Notice of Commercial Services Committee Meeting

Notice is hereby given that a Commercial Services Committee Meeting will be held in the **Ballina Shire Council Chambers**, Cnr Cherry & Tamar Streets, Ballina on **Wednesday 14 September 2011 commencing at 4.00 pm**

Business

1. Apologies
2. Declarations of Interest
3. Deputations
4. Committee Reports
5. Confidential Session

Paul Hickey
General Manager

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1. Apologies

2. Declarations of Interest

3. Deputations

4. Committee Reports

4.1 Flat Rock Tent Park - Update

File Reference	Flat Rock Tent Park
CSP Linkage	A diverse and prosperous economy
Delivery Program	Commercial Services
Objective	To respond to a Council resolution asking for information on the long term viability of the Flat Rock Tent Park.

Background

Council at its Finance Committee Meeting of 17 March 2011 resolved to receive a report on the long term viability of the Flat Rock Tent Park. This report complies with that request.

Key Issues

- Financial performance of Flat Rock Tent Park
- Opportunities for improvement

Information

Flat Rock Tent Park is situated on Council operational land and was part of the original Prospect Farm Land purchased by Council in the early 1970s. Flat Rock Tent Park began to operate on the site as a camping ground in the late 1970s. The Park currently has 87 unpowered camp sites, an on-site office/residence/ kiosk, and two amenities buildings.

For the majority of its operating life Flat Rock has been managed by a caretaker, who was appointed under a contract and renumerated modestly so as not to affect their pension. The financial performance of the Park reflected the shortcomings of this management model.

In 2007 Council appointed a management company to manage the three Crown caravan parks and Flat Rock Tent Park. This strategy was adopted in an effort to operate the four parks on a more professional basis to improve occupancy rates, revenue generation and manage cost.

During this period a number of improvements were made to Flat Rock Tent Park to boost revenue, including construction of a new amenities building in 2010 that features showers, toilets, baby's bathroom, and facilities for the disabled and a camp kitchen.

4.1 Flat Rock Tent Park - Update

In late 2010, following Council's resignation as Reserve Trust Manager for the Crown Reserve Caravan Parks, Council appointed new managers to the Park. The new managers took over in January 2011 and are very enthusiastic.

They have been well received by Park visitors and are committed to improving occupancy rates and revenue. The managers have undertaken a number of landscaping improvements to improve the appeal and amenity of the Park and are keen to do more.

A major issue with Flat Rock Tent Park is that its occupancy rates are very susceptible to weather conditions as evidenced last December/January when South East Queensland experienced severe flooding. This event had a detrimental affect on Park revenue for the Christmas school holiday period as a large proportion of Park visitors originate from South East Queensland.

Commercial Services are currently working with the managers of the Park on a marketing strategy to improve occupancy levels during off peak and shoulder periods. Part of this strategy is to promote the Park to the northern New South Wales and Southern Queensland area as a weekend getaway. A new website has also been launched as well as promotion on social media sites such as "Facebook".

The park managers have also approached local outdoor and recreational businesses, including those in Byron Bay, to promote the Park by offering accommodation packages and other incentives to improve occupancy levels during off peak and shoulder periods.

Another section of the market that could be exploited during off peak and shoulder periods is the motor home market (which is distinct from the caravan market). The Park can accommodate self contained motor homes on unserviced sites.

Up until now this section of the market has not been encouraged due to possible conflicts with tent campers; however this issue could be managed appropriately.

This motor home market includes “grey nomads” and is a significant and growing sector of the market. The appeal of the Park to this sector of the market could be vastly improved upon through the installation of a waste water and sullage facility (or more generally referred to as a dump point) that self contained motor homes can use. These facilities are noted in campervan directories and do have an influence on where such travellers camp. This facility could easily be connected into the existing sewage system servicing the Park.

The Park managers are also keen to create an outdoor area as adjunct to the kiosk to improve the amenity of the Park for visitors. The Park managers have offered to supply the labour to create this facility if Council contributes towards the cost of materials.

Sustainability Considerations

- **Environment**
  Council needs to operate the Park in a sustainable manner, taking into account its impact on the surrounding environment.

- **Social**
  The Park attracts a broad cross section of visitors and provides a low key, family friendly holiday environment in a beachside location, the like of which does not exist elsewhere in the Ballina Shire.

- **Economic**
  The Park provides direct economic benefits to Council and indirect or broader economic benefits to local businesses and tourism.

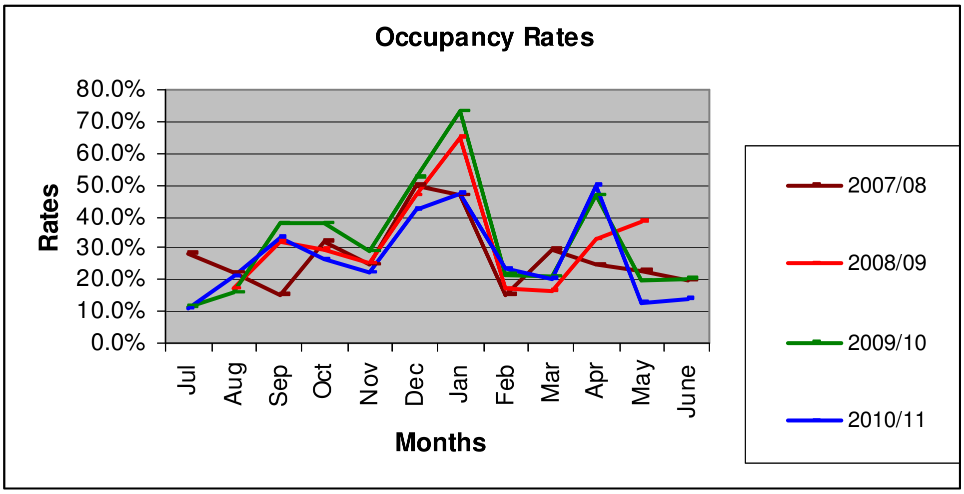
Legal / Resource / Financial Implications

As noted, Park occupancy rates and revenue are very susceptible to weather conditions. The surplus of $61,000 generated in the 2009/2010 year was attributable to the favourable weather conditions throughout that year, particularly during the Christmas school holiday period. The new amenities building is also helping to improve the performance of the Park. Financial results for recent years are as follows.

Cash Operating Results - 2007/08 to 2010/11

	2007/08 ($)	2008/09 ($)	2009/10 ($)	2010/11 ($)
Income	208,829	246,534	337,396	309,600
Expense	202,279	219,235	276,456	294,900
Surplus	6,550	27,299	60,940	14,700

The chart below illustrates the fluctuation in occupancy rates for the Park over the past four years and, the impact of the adverse weather conditions last December-January is obvious. Furthermore the high Australian dollar that has prevailed for the last twelve months, and general downturn in the economy have had an adverse affect on tourism across the board in Australia.



In the 2009/2010 year, the Park borrowed $92,000 from internal reserves to fund construction of the new amenities building. This loan is being repaid as funds become available from the cash surplus generated by the Park. To date $14,700 has repaid.

A review of park tariffs in the Evans Head to Byron Bay indicates the tariffs at Flat Rock Tent Park are comparable or above similar parks in those areas.

The occupancy data and comments noted in regards to tariffs indicate efforts must be made to capitalise upon off peak and shoulder periods.

The improvement in revenue generated by the Park since 2007/2008; i.e. up from $208,000 to $310,000 in 2010/2011, an increase of 50% is the result of an improved and more effective management model. If this trend can be maintained and costs managed, the long term viability of the Park is considered to be positive.

Commercial Services are confident that revenue generated by the Park for the current financial will exceed $300,000, however it is difficult to make long term revenue forecasts for the Park due to the significant affect weather can have on occupancies from year to year. The areas of opportunity to improve occupancies have been identified. If the motor home market can be successfully tapped into, occupancies during off peak and shoulder periods may improve to the point where revenue forecast can be made with a greater degree of confidence.

Consultation

Consultations have occurred with the Flat Rock Park managers and other coastal camping parks in the north coast region.

Options

This report has been prepared for the primary purpose of informing Council of the Park's recent financial performance. In order to improve performance it is recommended that Council investigate the cost of installing a waste sullage or dump point, and at the same time efforts will be made to determine whether or not funds can be made available for the cost of materials to create an outdoor area as an adjunct to the kiosk.

RECOMMENDATIONS

1. That Council notes the contents of this report in respect to the on-going financial performance of the Flat Rock Tent Park.

2. That Council supports consideration and implementation, subject to adequate funding being available, of a waste sullage or dump point to allow the use of the park by self-contained motor homes.

Attachment(s)

Nil

4.2 Policy (Review) - Property Investment & Development

File Reference	Council Policies
CSP Linkage	Transparent and accountable governance
Delivery Program	Governance
Objective	To review the Property Investment & Development policy.

Background

All of Council's existing policies are progressively being reviewed to ensure they reflect contemporary practices and legislative requirements. The purpose of this report is to review the Property Investment & Development policy.

Council first adopted this policy in 28 June 2007.

Key Issues

- Whether the policy meets the requirements of Council and current legislation.

Information

This review of this policy identified only minor changes such as the template for Council policies has changed since this policy was adopted and the new template includes information on definitions, policy history etc.

The additions have been marked in yellow, and any deletions have been lined through.

Otherwise the policy is still considered to be contemporary and reflects current legislation. A copy of the amended policy is attached to the report.

Sustainability Considerations

- **Environment**
  Not Applicable

- **Social**
  Not Applicable

- **Economic**
  This policy is designed to assist Council with its property investment decisions.

Legal / Resource / Financial Implications

Nil

Consultation

As the changes are only minor it is recommended that Council adopt the policy as presented with the document also being exhibited for public comment. If any submissions are received they can be reported back to Council however there will not be a need for any further report if there is no public comment.

Options

Council may accept or amend the proposed changes to the policy. The changes included are largely house keeping therefore it is recommended that the policy be adopted as presented.

It is also recommended that if no submissions are received from the exhibition process, the policy be adopted with no further actions required.

RECOMMENDATIONS

1. That Council adopt the amended Property Investment & Development Policy, as attached to this report.

2. That Council place this policy on exhibition for public comment, with any submissions received to be resubmitted back to Council. If no submissions are received then no further action is required.

Attachment(s)

1. Review – Property Investment & Development Policy

DRAFT REVIEW

POLICY NAME: PROPERTY INVESTMENT & DEVELOPMENT

POLICY REF: P07

MEETING ADOPTED: 28 June 2007
Resolution No. 280607/42

POLICY HISTORY:

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OBJECTIVES

The objectives of this policy are to:

- Facilitate the effective management of Council's property assets so as to complement the existing financial investment policy in providing an alternate income source, thereby reducing the call on rate revenue and other statutory income producing activities of council
- Establish the principles of equity and transparency in Council's property related activities
- Ensure that all Council property related activities occur within legislative frameworks
- Support the objective of generating alternate/additional forms of income via property development and investment activities
- Facilitate local business where able
- To invest in, and maintain a strong property portfolio as a strategy for providing capital growth and a recurrent income source.
- To acquire and maintain an optimum balance of short, medium and long term property investments ensuring exponential growth and the financial capacity to further invest and develop.

BACKGROUND

This policy provides guidelines for consideration in the acquisition, development and disposal of investment properties. Investment and development properties can be cited as those properties that provide a financial return and/or provide for future income generation.

The principles of this policy provide a basis to ensure optimum financial return is achieved via appropriate identification, selection and management of Council's investment portfolio, including acquisition and disposal of assets. The principles also support the basis for recommendation upon which Council may determine to pursue acquisition or disposal of its investment properties.

This policy pertains only to land classified pursuant to Section 31 of the Local Government Act 1993 as 'operational'.

Council's investment and property portfolio has, over the years, helped to achieve our sound financial position, a position that can be enhanced by realising further property investment and development opportunities.

The bulk of revenue derived to finance Council activities comes from:

- Annual property rates
- Annual property service charges
- Other fees and charges (DA fees, inspection and licence fees etc)
- Borrowings
- Government grant monies
- Interest on financial investments

Ancillary, but of no less importance to the foregoing, are the income streams derived from:

- Property development and sale

- Property development and lease
- Rents derived from commercial and residential properties.

Council must provide effective and efficient management of property related activities to fulfil legislative and community obligations.

Council is well placed to have greater involvement in property and entrepreneurial activities to supplement its traditional income base. This has been emphasised in recent years with the continuation of rate pegging, decreased levels of government funding, limitations on borrowing and increased community's expectations on Council's roles and responsibilities.

SCOPE OF POLICY

This policy applies to:
- Council employees
- Councillors
- Council owned businesses

RELATED DOCUMENTATION

Legislative Framework

Council's property related activities will be managed within the legislative parameters provided by (i.e. including, but not necessarily limited to):

- Local Government Act
- Minister for Local Government's Investment Order
- Valuation of Land Act
- Residential Tenancies Act
- Retail Leases Act
- Real Property Act
- Environmental Planning and Assessment Act
- Crown Lands Act

Related Council Policies

- Land Development Reserve - Management
- Investment Policy

POLICY

1. Principles

- To ensure optimum financial return is realised through appropriate identification, selection and management of Council's investment portfolio including acquisition and disposal of assets.
- To utilise effective property management techniques and investment practices in the management of Council's assets to ensure maximum long term advantage.

- To satisfy the real estate needs of Council by meeting the requirements and corporate objectives outlined within the existing financial investment policy.

2. Policy Statement

The overall mix and nature of investment properties will provide a balanced source of income that complement existing financial holdings.

All future investment and development activities will provide a return on investment greater than achievable cash rates at any given time. If a decision is made to accept a return less than achievable cash rates then the reasons for that decision must be outlined in the resolution relating to that investment and development activity.

In respect to investment return decisions, Council will apply the following matrix in determining the appropriateness of investment and development activities.

Risk Determination Matrix

Level of Risk	Benchmark Above 90 Day BBSW
Low	< 2%
Medium	2% to 5%
High	5% to 10%
Speculative	> 10%

In determining the level of risk Council is to consider the following, as a minimum,

- Council experience in the proposed type of development
- Nature of tenancies
- Funding sources
- Term asset is to be held
- Recent precedence.

Council will systematically assess and review the performance of its investment portfolio and use the information derived to determine when and how to preserve or increase each property's value and usefulness, or otherwise dispose of individual properties. Decisions in this regard will be based on analysis of cost information for individual properties and will reflect the viability of Council's commitment of financial resources to specific projects.

Priority will be given to projects with a positive effect on investment returns without imposing on short term cash availability.

All property investment activities will be undertaken in accordance with Council's operational plan and will reflect Council's ongoing commitment to sustainability. Community identified needs within the operational plan will also provide guidelines for the sustainability of property investment decisions in relation to the vision of Council and Council's corporate goals. Investment activities will reflect both financial and strategic objectives.

Borrowings, if required, may be considered in accordance with relevant policy, the operational plan and targeted debt ratios.

3. Sustainability Implications

3.1 Social

- Increased employment opportunities via the development and sale of industrial land
- Improved social amenity
- Community facilities
- Enhancement of open space including environmental protection areas.

3.2 Economic

- The efficient management of the acquisition, development and disposal of investment and development properties will provide an ongoing income stream which reduces the call on rate revenue and provides funds for further investment.
- Public land must be managed so as to maximise its usefulness (eg development potential) whilst at the same time minimising costs (eg maintenance).
- Council's property activities can be seen as an agent to promote economic growth

3.3 Environmental

- The impact on the environment will be assessed as part of any property development decision

4. Political Implications

- Council has two separate and distinct roles in its property activities, one as developer; the other as consent authority. Particular care must be exercised to ensure the two roles are clearly separated.
- The desire of Council to generate alternative forms of income stemming from increasing demands on the budget by the community and increasing financial constraints imposed by government must be balanced with council's other obligations.
- In asset managing both public land and funds in its property role, Council is likely to be subject to increased public scrutiny.
- Change in political focus and direction can influence past and present decision making.

REVIEW DATE

This policy is to be reviewed every four years.

4.3 Lennox Head Cultural and Community Centre - Operational Update

File Reference	Lennox Head Cultural and Community Centre
CSP Linkage	Resilient and adaptable communities
Delivery Program	Community Planning
Objective	To provide an update on the operations of the Lennox Head Cultural and Community Centre.

Background

Council commenced operating the Lennox Head Cultural and Community Centre (the Centre) in May 2011. With the Centre now having been operating for approximately three months it is an opportune time to review how the Centre is functioning.

Key Issues

- Usage
- Opportunities for improvement
- Operating budget

Information

Staff from Council's Community Facilities team were provided access to the Centre on 20 May 2011, prior to the official opening on 21 May 2011. The next month was spent moving in and setting up the infrastructure and equipment required to operate the Centre.

The first trial bookings for the meeting rooms took place on 6, 7 and 8 June 2011 and the first use of the sports hall occurred on 3 July 2011.

Essentially, accounting for teething and access issues, our first regular bookings were able to commence during the month of July with August being our first ‘standard’ operating month. Some key dates for usage in this initial period have been;

- Commencement of Area Health Nurse - 11 July 2011
- Commencement of Lennox Head Playgroup Inc - 19 July 2011
- First night use utilising keyless security system - 19 July 2011
- First use of the auditorium for a private event - 16 July 2011
- First casual use of the sports hall - 23 July 2011

The Centre currently has approximately forty customers on the books for regular or occasional bookings. This number does not include casual sports hire or one off bookings which are also building steadily.

Excluding private individuals and businesses for privacy reasons, this range of customers includes groups such as:

- Alcoholics Anonymous
- Ballina Byron Family Day Care
- Ballina Coastal Country Music Festival
- Ballina Community Health
- Ballina Netball Association
- The Bay Rollers (Roller Derby)
- Far North Coast Futsal
- Aboriginal Land Council
- Lennox Head Football Club
- Lennox Head Playgroup
- Lennox Head Residents Association
- Lennox Head Rugby Union Club
- Toastmasters
- United Voice Union
- Westpac
- Zumba

The library is also operating very effectively and from all reports all the library users and staff are extremely impressed with the new facility.

In respect to budget,actual income and expenditure figures for July and August,are as follows:

Lennox Head Community and Cultural Centre
2011/12 Operating Results as 31 August 2011 (16% of year)

Item	**2011/12 Budget**	**31 August**	**Percentage**
Income			
Casual Hire	35,000	3,866	11
Expenses			
Employee Costs	65,200	24,975	38
Contract Services	70,000	0	0
Office Administration	6,500	5,385	83
Insurance	15,000	26,820	179
Rates (Internal)	1,500	2,240	149
Security	2,000	458	23
Cleaning Contracts	10,000	5,023	50
Building Maintenance	20,000	1,102	6
Air Conditioning	1,000	0	0
Electricity	4,000	0	0
Vehicle Running Costs	4,800	0	0
Sub Total	**200,000**	**66,002**	**33**
Cash Result	**(165,000)**	**(62,136)**	**38**

Particular items of note in this information are

a) Income is slightly behind budget however this is to be expected with the Centre only recently opening

b) Employee Costs - This figure needs to be combined with the contract services figure as Council has the choice of running this Centre by staff or by contract. Once the figures are combined the budget is 18% expended which is trending slightly above budget and therefore needs to be carefully monitored

c) Office Administration - This figure is relatively high as it includes a number of establishment costs

d) Insurance and Rates - Both of these items are above budget and these figures will need to be adjusted

e) Cleaning - Action is being taken to review these costs to determine where savings can be made.

f) Building Maintenance - It will be necessary to reduce the funds allocated for building maintenance as this figure is not expected to be significant during the first year of operation and this reduction is needed to offset the increases in the other expenditure items.

Overall the operating budget is considered to be reasonably satisfactory and it is recommended that Council continue to operate the Centre by staff for at least the next three months.

