

Corporate & Works Committee

Agenda: *Corporate & Works Committee*

Date: *Monday 2 December 2013*

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

28 November 2013

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 – 2 December 2013

In accordance with the provisions of the Local Government Act 1993, I request your attendance at a Meeting of the Council's **Corporate and Works Committee** to be held in the **Council Chambers, 536 New South Head Road, Double Bay, on Monday 2 December 2013 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 18 November 2013	1
D2	Minutes of the Audit & Assurance Committee Meeting of 13 November 2013 – 1225.G	2
D3	Oxford Street, Paddington – ¼ P Free Parking – 349.	9

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

R1	Appointment of a Real Estate Agency to Market the Sale of Council Depot 52-54 O’Dea Avenue, Waterloo – Tender No. 13/12	15
R2	Budget Strategy for 2014/15 – 331.G 2014/15	19

Item No: D1 Delegated to Committee
Subject: **Confirmation of minutes of meeting held on 18 November 2013**
Author: Les Windle, Manager – Governance
File No: See Council Minutes
Reason for Report: The Minutes of the Meeting of Monday 18 November 2013 were previously circulated. In accordance with the guidelines for Committees' operations it is now necessary that those Minutes be formally taken as read and confirmed.

Recommendation:

That the Minutes of the Corporate and Works Committee Meeting of 18 November 2013 be taken as read and confirmed.

Les Windle
Manager – Governance

Item No: D2 Delegated to Committee
Subject: **Minutes of The Audit & Assurance Committee Meeting of 13 November 2013**
Author: Cheryle Burns - Manager Business Assurance & Risk
File No: 1225.G
Reason for Report: To submit the Minutes of the Audit & Assurance Committee meeting of 13 November 2013.

Recommendation:

That the Minutes of the Audit & Assurance Committee meeting of 13 November 2013 be received and noted.

Report:

Council's Audit and Assurance Committee (AAC) met on Wednesday 13 November 2013 and considered reports on the following matters:

- Internal Audit of Work Health & Safety
- Internal Audit of Rates Revenue
- Audit & Assurance Committee Business Plan Progress report including Executive Summary – as at 6 November 2013

The minutes of the 13 November 2013 meeting of the AAC have been circulated to Committee Members and the Committee Chair has endorsed the minutes as an accurate record of the proceedings.

The minutes of these meetings are submitted for noting by the Corporate & Works Committee.

Mr John Gordon, the independent Chair of the AAC will be in attendance at the Corporate & Works Committee meeting to address Councillors in relation to the minutes.

Cheryle Burns
Manager Business Assurance & Risk

Stephen Dunshea
Director Corporate Services

Annexures:

1. Minutes of the Audit & Assurance Committee meeting held 13 November 2013.

Audit & Assurance Committee Minutes

Wednesday 13 November 2013

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Briefings

Stephen Dunshea will provide a briefing on the Corporate Services Division core functions

Cheryle Burns will provide a briefing on Council's Business Risk Assessment Control System (BRACM)

Advisings

Minutes of the Audit & Assurance Committee Meeting held on 11 September 2013 reported to Council (Les Windle)

Memorandum attaching Council's External Auditor's report relating to Council's Financial Statements for year ended 30 June 2013 (Don Johnston)

Audit & Assurance Committee Minutes

**Minutes of the Meeting held on
Wednesday 13 November 2013 at 2.30 pm**

Present: John Gordon (Chair)
Jason Masters
Councillor Peter Cavanagh

Staff: Stephen Dunshea (Director – Corporate Services)
Gary James (General Manager)
Don Johnston (Manager Finance)
Tom O’Hanlon (Director – Technical Services)
Mark Ramsay (Manager Depot & Waste Services)

Also in Attendance: Steve Kent (Internal Auditor)

Apologies

Apologies: Nil

Late Correspondence

Late correspondence was submitted to the committee in relation to Items: Nil

Declarations of Interest

No new Declarations of Interests were advised.

Item No: 3
Subject: **Internal Audit of Work Health & Safety**
Author: Cheryle Burns - Manager Business Assurance & Risk
File No:
Reason for Report: To enable the Committee to review the Internal Audit of Work Health Safety Report completed by BDO.

Resolved unanimously:

THAT the Committee:

- A. Receive and note the “*Internal Audit of Work Health & Safety – October 2013*” Report that includes the Management Responses to the eight (8) recommendations relating to opportunities for the improvement as **ANNEXURE 1**.
- B. Note the Report’s conclusion that:

*“Based on our high level assessment of the risks / controls relating to WH&S processes, the overall residual risk across the process area covered is rated as **HIGH**.*

There were 5 high risk issues identified during our internal audit of WH&S Compliance at WMC. In general, these risks are generally well managed within the majority of operational areas of the Council. However, the review identified two specific operational areas within Technical Services, where WH&S issues need to be improved. There are no concerns regarding the competencies of senior and middle management in regard to WH&S.”

Item No: 4
Subject: **Internal Audit of Rates Revenue**
Author: Cheryle Burns - Manager Business Assurance & Risk
File No:
Reason for Report: To enable the Committee to review the Internal Audit of Rates Revenue Report completed by BDO.

Resolved unanimously:

THAT the Committee:

- A. Receive and note the “*Internal Audit of Rates Revenue – October 2013*” Report that includes the Management Responses to the five (5) recommendations relating to opportunities for the improvement as **ANNEXURE 1**.
- B. Note the Report’s conclusion that:

“Based on our high level assessment of the risks / controls relating to the processing of rate revenue, the overall residual risk across the process area covered is rated as Low.

There were no extreme, very high or high risk issues identified during our internal audit of rates revenue collection, processes and controls at WMC. Risks are generally well managed with five low risk rated areas identified. There are no concerns regarding the competencies of staff and the recommendations raised in this report broadly represent process improvement opportunities or "housekeeping issues, rather than significant compliance breaches or control design deficiencies."

- C. Notes that with this report and our recent year end External Audit report there is a high level of confidence of assurance in the Rates area.

Item No: 5
Subject: **Business Plan Progress Report as at 6 November 2013**
Author: Cheryle Burns - Manager Business Assurance & Risk
File No: 1225.G
Reason for Report: To table the Audit & Assurance Committee Business Plan Progress Report including Executive Summary as at 6 November 2013

Resolved unanimously:

THAT the Audit & Assurance Committee Business Plan Report including Executive Summary as at 6 November 2013 be received and noted.

Item 6 – Determine dates for 2014:

The Committee determined Wednesday at 2.30pm is the preferred day and time to hold its meeting and for 2014 the following months were agreed:

- March
- May
- Late August or early September (subject to preparation of Financials)
- November

It was agreed that Cheryle Burns would circulate to Committee Members the specific dates for the agreed months in order to find a common date for scheduling the meetings.

Briefings

Stephen Dunshea provided a briefing on the Corporate Services Division core functions. The Committee thanked Mr Dunshea for his overview.

Cheryle Burns provided a briefing on the Council's Business Risk Assessment Control System (BRACM). The Committee thanked Ms Burns for her presentation.

Advisings:

The following Advising's were noted:

- Les Windle, Manager Governance, Memorandum dated 31 October 2013 advising Minutes of the Audit & Assurance Committee Meeting held on 11 September 2013 was reported to Council.
 - Don Johnston, Chief Financial Officer, Memorandum dated 8 November 2013 attaching Council's External Auditor's report relating to Council's Financial Statements for year ended 30 June 2013.
-

There being no further business the meeting concluded at 5.55pm.

Item No: D3 Delegated to Committee
Subject: **Oxford Street, Paddington - 1/4P Free parking**
Author: Cathy Edwards-Davis, Manager Engineering Services
File No: 349
Reason for Report: To recommend the introduction of 1/4P Free Parking

Recommendation:

- A. That Council introduce a one-year trial of 1/4P free ticket parking as soon as possible on Oxford Street, Paddington, between Barcom Avenue and Queen Street.
 - B. That Council note the impact of the 1/4P free ticket parking on the operation of Loading Zones on Oxford Street, Paddington.
 - C. That the outcomes of the trial of the 1/4P free ticket parking be reported back to Council in one year's time.
-

Background

On the 18 November 2013, the City of Sydney resolved to provide 1/4P free ticket parking zones in the retail areas of village main streets outside the city centre. The new restrictions will be introduced from 1 December 2013. The City intends to trial these parking changes for one year in the following locations:

- Harris Street, Pyrmont
- Glebe Point Road, Glebe
- King Street, Newtown
- Crown Street, Surry Hills
- Redfern Street, Redfern
- William Street, Darlinghurst
- Macleay Street, Potts Point
- Victoria Street, Darlinghurst
- Oxford Street, Darlinghurst.

