011 special rate variation and not on our longer term financial sustainability. This approach was a strategic decision of the Council at the time in order to direct the focus of IPART's consideration of our special variation application on the long term benefits of retaining our E&IRL referred to above.

Council further noted at the time of preparing the 2011 application the need to finalise a 'sustainability' long term financial plan which may well involve a further special variation application to IPART to address the financial wellbeing matters previously mentioned.

In its March 2013 discussion paper, 'The Case for Sustainable Change', the Local Government Review Panel made a number of comments of particular note in this context including:

"In the current fiscal climate the Panel sees no likelihood of significant increases in grant funding for NSW local government. Also, there is considerable evidence to suggest that many councils can make better use of their rating base to achieve significant increases in own-source revenue, and that this can be done without undue impacts on household budgets. Affordability must remain a key objective. Experience in other states and the results of community surveys suggest that increases of \$1-2 per week would be acceptable for most NSW ratepayers. This should be sufficient to address many of the problems identified by TCorp."

The Panel further stated:

“The Panel’s view is that the system of rate-pegging in NSW has impacted adversely on sound financial management. It creates political difficulties for councils that really should raise rates above the peg, and adds administrative costs. It is not applied in other states. The Panel’s preference is for the system to be abandoned, subject to the imposition of the new fiscal responsibility framework outlined in section 4. However, the Panel accepts that rate-pegging has been in effect for over 30 years and is now part of the landscape in NSW. A proposal to abolish it completely may well prove unacceptable at this time.

As an alternative, the Panel believes that the rate-pegging arrangements can be simplified and streamlined. The provisions of the Local Government Act can be applied more flexibly with reduced demands on councils for special documentation and additional community consultation.

The TCorp report makes it clear that rate revenues need to grow not only to cover annual cost increases faced by councils, but also underlying costs of service delivery, including progressive elimination of operating deficits and funding infrastructure needs.

Increased flexibility for councils to set rates within a margin of 3% above the rate-pegging cap was proposed by IPART. It would add around 50 cents per week to the average residential rate. The Panel will undertake further investigations to determine whether this amount is sufficient to enable most councils to tackle the problems identified by TCorp.”

In its most recent report, the final paper ‘Revitalising Local Government’ which was presented to the State Government in October 2013 and released for public consultation in 8 January 2014, noted that:

“....the Panel considers that a margin of up to 5% would be more realistic where councils need to make significant short-medium term inroads into infrastructure backlogs and correct operating deficits.”

Council’s response to the Panel’s final paper was considered by Council in March 2014, facilitated by a Mayoral Minute, and it was resolved, in part, that Council:

- E. Support the following positive key recommendations from the Local Government Review Panel’s Final Report:*
- ix. Commission IPART to undertake a further review of the rating system focussed on options to reduce or remove excessive exemptions and concessions, and on more equitable rating of apartments and multi-unit dwellings, including giving councils the option of rating residential properties on capital improved value, with a view to raising additional revenue where affordable.*
 - x. Either replace rate-pegging with a new system of ‘rate benchmarking’ or streamline existing arrangements to remove unwarranted complexity, costs, and constraints to sound financial management.*

In the budget strategy report to the Corporate & Works Committee in December 2013, it was noted that the 2013/14 Operational Plan includes an action to undertake targeted community consultation in relation to Council’s review of its LTFP and potential special rate variation application to IPART for 2014. However, the guidelines for making such an application for 2014/15, released by IPART in October 2013, changed from previous years in three main respects.

- Councils must submit both a special variation scenario and a ‘business as usual’ scenario in their LTFPs
- Council’s must have adopted their relevant integrated planning and reporting documents before submitting an application for a special variation which includes details of both the special variation and ‘business as usual’ scenario LTFPs
- Where a council is not able to incorporate its special variation into its documents, it is able to apply for an exemption from this requirement. However, this would only occur in exceptional circumstances

The second of these changes created an issue for Council. In the absence of a decision to apply for a special variation, the current Delivery Program and Operational Plan (2013/14) does not include specific details of any special variation application and our LTFP is based on a ‘business as usual’ scenario alone. Based on past guidelines, if Council was of a view that it wanted to apply for a special variation for 2014/15 these would have been incorporated into the draft Delivery Program and Operational Plan and LTFP for 2013/14 and taken to the community for consultation over the first half of 2014 and adopted in June as is current practice.