Future Considerations

As with any new facility once the Centre is operating, opportunities for improvement can be identified. Briefly some of the items that Council will need to consider for future budgets are:

Additional Lighting in Auditorium

The auditorium has been fitted with 12 sports lamps, installed in the ceiling. No other lighting exists in the large 550 seat space. These lights are unable to be dimmed and have a warm up and cool down period of ten minutes. Once the lights have been turned off they cannot be turned back on for ten minutes.

This lighting is suitable for sports events but is not suitable for other large functions such as music or theatrical performances, parties, weddings, etc. Installing additional lighting options in either the ceiling or on the walls would both enhance the atmosphere of the auditorium and encourage higher customer use for a wider range of functions - Estimated cost $1,500 to $6,000

Further Soundproofing of Doors and Dividers

The sliding doors that separate the meeting rooms and activities room from the adjoining auditorium, and the room dividers within them, provide only a sound dampening effect. Voices, movement, sports activities and cleaning equipment can sometimes be heard through these doors and partitions. This can then impact on the hiring of the rooms - Estimated cost - Unknown - Requires specialist advice

Blackout Blinds for the Auditorium

The auditorium has been designed with four double glass fire doors opening onto the Park Lane footpath and the southern wall has a mix of fire and sliding glass doors that open onto Williams Reserve. This allows light and transparency into the space, which is appropriate for sporting or community events, however provides no privacy to screen off private or ticketed events from public view - Estimated cost - $7,500

Additional Chairs

The Centre has a capacity to hold 800 chairs across the entire range of its rooms and spaces, 550 of these in the auditorium alone.

Due to budgetary constrains only 250 chairs were purchased prior to the opening of the Centre. Demand for events with a patronage of over 250 people has already begun, with the Watato Children's Choir concert in August, the Country Music Festival concert in October and a number of private functions as well over the coming months.

For these events the current arrangement is to relocate chairs from the Ballina Community Services Centre and the Richmond Room. The logistical cost of this runs between $250 (commercial transportation company) and $950 (internal council) depending on who is available, involves additional community facilities staff time and requires a 'block out' of the two centres from which the chairs have been sourced - Estimated cost of an additional 300 - 350 chairs (minimum) - $20,000

PA and Audio Visual System for Auditorium Large Events

The auditorium has been designed with events of a broad nature in mind, including music, theatre, conferences, trade expos and private events. Being a Community Centre it is envisioned that the space could also be used to host movie or information nights for locals or school events, such as plays, award nights and formals.

The Centre could benefit from an inbuilt or portable PA system or Audio Visual system - Estimated cost - A/V ($5,000 to $8,000) - PA ($2,500 to $5,000)

Increase the Size of the Portable Stage Large Events

The Centre has purchased a portable stage. This stage has been very popular and is in regular use. Its 'wheel-able' compact foldaway design is very customer and OH&S friendly and it is very durable and professional in appearance. Whilst suitable for the average private function or smaller community events, it is not large enough to hold an entire musical band. The current stage consists of four sections that equal approximately 4m x 7m. Two more sections would increase the width of the stage enough to provide for these larger ensembles - Estimated cost - $5,000 to $7,000

Sports Netting for Auditorium

A number of sporting groups have advised that they would like to hire the sports court in the auditorium however they have concerns with the large amount of glass surrounding the court. The limited run off only just meets the technical requirements for basketball. Because of this some groups are limiting their use of the court to junior games or training, claiming the force of adult play is greater and therefore potentially more damaging in the event of an accident. These groups have advised that they would hire the courts if they were fitted with professional sports netting - Estimated cost - $100,000.

Legal / Resource / Financial Implications

There are no legal, resource or financial implications arising from this report.

Consultation

The Centre is being promoted through a wide range of media.

Options

This report is largely for information and at this time there is no recommendation to change the current management arrangements. The on-going operation of the Centre will be subject to further reports to Council.

In respect to the current budget some adjustments are required and the next table provides those recommended amendments.

Item	2011/12 Budget	Actual to 31 August	Revised Budget
Income			
Casual Hire	35,000	3,866	35,000
Expenses			
Employee Costs	65,200	24,975	65,200
Contract Services	70,000	0	70,000
Office Administration	6,500	5,385	6,000
Insurance	15,000	26,820	27,000
Rates (Internal)	1,500	2,240	2,500
Security	2,000	458	2,000
Cleaning Contracts	10,000	5,023	15,000
Building Maintenance	20,000	1,102	3,000
Air Conditioning	1,000	0	500
Electricity	4,000	0	4,000
Vehicle Running Costs	4,800	0	4,800
Sub Total	**200,000**	**66,002**	**200,000**
Cash Result	**(165,000)**	**(62,136)**	**(165,000)**

This does place pressure on items such as building maintenance, however if actual income can trend higher than the current budget, this will allow an opportunity to provide matching increases in expenditure items.

RECOMMENDATIONS

1. That Council notes the contents of the report on the on-going operations of the Lennox Head Cultural and Community Centre.

2. That Council approves the following budget adjustments based on the current operations of the Centre.

Item	**2011/12 Budget**	**Revised Budget**
Income		
Casual Hire	35,000	35,000
Expenses		
Employee Costs	65,200	65,200
Contract Services	70,000	70,000
Office Administration	6,500	6,000
Insurance	15,000	27,000
Rates (Internal)	1,500	2,500
Security	2,000	2,000
Cleaning Contracts	10,000	15,000
Building Maintenance	20,000	3,000
Air Conditioning	1,000	500
Electricity	4,000	4,000
Vehicle Running Costs	4,800	4,800
Sub Total	**200,000**	**200,000**
Cash Result	**(165,000)**	**(165,000)**

Attachment(s)

Nil

4.4 Telecommunications Facility - Lennox Head Water Reservoir

File Reference	Property Admin Licences - Vodafone Lennox Head
CSP Linkage	A diverse and prosperous economy
Delivery Program	Commercial Services
Objective	To consider a request for the installation of a co-located Telecommunications Base Station Facility upon Council Operational Land – Lennox Head Water Reservoir Site, Lot 2 DP 517111, along with a subsequent lease.

Background

Council has received a request from Total Communications Infrastructure Pty Ltd (TCI) for the installation of a Vodafone Network Pty Ltd base station facility upon a parcel of Council operational land within the water reservoir compound on North Creek Road, Lennox Head, described as Lot 2 DP 517111.

TCI act on behalf of Vodafone in the acquisition, deployment and management of the Vodafone network throughout Australia.

Vodafone is seeking to increase and enhance its network coverage in the Lennox Head area. The installation is proposed to be co-located with telecommunications equipment (base stations), installed, operated and maintained by both Telstra and Optus at the same site. TCI are proposing a 5 + 5 + 5 year lease term.

Key Issues

- The proposed installation is deemed ‘low-impact’
- Impact on amenity and neighbours
- Whether Council wishes to enter a lease agreement
- Lease conditions

Information

The Lennox Head water reservoir site has a frontage to North Creek Road, with the remaining three property boundaries abutting a 15.17 hectare grazing paddock owned by M & N Condon.

The Vodafone base station facility is proposed to be co-located upon the wall of the water reservoir together with the two existing telecommunications carriers located at that site, Telstra and Optus. A separate, free standing, 3m x 2.6m equipment shelter (hut) is also proposed to be installed within the compound and located next to similar huts installed by Telstra and Optus. Site drawings for the proposal are included as an attachment to this report.

The facility is deemed low impact therefore there is no requirement for a development application to be lodged.

Schedule 3 of the Telecommunications Act 1997 provides significant access and installation rights to telecommunication providers in respect to low impact installations.

The current situation regarding telecommunications base stations located on Council land is as follows.

(A) Existing: There are a total of six existing telecommunications facilities located upon Council land throughout Ballina Shire:

- East Ballina (water reservoir - Norm Sharpe Lookout)
  - Telstra enclosure
  - Vodafone – co-located on monopole
  - Optus – co-located on monopole

- Lennox Head (water reservoir)
  - Optus – co-located, reservoir wall mounted
  - Telstra – co-located, reservoir wall mounted

- Wollongbar, Russellton Estate (water reservoir)
  - Optus – monopole

(B) Under Construction (with site access obtained via Council being served with a Notice pursuant to Clause 17 Schedule 3 of the Telecommunications Act 1997. This matter was the subject of a report to Council at the Ordinary Meetings held 26 May and 25 August 2011):

- Lennox Head, Basalt Court (water reservoir)

  - Optus – The Optus installation at Basalt Court differs from the proposal under consideration (the subject of this report) in that, whilst both are deemed 'low impact' within the meaning of the Telecommunications Act 1997, public objections were raised when the installation was proposed as:

    - The Basalt Court water reservoir is located within a residential area, with dwellings surrounding the boundaries of the reservoir allotment

    - There was no existing telecommunications base station at the Basalt Court water reservoir prior to receipt of the Optus proposal

    - Residents expressed concerns regarding impacts on health resulting from radiofrequency electromagnetic energy levels emitted from the base station.

(C) Under Consideration/Negotiation:

- Wollongbar, Russellton Estate (water reservoir)

  - Vodafone – co-location on monopole, with Optus.

Legal / Resource / Financial Implications

The Telecommunications Act 1997 provides the legislative framework that allows the installation of telecommunications apparatus. Council refusal of this ‘low-impact’ and co-location application may result in Vodafone issuing a Notice pursuant to the Act to proceed.

The proposed base station facility is a low-impact, co-located installation.

The negotiated rent will have a positive impact on Council’s 2011/12 budget. The initial rental offered was $8,500 plus GST and agreement has now been reached on a figure of $28,071 plus GST, which is consistent with the other rentals in place.

The Telecommunications Act does not make it mandatory for a carrier to enter a formal legal arrangement with a public authority, as the carriers are only required to make "reasonable efforts" to enter an agreement.

Consultation

The company managing this project on behalf of Vodafone have advised as follows.

"While no community consultation is required under the Telecommunications act, we ran an advertisement in the Ballina Shire Advocate from 21st July for 10 business days as per our obligation under the ACIF Code.

We had no objections to this proposal.

A letter was also sent to Council on 14 July. This is another requirement of ACIF. We had no comments from Council regarding this letter.

Taking the above into account, we have fulfilled our obligations under the Telecommunications ACT 1997 and the ACIF Code".

Options

1. Council can refuse the request.

   This is not recommended in view of existing base station facilities at the site, hence the preferred co-located nature of the proposal, the ‘low-impact’ determination, and the likelihood that refusal will result in the issue of a Notice pursuant to the Telecommunications Act 1997 to proceed with the installation in any event.

2. Council can agree in principle to the proposed installation, subject to the satisfactory completion of commercial negotiations.

This is the preferred option on the basis of information contained within the body of this report, being, in short, the proposed installation will be co-located together with two existing telecommunications carriers at the site, the installation is deemed 'low-impact' within the meaning of the Telecommunications Act 1997, and Vodafone has agreed to pay market rental and indicated a willingness to negotiate fair and reasonable commercial lease terms (with those negotiations now nearing completion).

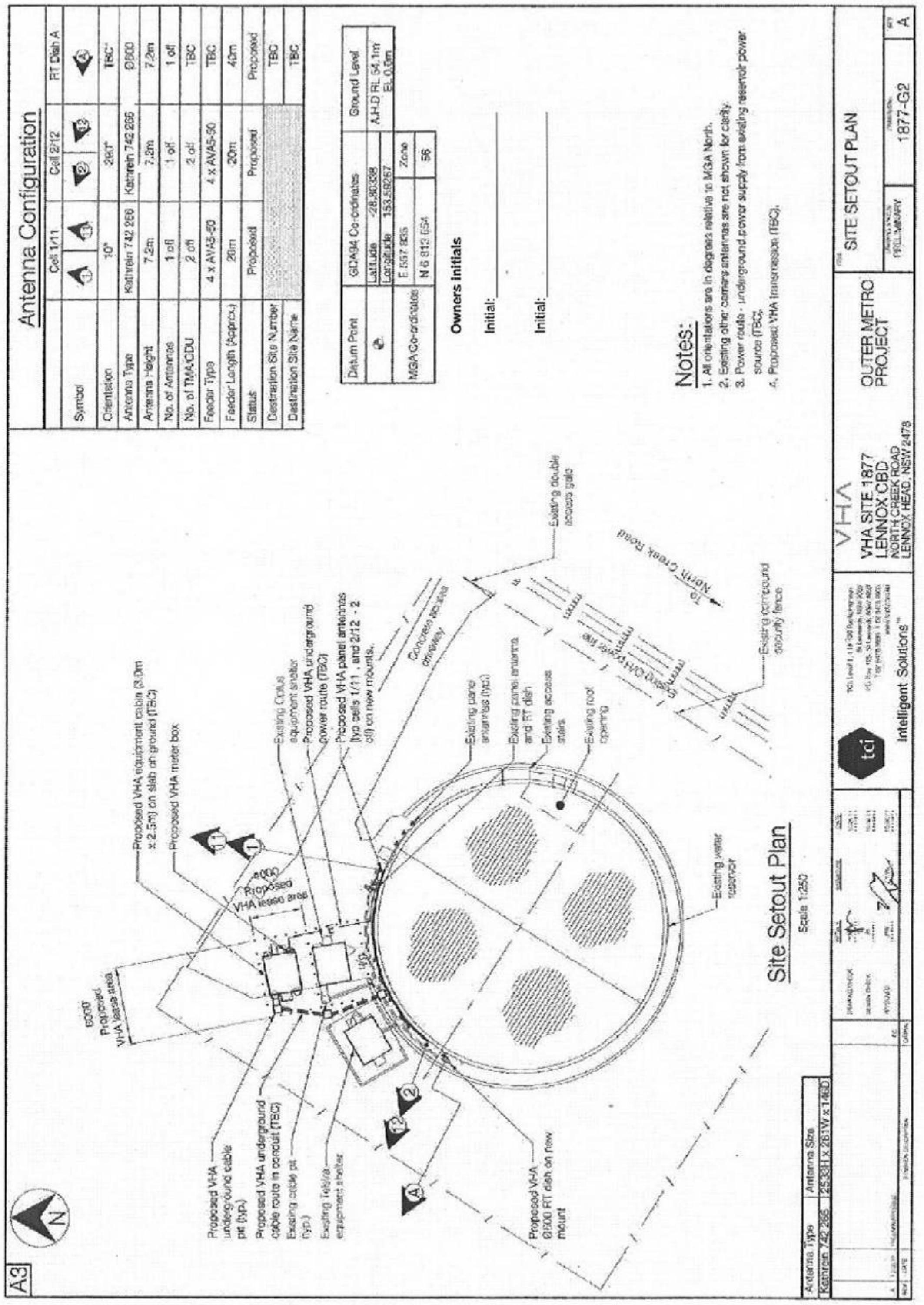
RECOMMENDATIONS

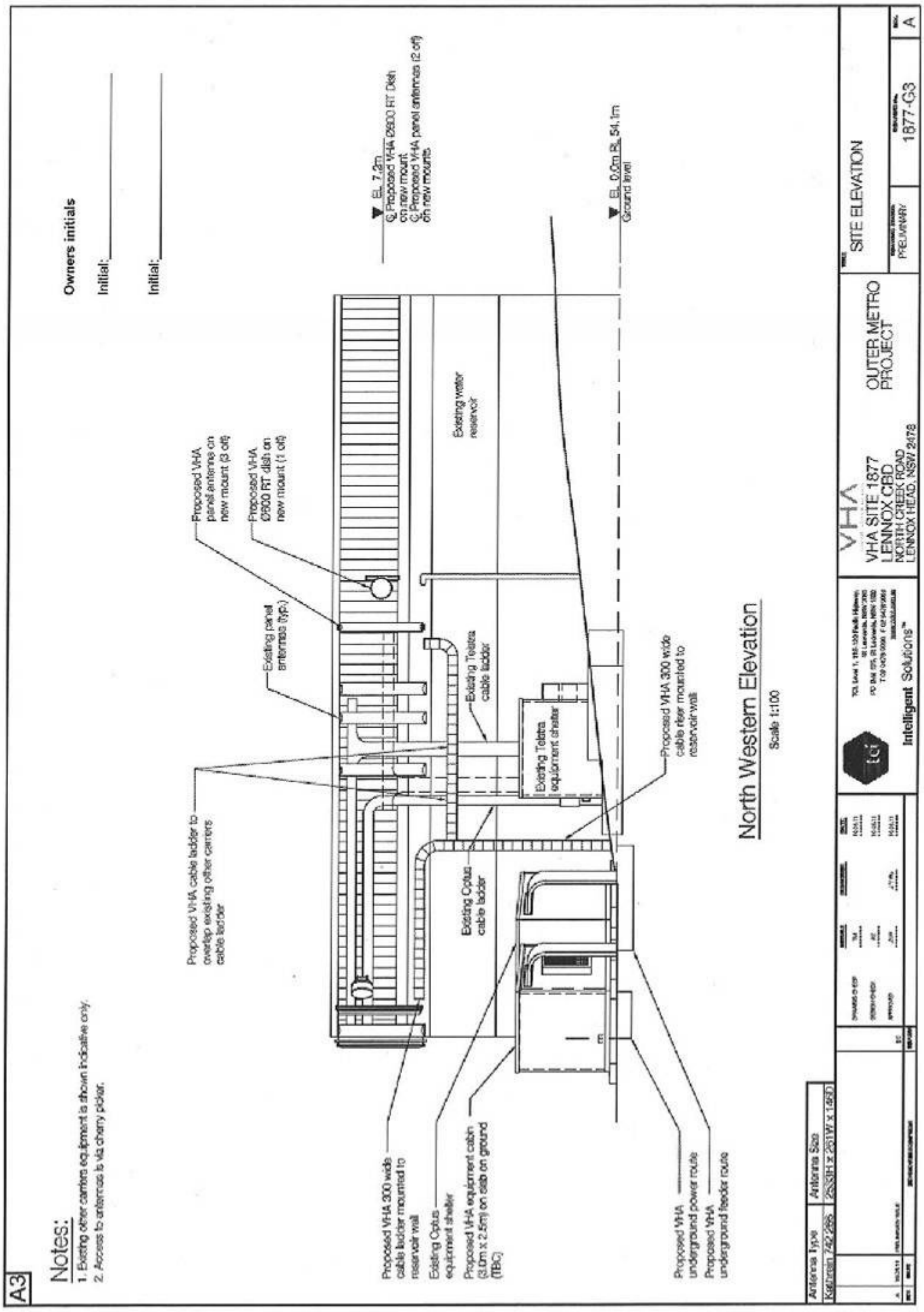
1. That Council approves the proposed Vodafone Network Pty Ltd base station facility to be constructed and co-located with the existing telecommunications carriers within the Lennox Head water reservoir compound, Lot 2 DP 517111, subject to the finalisation of the on-going lease negotiations.

2. That Council approves the use of the Council seal to be attached to the Deed of Lease between Council and the Vodafone Network Pty Ltd.