The above City trial has been the subject of numerous reports in the press in recent weeks.

Representatives of the Oxford Street retailers have been requesting short-term free parking in Oxford Street for some time. Given that the City of Sydney has announced that they will be implementing 1/4P free ticket parking zones on Oxford Street, it seems appropriate that consideration should now be given to ensuring parity for the retailers in the Woollahra section of Oxford Street.

The Oxford Street retailers have been raising concerns about their commercial precinct for some time. To help address some of these concerns, Council has already established an Oxford Street Working Party. Council and the Paddington Business Partnership have recently engaged place making consultants Village Well to work with local businesses, traders, property owners and residents along Oxford Street to improve the retail precinct for the benefit of the community. This project is called Activate Oxford St.

City of Sydney Trial

The City of Sydney undertook a review of parking and prepared a draft Neighbourhood Parking Policy. One of the recommendations of this Policy was a one-year trial of ¼P free ticket parking in local village retail streets. Approximately 726 parking spaces will be impacted.

The draft Policy was exhibited for over two months, during which time more than 700 residents and 150 small businesses were surveyed. 200 individual and group submissions were received. It is understood that the preliminary results of this survey indicate that there is strong support for the ¼P free ticket parking. 84% of residents and 81% of small businesses indicated support.

The City of Sydney resolved to proceed immediately with the trial, in time for the Christmas trading season.

Proposal

Should Woollahra Council proceed with the ¼P free ticket parking, it is recommended that it operate in the same manner as the City of Sydney. That is, to park in the ¼P free ticket parking zone, motorists will need to press a button marked '¼ P free with ticket' and place the ticket on their dashboard. If motorists intend to park for longer than 15 minutes, then they must buy a normal longer stay ticket when they first park their vehicle.

Existing Use of the Parking

On the northern (Woollahra) side of Oxford Street, Paddington, between Barcom Avenue and Queen Street there are approximately 118 parking spaces. 54 of these are 1P Meter parking and 64 are 2P Meter parking. Loading Zones are also in operation during part of the day. See below for further commentary on the Loading Zones.

Council undertook a survey of the parking utilisation and occupancy rates on Oxford Street in July and August 2013. Some of the key findings of this survey include:

- On Tuesdays, the average peak occupancy rate is 57.8%.
- On Fridays, the average peak occupancy rate is 72.5%.
- On Saturdays, the average peak occupancy rate is 88.3%.
- The average length of stay is 42 minutes.
- 12.7% of vehicles overstayed the time restrictions (some of these vehicles would have a mobility permit and would not therefore be illegally parked).
- 29.4% of vehicles did not pay for parking (some of these vehicles would have a mobility permit and would not therefore be illegally parked).
- Currently, 22.8% of vehicles are parked for 15 minutes or less.
- Currently, 9.0% of vehicles have paid for 15 minutes or less of parking.

Review of Leichhardt

Leichhardt Council introduced short-term free ticket parking some years ago. In 2012, Leichhardt Council engaged Parking & Traffic Consultants to examine the impact of these restrictions. The consultants prepared a report titled, "The 2012 Leichhardt Business Centres Parking Study & Strategy Report". This report looked at their three main retail areas, being Leichhardt, Balmain and Rozelle.

Based on a review of this report and discussions with Leichhardt Council staff, the key benefit of the scheme is community support for short-term free parking. 51% of respondents said a lack of free parking contributed to them not shopping on the mainstreet. This is compared with just 34% who stated the inability to find a parking space contributed to them not shopping on the mainstreet.

Despite support for *free* parking, Leichhardt Council found that there is overall low satisfaction with the 15 minute free parking scheme. In an intercept survey, 34% of respondents indicated that they were able to achieve what they needed to do in 15 minutes and 65% indicated that they could not. The Parking & Traffic Consultants reported that 21% of people utilising the ¼P free ticket parking were misusing the scheme.

Impacts

Parking is a finite resource. In busy retail areas, in the absence of parking restrictions, the demand for parking generally exceeds the supply of parking. Council has therefore introduced a paid parking scheme in Oxford Street to encourage turnover of parking, to encourage motorists to only utilise the period of parking that they need to undertake their necessary shopping and to improve compliance rates.

Woollahra Council has not previously had ¼P free ticket parking. It is therefore difficult to identify the extent of the impacts. The key positive benefits of introducing ¼P free ticket parking are likely to be:

- Representatives of the Oxford Street retailers have been asking for short-term free parking for some time and they are therefore likely to welcome this proposal.
- It is presumed that the majority of retailers on Oxford Street will support the changes. This would seem to be demonstrated by the statistics from the City of Sydney, where 84% of residents and 81% of small businesses indicated support.
- As above, the City of Sydney has resolved to introduce ¼P free ticket parking in Oxford Street, Darlinghurst. This will help to ensure parity for the retailers in the Woollahra section of Oxford Street.
- Short-term free parking will particularly assist those retailers who provide fast service delivery. For example, banks, dry cleaners, newsagents, takeaway coffee shops, etc.
- The introduction of ¼P free ticket parking is likely to draw some additional customers who are currently unwilling to pay for parking.
- It is hoped that by attracting additional customers to Oxford Street, the retailers will attract additional business and they will see an increase in revenue.

The negative issues associated with the introduction of ¼P free ticket parking are likely to be:

- It appears that the majority of the community supports the proposal. However, it is unclear how ¼P free ticket parking will specifically help the retailers:
 - If the issue is one of a lack of parking, then the introduction of ¼P free ticket parking is likely to exacerbate this by increasing average occupancy rates.
 - Some retailers have suggested that they are unable to compete with Westfields Bondi Junction, which has two hours of free parking. It is unclear how short term free parking will encourage existing Westfields customers to instead shop in Paddington. People do not generally “pop” into Westfields for 15 minutes just to pick up the milk.
 - Some retailers have suggested that paid parking reduces “foot traffic” on Oxford Street. It is unclear how ¼P free ticket parking will help to increase foot traffic. Short-term free parking is likely to encourage customers to dash into their selected store, make a purchase and dash back to their vehicle within the available time. There will be limited opportunity for browsing or window shopping.

- It is believed that retailers may over-estimate the percentage of customers who arrive by private car. Leichhardt Council's intercept survey demonstrated that only 28% of respondents drove and parked to access the mainstreet. 54% of people walked and the remainder caught the bus, received a lift, cycled, rode a motorbike or caught a taxi.
- As above, it can be assumed that the ¼P free ticket parking will attract more customers who were previously unwilling to stop and pay for parking. Whilst this is a benefit, the parking occupancy rates are likely to be higher and this will create two new issues. Firstly, there will be less parking available for customers who are currently willing to pay for 15 minutes of parking. The second more concerning issue is that higher occupancy rates may make parking more difficult for those customers who wish to stay for longer time periods (1 hour or 2 hour). At peak periods, this may result in these customers driving past and not stopping. There is therefore a lost opportunity cost for these customers.
- Short-term free parking is unlikely to assist those retailers who provide services that take a longer time to deliver. For example, restaurants, hotels, clothing/ fashion shops, etc. As above, if parking occupancy rates increase in association with the introduction of the ¼P free ticket parking, it may make parking more difficult for these customers who require longer visiting times.
- The statistics above show existing high levels of non-compliance with the parking restrictions on Oxford Street (over-stays and non-payment). Further, Leichhardt Council found high levels of misuse of the ¼P free ticket parking. This non-compliance is likely to continue unless Council resolves to increase its Ranger patrols on Oxford Street.

Loading Zone Impacts

There are currently approximately 18 Loading Zones on Oxford Street. These restrictions are generally "Loading Zone 8am – 10.30am 7 Days" with 1P Meter or 2P Meter parking in the afternoon/ evening.