The changed guidelines necessitate these documents being adopted before submitting an application, generally in February each year. This was simply not practical for a 2014 special variation application to IPART, given the broad community consultation needed to be undertaken in relation to a Delivery Program and LTFP, including a special variation application. It was therefore proposed at the time that Council not make a special variation application for 2014/15.

This decision was also influenced by the timing of the Local Government Review Panel reports and how the State Government might respond to the recommendations. There is some pressure on the State to respond to calls to review current rate peg legislation to reduce its impact on sound financial management and allow councils to, in consultation with their communities, adequately fund service delivery and asset renewal.

Instead of making an application for 2014/15, in light of these issues, it was noted by the Corporate & Works Committee that Council model in its review of the LTFP and other planning documents, future rate increases along the lines of the LGRP’s proposal, that is, 3% increases above the rate peg for four years.

Proposal:

It was in this context that management looked to assess the improvements in Council’s financial sustainability that might arise from a series of 3% increases above the rate peg limit. To do this, similar to a number of other Councils, TCorp was engaged in late 2013 to undertake a two stage review of Council’s long term financial plan (LTFP) model being:

1. A review of the mechanics and integrity of the LTFP model; and
2. A review of a ‘Sustainability’ LTFP model that incorporated the LGRP’s suggested 3% rate increase above the rate peg limit for four years, commencing in 2015/16.

This review was based on an LTFP model using Council’s 2013/14 budget as its base year. Stage 1 of the review highlighted a number of opportunities to improve the structure and presentation of the LTFP model itself, many of which have now been incorporated into the model. Stage 2 of the review entailed providing TCorp with a ‘business as usual’ or ‘base case’ scenario and a ‘special variation’ or ‘sustainability’ scenario.

While the inclusion of the proposed asset sales and building renewal expenditure arising from the new Double Bay Library and Depot relocation improved some performance indicators in the short term, TCorp's overall assessment of the base case scenario was that:

Based on the revised information provided to TCorp for the Base Case scenario, Council is currently assessed as having a FSR [financial sustainability rating] of Moderate. The outlook for Council for the next three years is positive, which means that Council could achieve a FSR of Sound within three years, but based on the LTFP forecasts, it would then be likely that the FSR would revert to Moderate in 2018.

TCorp made particular reference to Council's infrastructure asset renewal ratio being below benchmark for the majority of the forecast period.

One of the specific aims of the potential special variation application is to address this issue and, in summarising its assessment of the sustainability scenario, TCorp concluded:

Based on the revised information provided to TCorp for the Sustainability scenario, Council is currently assessed to have a FSR [financial sustainability rating] of Moderate. The outlook for Council is currently positive which means that Council could achieve a FSR of Sound within the next three years and remain sound based on LTFP forecasts.

In this case TCorp noted that Council's building and infrastructure renewal ratio is above benchmark for the entire forecast period.

A full copy of the TCorp Financial Assessment and Sustainability Report – February 2014 is provided as **ANNEXURE 1**.

An area of particular interest to Council, and to some extent a point of difference with TCorp's assessment, is Council's structural deficit. TCorp's benchmark for the 'Operating Ratio' (which measures the operating result, excluding capital grants and contributions, as a percentage of total income, excluding capital grants and contributions) is better than negative 4%. This suggests that ongoing operating deficits are sustainable.

The Base Case indicators in Annexure 1 show a series of negative Operating Ratios until 2025/26 when Council's 10 year LIRS borrowings are paid down.