Attachment(s)

1. Site drawings


Antenna Configuration
Site Setout Plan
Scale 1:250
Owners Initials
Notes:
1. All orientations are in degrees relative to MGA North.
2. Existing other carriers antennas are not shown for clarity.
3. Power route - underground power supply from existing reservoir power source (TBC).
4. Proposed VHA transmission (TBC).
VHA SITE 1877
LENNOX CBD
NORTH CREEK ROAD
LENNOX HEAD, NSW 2478
OUTER METRO PROJECT
SITE SETOUT PLAN
1877-G2
Intelligent Solutions
A3


A3
Notes:
1. Existing other carriers equipment is shown indicative only.
2. Access to antennas is via cherry picker.
Owners initials
Initial:
Initial:
Proposed VHA cable ladder to overlap existing other carriers cable ladder
Existing panel antennas (typ.)
Proposed VHA panel antenna on new mount (3 off)
Proposed VHA Ø600 RT dish on new mount (1 off)
Existing water reservoir
Existing Telstra cable ladder
Existing Telstra equipment shelter
Existing Optus cable ladder
Proposed VHA 300 wide cable riser mounted to reservoir wall
Proposed VHA 300 wide cable ladder mounted to reservoir wall
Existing Optus equipment shelter
Proposed VHA equipment cabin (3.0m x 2.5m) on slab on ground (TBC)
Proposed VHA underground power route
Proposed VHA underground feeder route
EL 7.2m
EL 0.0m RL 54.1m
Ground level
North Western Elevation
Scale 1:100
Antenna Type
Antenna Size
VHA
VHA SITE 1877
LENNOX CBD
NORTH CREEK ROAD
LENNOX HEAD, NSW 2478
OUTER METRO PROJECT
SITE ELEVATION
PRELIMINARY
1877-G3
A
Intelligent Solutions

4.5 Ballina Surf Club Redevelopment - Update

File Reference	Ballina Lighthouse & Lismore Surf Lifesaving Club
CSP Linkage	Resilient and adaptable communities
Delivery Program	Commercial Services
Objective	To provide an update on the status of the redevelopment of the Ballina Surf Clubhouse

Background

Council has funding available of $5.8 million to finance the construction of a replacement surf club for Ballina. This funding is sourced from:

Council Property Reserves	$3.2 million
Federal Government Grant	$2.3 million
Ballina Surf Club Contribution (the Club)	$0.3 million

The $5.8 million figure includes $5.2 million for the building plus $600,000 to realign the existing road network. The contribution from Council is based on the following calculation:

- 50% of building cost = $2.6 million
- 100% of estimated road costs = $0.6 million

The re-development of the surf club has had a long history with the Club initially having extensive discussions with their members as to which beach, Lighthouse or Shellys, was the preferred site for the surf club.

Following direction from the Club to proceed with Lighthouse Beach there were further discussions with the Land & Property Management Authority (LPMA) as to where the surf club could be located on the beach.

The original preference from the LPMA was for the surf club to be located behind the dunes and this resulted in the design being prepared as per the now approved development consent.

However, during the two to three years this project has been running, the LPMA's stance on surf club locations has softened. This culminated in late 2010 where the advice received by Council from the LPMA was that they would have no objection to the new surf club being located anywhere on Lighthouse Beach and they would be guided by the planning assessment of any new development application.

The Club Executive and a number of the members have never been entirely satisfied with the approved plans for the building due to its location behind the dunes and their preference is to have the building located closer to the beach.

The member concerns relate to the fact that the approved building is a significant distance from the beach which could hamper on-going beach patrols.

Even though a separate Life Guard Tower is provided close to the beach the advice from the Club is that beach visibility from the surf club is important to assist with patrols and for on-going monitoring, when there are no surf life savers on duty. The distance from the beach can also make it difficult to manage nipper days and surf carnivals.

With these concerns in mind, and the softening position of the LPMA, discussions were held with the architect (Archimages), consulting engineers (Ardill Payne) and town planners (Newton, Denny Chapelle) responsible for preparing the approved plans to determine whether or not improvements could be made to the building layout and location.

The answer from all three was yes and preliminary designs based on a revised location have been prepared. The report that now follows provides an update on the project.

Key Issues

- Benefits to be gained from amended design
- Cost of amending design
- Operation and management of the building

Information

The purpose of this report is to notify Council of a number of issues relating to the project.

Council has been advised that an Aboriginal land claim has been lodged over Crown Land at Compton Drive, East Ballina. The claim has been lodged by JALI under the provisions of the NSW Aboriginal Land Rights Act 1983. It is understood the land over which the claim has been lodged includes Lots 529, 531 and 533 in DP 729679.

The land under claim forms part of the site proposed for a new surf club at Lighthouse Beach, with particular reference to the road realignment. Council staff are now consulting with JALI to determine whether or not this matter can be resolved as a matter of high priority.

The new development application for the Surf Club is expected to be lodged with Council by the end of September 2011 and a copy of the revised design is included as an attachment to this report.

There will also be a delay in construction as it will take the balance of 2011 for a new application to be submitted and approved, which would then result in construction of the facility occurring during 2012.

One major hurdle that still remains uncertain in respect to the amended design is the revised cost estimate for the project. The location of the facility closer to the beach does bring operational benefits, however it may also bring increased costs.

Unfortunately the ground conditions closer to the beach require significant piling works to support the building and there are concerns that these works may result in a budget overrun.

To understand the implications of the amended design a quantity surveyor has been engaged to provide an updated project cost estimate. It is hoped that this estimate will be available prior to the Commercial Services Committee meeting and if there are budget issues it may well be necessary to amend the design.

In respect to the proposed design it is important to acknowledge that the building is of a significant size, with large storage spaces provided. If cost is an issue there may need to be a reduction in certain components of the building.

Legal / Resource / Financial Implications

The funding sources for the proposed surf club are as follows:

Council Property Reserves	$3.2 million
Federal Government Grant	$2.3 million
Surf Club Contribution (the Club)	$0.3 million

The Federal Government grant has time restrictions and it is important that Council progress the project as promptly as possible to retain that grant.

Consultation

There have been on-going discussions between Council staff and members of the Club. The original development application was subject to public exhibition.

Options

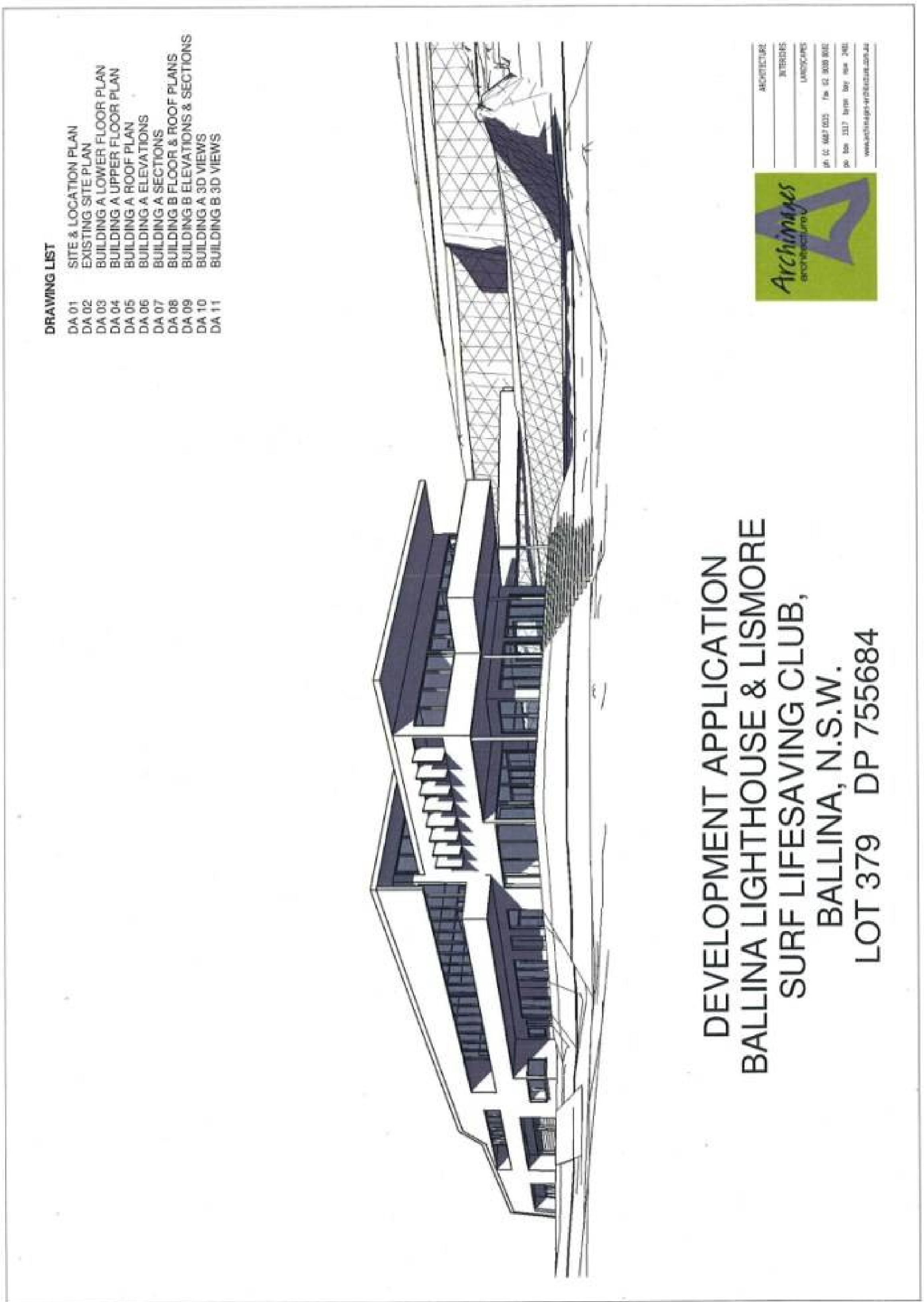
This report is largely for information and to provide Councillors with an opportunity to discuss the current state of the project.

RECOMMENDATIONS

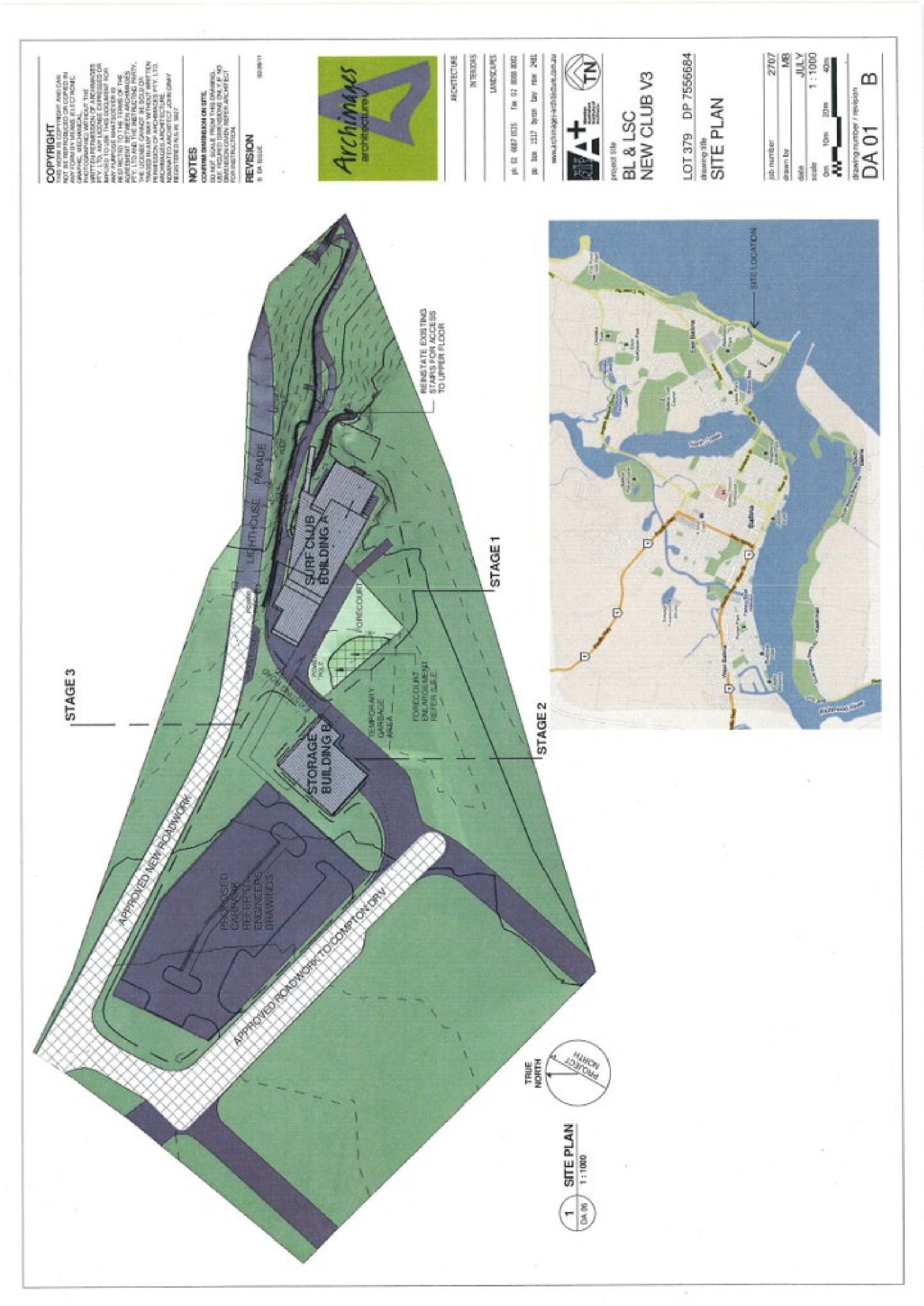
That Council notes the latest update in respect to the re-development of the Ballina Surf Club.

Attachment(s)

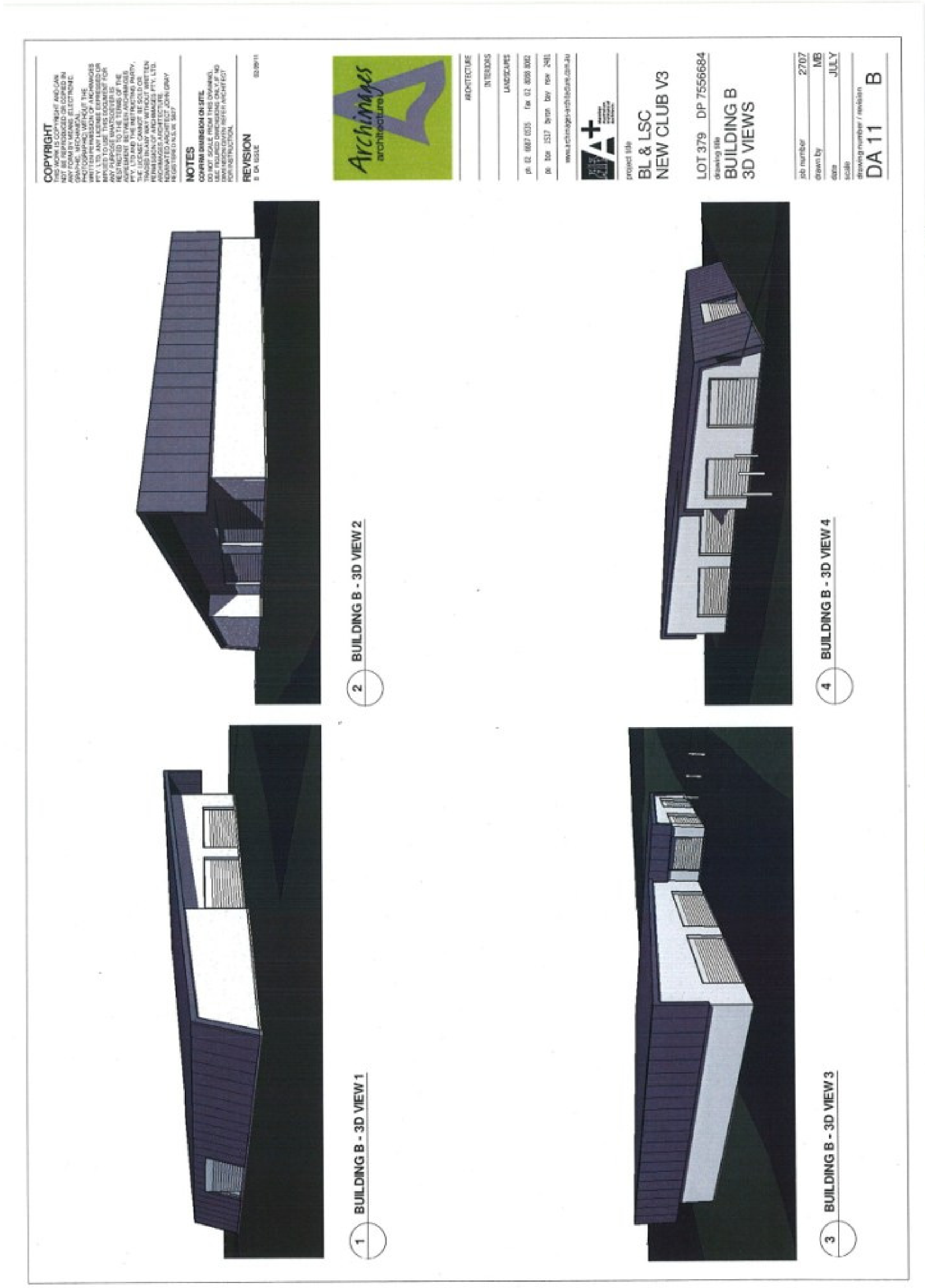
1. Architectural Designs - Revised Layout


DRAWING LIST
DA 01 SITE & LOCATION PLAN
DA 02 EXISTING SITE PLAN
DA 03 BUILDING A LOWER FLOOR PLAN
DA 04 BUILDING A UPPER FLOOR PLAN
DA 05 BUILDING A ROOF PLAN
DA 06 BUILDING A ELEVATIONS
DA 07 BUILDING A SECTIONS
DA 08 BUILDING B FLOOR & ROOF PLANS
DA 09 BUILDING B ELEVATIONS & SECTIONS
DA 10 BUILDING A 3D VIEWS
DA 11 BUILDING B 3D VIEWS
DEVELOPMENT APPLICATION
BALLINA LIGHTHOUSE & LISMORE
SURF LIFESAVING CLUB,
BALLINA, N.S.W.
LOT 379 DP 755684
Archimages
ARCHITECTURE
INTERIORS
LANDSCAPES