At the moment, the parking meters allow people making deliveries to select one of two options:

- ¼P free ticket parking for utes and vans
- ½P free ticket parking for trucks

Should Council resolve to proceed with the trial of ¼P free ticket parking, the parking meters will need to be reconfigured (reprogrammed). The parking meters will therefore no longer be able to offer two Loading Zone options. The ½P free ticket parking option for trucks will have to be removed. All deliveries will still be entitled to ¼P free ticket parking. It is likely that Council will receive some opposition to the removal of this existing option.

Works Required

Should Council resolve to proceed with the trial ¼P free ticket parking zones on Oxford Street, there are a number of modifications which will have to be undertaken including:

- Making changes to the parking meter configurations (software programming)
- Making changes to the instructions on the parking meters
- Placing new '¼P free ticket' decals (stickers) on the parking meters
- Installing new ¼P free signage

Council staff have commenced preliminary conversations with Duncans, the suppliers of Council's parking meters. It is understood that they can make the above modifications in a fairly short timeframe. Should Council resolve to proceed with the trial, staff will work with Duncans to implement these changes as soon as possible.

Trial Period

Council has not undertaken community consultation on this proposal. However, Council has received correspondence from numerous businesses on Oxford Street requesting short-term free parking. It is generally presumed that the majority of the community will support the proposals. Should Council resolve to proceed with the project, it is recommended that it be undertaken on a 12-month trial basis such that the impact of the parking changes can be assessed.

The true test of success of such a trial would be to see improvements in small business revenues on Oxford Street. However, it is felt that there are too many variables surrounding this measure for Council to be able to realistically assess this. Further, much of this information would be commercial-in-confidence.

It is therefore recommended that staff assess occupancy and compliance rates and monitor feedback from local residents and retailers. This information should be reported back to Council in one year's time.

Consideration may also be given to undertaking customer intercept surveys to determine how many Oxford Street customers arrive by private vehicle, where they live, what retail services they are utilising, how long they shop for and their spending habits. This could be compared with retailer perceptions of these statistics.

Identification of Income & Expenditure

The current parking meter rates are \$4.30 per hour in the central business area and \$3.60 on the periphery.

Council currently generates approximately \$688,000 per annum from the parking meters in Paddington. It is anticipated that the introduction of the ¼P free ticket parking in Oxford Street will directly reduce revenue by approximately \$20,000 per year. This reflects the current revenue from motorists paying to park for 15 minutes or less. As above, there are also likely to be impacts on revenue from motorists who are willing to pay for parking but they are no longer able to find a vacant parking spot. In addition, there are likely to be impacts on revenue associated with non-compliance. The total loss of revenue is estimated to be approximately \$50,000.

Conclusion

The above discussion demonstrates that there are positives and negatives associated with the introduction of ¼P free ticket parking.

There is a strong perception amongst the community that short-term free parking will assist the retail area. Further, the introduction of ¼P free ticket parking on Oxford Street will help to ensure parity with the City of Sydney. On balance, it is therefore recommended that Council trial a ¼P free ticket parking scheme in Oxford Street, Paddington.

Cathy Edwards-Davis
Manager Engineering Services

Tom O'Hanlon
Director Technical Services

Annexures

Nil

Item No: R1 Recommendation to Council
Subject: **Appointment of a Real Estate Agency to Market the Sale of Council Depot 52-54 O’Dea Ave Waterloo**
Author: Zubin Marolia, Manager Property & Projects
File No: Tender No 13/12
Reason for Report: To recommend to Council the acceptance of a Tender

Recommendation:

- A. That Council enter into a Contract with Jones Lang LaSalle for the advertising, marketing and promotion for the sale of the Council owned site at 52-54 O’Dea Avenue Waterloo.
- B. That Council accept the tendered selling fee of 0.15% plus GST of the final sale price.
- C. That Council accept the recommended advertising and marketing fee of \$36,952.22 plus GST.
- D. That successful and unsuccessful tenderers be advised accordingly.

Background

Council on 28 October 2013 resolved to commence the process to undertake the sale of the depot site at 52 O’Dea Avenue, Waterloo by public tender. In a report to Council it was stated;

It is proposed to commence the process for sale of 52 O’Dea Avenue by public tender. Staff have prepared a draft timeline which aims to have tenders for the sale advertised in February 2014 and closing in May 2014. The first step in this process is to engage suitable support in the form of an agent who will be able to ensure that the tender is properly marketed and executed, especially in the international market place. As the fees for this service will exceed the Local Government Regulations benchmark of \$150K, it is proposed to call tenders for this service immediately, with a view to appointing an agent in early December 2013. By that time, a number of adjacent sales will have been completed, providing further evidence of the value of our site.

Invitation to Tender

Tender 13/12 for Agency Services was advertised in the Tenders section of the Sydney Morning Herald commencing on Tuesday 29 October 2013, and the Wentworth Courier on Wednesday 30 October 2013.

A Pre-Tender meeting was held at the site on 6 November 2013. 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 for this project closed at 2.30pm on 19 November 2013. A total of six (6) 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 Mark Ramsay 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	20%
Track record on similar projects	20%
Methodology for undertaking the contracted services	20%

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 to require a probity adviser, and Mr Les Windle, Manager Governance undertook this role.

The tenders were first checked for conformance and were accepted by the evaluation panel as having met the requirements for further consideration. Two Tenders required clarification and responses were received and assessed.

All figures in the tables below are exclusive of GST:

Selling Fee

Tenderer	Selling Fee as a percentage of final sale price
Jones Lang LaSalle	0.15%
Knight Frank	0.20%
Taylor Nicholas	0.40%
Colliers	0.45%
CBRE	0.50%
Savills	0.50%

Advertising Fee

Tenderer	
Colliers	NIL
CBRE	\$15,000.00
Savills	\$32,473.00
Jones Lang LaSalle	\$36,952.22
Knight Frank	\$41,866.00
Taylor Nicholas	\$69,400.00

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, including advertising and promotion costs to achieve a total score out of 100. Tenderers were then ranked in accordance with their total scores.

Criteria

Tenderer	Capability & resources of Tenderer (20)	Track record on similar projects (20)	Methodology for undertaking the contracted services (20)	Sub Total Non-Pricing Criteria (60)	Cost to Council for provision of services (40)	TOTAL
Jones Lang LaSalle	19.0	20.0	17.0	56.0	40.0	96.0
Knight Frank	20.0	20.0	17.0	57.0	31.8	88.8
Colliers	18.0	18.0	15.0	51.0	21.5	72.5
Taylor Nicholas	19.0	20.0	15.0	54.0	16.9	70.9
Savills	18.0	18.0	15.0	51.0	16.7	67.7
CBRE	18.0	20.0	9.0	47.0	18.0	65.0

Explanatory notes.

Cost to Council for provision of the services: Refer to Schedule A. 40% of the score comprises of the total calculated score for the estimated selling fee and stated marketing 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: Refer to Schedule C 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: Refer to Schedule D. 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: Refer to Tender Schedule E: Evaluate the sales advertising and promotion strategy, and the process for management of the sale.

Comment

The Tender Panel conducted a post-tender interview with Jones Lang LaSalle, Knight Frank and Colliers the three highest ranked tenderers. 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. Jones Lang LaSalle

Within their submission was a list of eighteen (18) development sites which the project team had been involved with over the past two years, which further confirmed Jones Lang LaSalle's proven track record when it comes to the sale of larger development sites in the area. Jones Lang LaSalle were recently successful in achieving a higher than expected price for the sale of the depot site for Waverley Council.

Jones Lang LaSalle has the added advantage of being able to leverage their significant reach into the Asia Pacific market. They further have the benefit of current and prior trading with many local developers and overseas buyers.

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. The firm was named 'Best Property Consultancy' in nine Asia Pacific countries at the International Property Awards Asia Pacific 2012, in association with HSBC, and was named the number one real estate advisory firm in Asia Pacific in the Euromoney Real Estate Awards 2012.

Jones Lang LaSalle's tender was the lowest fee offered and they scored the second highest in the non-cost criteria.

2. Knight Frank

Knight Frank presented a very strong case to Council with their international background and access to the Asia Pacific market. They were able to show the Tender committee their strength in marketing large development sites in the area.