Council's LTFP includes a concept of a 'Value Proposition' being clear statements of what will be delivered for any proposed rate increase. Over time, the value proposition sees increased spending on:

- Transport Assets renewal & upgrade
- Stormwater Assets renewal & upgrade
- Buildings Assets renewal
- Transfers to Reserves:
 - Employee Leave Entitlements
 - Deposits & Bonds
- Operational service delivery

The value proposition is quantified in the LTFP model and shows that a 3% special variation would provide an additional \$1.1m in 2015/16 growing to \$4.8m in 2018/19.

In addition to providing the funds required for this additional expenditure, a rate increase focussed primarily on capital renewal, would also address Council's structural deficit. This can be seen by looking at the Operating Ratio indicator in the Sustainability scenario which becomes positive in 2016/17 and improves over the forecast period.

In regard to the impact of such a special variation application on ratepayers, the 3% increase above the rate peg limit in the model would see the average residential rate increase by \$35 per annum in 2015/16 and a little more in 2016/17, 2017/18 and 2018/19. The annual increases in residential rates in 2015/16 would range from \$17 on the lowest land value properties to \$586 on the highest land value property. 89% of ratepayers would see an increase of less than \$52 or \$1 per week. The average total increase, cumulatively over the four years, is \$153 per annum in return for service delivery and infrastructure renewal improvements.

In its final report, the LGRP emphasises in relation to rates increases that affordability must remain a key objective. It goes on to say that:

Experience in other states and the results of community surveys suggest that increases of \$1-2 per week would be acceptable for most NSW ratepayers, provided the additional revenue is earmarked for specific improvements to infrastructure and services.

At an average \$38 annual increase over the four years, a 3% increase above the rate peg for four years, represents an increase of less than \$1 per week and Council's 'Value Proposition' clearly earmarks the additional income for specific improvements to infrastructure and services.

While this preliminary modelling indicates that a series of 3% increases above the rate peg limit will improve Council's financial sustainability, there are some important strategic decisions that need to be made prior to consulting with the community. As noted in the report on the 2014/15 Draft Budget, decisions related to the sale of two significant strategic assets, being Council's current Depot site at O'Dea Avenue and the property 9A Cooper Park Road need to be made as part of finalising the 'sustainability' scenario LTFP. The Budget report noted that:

The anticipated proceeds from these sales are significant and therefore progressing these sales presents Council with a unique opportunity to develop a long term financial strategy that will ensure this Council's financial sustainability well into the future. This presents as an exciting opportunity in 2014/15 for Council to expedite a range of long-standing strategic priorities which it has not previously had the available resources to pursue, such as but not limited to:

- *Oxford Street*
- *Rose Bay Carpark*
- *St Brigid's Re-use*
- *Edgecliff Road*
- *Queen Street*
- *Placemaking/Economic Development*
- *Double Bay*
- *Information Technology Development*
- *Community Facilities Improvements (Assets Working Party)*

As previously reported, NSW Treasury Corporation has already assessed Woollahra Council as financially sustainable and a carefully considered review of our long term financial plan that has regard to the prudent application of the proceeds of these strategic asset sales across an appropriate balance of capital projects and operational activities, including those mentioned above, can only strengthen our financial sustainability.

Whilst this does present as an exciting time, the draft budget as presented can only include indicative estimates of the sale proceeds at this point. Therefore, we have taken a conservative approach in the draft 2014/15 Budget and transferred the balance of the estimated proceeds on sale to the Property Reserve. In doing so, Council will have the opportunity to adjust the 2014/15 budget to progress any priority projects as the proceeds from sale are realised.

It is intended that the Corporate & Works Committee will commence the development of our 'sustainability model' long term financial plan once both sales are finalised.