4.5 Ballina Surf Club Redevelopment - Update




COPYRIGHT
NOTES
REVISION
Archimages architecture
ARCHITECTURE
INTERIORS
LANDSCAPES
BL & LSC
NEW CLUB V3
LOT 379 DP 7556684
BUILDING A
3D VIEWS
2707
MB
JULY
DA 10 B
BUILDING A - 3D VIEW 1
BUILDING A - 3D VIEW 2
BUILDING A - 3D VIEW 3
BUILDING A - 3D VIEW 4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BUILDING B - 3D VIEW 2
BUILDING B - 3D VIEW 3
BUILDING B - 3D VIEW 4
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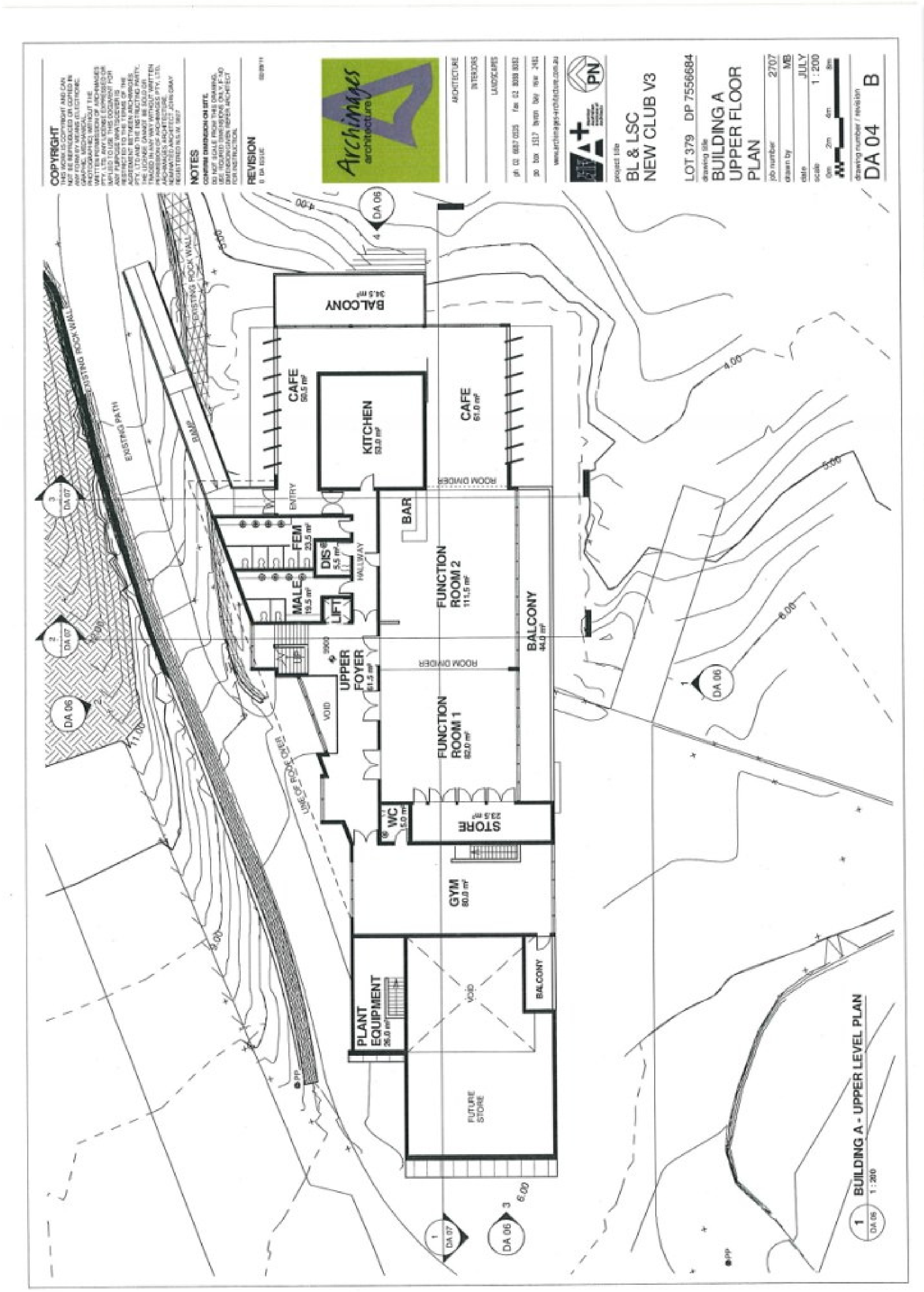
JULY
DA 11
B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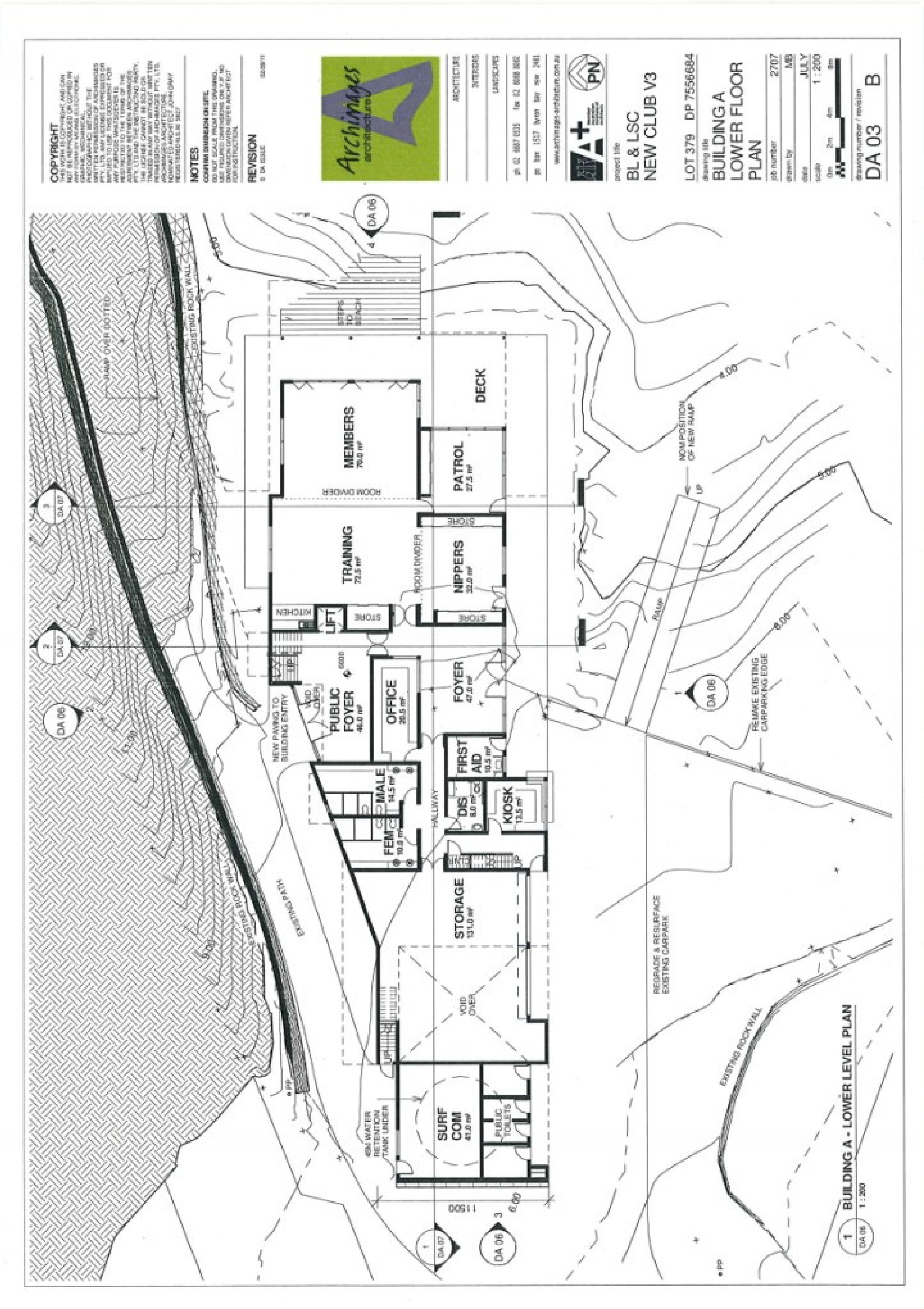
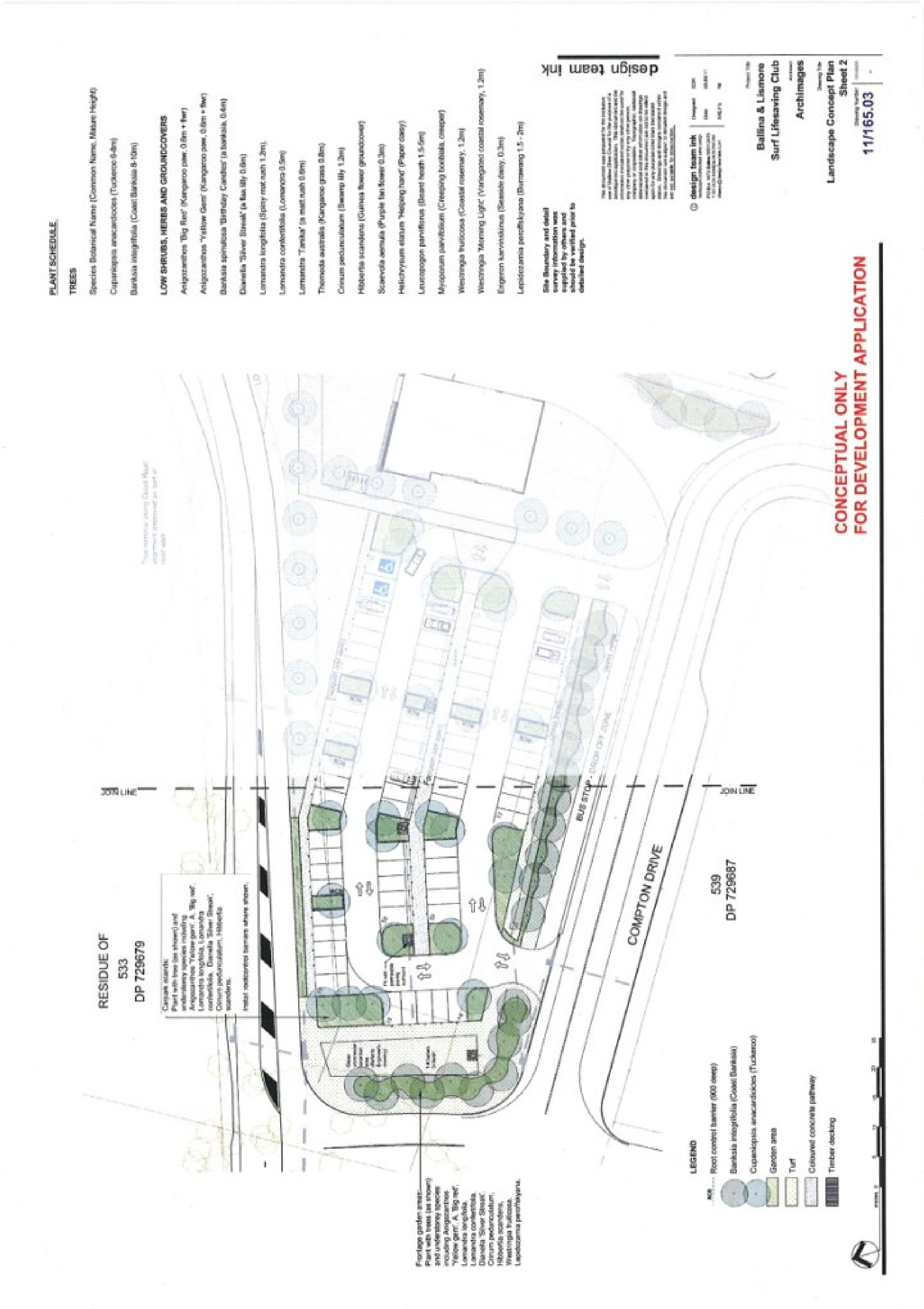
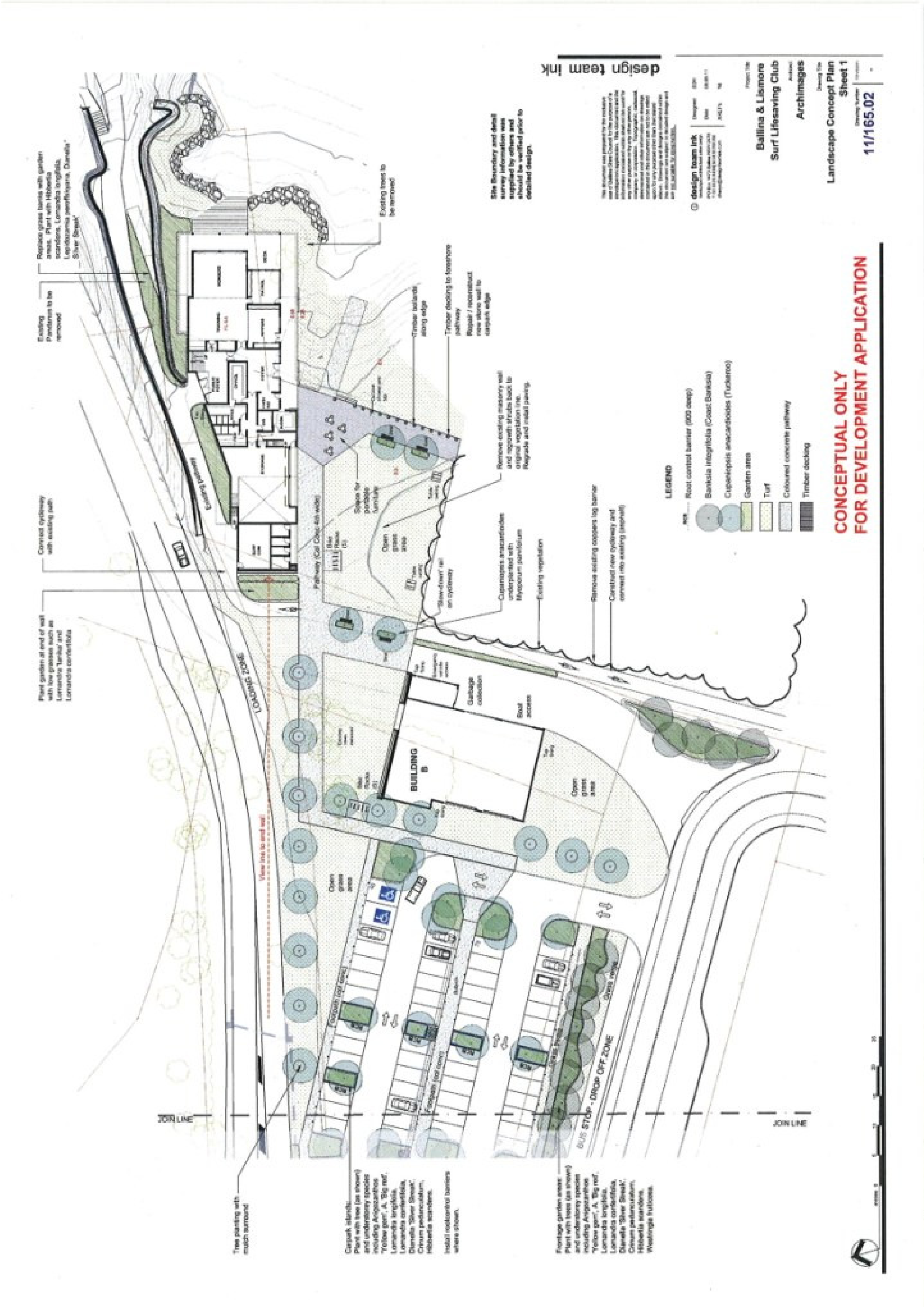
NOTES
REVISION
Archimages architecture
ARCHITECTURE
INTERIORS
LANDSCAPES
BL & LSC
NEW CLUB V3
LOT 379 DP 7556684
BUILDING A
UPPER FLOOR
PLAN
DA 04
B
BALCONY
CAFE
KITCHEN
CAFE
ENTRY
BAR
FEM
DIS
MALE
LIFT
HALLWAY
FUNCTION ROOM 2
ROOM DIVIDER
UPPER FOYER
VOID
FUNCTION ROOM 1
BALCONY
WC
STORE
GYM
PLANT EQUIPMENT
VOID
BALCONY
FUTURE STORE
EXISTING ROCK WALL
EXISTING PATH
RAMP
LINE OF ROOF OVER
BUILDING A - UPPER LEVEL PLAN


BL & LSC
NEW CLUB V3
LOT 379 DP 7556684
BUILDING A
LOWER FLOOR
PLAN
DA 03
B
DECK
MEMBERS
PATROL
TRAINING
NIPPERS
KITCHEN
LIFT
STORE
PUBLIC FOYER
OFFICE
FOYER
FIRST AID
MALE
FEM
DIS
KIOSK
HALLWAY
STORAGE
VOID OVER
SURF COM
PUBLIC TOILETS
STEPS TO BEACH
EXISTING ROCK WALL
EXISTING PATH
RAMP
REGRADE & RESURFACE EXISTING CARPARK
BUILDING A - LOWER LEVEL PLAN


CONCEPTUAL ONLY
FOR DEVELOPMENT APPLICATION
design team ink
Ballina & Lismore
Surf Lifesaving Club
Archimages
Landscape Concept Plan
Sheet 2
11/165.03
RESIDUE OF
533
DP 729679
539
DP 729687
COMPTON DRIVE
BUS STOP
JOIN LINE
PLANT SCHEDULE
LEGEND


design team ink
Ballina & Lismore Surf Lifesaving Club
Archimages
Landscape Concept Plan
Sheet 1
11/165.02
CONCEPTUAL ONLY
FOR DEVELOPMENT APPLICATION
LOADING ZONE
BUILDING B
BUS STOP - DROP OFF ZONE
JOIN LINE
LEGEND

4.6 Project Management - Review

File Reference	Project Management Process
CSP Linkage	Transparent and accountable governance
Delivery Program	Governance
Objective	To consider options to improve Council's project management.

Background

At the Facilities Committee meeting held 27 July 2010 a report was received in relation to the Lennox Head Community Centre. The resolution from that report, in part, was as follows:

That the General Manager provide a further report detailing the measures that will be taken to ensure that future projects do not suffer the same shortcomings as the Lennox Head Community Centre did.

This report responds to the resolution.

Key Issues

- Current measures
- Options for improvement
- Cost implications

Information

The management of major projects for any organisation, albeit public or private, can be extremely complex, often due to the wide range of tasks that need to be completed and the variability of those tasks. This variability is inherently referred to as risk. Good project management is about reducing variables which in turn should reduce risk.

Often major council projects relate to infrastructure that is not regularly constructed. Examples include facilities such as art galleries, community centres, surf clubs, water and sewer infrastructure. Typically there are a limited number of architects and builders who have experience with these facilities, which can restrict the market available.

Similarly, if there is limited experience and / or limited similar facilities this makes it difficult to remove risk as there may well be unknowns that arise during the construction of a facility.

The construction of major projects for a council can also be very intermittent therefore there can be difficulties in ensuring that in-house staff have all the necessary experience to manage major projects. This normally results in the majority of these projects being outsourced.

The Division of Local Government (DLG) has recognised the risk and difficulties councils face in managing major projects and to assist the process they released their Capital Expenditure Guidelines in December 2010. A copy of those guidelines has been included as an attachment to this report.

The flow chart on page 21 of the Guidelines provides a sound overview of the steps that need to be followed in managing projects to the commencement phase. These guidelines provide a sound basis for evaluating projects and it is now mandatory to comply with those guidelines.

The resolution resulting in this report makes specific reference to the Lennox Head Community Centre. It is interesting to re-cap on the history of that Centre in that there was significant preparation for the project. Key steps included:

- Project Outline - Established through extensive consultation as part of the Lennox Head Strategic Plan
- Justify the Need - Established through the Strategic Plan, along with recognised limitations with the existing library
- Assess Council Capacity - The project was to be managed by an architectural firm appointed through a tender process
- Priorities - This was a clear priority for Council based on community feedback
- Alternatives - Council examined a range of options for the building and there was a lack of similar buildings in Lennox Head
- Assess Financial Implications - Both the capital and operating budget confirmed prior to construction
- Public Consultation - There was significant support for the project
- Architect - Appointed through tender process. The public were consulted as part of the design process.
- Cost Estimate - This was prepared, by an external firm, prior to calling tenders to ensure the project was consistent with budget
- Building Contract - The tender accepted was close to budget and the builder was a very experienced, local firm.

Ultimately the major issue that occurred with the construction of this building was, in the opinion of staff, there being delays or omissions in respect to the design and architectural specifications for the building. This then resulted in the builders not being able to proceed with the construction contract and a decision having to be made to terminate either the builder or the architect. As Council is aware, the preferred option was the termination of the architect.

As this termination is subject to an insurance claim and possible legal action significant commentary cannot be provided on the reasons for that termination. However if there is one point that needs to be considered in respect to these types of contracts it is the critical need to ensure that the firm designing and often managing of the construction of the facility, must have extensive experience, in similar conditions and with similar facilities, to ensure that there is an adequate understanding of the project.

An understanding of the local conditions is critical as a number of changes to the Community Centre reflected the fact also that it is close to the foreshore and therefore subject to very demanding weather conditions.

Sustainability Considerations

- **Environment**
  Not Applicable

- **Social**
  To assist in the delivery of infrastructure projects to meet the needs of community

- **Economic**
  Minimise potential cost overruns of major projects.

Legal / Resource / Financial Implications

The minimisation of cost overruns to major projects will assist in the continued delivery of community infrastructure projects to the Ballina Shire.

Consultation

This report has been provided for public information.

Options

In reviewing the Lennox Head Community Centre, Council did take numerous steps to ensure the project could be delivered on time and on budget. In preparing for the project there was significant consultation, appointment of a professional architectural firm, preparation of a cost plan prior to calling tenders and the acceptance of an experienced building firm, based on a price close to budget.

Ultimately there were major concerns with the design presented to the builders and this then raises the question as to whether or not Council should have had the design independently reviewed prior to calling tenders. The problem with this proposal is that you are actually asking an architect to provide feedback on another person's project and there may well be differing views as to what is a good or bad design. This type of review is most likely impractical.