Headquartered in London with 330 offices, Knight Frank is the largest independent, global real estate consultancy providing an integrated prime commercial and residential offering, operating in key hubs across the globe. Their Sydney office has been successful in the South Sydney market and their key personnel were able to show the Tender panel some of the strong marketing practices that have placed them in the top agencies in their field locally.

This agency submitted a strong tender response and offered the second lowest fee, however they scored highest by a margin of one point on the non-cost criteria.

3. Colliers

The key personnel for Colliers locally were able to convey to the Tender committee evidence of strong local activity in dealing with the marketing and sale of larger development sites in the area of O'Dea Avenue Waterloo.

Colliers also has a strong International background backed by the financial strength of First Service Corp, a strong, diversified capital partner.

Colliers is consistently ranked by the International Association of Outsourcing Professionals among The Global Outsourcing 100 top businesses and the World's Best Outsourcing Advisors and is Australia's most awarded property services company.

Tender Panel Assessment

The tender panel recommends that the competitive tender submitted by Jones Lang LaSalle is the most advantageous to Council in terms of value for money, experience in marketing larger development sites in the Sydney City area and potential to achieve the optimum price.

Conclusion:

The tender panel recommends that Council enter into a Contract with Jones Lang LaSalle to provide agency services to Woollahra Council in the marketing and sale of 52-54 O'Dea Avenue Waterloo by Tender, for a fee of 0.15% plus GST of the gross selling price and an advertising and marketing fee of \$36,952.22 plus GST.

Zubin Marolia
Manager –Property & Projects

Tom O'Hanlon
Director - Technical Services

Annexures: Nil

Item No: R2 Recommendation to Council
Subject: **Budget Strategy for 2014/15**
Author: Don Johnston, Manager Finance
File No: 331.G 2014/15
Reason for Report: To seek adoption of the strategy to guide the preparation of the 2014/15 Budget.

Recommendation:

That Council:

- A Receive and note the report on the Budget Strategy for 2014/15.
- B Note the principal strategy for the preparation of the draft 2014/15 Budget (which supports the Operational Plan and adopted four year Delivery Program), subject to the completion of management's comprehensive budget review process is to:
1. Provide sufficient funding for all continuing services;
 2. Provide funding for essential service expansions where identified;
 3. Continue Council's commitment to asset renewal;
 4. Continue a program of capital improvements at similar budget levels and ratios; and
 5. Maintain an adequate working funds balance
- C Endorse the following economic parameters around which the draft 2014/15 Budget will be prepared:
1. That Council adopt a balanced budget for 2014/15.
 2. That the Draft 2014/15 Budget be prepared on the basis of no new borrowings other than those related to the Kiaora Lands redevelopment Project or any further Local Infrastructure Renewal Scheme application.
 3. That no transfers from the Property Reserve, other than for the Kiaora Lands project, be proposed in the Draft 2014/15 Budget and any transfers to and from other Reserves be clearly shown.
 4. That fees and charges be increased by at least CPI (2.5%) where practical unless it would have an adverse impact on forecast revenue or users' capacity to pay.
 5. That the 2014/2015 draft Budget be prepared on the basis of a 4.5% vacancy rate.
 6. That the 2014/2015 budget be prepared on the basis of the continuation of higher employer contributions to the defined benefits superannuation scheme as notified by the scheme and a 9.5% contribution rate for the Superannuation Guarantee.
- D Receive further progress reports in relation to the preparation of Council's 2014/15 Operational Plan and Budget, as well as the review of the Long Term Financial Plan, at future Corporate & Works Committee Meetings.
-

Introduction:

Each year, councils across New South Wales are required to prepare an annual Budget for inclusion in the Operational Plan. As part of the Integrated Planning & Reporting Framework, the Budget is structured to reflect the strategies, goals and priorities of the Community Strategic Plan and Delivery Program.

The 2014/15 financial year will represent year two of the four year Delivery Program 2013 to 2017 prepared in conjunction with the review of Council's Community Strategic Plan – *Woollahra 2025...our community...our place...our plan* adopted earlier this year.

In brief, the Budget preparation process at Woollahra has in the past involved:

- Adoption of a high level budget strategy by Council
- Preparation of detailed operating (day-to-day services) and capital (asset renewal and upgrade) budgets by staff, guided by the budget strategy
- Comprehensive management review and development of options to balance the budget
- Presentation of the draft budget to the Corporate & Works Committee
- Councillor workshops to consider the budget in detail (optional)
- Final consideration and adoption of the draft budget for inclusion in the draft Delivery Program and Operational Plan (DPOP) for public exhibition
- Adoption of the annual budget following consideration of any submissions from public exhibition of the draft DPOP

It is proposed that this process remain in place for the 2014/15 Budget.

For reference, Council's 2013/14 Budget includes operating expenditure totalling \$75.6m and a capital budget of \$72.5m, including \$59m for capitalisation of Stage 1 of the Kiaora Lands Redevelopment Project upon practical completion and handover to Council. The direct capital expenditure budget for 2013/14 is therefore \$13.5m

As just noted, to guide the preparation of its annual budget, Council adopts a broad strategy and sets a series of economic parameters. The effectiveness of this process can be demonstrated by the generally favourable budget results achieved in recent years, details of which are provided later in the report.

This report provides discussion on the fiscal constraints and opportunities available to Council to assist in its budget deliberations and presents a recommended strategy and economic parameters to guide the preparation of the 2014/15 budget.

While it is an important part of the budget process that Council revisits the strategies and parameters to ensure their ongoing relevance, and reviews the various fiscal and economic impacts on its budget, given this clear demonstration of the effectiveness of the broad strategies, no significant changes to the budget strategy are proposed for development of the draft 2014/15 budget.

Background:

By way of brief reiteration, Council has in place its Community Strategic Plan, *Woollahra 2025 – our community, our place, our plan*, (Woollahra 2025) which presents the Council's and Community's long term vision for the Local Government Area. Woollahra 2025 is built around five broad interrelated Themes and identifies the agreed Goals and Strategies for Council to achieve the agreed vision.

Those five Themes are:

- Community well being
- Quality places and spaces
- A healthy environment
- Local prosperity

- Community leadership and participation

The supporting 4 year Delivery Program is designed as the single point of reference for all activities to be undertaken by Council during the Council's term of office in the achievement of the Goals and Strategies outlined in Woollahra 2025.

Supporting the four year Delivery Program is the annual Operational Plan. It sets out the details of the individual actions and projects that will be undertaken each year in response to the four year commitments made in the Delivery Program. The Operational Plan also includes the Council's budget for the year, comprising detailed estimates of income and expenditure, the proposed capital works program, the rating structure and schedule of fees and charges. All plans, actions, projects, and funding allocations directly link to the Operational Plan and subsequently to the Delivery Program and Community Strategic Plan.

Council has combined its Delivery Program and Operational Plan into a single document comprising both the four year Delivery Program Priorities and the annual Operational Plan Actions, all of which support the Themes, Goals and Strategies contained in Woollahra 2025. This integrated approach enables Council to clearly demonstrate to the community how its annual Operational Plan and Budget are contributing toward achieving Council's agreed four year priorities outlined in the Delivery Program. Council has been commended by the Division of Local Government for the strong linkages that exist within our suite of Integrated Planning and Reporting documents.

Planning for 2014/15

This section of the report presents an overview of the economic and fiscal challenges that we will face in the formulation of the 2014/15 Budget and makes a series of suggestions regarding the strategic approach to the formulation of the budget having regard to those economic challenges and constraints. The report also discusses a number of opportunities for Council to consider in its budget deliberations.

Prior to presenting any draft budget to the Committee for consideration, Council's management team undertakes a comprehensive review of all existing services and service levels against the detailed budget estimates. These estimates are examined against the economic parameters and other budget constraints to ensure that any surplus funds arising from any non-recurrent or one-off discretionary projects existing in the current budget are identified, and that sufficient funding is provided in the draft Budget for all continuing services, essential service expansions and any proposed service enhancements. Additionally, Council will seek formal lodgement of budget 'bids' from the various organisations it provides support to in order to ensure timely consideration of their annual funding requests.