To facilitate community consultation and meet special variation application requirements, it is proposed that details of both Council's 'Base Case' and 'Sustainability' scenarios, updated with the 2014/15 Budget as the base year, be included in the 2013 to 2017 Delivery Program and 2014/15 Operational Plan to flag a potential special variation application, the significant financial sustainability benefits that could flow from it, and the modest impact on the average residential rate that would result from it. It will be noted that Council will finalise development of its 'Sustainability' scenario LTFP once the asset sales are finalised. The proposed new section of the Delivery Program providing this information is attached as **ANNEXURE 2**.

It is this updated 'Sustainability' scenario LTFP that will form the basis of community consultation and a potential special variation application in February 2015 for 2015/16. Councillors will note the commentary on page 4 of Annexure 2 which discusses the quantum of the potential rate increase in the context of the demographics of the Woollahra Local Government Area (LGA). As referenced, Australian Tax Office Statistics indicate that average total income across large parts of the LGA exceed \$125,000 per annum which far exceeds the average for the Greater Sydney area of \$59,000 per annum. This can be seen to demonstrate a comparatively greater capacity to pay for services delivered to the very high standards expected by our community. It is in this context that Council needs to undertake community consultation to determine expected levels of service and the extent to which the community is willing to pay for those agreed service standards.

A future report will be provided to the Corporate & Works Committee on the 'Sustainability' LTFP following the finalisation of the asset sales.

It is very important to note that the inclusion of the LTFP modelling inclusive of a potential special rate variation does not in any way commit Council to proceeding with a special variation application. By contrast, its inclusion in the draft 2013 to 2017 Delivery Program and 2014/15 Operational Plan is to facilitate community consultation on the proposal, a key prerequisite to enable Council to proceed with its application should it decide to do so following consideration of the revised LTFP during the course of 2014. This will be clearly explained in the draft DPOP should Council support this recommended approach.

It is also important to note that any potential future special variation application is subject to the State Government's response to the LGRP final report recommendations. Adoption of some of the sensible reforms proposed may obviate the need for making a special variation application to IPART. Any action in this regard will be reported to the Committee in the future report on the 'Sustainability' LTFP.

Conclusion:

A heightened focus on financial sustainability in NSW local government, together with recommendations contained in the Local Government Review Panel's discussion papers and reports, has seen management prepare a preliminary 'Sustainability' scenario long term financial plan incorporating a series of four 3% rate increases above the rate peg limit, commencing in 2015/16.

This early modelling has been reviewed by TCorp and they concluded that such an application would see Council's financial sustainability rating improve to Sound within the next three years and remain sound based on LTFP forecasts.

However, this modelling was based on the 2013/14 budget. The LTFP needs to be updated with the 2014/15 Budget as the base year. This update also needs to be informed by decisions related to the sale of two significant strategic assets, the anticipated proceeds from which are significant. These proceeds provide an exciting opportunity for Council to expedite a range of long-standing strategic priorities. Noting the significance of these sales, it is prudent to review the LTFP update when the outcome of those sales is known.

To put Council in a position to make a potential special variation application in 2015, to commence in 2015/16, its intention needs to be included in the 2013 to 2017 Delivery Program and 2014/15 Operational Plan. It is proposed that details of both Council's 'Base Case' and 'Sustainability' scenarios, consistent with those reviewed by TCorp, be included in the 2013 to 2017 Delivery Program and 2014/15 Operational Plan to flag a potential special variation application, the significant financial sustainability benefits that could flow from it and the modest impact on the average residential rate that would result from it. It will be noted that Council will commence development of its 'Sustainability' scenario LTFP once the asset sales are finalised.

A future report will be provided to the Corporate & Works Committee on the 'Sustainability' LTFP following the finalisation of the asset sales.

Don Johnston
Chief Financial Officer

Stephen Dunshea
Director Corporate Services

Gary James
General Manager

Annexures:

1. TCorp Financial Assessment and Sustainability Report – February 2014 (circulated separately)
2. Proposed Long Term Financial Plan section for inclusion in the 2013 to 2017 Delivery Program and 2014/15 Operational Plan (circulated separately)

Political Donations – matters to be considered by Councillors at Meetings