In summary, some projects, unfortunately, do result in contractual disputes. Therefore the onus must be on Council to ensure it carries out all the preparatory work required, which is fairly well documented in the Division of Local Government's Capital Expenditure Guidelines. The key steps after this are the engagement of the architectural and building firms for the project.

Council does not have this expertise in-house which means we will always be reliant on external firms for these services. This means it is critical that the evaluation process for these services is exhaustive and that the firms appointed have the experience and track record to deliver such projects on time and on budget.

It is also important to not only focus on price as it may well be necessary to spend additional dollars up front, to ensure a positive outcome is provided to the community.

RECOMMENDATIONS

That Council notes the contents of this report in respect to project management.

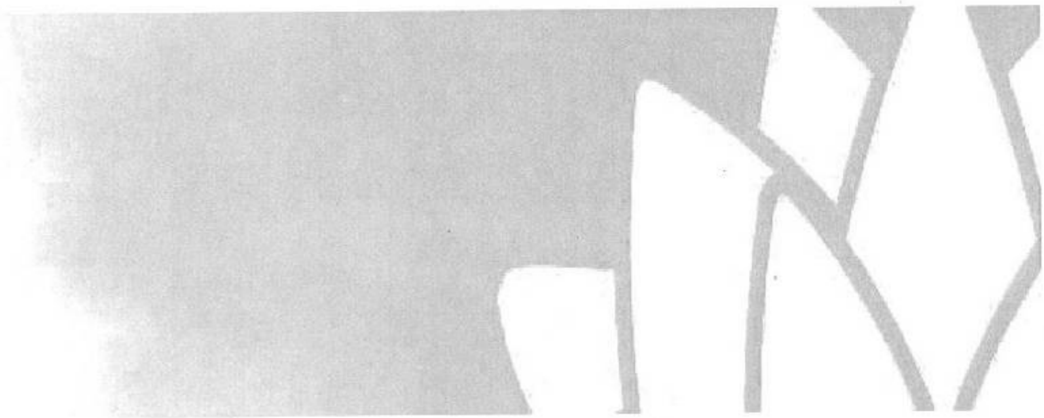
Attachment(s)

1. Division of Local Government - Capital Expenditure Guidelines

Premier & Cabinet
Division of Local Government

Division of Local Government
Department of Premier and Cabinet

Capital Expenditure Guidelines



December 2010

These are Director General's Guidelines issued pursuant to section 23A of the *Local Government Act 1993*.

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Produced by the Division of Local Government

Premier & Cabinet
Division of Local Government
www.dlg.nsw.gov.au

TABLE OF CONTENTS

Acknowledgement: These Guidelines draw on information published by the Government of Western Australia, Department of Treasury and Finance, Project Evaluation Guidelines; Victorian Government, Local Government Victoria, Local Government Asset Investment Guidelines.

1 Purpose and Scope of Guidelines

These Guidelines have been developed to assist NSW councils prepare Capital Expenditure Reviews. Capital expenditure is incurred when a council spends money to buy, construct, renovate or acquire an asset.

The Guidelines have been designed to:

- encourage councils to evaluate major capital expenditure by means of a consistent methodology
- improve the quality of council's analysis performed in supporting all forms of project funding and capital expenditure
- enable the financial impact of projects on a council to be quantified, identified and controlled.

The Guidelines aim to ensure that a council's evaluation of the proposed capital expenditure is consistent and rigorous, the merits of projects can be compared and resource allocation can be made on an informed basis. It is important that the evaluation of the project is carried out in a clear, transparent and systematic way. The process of evaluation and reporting methods outlined in these Guidelines will enhance the transparency and rigour of capital expenditure project evaluation.

Capital Expenditure Review is a necessary part of a council's capital budgeting process and as such should be undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

2 Overview

As councils are responsible for the prudent management of community resources, it is important that as part of council's normal planning process, councils undertake a Capital Expenditure Review before committing to any major capital project.

3 What projects do the guidelines apply to?

These guidelines apply to capital projects for infrastructure facilities, including renovations and extensions that are expected to cost in excess of 10% of council's annual ordinary rate revenue or $1 million, whichever is the greater (GST exclusive).

In addition to the minimum requirements for a Capital Expenditure Review, a council is also required to complete additional requirements in cases where a project's cost is forecast to exceed $10 million (GST exclusive).

Councils may consider it prudent to undertake Capital Expenditure Reviews for projects under the threshold, but this will be at a council's discretion.

4 What projects are exempt from the guidelines?

The guidelines do not apply to:

- capital expenditure on land purchases, land remediation, water supply networks, sewerage networks, stormwater drainage, domestic waste management facilities, roads, footpaths, bridges;
- projects where funding has been approved under the *Public Reserves Management Fund Act 1987;*
- projects that are classified as Public-Private Partnerships;
- project designs and feasibility studies that do not commit council to the project (the cost of such studies are to be included if council subsequently proceeds with the project).

While the guidelines do not apply to the projects described above, capital expenditure on such things as land purchase for an applicable project should be included as part of the capital expenditure review of that project.

Although a project may be exempt from the submission of a capital expenditure review to the Division, it is expected, that in accordance with best practice, councils should apply the principles of these guidelines to all capital projects.

5 Unplanned asset replacement arising from premature failure

From time to time, councils may be required to undertake emergency work to replace assets due to premature failure, fire, flood or accidental damage.

In these circumstances, council should take the opportunity to review and assess the assets. In undertaking this assessment, council should consider these guidelines in conjunction with council's asset management plans, the asset's prior serviceability and community requirements prior to replacement.

6 s23A Guidelines

These guidelines have been issued by the Chief Executive of the Department of Premier & Cabinet, Division of Local Government (under delegated authority) in accordance with section 23A of the *Local Government Act 1993* (the Act). As such councils are required to take them into consideration before exercising any of their functions.

7 When do councils need to notify the Division and notification requirements

Councils are required to notify the Division of all capital expenditure projects to which these Guidelines apply, prior to the commencement of the project.

Notification to the Division will include:

- A brief description of the project
- The estimated cost of the project and proposed funding sources
- Anticipated start and completion dates
- A brief commentary on how the council has fulfilled each of the Capital Expenditure Review requirements relevant to the project based on cost.

Council may be requested to provide additional information to the Division in some instances. The Division reserves the right to assess the process undertaken by the council for the capital expenditure project, but it will not approve or endorse the project itself.

If a council is requiring special variation funding for the capital expenditure, council must complete the capital expenditure review and submit this to the Division prior to submission of the special variation application.

If project costs increase by 10% of the initial costs at any time, council must notify the Division of the revised project cost and give a brief explanation as to the reasons for the increase and the council's process and plans to meet these increases. Council should also keep the community informed of cost increases and associated reasons.

8 Council Responsibilities

Councils have a responsibility to their community for the prudent management of community assets and finances.

To establish the project costs, all elements of the project must be taken into account. This includes feasibility studies, project design and scoping costs, the provision of non-monetary goods and/or services and any costs associated with the development application and its conditions.

Where a project is conducted in stages, it is to be considered as one project. Councils are not to break a project up into smaller parts in order to avoid the threshold requirements contained in these Guidelines.

9 Preliminary Business Case

Before a council undertakes a capital expenditure project a preliminary business case must be prepared to determine whether the proposal is necessary, consistent with council's community strategic plan, delivery program and operational plans, offers value for money and that the council has the capacity to deliver and maintain their current and future community services in the long term. The council must demonstrate that its decision to carry out the capital expenditure is based on sound strategic and financial planning, supported by valid data and research; and that it reflects the views, priorities and objectives of the broader community.

Councils are required to prepare a preliminary business case for each council project to which these Guidelines apply. It is also appropriate to prepare a preliminary business case for any project assessed or considered as high risk.

The preliminary business case describes the high level objectives for the project and identifies possible alternative proposals. It should outline the risks, sustainability issues, costs and benefits relevant to these alternatives, as well as identify any assumptions on which the proposal(s) are based.

Cost estimates should be reasonably reliable but not to the level of accuracy as required in the capital expenditure review. The more accurate the costing is, the more useful it will be for the decision making process.

It is expected that the cost estimate in the preliminary business case be within 15% of the project's final cost.

The ongoing costs relating to the capital works project (ie, lifecycle costs), should also be identified.

The amount of detail in the preliminary business case should reflect the proposed project's scale, cost and risk.

The governance model and internal controls, which will be utilised to manage project risks and assist the successful completion of the project, should also be identified. For example, preliminary business cases should include information relating to the project's Steering Committee, Project Team, monitoring and review systems and if necessary, Probity Advisor and internal audit program.

The preliminary business case should be supported by evidence and evaluate the service needs, options and implementation of the proposal. The evidence must be based on quantitative and qualitative data, use established methodologies that assess costs and benefits and link resources to services and results via evidence-based results logic. It is important that any assumptions on which supporting data is based are clearly identified.

Once a council is satisfied that sufficient information and evidence has been provided in the preliminary business case and has resolved to continue with the project, a Capital Expenditure Review should be prepared.

10 Capital Expenditure Review Minimum Requirements

The following are the minimum requirements for a Capital Expenditure Review. It is recommended that councils undertake this review as part of their internal control processes for all material or high risk capital expenditure projects, irrespective of the funding source.

It is also considered best practice for councils to complete a capital expenditure review for projects exempt from these guidelines.

10.1 Outline proposed Project

- Council should give a brief outline of the project.

10.2 Justify the Need

Justify the need for the proposal based on firm estimates of future needs, including:

- demonstration of a clear relationship between the proposal and council's community strategic plan, delivery program and operational plan
- completion of a business case / feasibility study
- analysis of community needs and expectations based on community consultation, which should identify how the project will address specific community needs and any issues of public access and equity

- an outline of the projected costs in council's long term financial plan and asset management plans.

10.3 Assess the Capacity of Council

Assess the capacity of council to manage the project to completion and into the future by:

- determining the capacity of council's management and skill base to undertake the project
- identifying the responsibilities of council to the project on a year-by-year basis throughout the project's lifetime. These responsibilities must be itemised and costed (see 10.6 Financial Implications)
- undertaking a risk assessment of the project including:
  - assessment of the governance and management structures in place to effectively minimise project risks. The appropriate structure will depend on the type and complexity of the project and the stakeholders involved. It would be expected that council has an internal audit function as part of its governance structure.
  - assessment of compliance requirements including but not limited to the *Local Government Act 1993, Environmental Planning and Assessment Act 1979, Heritage Act 1977* and any other legislation considered appropriate for the project
- considering the appointment of a Steering Committee
- designating a project manager. Councils should ensure that candidates for this position have the appropriate skills, expertise and experience to manage the project. A rigorous and open recruitment process should be undertaken by council to ensure that an appropriate candidate is found. Once a project manager has been designated, council should ensure that sufficient delegations are granted to allow the manager to undertake the work.

10.4 Priorities

Determine the priority of the project in relation to existing capital commitments and future works by:

- assessing the impact of the project's funding on existing and future capital works and services in accordance with council's long term financial plan
- reviewing the community strategic plan, delivery program and operational plan to ensure the proposal is aligned to council's objectives, and
- reviewing the asset management plan/s to ensure that other assets do not require the funding as a higher priority

In accordance with the Integrated Planning and Reporting framework, councils will also have developed and put in place, current asset management plans that give consideration to future infrastructure needs. Proposed capital expenditure for infrastructure must be included in these plans, including appropriate linkages to council's delivery program and operational plan.

10.5 Alternatives

Consider the full range of project alternatives, including:

- the preparation of a project plan with appropriate economic appraisals of council's preferred and alternative options
- an assessment of alternative service delivery methods
- an assessment of alternative methods of acquisition. Possible alternatives to consider include renting, renovating, constructing, or acquiring an existing building
- the consequences of not proceeding with the proposal.

10.6 Financial Implications

Project costs should be considered from a 'whole of life' perspective. They should also be included in a council's long term financial plan as part of council's Integrated Planning and Reporting framework. These costs should include, but not be limited to:

(i) design costs
(ii) the costs of land acquisitions
(iii) the costs of land disposals
(iv) land and property development costs
(v) raw materials costs
(vi) maintenance and other ongoing operational costs
(vii) depreciation and/or provisions for replacement costs
(viii) labour costs
(ix) opportunity costs
(x) overhead costs, such as project management
(xi) payments and fees, including expenses and allowances, to external providers and council's consultants and advisers
(xii) loan and/or other financing establishment costs
(xiii) plant and equipment costs

- sourcing of funds:

(i) where funds are to be borrowed council must comply with Part 12, Chapter 15 of the Act and with the Ministerial Borrowing Order, which can be located in the Code of Accounting Practice and Financial Reporting on the Division's website at www.dlg.nsw.gov.au
(ii) where funds are to be sourced by way of internal loans council must obtain Ministerial approval and comply with s410(3) and s410(4) of the Act
(iii) where funds are to be sourced by way of a special variation, approval must be sought under Part 2, Chapter 15 of the Act

- identification of any potential increase in council's actual or prospective expenditures, whether in terms of one-off capital amounts or recurrent expenditures. This includes consequential recurrent costs such as maintenance, debt servicing, staffing, etc

- identification of systems in place to monitor and control increases in project costs
- identification of any potential loss in the value of council's assets or a potential loss in actual or prospective revenue
- consideration of the possible inability of council to discharge its Charter obligations to provide adequate, equitable and appropriate services and facilities for the community
- cash flow analysis. This should detail council's ability to repay any loans required for the project. The cost of funds and the effect of debt servicing, including internal reserves, should also be considered
- Net Present Value calculations – cost/benefit. Break even analysis for best, worst and likely scenarios.

It is expected that in the capital expenditure review there will be a higher level of accuracy in relation to estimated costs than the preliminary business case. It is expected that the cost estimate in the capital expenditure review will be within 5% of the final cost.

When calculating future costs it is appropriate that project costs are indexed based on prudent and reasonable assumptions. These assumptions should be documented and able to be provided on request or provided as part of the project's capital expenditure review.

10.7 Public Consultation Process

Councils must undertake public consultation and engagement processes prior to making any commitment to the project. Like other aspects of council business, councils are strongly encouraged to involve the community in decision making around capital projects. It is a requirement under these guidelines, that councils prepare a report on the public consultation process undertaken to bring the project to the review state as well as providing details on the process, for ongoing reporting on the project to the council and the community. The report should include:

- how council conveyed the social, economic, employment, financial and environmental impacts of the project to the community
- confirmation that the project is included in the council's community strategic plan, delivery program and operational plan
- details of the consultation processes council has in place to allow participation by affected groups and consideration of their views
- a public interest evaluation showing a positive outcome for the broader community, which includes but is not limited to; effectiveness, accountability and transparency, equity, public access, consumer rights, security and privacy.
- details of the methods used by council to inform the broader community of the proposed project, its key elements and decisions made in relation to the project. This may include community newsletters, community surveys, newspaper or radio advertisements, etc.
- council's planning process to enable the community be provided with sufficient information to be adequately informed. To be considered sufficient the delivery program and operational plan should include:
    - purpose of project and benefits to the community
    - costs and funding sources, and
    - construction time frames
- details of the public reaction to the proposal including any statistics on the outcome of surveys, any correspondence received from the community, etc
- details on any public meetings held in regard to the proposal

11 Capital Expenditure Review Additional Requirements – project costs in excess of $10M (ex GST)

In addition to the minimum requirements set out above, a council is also required to complete the following additional requirements in cases where a project's cost is forecast to exceed $10 million (GST exclusive). For projects below the $10 million threshold, the additional requirements are optional. They are considered best practice and councils are encouraged to complete them for all projects which are considered high risk or of material costs.

Where the project costs fall into the above category, councils are also required to carry out a more intensive community consultation process. This may include additional consultation with specific groups and/or the community in relation to the detailed components of the project. It could involve community meetings, surveys and information sessions.

11.1 Business/Management Project Plan

Councils must complete a comprehensive business/management project plan. The plan should contain the key elements and deliverables of the project and outline the costs and revenues associated with them. Details should include, but not be limited to:

- the business structure, if appropriate
- key personnel and their relevant experience
- description of the proposal and its product/service
- current market position and the potential for growth
- the business objectives both in the short and long term
- the reason the proposal will be successful
- financial projections.

The financial projections should include:

- both direct and indirect costs, separately identified
- both capital costs and ongoing recurrent costs, as well as any other expenses that are expected to occur once the project has been delivered and is operational
- inclusion of these projections in council's long term financial plan and asset management plan.

A report on all financial implications is to be prepared, including:

- an economic/market appraisal which includes:

  (i) a cost/benefit analysis test (where major benefits can be quantified)

  The analysis needs to be conducted with objectivity and balance. The cost benefit analysis has to account for benefits to the public as a whole. It is important that the views and assumptions used in the analysis are thoroughly tested for validity and reasonableness. In particular, it should be ensured that views of the wider community are considered.

  The analysis of the benefits and costs needs to be unbiased and the conclusion transparent. This helps ensure that the conclusion has not been predetermined. The analysis must be rigorous, where conclusions follow logically from the analysis and the evidence considered.

  The economic/market appraisal should show a positive result in terms of monetary or community benefit. In the case of business undertakings, full competitive neutrality pricing requirements should be applied and all ongoing expenses taken into account.

  (ii) an analysis of cost effectiveness (where outputs are not readily measured in monetary terms)

  The analysis should consider but not be limited to issues such as:

  - Environment – effects on land, flora, fauna, air and water
  - Heritage – impacts that effect the existence or integrity of an historical site
  - Quality of Life – impacts that alter the population's enjoyment of life
  - Health & Safety – that the community is not exposed to unnecessary health or safety risks

- Law & Order – change in the maintenance of law and order in the community

11.2 Risk Management Plan

Council must develop and put into operation an appropriate risk management plan for the project. The plan should be reviewed, updated and amended as and when required during the development of the project. All potential risks must be identified and addressed. Risks may not only be measured in monetary or financial terms. Possible risks may include:

Investment/Planning Risk

- Investment/planning risk relates to the quality of the planning that has contributed to the investment proposal. It can help to identify critical issues that may not have been considered as part of the planning process or potential costs and benefits that have been incorrectly estimated. There is also the risk that community needs have been misunderstood or that the services to be delivered by the project will not meet needs or expectations.

Design Risk

- Design risk relates to the level of complexity of the project, the extent to which proven technology will be used to achieve the projects aims and the realism associated with the time period estimated for completion
- External approvals risk relates to issues associated with obtaining approval for the proposal to proceed including public consultation, planning approval, environmental approvals, heritage approvals, etc.

Demand/Market Risk

- The demand or market risk relates to whether there is sufficient demand for the proposed project in order for it to succeed or that the proposed fees and charges will adversely affect demand.

Management/Operations Risk

- Management risk relates to the role management plays in ensuring that the investment delivers the expected outcomes. Where the management team named in the proposal has no experience in dealing with similar projects, this increases the risk and lessens the likelihood of success. Operations risk relates to the operational problems that may occur if the project is not planned and managed correctly
- As part of the assessment of operations risk, council should also consider whether it has adequate insurance coverage for the project and whether or not it has obtained adequate legal advice, if necessary for the project to be delivered.

Reputation Risk

- Reputation risk looks at issues relating to council's reputation being effected if the project is not completed or does not meet its targets or the expectation of the community. Other issues to be considered as part of this analysis could include such things as cost overrun, time over run, impractical designs and looking closely at council's community consultation to ensure the project is supported by the community and wider public.

Compliance Risk

- Compliance risk relates to the risk that the project fails to comply with any relevant regulations, legislation or polices, eg planning, heritage or environmental.

Completion/Construction Risk

- The completion/construction risk relates to the risk that the proposed project will not be completed in accordance with the specifications and within the stipulated timeframe and/or budget. In assessing such a risk, consideration will need to be given to the potential external and financial impacts of such outcomes.

Environmental Risk

- Environmental risk refers to the impact of the proposal on the environment and will encompass the criteria previously considered.

Occupational Health and Safety Risk

- All occupation health and safety issues need to be considered such as construction material, noise and site safety.