The service reviews referred to above are taken in the context of Council's previous community satisfaction survey results to ensure that Council's limited budget resources are allocated having regard to community priorities. The most recent survey, undertaken in December 2012, found a generally positive result for Woollahra Council with 26 of the 40 service areas rated as being of 'moderate' to 'high' satisfaction. Comparisons with the research conducted in 2009 identified that satisfaction had increased for 7 of the 40 measures, decreased for 3 of the measures, and remained similar for the remaining 30 measures. The survey results are provided in the form of a quadrant analysis.

Higher priorities	Higher importance / Lower satisfaction (Improve)	Higher importance / Higher satisfaction (Maintain)	Council's strengths
	Renewing and maintaining footpaths/pedestrian ramps Renewing and maintaining local roads On street parking in residential areas Renewing and maintaining kerb and guttering Council's long term planning and vision Managing local traffic flow Council's overall responsiveness to the community Regulating the design and quality of new developments Managing trees in streets and parks Parking in shopping areas Encouraging sustainable development Providing the opportunity for community involvement in Council's decision making	Street cleaning Waste collection Environmental monitoring and protection Protecting heritage values and buildings Community safety Maintaining foreshores and beaches Recycling Parks and recreation areas Harbourside facilities Water pollution controls Stormwater drainage Informing residents about Council activities	
Lower priorities	Lower importance / Lower satisfaction (Niche)	Lower importance / Higher satisfaction (Secondary)	
	Assessing and determining applications for development Bicycle paths/routes Environmental and sustainability education Managing activities on construction sites Preserving trees on private property Social and leisure activities for young people Child care services	Services for people with a disability and their carers Services for older people and their carers Sporting fields and facilities Playgrounds Cultural activities Support services for parents Community halls and facilities improvements Bushland and bush regeneration Library services	

A proposed timetable for the preparation of the Delivery Program 2013 to 2017 and Operational Plan 2014/15 is presented below.

Month	Date	Activity
Dec	2	2014/15 Budget Strategy Report to Corporate & Works Committee
Dec / Jan	31	Internal preparation of preliminary draft 2014/15 Budget Estimates (Operating and Capital) and 2014/15 Operational Plans
Feb	Late	Internal review of the preliminary draft 2014/15 Budget in conjunction with preparation of the Delivery Program and development of options to achieve a balanced Budget.
Mar	TBA	Report to Corporate & Works Committee on the Delivery Program and Operational Plan including the draft 2014/15 Budget
Late April	TBA	Adoption of Draft 2014/15 Budget for the purposes of community consultation
May		Community consultation on 2013 to 2017 Delivery Program and 2014/15 Operational Plan including the draft 2014/15 Budget.
June	TBA	Adoption of the revised Delivery Program 2013 to 2017 and Operational Plan 2014/15 including the adopted 2014/15 Budget

2014/15 Budget – Economic Parameters:

Economic and fiscal constraints

Consistent with previous years, Council will need to take a fiscally responsible and strategic approach to the preparation of the 2014/15 budget. Factors that Council should continue to take into consideration include:

- Council's forecast financial position and Working Funds balance as at 30 June 2014;
- Maintaining an adequate Working Funds balance;
- Loan repayments and debt servicing capacity;
- Anticipated future commitments against Council's reserve funds;
- External impacts on the budget including:
 - Constraints on revenue;
 - Economic climate and the income forecasts;
 - Inflationary pressures on expenditure and additional expenditure requirements.
- Long term financial sustainability.

Financial Position and Working Funds

Before discussing budget strategy options for the development of the 2014/15 budget it is worth recapping what the previous budget strategies have achieved in the budget over recent years.

	09/10	10/11	11/12	12/13	13/14
Working Funds	\$2.096m ¹	\$2.536m	\$2.615m ²	\$2.568m	\$2.621m ³
Unrestricted Current Ratio	2.42:1 ⁴	2.28:1	2.54:1	2.74:1	2.21:1 ³
Reserves:					
External (s94, DWM, Grants, Levies)	\$8.594m	\$8.008m	\$7.772m	\$6.846m	\$4.604m ³
Internal (ELE, Property, Insurance etc)	\$25.458m	\$24.107m	\$26.696m	\$27.659m	\$23.783m ³
Capital Funding from Operating Budget	\$2.968m ⁴	\$3.442m ⁴	\$3.786m ⁴	\$4.394m ⁴	\$3.950m ⁴
Net Capital Budget	\$2.953m ⁴	\$3.427m ⁴	\$3.718m ⁴	\$4.366m ⁴	\$3.919m ⁴
Budget Result Surplus/(Deficit)	\$0.015m	\$0.015m	\$0.068m	\$0.028m	\$0.031m

1. After allocating \$404k to funding part of the \$874k reduction in anticipated Rates income arising from our unsuccessful SRV.
2. After allocating \$490k to Restricted Cash (\$90k Insurance, \$150k IT, \$250k Property)
3. As at September Quarter Budget Review
4. Original Budgets

These results demonstrate that previous budget strategies have seen Council's financial position remain satisfactory over the past four years and that it is forecast to remain so for 2013/14.

The amount of capital funding released from the operating budget in 2009/10 (\$2.968m) was constrained by the impacts of the global financial crisis (particularly returns on investments) and increased expenditure beyond Council's control (predominantly increased superannuation contributions). From 2010/11 to 2012/13, through the implementation of successful strategies, capital funding capacity increased steadily to \$4.394m.

The 2013/14 financial year was a particularly difficult year to deliver a balanced Budget. Specific strategies related to funding employee leave entitlements and the transfer of interest to the Property Reserve were continued from 2012/13 together with the prioritisation of capital expenditure in favour of building and infrastructure asset renewal and re-directing available Section 94A funding accordingly. These strategies were outlined in the report on the draft 2013/14 Budget to the Corporate & Works Committee earlier this year and will be discussed further later in this report.

There is nothing to suggest that the preparation of the 2014/15 Budget will be less difficult. Indeed, with the potential for increases in operating expenditure to outstrip increases in income, it could in fact be more difficult to prepare a balanced Budget. However, Council's ongoing commitment to achieving efficiency gains in the budget remains a principal budget strategy and has been demonstrated in the past through adopting a balanced budget each year.

Recommendation - Economic Parameter 1

That Council adopt a balanced budget for 2014/15.

Loan repayments and debt servicing

While Council's current debt servicing costs and ratio are currently very low, borrowings associated with the Kiaora Lands redevelopment project, currently anticipated for 2013/14 and 2014/15, together with 2013/14 borrowings under the Local Infrastructure Renewal Scheme (LIRS) for streetscape improvements, will see these indicators increase but still remain within sustainable benchmarks. Currently, modelling sees the debt service ratio peak at 11% in 2015/16 and still well within the 15% to 20% industry benchmarks.

It should also be noted that there may be an opportunity for Council to pursue a further application under the LIRS which would provide a 3% interest rate subsidy for borrowings undertaken out by Council for legitimate infrastructure backlog works. Further details in this regard are provided later in the report.

Whilst noting the above, it is suggested that the initial draft budget for 2014/15 be prepared on the basis of no new borrowings other than those related to the Kiaora Lands redevelopment Project or any further LIRS application.

Recommendation – Economic Parameter 2

That the Draft 2014/15 Budget be prepared on the basis of no new borrowings other than those related to the Kiaora Lands redevelopment Project or any further LIRS application.

Anticipated future commitments against Council's Reserve funds

In September 2013 Council adopted its funding strategy for the Kiaora Lands Redevelopment project which included funding of \$8.676m for the Project's capital cost as well as funding a provision for set-up costs through transfer from the Property Reserve. Following these transfers from the Property Reserve, the reserve balance is forecast to be in the order of \$1.4m. Meeting these commitment will mean that there will be a modest balance in the reserve and no real capacity to fund other capital projects in 2014/15.

As is usual practice, proposed transfers to and from other reserves will be made clear when the draft budget is presented to the Corporate & Works Committee.

Recommendation – Economic Parameter 3

That no transfers from the Property Reserve, other than for the Kiaora Lands Redevelopment Project, be proposed in the Draft 2014/15 Budget and any proposed transfers to and from other Reserves be clearly shown.

Constraints on revenue

There are a number of constraints facing Council regarding its capacity to raise income, most notably rate pegging. These constraints are discussed below.

Rate pegging

IPART's determinations of the general rate increase based on a Local Government Cost Index have seen the permissible rate increases in recent years better reflecting council cost structures. Last year the rate peg limit was:

Local Government Cost Index increase (to September 2012)	3.7%
LESS: Productivity Factor	(0.2%)
LESS: Carbon price advance	<u>(0.1%)</u>
IPART Determination	3.4%

In announcing the 0.4% carbon tax advance for 2012/13, IPART also advised that the advance will be reversed in 2013/14 (0.1%) and 2014/15 (0.3%) as the impact of the carbon price filters through to the cost index, assuming the carbon tax is not abolished. Notwithstanding the future of the carbon tax, the 0.4% advance will have been removed from Council's rate base and the Cost Index will reflect any consequential increase or decrease in costs.

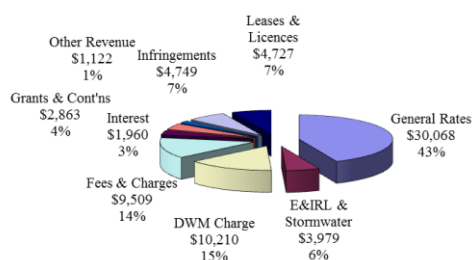
At the time of writing the report the rate peg limit for 2014/15 had not been announced by IPART. An announcement is expected on or before 9 December 2013 and will be reported to the Corporate & Works Committee in a future report.

Other income

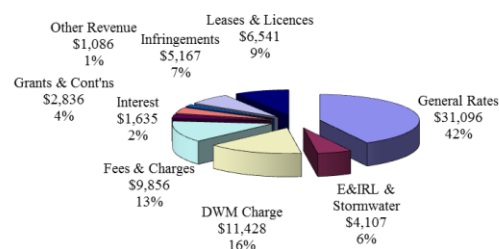
The graphs below show how Council's income in the original 2012/13 and 2013/14 Budgets are made up. In 2013/14 almost half of it comes from Rates including Special Levies and the Stormwater Management Charge (\$35.2m), with a further 16% (\$11.4m) coming from the Domestic Waste Management Charge.

Another 23% (\$17.2m) comes from grants, interest, infringements, leases & licences and other income combined. The remaining 13% is generated from the various fees and charges set out in the Schedule of Fees & Charges adopted each year.

12/13 Original Budget \$69.2m



13/14 Original Budget \$73.8m



The growth in Leases & Licences from 2012/13 to 2013/14 should be noted and arises from the forecast leases and other rentals from the Kiaora Lands Redevelopment.

Fees & charges contribute around \$9.9m to total operating income. Of this, \$1.5m is made up of fees and charges limited by statute and as a consequence cannot be altered by Council. The remaining \$8.4m is set by Council in the Schedule of Fees & Charges adopted each year. The major sources of income that comprise over 88% of that \$8.4m are:

Income Source	13/14 Budget \$'000
Trade Waste Charges	1,962
Parking Meter Charges	1,750
Road Restoration Charges	1,312
Kindergarten Fees	799
Work Zone Charges	455
Residential Parking Permits	360
Advertising Fees	320
Compliance Levy	150
Credit Card Usage	95
Vehicle Crossing Inspections	80
Hoarding Application Fees	80
Crane Permits	80
	7,443

There is limited scope for Council to raise any significant additional revenue from these activities.

Notwithstanding this limitation, part of the budget process is to review the Schedule of Fees & Charges. It is current policy to increase fees and charges each year by at least the CPI where practical. In some instances the application of this policy can adversely affect the forecast revenue from the fee or charge or affect users' capacity to pay. For 2014/15 it is recommended that these issues be recognised in the budget parameters.

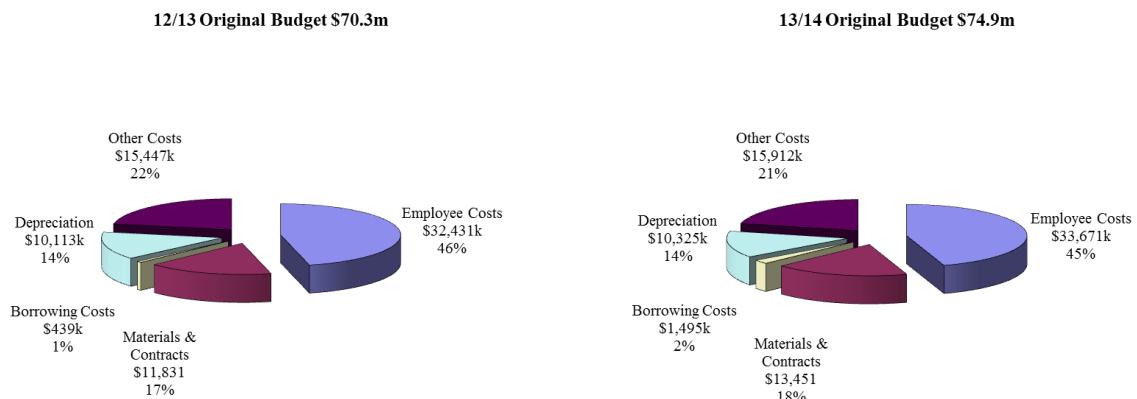
The CPI is currently 2.1% (as at September 2013). Treasury Corporation's Economic Forecasts (which form part of a new range of Local Government Services) forecast a CPI at June 2014 of 2.5%. A rate of 2.5% is therefore proposed for general application to fees and charges.

Recommendation – Economic Parameter 4

That fees and charges be increased by at least CPI (2.5%) where practical unless it would have an adverse impact on forecast revenue or users' capacity to pay.

Inflationary pressures on expenditure and additional expenditure requirements

Council's expenditure pattern has remained largely unchanged in recent years. The graphs below show the breakdown of our operating expenditure in the 2012/13 and 2013/14 Original Budgets.



Employee Costs

Annual Increase

Council's gross salaries and wages budget for 2013/14 is \$28.2m. While the current Award is due for renegotiation, recent increases have been 3.25%, effective from 1 July each year. A similar increase for 1 July 2014 will increase expenditure by some \$916k in 2014/15.

In determining the budget for salaries and wages it is appropriate to assume a certain amount of time elapses where positions remain vacant as the recruitment of replacement staff takes place. This can be reflected in the budget by applying a uniform 'vacancy factor' across the salaries and wages budget. For a number of years Council set this rate at 6% in the budget. For 2012/13 it was reduced to 5% and further reduced to 4.5% for 2013/14. The need to reduce the vacancy rates correlates with a reduction in Council's overall staff turnover rate in recent years.

It should be noted that there are some service delivery areas of Council that back fill vacancies with casual staff to maintain full staffing levels throughout the year and, therefore the vacancy factor is not applied. These are Domestic Waste Services, Preschool, Library Services, Customer Services and Ranger Services.

Budgeting for 100% staffing would have seen a 2013/14 salaries and wages budget of \$29m. With the 4.5% vacancy factor, this was reduced to \$28.2m, making \$767k available to fund services and projects. Achieving the vacancy factor is regularly monitored with any necessary budget adjustments reported to Council through the quarterly review process.

In the current budget, a 4.5% vacancy factor is proving to be slightly optimistic with vacancies at the end of October 2013 being only 3.7% of budgeted full time equivalent staff. To ensure we budget for a reasonably accurate representation of the savings resulting from positions remaining vacant it is recommended that the vacancy factor remain at 4.5% for 2014/15. This will be monitored between now and the presentation of the draft 2014/15 Budget to the Committee.

Recommendation – Economic Parameter 5

That the Draft 2014/15 Budget be prepared on the basis of a 4.5% vacancy rate.

Council Superannuation Contributions

Defined Benefits Superannuation (Retirement Scheme)

As a consequence of the global financial crisis and its impact on the investment returns and reserves of the defined benefits superannuation scheme (Retirement Scheme) Council participates in, the scheme introduced significantly higher Employer Contributions to the scheme. There is approximately 52 staff currently in this scheme as it was closed to new entrants some years ago. Those staff in the Retirement Scheme may elect to contribute up to 9 percent of their annual salary to the scheme. Previously, Council was required to contribute 1.9 times this amount plus 2.5% of the employee's annual salary. This increased to 3.8 times the employees' contributions plus 5% of their salary up until 2011/12.