Other Risks

- Any other proposal implementation risk not identified under the above headings should be documented and assessed
- Councils should also consider what actions will be undertaken if the project is not meeting and or achieving milestones or costs, eg cost blowouts, builder insolvency, unexpected economical situations, unexpected excavation costs

11.3 Probity Plan

Councils must develop a probity plan for the project. A probity plan is needed to ensure:

- that the project process is transparent, that conflict of interests are avoided, pecuniary interests declared and that the project complies with competition laws and principles
- if land is to be rezoned, that the development application process is outlined with particular attention paid to the separation of council's roles as landowner and consent authority
- the plan may need to include documentation of the relationship between the parties involved in the project, eg, the independence of parties from the project, council or prospective private sector bidders for the project.

11.4 Tender Evaluation

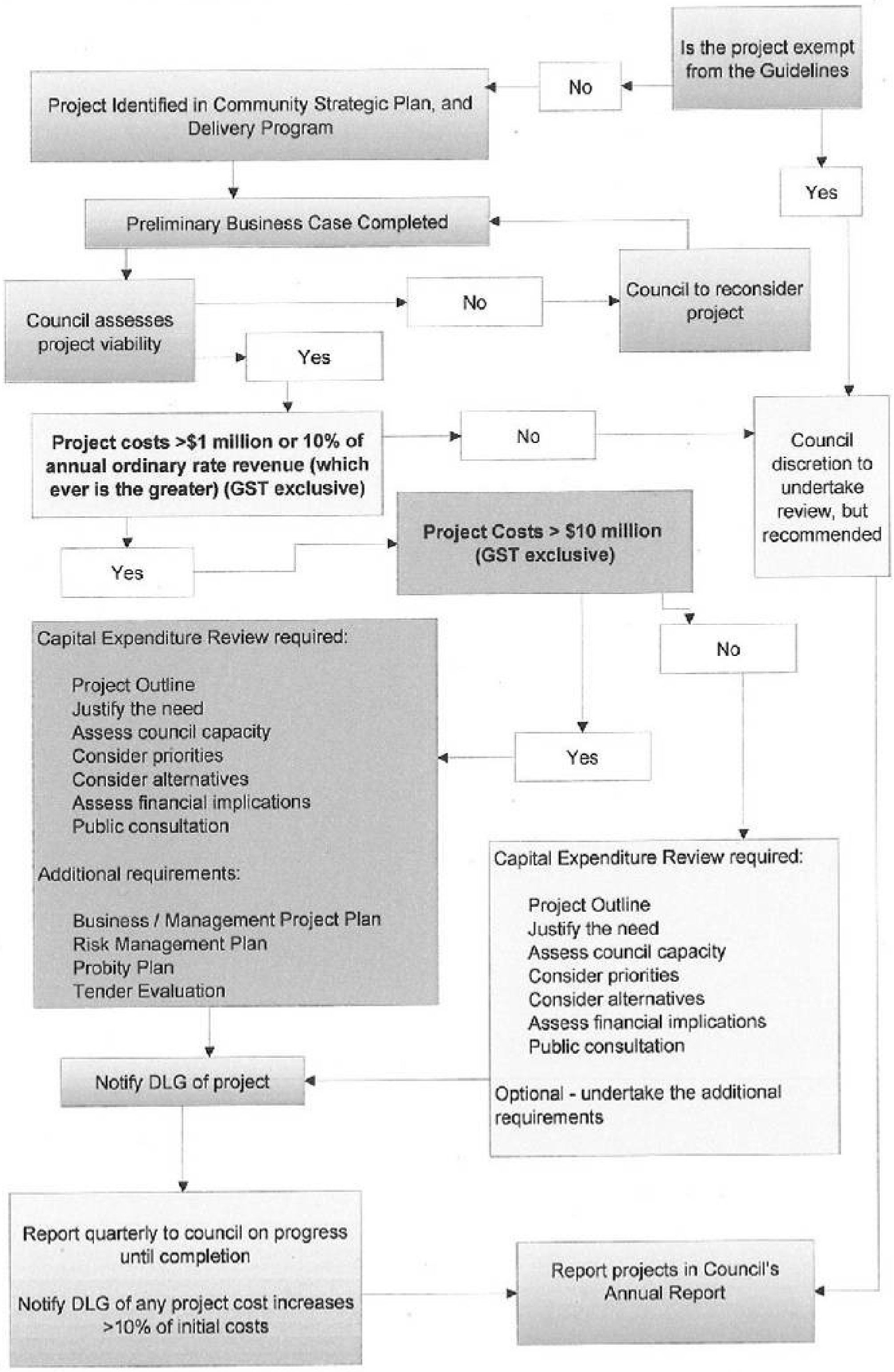
The tendering process should be in accordance with the Division's Tendering Guidelines. The *Local Government (General) Regulation 2005* and the *Local Government Act 1993*. Councils should detail how the tendering/contracting process will be conducted, ie, tender stages, details of assessment panels, assessment process (including proposed evaluation criteria) and short listing.

12 Reporting

Councils must put mechanisms in place to report on all aspects of the project. Minimum reporting requirements for all capital expenditure projects include:

- quarterly reporting to the council on the progress of the project
- quarterly reporting to the council on the costs and budget variances regarding the project. Where costs and budget variances are reported by line item, the report should also include the impact on the total project
- any issue that may have an adverse impact on the project (this may include monetary and non-monetary inputs and outcomes). The risk management plan may be relevant in this regard
- reporting capital works projects in council's annual report, which is considered to be best practice.

13 Summary Flow Chart



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4.7 Property Reserves - Update

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Responsible and efficient use of resources
Delivery Program	Commercial Services
Objective	To provide an update on the latest movements in Council's property reserves.

Background

Council has been fortunate in that through the foresight of elected councils in the 1970s and through the goodwill of Mrs Florence Price (nee Wigmore) we have substantial landholdings that have assisted Council in generating millions of dollars in non standard revenue. This revenue has been used to provide community infrastructure and to generate additional revenue making opportunities for a period of almost 40 years.

The funds generated from these property development activities are held in Council's property reserves, which are classified into three main headings:

- Community Infrastructure Reserve - Funds are applied to the provision of community infrastructure
- Commercial Opportunities Reserve - Funds are used to identify and implement commercial projects
- Industrial Land Development Reserve - Funds are used to assist in the on-going development of the Southern Cross and Russellton Industrial Estates

The forecast movements in these reserves can vary significantly as they are based on major projects such as land sales and large capital works. Therefore it is important that Council constantly review the status of each reserve.

With the 2010/11 preliminary results now available (subject to audit) this is an opportune time to review the closing balances for 2010/11 and the current forecasts for 2011/12 onwards.

This report provides that review.

Key Issues

- Movements
- Reliability of estimates
- Opportunities for change

4.7 Property Reserves - Update

Information

It is important to recognise that forward planning in respect to these reserves is subject to constant change as further information becomes available or circumstances change. The primary aim of this review is to discuss the overall program and to identify opportunities for improvement.

Community Infrastructure Reserve

The 2010/11 results and the latest forecasts for this reserve are outlined in table one.

Table One - Community Infrastructure Reserve - 2010/11 to 2013/14

Item	2010/11 (Actual)	2011/12 (Estimate)	2012/13 (Estimate)	2013/14 (Estimate)
Opening Balance	**6,348,100**	**917,300**	**9,300**	**148,300**
Add: Revenues				
Interest Accrued	248,000	72,000	7,300	5,900
Rental - ARC (50%)	116,000	155,500	160,200	165,100
Rental - 89 Tamar St (100%)	659,400	675,500	696,000	716,000
Rental - Fawcett Pk (100%)	80,000	83,500	86,000	88,600
Loan - Funded by ARC	0	0	1,300,000	0
Loan - Funded by 89 Tamar St	0	1,500,000	0	0
Loan - Funded by Fawcett Pk	0	0	0	0
Sales - Harvey Norman (Part)	0	2,180,500	0	0
Sales - Southern Cross	702,400	0	0	0
Sales - Land next to BP (50%)	0	0	873,600	0
Sales - Residual ARC (50%)	0	0	1,622,000	0
Sales - Russellton Tennis Cts	0	0	0	2,000,000
Conts - Ballina Surf Club	0	2,600,000	0	0
Insurance - Lennox Head C.C.	0	0	800,000	0
Rate - Roundabouts (30%)	0	308,000	0	0
Reserves - Town Centres	0	2,478,800	0	0
Section 94 - Recouped	920,300	400,000	450,000	500,000
Internal Loan from Comm Opp	0	1,000,000	1,000,000	0
Sub Total	**2,726,100**	**11,453,800**	**6,995,100**	**3,475,600**
Less: Expenditure				
Loan (Existing) - 89 Tamar	429,700	437,100	437,100	437,100
Loan P & I (New) - 89 Tamar	0	0	225,000	225,000
Loan P & I (New) - ARC	0	0	0	195,000
Loan P & I (New) - Fawcett Pk	0	0	0	0
Capital - Lennox Head C.C.	5,788,000	375,000	0	0
Legals - Lennox Head C.C.	100,000	75,000	0	0
Capital - Coastal Path / Walk	216,600	300,000	800,000	0
Capital - Coastguard Tower	0	0	1,700,000	0
Capital - Hockey Field	196,000	0	0	0
Capital - Main St - Alstonville	1,300,000	1,483,300	0	0
Capital - Main St - Ballina	22,500	2,799,000	2,694,000	1,705,000
Capital - Main St - Wardell	0	669,000	0	0
Capital - Captain Cook Park	0	60,000	0	0
Capital - Reg Sports Centre	6,600	443,400	0	0
Capital - Surf Club - Ballina	49,500	5,700,000	0	0
Capital - Surf Club - Lennox	11,000	20,000	0	0
Capital - Solar Panels	37,000	0	0	0
Capital - Ballina Library	0	0	0	0
Repay Loan to Comm Opp	0	0	1,000,000	1,000,000
Sub Total	**8,156,900**	**12,361,800**	**6,856,100**	**3,562,100**
Closing Balance	**917,300**	**9,300**	**148,300**	**61,800**

Brief comments on this cash flow are as follows

Revenues

Rental Income

The rental income figures represent the net rentals (after expenses) for the main investment properties held by Council, excluding the Wigmore Arcade. The revenue from the Wigmore Arcade currently is allocated almost entirely to Council's operating result, with minimal funds transferred to reserve.

Loans

Based on the assumption that Council is not selling these commercial properties the rental income is used to offset the repayments on loan borrowings. For example for 2011/12 there is a $1.5 million loan allocated against 89 Tamar Street. These loan funds are helping to finance the Ballina Main Street works.

The loan repayments (refer to the expenses section) are then offset by the on-going income stream generated from these leases.

Similarly for 2012/13 there is a $1.3 million loan, funded by the ARC lease, to assist in constructing the Coastguard Tower.

The current financial model has no loan funds allocated against the Fawcett Street café.

The loan repayments included have been based on a term of 10 years and an interest rate of 8%. The loan repayments commence the year after the loan is taken out, as traditionally Council carries the capital expenditure for the project during the year, as part of our normal operating activities and the loan finance is sourced close to the end of the financial year.

Sales - Harvey Norman Dividend

This represents the return to the Community Infrastructure Reserve from the Harvey Norman sale. The total value of this sale is $6 million and almost 100% of the net surplus (proceeds less development costs) from the sale is being returned to the Community Infrastructure Reserve.

The balance of the sale proceeds are being returned to the Industrial Land Reserve which has financed this work in the first place (refer to the Industrial Land Reserve section of this report for further information). This sale was settled on 1 July 2011.

Sales - Southern Cross Industrial Estate

This figure represents the finalisation of the sale of two lots in 2010/11.

Sales - Land Adjoining BP Service Station (50%)

Council has resolved to sell this land to a buyer, although it appears the sale may no longer proceed due to the purchaser having financing problems.

This sale has been pushed out to 2012/13 and if the sale is finalised in 2011/12 the cash flow can be adjusted.

Sales - Residual ARC Site (50%)

Similar to the previous item Council now has surplus industrial land adjoining the ARC site (APN is on the same section of land). Council staff are actively promoting this site and the proceeds have been included in the 2012/13 financial year to ensure the cash flow remains conservative.

Sales - Russellton Tennis Court Site (100%)

In order to provide adequate revenue to assist in financing the on-going Ballina Main Street works, 100% of the proceeds from the potential sale of the Russellton Tennis Courts site has been included in this cash flow. This site will be available for sale once new tennis courts are constructed on the land purchased in Wollongbar for sporting fields.

The funding of the sporting field work is included in the movements in the Commercial Opportunities Reserve which is outlined later within this report.

Ideally 50% of the funds from the sale of this land should be returned to the Commercial Opportunities Reserve however there is not enough funding within the Community Infrastructure Reserve to allow the Ballina Main Street works to be completed unless this sale is included totally in this reserve.

Further details on the Ballina Main Street expenditure are included in the expenses section of this reserve.

Contributions - Balance Surf Club

The $2.6 million figure represents the approved $2.3 million Federal grant plus $300,000 committed from the Ballina Surf Club to this project.

Insurance - Lennox Head Community Centre

Council has lodged an insurance claim for in excess of $1 million for this project and a nominal figure has been provided in 2012/13 as there remains uncertainty as to how much Council will be able to recover.

Special Rate - Roundabouts (30%)

The Ballina Main Street upgrade work includes the replacement of the River / Cherry Street and River / Moon Street roundabouts. Both of these roundabouts are in Council's Section 94 Roads Plan and funding has been included in Council's approved rate special variation to fund these two items.

The figures included in the cash flow represent 30% of the cost of the roundabouts, which is the Council's apportionment as per the Section 94 Plan. This funding helps to offset the expenditure included for the Ballina Main Street upgrade in 2011/12.

Reserves - Town Centres (30%)

Funding for the completion of the Wardell and Alstonville Main Street upgrades was included in the 2010/11 budget. These projects were not completed during 2010/11 therefore the remaining expenditure was transferred to reserves and will now be expended during 2011/12.

This funding is offset by matching expenditure for these projects.

Section 94 Recouped - Community Facilities

There are numerous projects Council has funded that are included in our updated Section 94 plans for Open Spaces, Community Facilities and Roads. Examples include the Northern Rivers Community Gallery, Ballina Community Services Centre, Lennox Head Community Centre, Coastal Shared Path etc.

As Council has, and continues to fund, a large component of these projects from our property reserves we are able to reimburse those reserves for the section 94 component of the cost, as the developer contributions are collected.

A conservative figure has been included for 2011/12 onwards as it is impossible to accurately estimate what the annual collections will be.

Internal Loan - Commercial Opportunities

This item represents a transfer from the Commercial Opportunities Reserve to ensure that this reserve (i.e. Community Infrastructure) retains a positive balance. The internal loan is then repaid in the following year as per the expenditure section. Refer to the Commercial Opportunities Reserve section of this report for the offsetting transfers to and from the reserve.

Expenditure

Loan Principal and Interest

The new loan repayments relate to the loans required to finance the Ballina Main Street upgrade and the Coast Guard Tower, whereas the existing loan repayments relate to loans taken out previously for earlier Main Street upgrades.

These loan repayments are offset by rental income generated from the assets identified (i.e. 89 Tamar Street, ARC etc).

There is currently no loan allocated against the Fawcett Street Café rental and this income could finance further loans of $0.5 million.

Lennox Head Cultural and Community Centre

The details relating to this expenditure for 2011/12 are outlined in the separate report in this agenda on the Centre, including information on the legal expenses.

Capital Projects

These figures represent expenditure incurred in 2010/11; budgets carried forward and estimates for the major capital projects that have been previously endorsed by Council.

In this proposal the Ballina Main Street upgrade is financed over three years as follows:

Segments	Current Estimate (with 5% contingency)	2011/12 Works	2012/13 Works (plus 3% CPI)	2013/14 Works (plus 3% CPI)
River / Moon Sts Roundabout	1,313,000	1,313,000		
River / Cherry Sts Roundabout	1,486,000	1,486,000		
River / Martin Sts Roundabout	473,000		487,000	
River / Grant Sts Roundabout	536,000		582,000	
Martin / Cherry Segment	1,607,000		1,655,000	
Grant / Moon Segment	1,607,000			1,705,000
Total	**7,022,000**	**2,799,000**	**2,694,000**	**1,705,000**

This is considered to be a realistic construction program based on the scale of works needed. It also allows the works to be completed in full through extra revenue being generated by the sale of the Russellton Tennis Courts in 2013/14. Council continues to pursue grants for this project and a successful application would result in Council being able to reallocate the Tennis Court proceeds back to the Commercial Opportunities Reserve, as this reserve has funded the Wollongbar Sporting Field works.

The 2011/12 budget for the Ballina Main Street works is sourced from reserves carried forward ($320,500), additional revenue raised from Council's special rate variation in respect to the section 94 roads plan ($308,000) during 2011/12, loans ($1.5m) and the balance from the Community Infrastructure Reserve.

In respect to the other future capital works no allocation has been included for the Ballina Library as Council did not proceed with the Richmond Room expansion.

Also there are currently no future provisions for major works such as the Lennox Head Surf Club, the Regional Sports Centre, embellishment of the Skennars Head Sports Fields and Lennox Head Main Street improvements.

Any of these projects would need to be financed from asset sales, loans (subject to the repayments being funded), grants, increased section 94 contributions and a combination of any of these.

Repay Loan - Commercial Opportunities

This is the offsetting entry for the income transferred from the Commercial Opportunities Reserve to ensure the Community Infrastructure Reserve balance remains positive. Refer to the earlier comments in the revenue section.

Summary

In summary this cash flow highlights the funds available in the Community Infrastructure Reserve are fully committed in the short to medium term and if the expenditure proceeds as planned there will no be funds available for additional projects. This means additional revenues need to be generated from other commercial activities to expand the infrastructure delivery program.

After 2013/14 the income generated from rental properties will be offsetting the estimated loan repayments ($969,000 in rental as compared to $660,000 in loan repayments) with a reasonable amount of funding available for reinvesting back into those facilities. There is a risk in that if any of the rental properties are vacated, or the rental reduced, this could result in a shortfall in funding.

On a more positive note the figures for section 94 recoupment are low and hopefully the actual figures will be far higher.

Similarly, no land sale figures are included for 2011/12, and if sales do eventuate earlier this could result in the deferral of loans which may improve the overall cash flow.

Commercial Opportunities Reserve

The results for 2010/11 and the latest forecasts for this reserve are as follows.