For 2011/12 and beyond, the Scheme advised that the calculation of the increased contribution would change to a fixed amount based on the accrued benefit of each member for an employer as at 30 June 2009. Under the revised methodology Council's contribution for 2011/12 and beyond has been assessed at \$321,367. Council will receive advice from the Scheme in regard to its 2014/15 contribution in due course, but expects that the same top up contribution will continue into the 2014/15 Budget.

Superannuation Guarantee

In 2013/14 the compulsory superannuation employer contribution increased from 9% to 9.25%, increasing expenditure by some \$55k. In July 2014 the contribution percentage is scheduled to increase to 9.5%, although the Federal Government has indicated it may delay the increase for two years to July 2016. Given the uncertainty, it is prudent to budget for a 9.5% contribution rate.

Recommendation – Economic Parameter 7

That the Draft 2014/15 Budget be prepared on the basis of the continuation of higher employer contributions to the defined benefits superannuation scheme as notified by the scheme and a 9.5% contribution rate for the Superannuation Guarantee.

Other Expenditure

There are also inflationary pressures on other areas of expenditure. A 2.5% (TCorp forecast CPI) increase in materials & contracts and other expenses would increase council expenditure by \$734k.

It should be noted that an overall increase in line with CPI is considered optimistic as, in the past, Council has experienced increases well beyond it in areas such as cost of construction materials, street lighting charges, Emergency Management contribution and tipping charges. Specific details of increases in expenditure significantly above CPI will be presented in the report on the draft budget.

Operating Budgets – Service Reviews:

In preparing the draft budget each year, all Managers undertake 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.

Council's budget preparation strategy is to try to limit expenditure increases and to optimise income with any proposals to increase expenditure having to be fully justified. Managers are required to submit to the Management Executive (Manex) and to Finance, formal budget justification submissions including service benefit analysis for any proposed expansionary requests. By its very nature, this process requires each Manager to undertake a vigorous review of the budget as part of the budget development process. In this regard, it is the rigour of these tight budgetary processes and controls that have produced the positive budget outcomes for Council in previous years, as presented earlier in the report.

In summary, in the context of all of the pressures on the draft 2014/15 Budget outlined earlier in the report, achieving a balanced budget that maintains services and current services levels, and continues Council's commitment to infrastructure renewal, continues to present an enormous challenge.

The Capital Budget:

The capital budgets adopted for each of the last five years appear below.

	09/10 \$'000	10/11 \$'000	11/12 \$'000	12/13 \$'000	13/14 \$'000 (Incl. Kiaora)	13/14 \$'000 (Excl. Kiaora)
Capital Works Programs						
Infrastructure Renewal	4,290	4,134	4,931	5,017	4,819	4,819
Stormwater	479	480	840	580	605	605
Parks & Open Space	1,716	2,263 ¹	2,536 ²	1,210	832	832
Streetscape Improvements	0	990	383	170	2,200	2,200
Traffic	270	554	297	478	494	494
Floodplain Management	0	0	65	20	60	60
Council Buildings	488	444	723	1,743	60,398	1,330
Environmental Works	844	655	1,050	580	560	560
	8,079	9,520	10,825	9,798	69,968	10,900
Operating Capital						
Plant & Fleet	3,228	2,284	2,659	2,980	1,891	1,891
IT	97	100	763 ³	100	180	180
Library	554	372	381	450 ⁴	441	441
Other	0	10	0	40	40	40
	3,879	2,766	3,803	3,640	2,552	2,552
	11,958	12,286	14,628	13,368	72,520	13,452

- 1 Includes \$500k additional funding for Watson Bay Baths 'borrowed' from 2011/12
- 2 Includes repayment of \$500 'borrowed' in 2010/11 for Watsons Bay Baths
- 3 Includes \$351k for cyclical replacement of PCs and \$270k provision for Electronic Document Management
- 4 Includes transfer of \$80,000 "book maintenance" from the Operating Budget

Capital Budget Funding

Funding for the capital budget comes from a variety of sources including the Environmental & Infrastructure Renewal Levy (E & IRL), Stormwater Management Charge, Section 94A contributions and grants. 2013/14 also includes loan borrowings for the Kiaora Lands Redevelopment Project and LIRS borrowings for streetscapes projects. In addition, funds are released from the operating budget to fund the capital budget.

The funding for each of the last five years' capital budgets is shown in the table below.

	09/10 \$'000	10/11 \$'000	11/12 \$'000	12/13 \$'000	13/14 \$'000 (Incl. Kiaora)	13/14 \$'000 (Excl. Kiaora)
E & I R Levy	3,319	3,417	3,511	3,613	3,740	3,690
Stormwater Charge	479	480	480	480	485	485
Section 94 & 94A	1,273	1,298	1,846	1,488	1,303	1,303
Grants & Contributions	1,186	1,061	2,650	957	1,151	1,001
Reserves	1,633	1,627	1,299	1,223	842	224
Plant & Vehicles Sales	1,115	976	1,124	1,241	730	730
Loan Borrowings	0	0	0	0	60,350	2,100
Released from Operating	2,968	3,442	3,786	4,394	3,950	3,950
	11,973	12,301	14,696	13,396	72,551	13,483

It is becoming increasingly difficult to release the current level of funding from the operating budget for capital projects. Included in this level of funding is some \$1.4m that is directed toward infrastructure renewal to supplement the Environmental & Infrastructure Renewal Levy. As part of the review of Council's Long Term Financial Plan we will need to reflect on whether this is sustainable.

It should be noted that there has been a minor change made to the legislation relating to the levying of stormwater management charges. The changes relate specifically to strata lots rated as business. The charge on business rated properties is based on land area at a rate of \$25 per 350m². Previously, councils could take an administratively simple approach to how it levied business stratas. To date, Woollahra has charged \$10 based on a calculated average and reflective of the \$12.50 residential strata charge.

The change to the legislation now imposes a maximum charge of the greater of:

- \$5; or
- the relevant proportion of the maximum annual charge (i.e. at \$25 per 350 m²) based on the unit entitlement of that lot.

There are approximately 500 business stratas and the Stormwater Management Charges currently levied total \$5,000. The worst case scenario arising from this change is that this income is reduced by \$2,500.

Basic modelling of the changed method of calculation (two stratas with a total of 47 business stratas in them representing almost 10% of business strata properties) indicates that less than 10% of business stratas would be charged more than \$5. Those stratas would pay approximately \$500 more in total.

There is some administrative complexity around implementing the new charging structure that we are working on with our software supplier. It may be that it will not be cost effective to collect the additional \$500. This will depend on the solution reached to implement the change. Further information in this regard will be provided when the draft Fees & Charges for 2014/15 are reported to the Corporate & Works Committee.

Section 94A Contributions

Council's *Section 94A Development Contributions Plan 2011* allows the Council to impose, as a condition of development consent or as a condition of a complying development certificate, a requirement that the applicant pay a levy of the percentage of the proposed cost of carry out the development. When introduced, councils were able to impose a levy of 1% on all development. Subsequently, to reduce the impact on smaller developments, the structure of the levy was changed to its current form as outline below.

Proposed cost of the development	Maximum percentage of the levy
Up to \$100,000	Nil
\$100,001 - \$200,000	0.5 percent
More than \$200,000	1.0 percent

A levy imposed on a development is generally required to be paid prior to the issue of a construction certificate or occupation certificate. As a result, there is some lag between the approval of a development application and the payment of the levy. Notwithstanding this lag, the total contributions received still track the level of development activity. This is reflected in the table below which shows contributions received under Council's Section 94A Plan since its inception. The 2012/13 total contributions was only achieved as a result of three large payments late in the year totalling \$252,245.

Year	Original Budget \$	Actual Contributions \$
2005/06	0	62,752
2006/07	1,000,000	961,644
2007/08	650,000	1,426,578
2008/09	1,000,000	1,498,712
2009/10	1,400,000	1,920,406
2010/11	1,400,000	1,691,885
2011/12	1,700,000	1,215,145
2012/13	1,600,000	1,458,239
2013/14	1,300,000	592,863 ¹

1. Received to 22 November 2013

In the context of the Budget, Council anticipates the amount of contributions it is going to receive and funds capital projects accordingly. As a result, if the forecast level of contributions is not received, capital projects would need to be deferred.