Table Two - Commercial Opportunities Reserve - 2010/11 to 2013/14

Item	**2010/11 (Actual)**	**2011/12 (Estimate)**	**2012/13 (Estimate)**	**2013/14 (Estimate)**
Opening Balance	**10,838,400**	**3,536,500**	**5,372,100**	**1,465,200**
Add: Revenues				
Interest Accrued	524,300	640,000	10,000	2,000
Sale - Balance Skennars Hd	0	0	400,000	0
Sales - Lennox Head	0	0	0	0
Sales - WUEA	0	0	0	2,000,000
Section 94 Recoupment	247,000	0	0	0
Int Loan Repaid - St Lighting	0	0	100,000	100,000
Int Loan Repaid - Flat Rk	15,600	49,300	49,300	0
Int Loan Repaid - Airport	0	68,700	0	0
Int Loan Repaid - Plant	33,800	33,800	33,800	0
Int Loan Repaid - Comm Infra	0	0	1,000,000	1,000,000
Int Loan Repaid - Indust Land	0	6,000,000	2,500,000	500,000
Sub Total	**820,700**	**6,791,800**	**4,093,100**	**3,602,000**
Less: Expenditure				
Dividends - General Fund	421,800	0	0	0

Fields-Wollongbar - Purchase	260,800	1,418,200	0	0
Fields-Wollongbar - Embellish	0	0	1,500,000	1,000,000
Fields-Skennars - Purchase	1,278,000	0	0	0
Fields-Skennars - Embellish	0	0	0	0
Land-Lennox Head - Purchase	0	0	4,000,000	0
Land-Lennox Head - Develop	0	0	0	1,500,000
Land-WUEA - Development	0	0	1,000,000	1,000,000
Internal Loan - Street Lighting	162,000	38,000	0	0
Internal Loan - Comm Infra	0	1,000,000	1,000,000	0
Internal Loan - Industrial Land	6,000,000	2,500,000	500,000	0
Sub Total	**8,122,600**	**4,956,200**	**8,000,000**	**3,500,000**
Closing Balance	**3,536,500**	**5,372,100**	**1,465,200**	**1,567,200**

Key items in this table are:

a) The first major land sale is in 2012/13 being the residual of the land purchased for the expansion of the sports fields at Skennars Head. The development application for the subdivision of this land has been lodged and once approved the lot will be immediately placed on the market (subject to Council approval of selling price and sale process).

b) A number of internal loans are being repaid to this reserve from other operations of Council

c) Funding is provided to complete the Wollongbar Sports field purchase and development. The benefit of this work is that it allows the Wollongbar Urban Expansion Area (WUEA) land to be developed as per the following item.

d) The sports field embellishment work allows the development of the WUEA property as this part of land will no longer be needed for sports fields. Funding of $1 million has been included in this cash flow in 2012/13 and 2013/14 for the development of the WUEA, which approximates to ten developed lots per annum. Sales revenues of $2m are also included in 2013/14. The development of this land will be subject to further reports to Council.

e) The purchase of land at Lennox Head has been deferred to 2012/13 and the estimate reduced from previous figures, which were approximately $7m, to $4m. This purchase is subject to commercial negotiations therefore the details will need to be discussed in confidential session.

f) Internal Loans - Due to there being surplus funds in this reserve the reserve is continually lending to the Community Infrastructure Reserve and Industrial Land Development Reserves to ensure they remain positive. What this effectively means is that Council is forward funding projects in those other two reserves with the Commercial Opportunities Reserve being repaid when the other reserves have funds available.

In summary the major focus for the Commercial Opportunities Reserve for 2011/12 is the approval process for the Wollongbar Sporting Fields with planning also being advanced for the development of the WUEA.

It is important to note that no funds are allocated for the embellishment of the Skennars Head sports fields as this work should be funded by the Community Infastructure Reserve. With Council having now purchased this land and there being demand for that expansion, a preliminary field layout is being prepared. Once that is available and costed, a further report on this work will be presented to Council.

Council also has other land holdings such as the Henderson Land residual and the two lots at Lennox Head which have not been included in this cash flow, or the Community Infrastructure Reserve cash flow. If any action is taken on these land parcels they may well have a positive impact on both of these reserves.

The final reserve considered in this report is the Industrial Land Development Reserve. The results for 2010/11 and the latest forecasts for this reserve are as follows.

Table Three - Industrial Land Development Reserve- 2010/11 to 2013/14

Item	2010/11 (Actual)	2011/12 (Estimate)	2012/13 (Estimate)	2013/14 (Estimate)
Opening Balance	**(1,933,500)**	**303,500**	**380,600**	**112,800**
Add: Revenues				
Interest Accrued	0	6,000	2,000	3,000
Rental - Norfolk Homes	115,000	133,000	137,000	141,000
Rental Income - ARC (50%)	116,000	155,500	160,200	165,100
Internal Loans Repaid - Waste	288,400	288,400	0	0
Sales - Harvey Norman	0	3,819,500	0	0
Sales - Southern Cross	0	0	870,000	290,000
Sales - Russellton	0	0	800,000	800,000
Sales - Land next to BP (25%)	0	0	291,000	0
Sales - Residual ARC (25%)	0	0	541,000	0
Internal Loan - Comm Opps	6,000,000	2,500,000	500,000	0
Sub Total	**6,519,400**	**6,902,400**	**3,301,200**	**1,399,100**
Less: Expenditure				
Dividends - General Fund	0	164,500	300,000	250,000
WUEA - Operating Expenses	0	10,000	10,300	10,700
Sthn Cross - Operating Exps	30,000	50,600	51,700	53,900
Overheads - Southern Cross	128,000	132,400	136,900	141,000
Sthn Cross - Development	4,056,600	0	0	0
Russellton - Operating Exps	9,800	7,800	8,100	0
Overheads - Russellton	58,000	60,000	62,000	0
Russellton - Development	0	400,000	500,000	0
Internal Loan - Comm Opps	0	6,000,000	2,500,000	500,000
Sub Total	**4,282,400**	**6,825,300**	**3,569,000**	**955,600**
Closing Balance	**303,500**	**380,600**	**112,800**	**556,300**

Key items in this table are:

a) Sales - Harvey Norman - This represents the return to the Industrial Land Reserve from the Harvey Norman sale. In reality the Industrial Land Reserve did not gain a surplus from this sale as almost the entire surplus has been transferred to the Community Infrastructure Reserve. Despite this, one of the pleasing points regarding this development, is that a significant amount of Industrial Land and associated infrastructure (i.e. road) was constructed during 2010/11 therefore Council has land available that does not require major additional development costs.

b) Southern Cross Industrial Estate - Future sales of land at Southern Cross have been pushed out to 2012/13 to ensure that the cash flow is conservative. If land is sold during 2011/12 the cash flow will need to be adjusted.

c) Russellton Industrial Estate - Development costs have been included in 2011/12 and 2012/13 as there is interest in the sale of land from this Estate. Geolink has prepared a revised subdivision layout and more accurate estimates for development costs are also being prepared. Council may be in a position to sell larger lots to two interested parties and details on this will be presented to Council in the near future. Once again sales have been pushed out into future years to ensure that any expenditure in 2011/12 is not based on revenues from land sales that may not eventuate.

d) Internal Loan - This reserve was significantly overdrawn at the end of 2010/11, primarily as the Harvey Normal sale did not settle until 1 July 2011. Therefore funds have had to be sourced from the Commercial Opportunities Reserve to ensure the balance of the reserve remained positive and this occurs again in 2011/12 and 2012/13.

In summary the priority of this reserve is to have land at the Russellton Industrial Estate available for sale and income from sales at Southern Cross Industrial Estate are needed to reimburse the reserve the significant expenditure it incurred during 2010/11.

Consolidated Property Reserve

In reality the three reserves mentioned are a sub-set of one reserve, being the Council's Property Reserve. It is therefore interesting to consider the impact of all the movements identified in the earlier tables as part of one reserve.

This information is outlined in the following table.

4.7 Property Reserves - Update

Table Four - Consolidated Property Reserve- 2010/11 to 2013/14

Item	2010/11 (Actual)	2011/12 (Estimate)	2012/13 (Estimate)	2013/14 (Estimate)
Opening Balance	**15,253,000**	**4,757,300**	**5,762,000**	**1,726,300**
Add: Revenues				
Interest Accrued	772,300	718,000	19,300	10,900
Sale - Balance Skennars Hd	0	0	400,000	0
Sales - Lennox Head	0	0	0	0
Sales - WUEA	0	0	0	2,000,000
Section 94 Recoupment	1,167,300	400,000	450,000	500,000
Internal Loan Repaid - St Light	0	0	100,000	100,000
Internal Loan Repaid - Flat Rk	15,600	49,300	49,300	0
Internal Loan Repaid - Airport	0	68,700	0	0
Internal Loan Repaid - Plant	33,800	33,800	33,800	0
Rental - Norfolk Homes	115,000	133,000	137,000	141,000
Rental Income - ARC (100%)	232,000	311,000	320,400	330,200
Internal Loans Repaid - Waste	288,400	288,400	0	0
Sales - Harvey Norman	0	6,000,000	0	0
Sales - Southern Cross	702,400	0	870,000	290,000
Sales - Russellton	0	0	800,000	800,000
Sales - Land next to BP	0	0	1,164,600	0
Sales - Residual ARC	0	0	2,163,000	0
Rental - 89 Tamar St (100%)	659,400	675,500	696,000	716,000
Rental - Fawcett Pk (100%)	80,000	83,500	86,000	88,600
Loan - Funded by 89 Tamar St	0	1,500,000	0	0
Loan - Funded by ARC	0	0	1,300,000	0
Loan - Funded by Fawcett Pk	0	0	0	0
Sale - Russellton Cts (100%)	0	0	0	2,000,000
Conts - Ballina Surf Club	0	2,600,000	0	0
Insurance - Lennox Head CC	0	0	800,000	0
Rate - Roundabouts (30%)	0	308,000	0	0
Internal Res - Town Centres	0	2,478,800	0	0
Sub Total	**4,066,200**	**15,648,000**	**9,389,400**	**6,976,700**
Less: Expenditure				
Dividends - General Fund	421,800	164,500	300,000	250,000
Fields-Wollongbar - Purchase	260,800	1,418,200	0	0
Fields -Wollongbar - Embellish	0	0	1,500,000	1,000,000
Fields-Skennars - Purchase	1,278,000	0	0	0
Fields-Skennars - Embellish	0	0	0	0
Land - Lennox Hd - Purchase	0	0	4,000,000	0
Land - Lennox Head - Develop	0	0	0	1,500,000
Land - WUEA - Development	0	0	1,000,000	1,000,000
Internal Loan - Street Lighting	162,000	38,000	0	0
WUEA - Operating Expenses	0	10,000	10,300	10,700
Sthn Cross - Operating Exps	30,000	50,600	51,700	53,900
Overheads - Southern Cross	128,000	132,400	136,900	141,000
Sthn Cross - Development	4,056,600	0	0	0
Russellton - Operating Exps	9,800	7,800	8,100	0
Overheads - Russellton	58,000	60,000	62,000	0
Russellton - Development	0	400,000	500,000	0
Loan (Existing) - 89 Tamar	429,700	437,100	437,100	437,100
Loan P & I (New) - 89 Tamar	0	0	225,000	225,000
Loan P & I (New) - ARC	0	0	0	195,000
Loan P & I (New) - Fawcett Pk	0	0	0	0
Capital - Lennox Hd C. C.	5,788,000	375,000	0	0
Legals - Lennox Hd C. C.	100,000	75,000	0	0
Capital - Coastal Path / Walk	216,600	300,000	800,000	0
Capital - Coastguard Tower	0	0	1,700,000	0
Capital - Hockey Field	196,000	0	0	0
Capital - Main St - Alstonville	1,300,000	1,483,300	0	0
Capital - Main St - Ballina	22,500	2,799,000	2,694,000	1,705,000

Item	2010/11 (Actual)	2011/12 (Estimate)	2012/13 (Estimate)	2013/14 (Estimate)
Capital - Main St - Wardell	0	669,000	0	0
Capital - Captain Cook Park	0	60,000	0	0
Capital - Reg Sports Centre	6,600	443,400	0	0
Capital - Surf Club - Ballina	49,500	5,700,000	0	0
Capital - Surf Club - Lennox	11,000	20,000	0	0
Capital - Solar Panels	37,000	0	0	0
Capital - Ballina Library	0	0	0	0
Sub Total	**14,561,900**	**14,643,300**	**13,425,100**	**6,517,700**
Closing Balance	**4,757,300**	**5,762,000**	**1,726,300**	**2,185,300**

The majority of these individual line items are discussed as part of the earlier information on the three reserves. What is interesting to note from this consolidated summary is the sheer magnitude of activity and infrastructure being generated from Council's property activities. It is also important to monitor the closing balance figure, on a consolidated basis, to ensure that the overall reserve balance remains positive.

Legal / Resource / Financial Implications

A number of the figures for 2011/12 and onwards in the cash flows presented vary from the adopted budget figures primarily as more up to date information is now available.

Despite these differences it is considered that the 2011/12 budget, as currently adopted, provides a reasonable reflection of the major actions planned for 2011/12. Rather than adopting the revised cash flows in this report it is planned to report significant changes on an individual, or project basis, as activities come closer to fruition.

Consultation

This report is provided for public information and to allow Councillors to discuss the forward financial plans.

Options

As the report is primarily for information the options relate to whether Council wishes to obtain further details on items within the cash flows presented. The majority of the major projects will be subject to further reports therefore the recommendation that follows is to note the contents of this report, although Councillors may well wish to identify items where further information is required.

RECOMMENDATIONS

That Council notes the contents of this report in respect to the latest estimates for the forecast movements for 2011/12 to 2013/14 for Council's three property reserves.

Attachment(s)
Nil

4.8 Property Management - Sale and Lease

File Reference	Commercial Services and Land Development
CSP Linkage	Transparent and accountable governance
Delivery Program	Commercial Services
Objective	To respond to a Council resolution asking for a report on sale versus rent options for the ARC property.

Background

At the Commercial Services Committee meeting held May 2011 a recommendation, which was subsequently adopted at the May 2011 Ordinary meeting, asked for an analysis of the possible sale versus rent options for the Council property leased to the Australian Reinforcing Company (ARC).

The report that now follows responds to that resolution.

Key Issues

- Advantages and disadvantages of sale and rental

Information

The report that resulted in the above resolution provided an overview of the outcomes from the Council decision to construct and lease land and buildings to the ARC. The financial summary included in that report confirmed the following outcomes from this project:

Item	Feasibility	Actual
Lease Term	Five plus five years	As per feasibility
Commencement Rental	310,000pa + GST	As per feasibility
Rent Reviews	CPI rent reviews	As per feasibility
Site Area (approx.)	4,000m^2	4,076m^2
Building area (approx.)	1,884m^2	1,826m^2
Total development costs	$2,640,000	$2,381,927
Commencement Net Rental	$310,000 pa	As per feasibility
Annual net rental return on total development costs	$310,000pa $2,640,000 = 11.74%	$310,000pa $2,381,927 = 13.01%
Annual net rental return on total development costs plus estimated land value ($950,000)	$310,000pa $3,590,000 = 8.63%	$310,000pa $3,331,927 = 9.30%
Estimated market value based on a capitalisation rate of 6.75%	$4,600,000	As per feasibility
Estimated development profit (before selling expenses)	$1,010,000	$1,268,000
Estimated net cash return if the Project is sold on completion	$1,960,000	$2,218,000

As per these figures the ARC development has been a reasonably successful investment for Council, to date, based on the rental return being received.

In considering sale versus lease there are underlying philosophies that need to be considered. With sale the objective is to dispose of the asset and then use the income generated to provide additional benefits through acquiring more beneficial assets, reducing liabilities or a combination of both.

With a lease the objective is to retain the asset and allow the rental income to offset the cost of holding the asset. Ideally the value of the asset will also grow over time. While the asset is held the income should, be reinvested back into the asset and if there is surplus rental income those funds can be utilised for alternative means.

There are advantages and disadvantages for both sale and lease and the following table provides examples of both.

Option	Advantages	Disadvantages
Sale	Cash generated from sale	Asset is no long held and may be irreplaceable
	Creates opportunity to acquire new asset, reduce liabilities (debt), or a combination of both. Assets can include extra infrastructure works	If sale proceeds are not used appropriately the funds are permanently lost
	Eliminates any risk associated with the asset	Eliminates any opportunity for future growth in the value of the asset
Rental	Creates additional income flow	Risk of termination of lease
	Opportunity for asset value to grow over time	Risk that new tenant may not be able to be located if rental property vacant
	Income flow and asset growth can provide compound benefits	Wear and tear can impact on values
	Creates opportunity to re-develop asset over time	Asset can decrease in value as markets change
	Allows asset to be retained which is important if there is limited supply	Difficult tenants can result in management problems

In determining whether or not an asset should be sold or retained for leasing there are a series of questions that could be asked to make this decision. A sample of the key questions and possible responses are as follows.

1. Why is the asset being held?

It has been Council practice ever since the Wigmore Arcade was dedicated to Council, to use income generated from property activities to assist in providing services to the community.

In the opinion of staff this is considered to be an essential factor in Ballina Council being able to provide services of an adequate standard, as it is generally accepted that Government grants and rate income will never generate sufficient funding.

Sydney City is a classic example of a council that generates substantial revenues from property activities and by doing this they have been able to provide a high level of services and still keep average rates relatively low.

Ballina Council now has five major property assets generating income streams being the Wigmore Arcade, Fawcett Park Café, 89 Tamar Street, ARC building and the Norfolk Homes lease at the Southern Cross Industrial Estate.

Currently the ARC building is being held to generate a rental stream to assist in Council service delivery. As per the earlier report in this agenda on the property reserves, 50% of the income generated is being transferred back to the Commercial Opportunities Reserve, and 50% to the Community Infrastructure Reserve.

The 50% Commercial Opportunities contribution will be used to either improve the existing asset or to pursue other commercial ventures, whereas the 50% Community Infrastructure contribution is being used to finance loan repayments relating to community infrastructure projects.

2. What is the probability of selling the asset in the current market and what is the likely value to be received?

The current property market, which is weak at best, may not an ideal time to be selling property assets. However despite the weak market Council has had two approaches to date, without prior solicitation, enquiring whether or not the ARC is building is for sale.

As this is a commercial property the selling price will be determined based on the yield required by the purchaser and indicative selling prices based on a range of yields are as follows:

Yield	**Value ($)**
4%	7.75m
5%	6.20m
6%	5.17m
7%	4.43m
8%	3.88m
9%	3.44m
10%	3.10m

3. How will the proceeds of the sale be applied?

The earlier report in this agenda on the property reserves, outlined the multitude of community infrastructure projects that Council is planning for the next few years. The cash flows in that report provided a proposal whereby a loan of $1.3 million was being raised to finance future projects with that loan being repaid from the 50% of the income generated from the rental of the ARC building.

If Council did resolve to sell the ARC building it should not be to finance another commercial project, as this is already a very sound investment, therefore the reasons would only relate to the provision of additional community infrastructure. The major priority should be the projects identified in the Community Infrastructure Reserve cash flows.

Remembering that those cash flows already include the $1.3 million loan funding, any sale proceeds generated would need to be netted off against this loan.

For example if the ARC building is sold for $4 million the net benefit to the cash flow will be $2.7 million as Council will no longer be in a position to take out the $1.3 million loan, as the rental income stream to finance the loan repayment will no longer exist.

Council will also need to determine whether any of the funds derived from the sale are to be transferred back to the Commercial Opportunities Reserve. A total of approximately $2.4 million was transferred from this reserve to finance the construction of the building and this figure, at least, should be transferred back to the reserve.

Council policy is to transfer 50% of the profits of property development to the Community Infrastructure Reserve and 50% back to the Commercial Opportunities Reserve. If no land value was included in this calculation the net transfer to the Community Infrastructure reserve, based on a $4 million sale would be $800,000 (i.e. $4m less development costs of $2.4m - with the balance distributed evenly across both reserves).

Council's accounting records have a historical land value of approximately $5 per square metre for this area of the Southern Cross Estate based on the original purchase price. For the ARC site this equates to a land value of approximately $20,000. This means the inclusion of this value in any net surplus calculation is relatively minor.

However if the land value included in the net surplus calculation was based on current values, the figure, as outlined in the original feasibility study is approximately $950,000. Once development costs are added, on this basis, assuming a sale price of $4 million, the net 50% transfer to the Community Infrastructure Reserve is $325,000 ($4m less $2.4m development less $950,000 land value - with the balance distributed evenly across both reserves).

What the last few paragraphs highlight is that there are a number of ways in which the funds generated from the sale could be distributed and ultimately it is a matter of Council determining its priorities for that funding.

4. What are the risks of continuing to hold the asset?

This is an important question in property management as it is critical that any assets held are pro-actively managed.

A good example of the risks of holding property assets is the Wigmore Arcade which is in a prime position in the town centre. Council has, for decades, been utilising all the funds generated from this property to finance Council services. This reliance is slowly being reduced however due to the size of the funding being accessed (approximately $0.5m) incremental adjustments are being made on a year to year basis.

The Wigmore Arcade asset is now at a stage in its useful life where Council need to consider whether or not it should be significantly redeveloped to ensure it remains a contemporary building. With Council not having any significant funds distinctly set aside from the on-going management of the building any re-development will need to be funded from loans or from the property reserves.