Year-to-date contributions in 2013/14 indicate that the \$1.3m forecast should be met or slightly exceeded. In the absence of an expected increase in development activity, it would be prudent to forecast a similar level of contributions for 2014/15.

Grants

Grants can influence the size of Council's capital budget from year to year. Examples of this are the works undertaken in recent years at Gap Park and Lyne Park. Council maintains an active grants seeking program to ensure grant opportunities for a range of Council projects are identified.

Invariably the timing of Council's budget development process precedes the respective grant agencies approvals process. Projects can be included in the capital budget in anticipation of a successful grant application but only proceed if that application is successful. It should also be noted that projects may be added to the budget as part of the quarterly review process if a suitable grants program is identified during the year.

Full details of anticipated grants for 2014/15 will be presented as part of the overall draft budget.

NSW Local Infrastructure Renewal Scheme (LIRS)

Earlier this year Council successfully applied for LIRS borrowings for the new Double Bay Library (partial approval) and for a program of streetscape improvements in Round Two of the Scheme. It may be that works to be included in the 2014/15 draft budget meet the LIRS guidelines and warrant a further application in Round Three.

The closing date for Round Three applications under the LIRS is 31 December 2013. Lodgement of a successful application does not commit Council to proceed. Further information on opportunities under the LIRS will be presented to the Committee for consideration as part of the draft 2014/15 Budget.

Other Considerations and Potential Impacts on the 2014/15 Budget

There are a number of issues that are 'on the radar' in relation to the preparation of the 2014/15 Budget. These include:

- Review of Financial Assistance Grants – there is some potential for a redistribution of financial assistance grants away from metropolitan councils, particularly those receiving the minimum per capita grant, to regional and rural councils. Council currently receives in the order of \$1.6m.
- Review of Emergency Management Contributions – there is potential for a change to the methodology for distributing the Fire Brigades component of the Emergency Management Contribution away from land values to a per property charge. Council currently pays just over \$2.5m in toward NSW Fire Brigades.
- Abolition of the carbon tax – there is potential for a favourable reduction in the pass through of carbon pricing in the event the carbon tax is abolished. Council initially included \$141,000 (net of increased income) in carbon tax related increases in its 2012/13 Budget.
- Commencement of the sale of O'Dea Avenue Depot – the site also provides an income stream from property rentals that will cease at the time of sale should it proceed. Council currently receives \$410k.
- Potential sale of 9A Cooper Park Road – could provide funding for increased expenditure on Council's community facilities.
- Future funding strategies for Council support of Double Bay, Paddington and other commercial centres – increased requests have been funded in the current budget and will impact on the 2014/15 Budget.
- Potential for 'uncontrollable' increases in expenditure – classic example is legal expenses which can vary quite significantly from year to year.

All of these issues, and any others that arise in the coming months, will be monitored during the preparation of the 2014/15 Budget and reported on when the draft budget is presented to the Corporate & Works Committee.

Longer Term Strategy – Update of Council’s Long Term Financial Plan and Asset Management Plans

The 6 May 2013 report to the Corporate & Works Committee on the draft 2013/14 budget included a discussion of future strategies in light of the then recent TCorp assessment of the sustainability of local government. In that report it was noted that:

It has been reported in the past, and confirmed in the recent TCorp Financial Assessment of Council, that there are a number of key areas that require particular attention in the development of the Sustainability Model long term financial plan. These areas 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).*

and

The areas that Council had previously identified as requiring particular attention in the development of our sustainability model LTFP are also reflected in the recent TCorp assessment of Council’s financial sustainability, which rated Council as ‘Moderate’ for Financial Sustainability (FSR) and ‘Neutral’ for Outlook.

The report also discussed the Local Government Review Panel’s (LGRP) views on rate pegging which include:

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

and

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.

The LGRP’s second discussion paper proposed a streamlined approach to rate pegging that included, within a framework of enhanced fiscal responsibility, councils be allowed to increase rates by up to 3% more than the cap set by IPART for the following four years. It was noted at the time that, in the absence of the abolition of rate pegging, the Panel’s proposals were strongly supported by management.

The report concluded the discussion of future strategies by noting:

As will be demonstrated in the proposed future presentation on the LTFP to the Corporate & Works Committee, a series of 3% increases in rates above the rate pegging limit for four years would largely address those areas previously referenced as requiring particular attention in our sustainability model LTFP. To put this in perspective, the compounding effect of such increases represents a 12.6% increase in rates, or approximately \$135 per annum (\$2.60 per week) for the average residential property.

Whilst further information in this regard will be provided in a report and presentation on the LTFP to the Corporate & Works Committee at a future meeting, such a sensible improvement to the current rate pegging arrangements sits comfortably with giving effect to Council's sustainability model LTFP.

The update of Council's LTFP has continued since this time. Modelling now includes subsequent decisions of Council including:

- the adoption of a commercial and retail leasing strategy for the Kiaora Lands Redevelopment (August 2013), noting that the implementation of the strategy is ongoing;
- revotes and rollovers of projects from 2012/13 to 2013/14 (August 2013);
- the completion and adoption of the 30 June 2013 Financial Statements (September 2013);
- adoption of the Kiaora Lands Redevelopment financing strategy (September 2013); and
- a decision to commence the sale of the O'Dea Avenue Depot site and relocate to a Depot shared with Waverley Council (October 2013)

Council's Asset Management Plans, particularly those relating to Transport, Stormwater and Building assets, are also being reviewed and updated. These Plans play an important role in determining appropriate levels of expenditure and works programs based on an assessment of asset condition and remaining useful life and are closely linked to the LTFP.

Potential Future Special Rate Variation

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.

In October, IPART released its guidelines for making a special variation application for 2014/15. These guidelines 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 creates an issue for Council. In the absence of a decision to apply for a special variation, our current Delivery Program and Operational Plan does not include details of any application and our LTFP is based on a 'business as usual' scenario. 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 2014/15 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, due on 28 February 2014. This is simply not practical, given the broad community consultation that will need to be undertaken in relation to a Delivery Program and LTFP including a special variation application.

Another issue that needs to be borne in mind for a potential special variation application for 2014/15 is the State Government's response to the LGRP's final report which has now been presented to Government but yet to be released publicly. There is some pressure on the State to respond to calls to review current rate cap 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.

In light of these issues it is proposed that Council not make a special variation application for 2014/15 but instead 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.

Modelling in Council's LTFP based on current Asset Management Plan data indicates that a series of 3% increases in rates above the rate pegging limit for four years would see TCorp and internal indicators benchmarks of financial sustainability being met over the course of the next ten years. These results need to be reaffirmed based on updated Asset Management Plan data.

It has been previously reported to the Committee that Council has engaged TCorp to undertake a review of its LTFP modelling. To date TCorp has undertaken a review of the functionality (as opposed to forecast outputs) of the modelling and provided detailed feedback. The LTFP model has been improved as a result of this feedback. The next stage of Council's engagement of TCorp is to send to them both the 'business as usual' and a potential 'special variation' scenarios for independent confirmation of the special variation delivering improved financial sustainability.

There will be a further report presented to the Corporate & Works Committee on LTFP modelling following the finalisation of its update and the next stage of TCorp's review. Presenting this further LTFP modelling in conjunction with Council's draft budget for 2014/15 will facilitate discussion on any future special variation. It is also hoped the LGRP's final report and the State Government's response to the report will be available at that time to further inform the discussion.

Conclusion:

In light of the ongoing financial pressures on Council's Budget as outlined in this report, the preparation of a balanced budget which provides 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 funds balance will be challenging.

This report presents an overview of the budget process at Woollahra and steps through broad strategies and economic parameters to guide the preparation of the draft 2014/15 Budget.

It is anticipated that a preliminary draft budget, with options for adopting a balanced budget for 2014/15 will be presented to the Corporate & Works Committee late in March for consideration.

Reports on Council's Draft Fees & Charges and Draft Rating Structure for 2014/15 will be presented to the Committee in separate reports.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

Gary James
General Manager

Annexures:

Nil.

Political Donations – matters to be considered by Councillors at Meetings