Re-development will not be an easy process as Council, which operates in a public and political environment, will need to have a clear vision as to what it wants to achieve and the re-development process may well impact on the livelihoods of the tenants in the arcade.

Many private sector shopping complexes struggle with such re-developments therefore the difficulties of carrying out such a process are only compounded for Council as there is a much higher level of transparency, accountability and community involvement required due to public funds being used.

The Wigmore Arcade property is now emphasising the risks of holding assets in that existing leases are due in the not too distant future, we currently have one shop vacant and the overall property market, both for sale and retail, is relatively weak.

This is not to say Council is not in a position to work through these issues, but what it does highlight is the type of factors that can arise in property management.

In respect to the ARC building Council has a blue chip tenant with approximately four years of a five year lease remaining, with that lease also having a five year option for the tenant. The overall risk of the tenant defaulting is extremely low as they are a major national company and the actual building itself is a relatively standard commercial building, with very little in the way of maintenance expected in the short to medium term.

The major risk with this type of property is that the tenant will vacate the building after the first five years. Council will then be in the position of trying to find a comparable tenant.

On the positive side the building is suitable for a range of businesses, it could potentially be partitioned and most importantly with Council's future plans for the airport / Southern Cross precinct the building is in a prime medium to long term location.

The ARC building is actually a far easier property to manage than the Wigmore Arcade in that there is only one tenant and there is very little public access to the property. However there is increased risk in this in that with there only being one tenant, if that tenant vacates, the entire rental income ceases.

Legal / Resource / Financial Implications

This entire report is considering the financial implications of selling or continuing to lease the ARC building.

Consultation

This report has been provided for public information.

Options

There are a range of options that Council could consider in respect to this report. Those options range from agreeing to sell the property, deferring any decision for 12 months or more, or accepting that leasing is the preferred option for the medium term.

The benefit of selling now is that the lease term is almost at its maximum, whereas the dis-benefit is that the current property market is weak, although there has already been unsolicited interest in this property.

Another option could be to defer any decision for 12 months or more. Council should continually be assessing the status of its major properties and on-going discussions regarding sale versus hold should be an annual exercise.

Finally Council could accept that we need to continue to build our income stream through non-standard revenues, recognising that over time this strategy should place Council in a far stronger overall financial position by having a diversified property portfolio.

In determining a preferred option the position of staff is that assets such as the ARC building are extremely difficult to establish and to replace, therefore the preferred approach is to currently retain the property. Council is rapidly moving into a phase of significant development for the entire airport / Southern Cross Industrial Estate and with there only ever being a limited supply of land, it is important Council retain income generating assets where possible.

Council is planning to use part of the income stream from the property to finance community infrastructure and with Council already having a significant program of community infrastructure works underway there is no immediate need to generate surplus funds from the sale.

On this basis the recommendation is to note the contents of this report, with the proviso being that Council should be continually reviewing the status of its property portfolio as there may well be times where sale is the preferred option as compared to on-going leasing.

RECOMMENDATIONS

That Council notes the contents of this report in respect to the possible sale or continuing lease of the Australian Reinforcing Company property holding.

Attachment(s)

Nil

4.8 Property Management - Sale and Lease

4.9 Land Sale - Not for Profit Community Group

File Reference	Animal Shelter
CSP Linkage	Diverse and balanced land use
Delivery Program	Commercial Services
Objective	To confirm Council's position in respect to the proposal to offer for sale Council land for the purpose of constructing an animal shelter for a not-for-profit community organisation

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Background

Council has been negotiating with Northern Rivers Animal Service (NRAS) for some time regarding a proposal for NRAS to purchase Council's existing animal shelter for their not for profit organisation.

Council resolved at its Ordinary meeting of 28 October 2010:

"That Council accept the revised offer, as per this report, to sell the subject property to NRAS with the proceeds of the sale contributing to the cost of construction of a new purpose built animal shelter for Council's purposes.

1. *The balance of any sale proceeds are to be transferred to Council's property reserves (community infrastructure).*

2. *The Council seal is authorised to be attached to any sale and contract documents."*

Unfortunately the cost of the constructing the new purpose built animal shelter is now far higher than originally anticipated. This report seeks to determine whether Council wishes to change its position based on these revised costs.

Key Issues

- Availability of suitable land
- Costs and resources to Council
- Community benefit

Information

Council's Commercial Services staff have been liaising with NRAS for some time regarding the proposal to sell Council's current animal shelter to NRAS. As per the most recent recommendation Council resolved to accept the latest offer from NRAS for $340,000 excl. GST.

As part of the negotiation Council has been reviewing the costs involved in constructing a new animal shelter for Council's purposes on the Council depot site.

Council's Regulatory Services Group operates the animal shelter which provides a safe environment for lost, homeless and abandoned companion animals (dogs and cats), and other animals as required.

As part of a review of this service Regulatory Services staff have been researching specifications and construction requirements for the proposed new shelter to be constructed on the Council depot site adjoining the current animal shelter.

Due to the changes in legislation since the current animal shelter was built there is a significant increase in the requirements for the housing of companion animals which would have to be taken into account for any new construction of animal shelters.

An indicative costing has been provided to Council of $550,000 for civil and building costs, including the specialised fit out requirements.

Discussions with other councils whom have recently constructed new animal shelters has indicated the costs of the internal fit out to meet new standards, is substantial and confirmed that an estimated cost of $550,000 and greater would be anticipated. Notwithstanding, the costs of commissioning the building design and preparing the development application would also need to be allowed for, resulting in a total cost of around $600,000.

This would leave a shortfall of approximately $260,000 should Council resolve to proceed with the current sale.

The opportunity for Council to develop and construct a new animal shelter to meet its obligations under the current legislation and to be located in close proximity to NRAS is a great opportunity for Council.

The Council rangers are principally responsible for this service and have had an excellent working relationship with NRAS for many years. The opportunity to now construct a new shelter adjacent to this organisation would continue to foster and develop this relationship, plus also provide improved services for the community.

The NRAS provides a valuable service in assisting Council to help save unwanted and unclaimed animals which have been assessed and are suitable to be rehoused.

Tragically all around Australia many lovely healthy but unwanted and dumped companion animals end up at local council animal shelters every week.

Council has a statutory obligation to provide animal shelter facilities to ensure animals are managed in accordance with the Companion Animals Act 1998. This is different to the aims and objectives of other local welfare organisations whereby Council has to undertake the management of dangerous and restricted breed dogs.

A recent review of statistics has indicated that the ownership of companion animals has grown in recent years in the Shire. This growth supports the construction of a new facility to meet current and future needs in the management of companion animals.

It is also evident that the number of reported dog attacks and dog related incidences that Council has been responsible for investigating and taking action this calendar year is higher than in the past.

In addition to the above discussion regarding the sale of the animal shelter Council also needs to give consideration as part of this process to the relocation of the abandoned vehicle compound which is located on the current animal shelter site.

Occupational health and safety conflicts exist with the abandoned vehicle compound on the current site and it is considered more appropriate to construct a new compound on an alternative more suitable location in the Shire.

Investigations into suitable compound sites have identified a number of alternative sites exist, however further discussions will be required.

The construction of a new abandoned vehicle compound is estimated to cost Council between $15,000 and $25,000, subject to prevailing site conditions.

During the 2011/2012 budget, proposals were prepared by the Regulatory Services Group for $120,000 to be allocated for the upgrade of the existing animal shelter to enable Council to meet the current demands and subsequently comply with the legislation and similarly for the construction of a new abandoned vehicle compound on an alternative site to the value of $12,000.

Both budget bids were unsuccessful for the current financial year.

Should Council resolve not to support the sale of the current animal shelter to NRAS, the essential upgrade of the shelter will need to be addressed and the Council will need to consider allocating funds to the upgrade if the proposed sale to NRAS doesn't proceed in the immediate future.

Preliminary estimates for a minimum upgrade of the existing animal shelter to ensure the health and safety of animals, Council workers, and the public are approximately between $150,000 and $200,000.

There is currently approximately $25,000 in this financial year's budget for minor improvements and maintenance at the animal shelter and, depending on the timing, these funds could be transferred if the sale does proceed towards a major upgrade of the facilities.

Sustainability Considerations

- **Environment**
  Not Applicable

- **Social**
  There is a social benefit in providing a site for NRAS from which they can operate an animal shelter.

- **Economic**
  Whilst there is a negative dollar figure, NRAS do assist Council in rehousing animals that would otherwise cost Council.

Legal / Resource / Financial Implications

The site upon which the Council animal shelter sits is classified as "operational land" and as such Council is free to sell it.

The value of the subject site and improvements is considered to be in the order of $360,000 + GST.

The revised offer from NRAS was for $340,000 + GST.

The costs to Council for the construction of a new animal shelter are approximately $550,000 and an overall budget of $600,000 allowing for building design, development approval and the relocation of the abandoned vehicle compound is required.

Consultation

Council staff have been liaising with NRAS, Council's Regulatory and Civil Services Groups.

Options

1. Council resolve to accept the offer from NRAS to purchase the existing Council animal shelter property for a price of $340,000 + GST, with the proceeds of the sale used to assist in the funding of a new Council animal shelter within the Council Works Depot. The shortfall of $260,000 between sale proceeds and the estimated cost of constructing a new facility on the Council depot site to be sourced from Council's property reserves.

2. Council resolve to decline the NRAS offer and plan to upgrade the existing animal shelter to meet legislative requirements as part of the 2012/13 budget.

3. Council resolve to seek a new site for abandoned vehicles and allocate funds of approximately $15,000 for the construction of a new compound to be sourced from Council's property reserves.

Options one and three are ideally the preferred approach as they provide for a strong level of co-existence between NRAS and Council and result in there being modern and contemporary facilities provided.

However from a prudent financial management perspective option two is the preferred approach as it is important that Council manage its finances responsibly.

As both options are viable the recommendation includes either to allow Council to determine the preferred approach.

RECOMMENDATIONS

Option A

That Council approves an additional transfer of $280,000 from Council's property reserves to allow the construction of a new animal shelter, and abandoned vehicles pound. This additional funding will also allow the sale of the existing animal to be finalised to the Northern Rivers Animal Service.

OR

Option B

That Council advise the Northern Rivers Animal Service that the sale of the existing animal shelter can no longer proceed due to there being insufficient funding allocated in 2011/12 to provide a replacement shelter. Funding for this project and a new abandoned vehicle pound is to be considered as part of the 2012/13 budget deliberations.

Attachment(s)

Nil

4.10 Commercial Activities - Reporting

File Reference	Research and evaluation
CSP Linkage	Transparent and accountable governance
Delivery Program	Commercial Services
Objective	To consider options for the measurement of Council's commercial / entrepreneurial activities.

Background

At the Finance Committee meeting held 7 April 2011 Council considered a report on a review of the Property Activities Reserve Policy. As part of this review the recommendation from that meeting also included the following action:

That the Commercial Services Committee receive a report on a review of the financial performance measures used for Council's commercial / entrepreneurial activities.

This recommendation was adopted at the April Ordinary Council meeting and the report that now follows provides a response to that resolution.

Key Issues

- Available information
- Measurement options

Information

In responding to this resolution it is important to have an understanding as to what activities are considered to be commercial / entrepreneurial as Council has a wide variety of property holdings.

Council's annual financial statements require investment properties to be separately identified (note 14 of the annual statements). Investment properties are defined as properties held to earn rentals or for capital appreciation, or both. The properties that Council currently lists in this section of the annual statements, along with the values recorded for 30 June 2011 are as follows:

Description	30 June ($'000)
Wigmore Arcade, Ballina	6,530
89 Tamar Street, Ballina	7,830
Fawcett Street Café, Ballina	1,050
67 Piper Drive (Norfolk Homes), Ballina	2,400
6 Cessna Crescent (ARC), Ballina	4,430

In addition to this Council is also required to list land held for real estate development (note 8 of the annual statements).

This item reflects the historical cost of purchasing and developing real estate related properties for sale and the values recorded in that section for 30 June 2011 are as follows:

Description	**30 June ($'000)**
Southern Cross	4,748
Russellton Industrial	575
Wollongbar	735
Total	**6,058**

In addition to these properties there are numerous other Council land holdings that form part of Council's overall property portfolio. The term property portfolio is important in that Ballina, as with many councils, owns a wide range of properties many of which are owned to assist with the delivery of core services by Council. Often these properties are not held for investment purposes as the primary purpose may be for a Council service.

The next table provides a summary of revenues generated and operating expenses from properties that are not considered to be investment or real estate related for 2010/11, however they still generate revenues for Council.

Table One - Operating Income - 2010/11

Description	**Amount ($)**
Council Owned Land	
Leases - Residential Properties	56,142
Leases - Missingham Vendors	8,102
Leases - Vacant Land	50,241
Leases - Radio Tower Sites	156,132
Leases - Misc Commercial Properties	96,788
Leases - Footpath and Airspace	5,792
Leases - Shellys (Council Portion)	32,254
Sub Total	**405,451**
Council Controlled Crown Land	
Leases - Shellys (Crown Reserve Portion)	10,124
Leases - Old Tintenbar Council Chambers	40,558
Leases - Old Ballina Library	14,152
Leases - Misc Crown Reserves	13,251
Sub Total	**78,085**
Total Income	**483,536**

As shown in this table this revenue is substantial and it does highlight the opportunities for generating revenues from Council held land. For example the radio tower sites have substantial revenues being generated from what are largely infrastructure assets as often the primary purpose of these land parcels is for water infrastructure.

Similarly an activity like Shelly's Beach Café is on land that forms part of the foreshore. Council is not in a position to sell this land however by making the land available for a commercial operation, Council is able to generate revenues that then assist our overall service delivery.

To ensure this report does not become overly complex the preference is to initially focus on the investment properties and real estate holdings as it is these properties that have a solely commercial focus,

Many of the other properties included in table one contain elements that relate to service provision and future strategic planning and therefore disposal must be considered as part of a broader picture. The airport is similar to this in that it is provided for transport purposes and is not held primarily as an investment or to generate non-standard revenues.

In respect to investment properties the next table provides an operating income and expense summary for 2010/11.

Table Two - Operating Profit and Loss - 2010/11

Description	**Amount ($'000)**
Operating Revenues	
Wigmore Arcade	634
89 Tamar	691
Fawcett Street	84
67 Piper	115
6 Cessna	233
Sub Total	**1,757**
Less: Operating Expenses	
Wigmore Arcade	138
89 Tamar	32
Fawcett Street	4
67 Piper	0
6 Cessna	1
Internal Overheads	70
Sub Total	**245**
Net Cash Result	**1,512**

The following table provides the movement in real estate holdings for 2010/11 as per Council's financial statements. The Southern Cross Industrial Estate, Russellton Industrial Estate and the Wollongbar Urban Expansion Area holdings represent the properties included in this calculation.

Table Three - Real Estate Movements - 2010/11

Description	**Amount ($'000)**
Opening Value	**4,969**
Add: Capital Expenditure	1,570
Less: Cost of Good Sold	481
Closing Value	**6,058**
Profit on Sale	
Sale Proceeds	704
Les: Cost of Goods Sold	481
Gain on Sale	**223**

One problem with the information included in this calculation in the financial statements is that it deletes all the Council owned infrastructure that has been constructed as part of this real estate development.

As Council ultimately owns the road, drainage and water and sewer infrastructure, for accounting purposes, the cost of that infrastructure is removed from both the real estate holding value and the gain on sale.

One further problem with this note is that it is based on actual costs (i.e. purchase plus development) and does not reflect current values, although when looking at cash profit on real estate development it is historical expenditure against which profit is measured.

Another important component of Council's commercial property activities is the cash reserves held for those activities. The next table provides the summarised results for 2010/11 for the three property reserves held by Council being the community infrastructure, commercial opportunities and industrial land development reserves.

Table Four - Consolidated Property Reserve Movements - 2010/11

Description	Amount ($'000)
Opening Balance	**15,253**
Add: Transfers to Reserves	
Interest	772
Investment Property Rental (excludes Wigmore)	1,086
Industrial Land Sales	702
Section 94 Recoupments	1,167
Internal Loan Repayments	479
Sub Total	**4,066**
Less: Transfers from Reserve	
Community Infrastructure	9,328
Legals	100
Dividends - General Fund	421
Industrial Estates - Operating Expenses	225
Industrial Estates - Capital	4,056
Loan Principal and Interest	429
Sub Total	**14,562**
Closing Balance	**4,757**

The key movements in this reserve(s) relate to the extensive amount of funds expended on community infrastructure. This item, the dividend figure and the legal expenses represent funds that have been used to assist Council in its service provision and without this property reserve those funds would have had to be sourced from rates and / or loans.

Financial Performance

In respect to financial performance the standard indicator for commercial property is return on investment (ROI). Based on the information outlined in this report the 2010/11 results for the investment properties are as follows:

Table Five - Investment Properties - Return on Investment - 2010/11

Property	Revenue	Expense	Net	Value	Return %
Wigmore Arcade	634	138	496	6,530	7.6
89 Tamar	691	32	659	7,830	8.4
Fawcett Street	84	4	80	1,050	7.6
67 Piper (Norfolk)	115	0	115	2,400	4.8
6 Cessna (ARC)	233	1	232	4,430	5.2
Total	**1,757**	**175**	**1,582**	**22,240**	**7.1**

This is simply the cash result and does not include depreciation or the value of staff time allocated to the management of these projects. Once these two items are included the return could be reduced to around the 6% mark.

Based on this level of return there is an argument that Council should be disposing of the assets and then investing the funds in low risk term deposits, which are currently generating slightly under the 6% mark, with no inherent risk. However the important factor that the ROI analysis does not show is the movement in the capital value of the property for the financial year.

Council is required to obtain a valuation for our investment properties annually for inclusion in our financial statements. The next table provides the valuations for the past four years, along with the movements between years.

Table Six - Property Valuations as at 30 June 2007/08 to 2010/11

Property	07/08	08/09	Change	09/10	Change	10/11	Change
Wigmore Arc	6,250	5,750	(500)	5,750	0	6,530	780
89 Tamar	6,898	7,000	102	7,000	0	7,830	830
Fawcett Street	965	1,000	35	1,000	0	1,050	50
67 Piper	1,270	1,345	75	1,345	0	2,400	1,055
6 Cessna (1)	0	0	0		0	4,430	1,048
Total	**15,383**	**15,095**	**(288)**	**15,095**	**0**	**22,240**	**3,711**

(1) This "change" figure represents the estimated movement during the year as the building was only constructed during 2010/11 assuming an initial valuation of $3,382

This table demonstrates how valuations can move from year to year and one of the main aims of holding property is to generate capital gains over time. The table highlights how valuations can fluctuate up and down and it is important to acknowledge that property investment needs to be examined in the longer term as short term fluctuations can distort results and measurements.

Even though Council has generated a 7.1% return on our investment for 2010/11, if the movement in the capital value was included the total return would be in excess of 25% (i.e. the figure would include the $3.711 million increase in valuations during the year).

Similarly, if the net operating result for 2010/11 of $1.582 million was measured against the opening property value of $15.095 million, the actual return on investment is 10%, which is far higher than the term deposit yield for the same period.

The key point with all these figures is that any measurement of investment properties needs to consider both the net operating result for the year along with any movement in asset values. It is also important that single years not be considered in isolation as movement over a longer period provides a far more reliable measure of the net return on any investment property.

Importantly Council needs to continually monitor the performance of the investment properties to ensure the community is receiving a reasonable return on the public funds invested into those assets.

It is fair to say that investment properties are relatively easy to measure as there is typically a defined valuation and there are income and expenses to provide an annual operating result.

On the other hand, land held for real estate development is far more difficult to measure performance as there are often significant time lags between the initial investment and the realisation of any financial gains.

As mentioned earlier Council has three properties listed as real estate holdings in our financial statements, being Southern Cross and Russellton Industrial Estates and land at Wollongbar (referred to as the Wollongbar Urban Expansion Area.

The Southern Cross and Russellton land holdings were purchased over 20 years ago and in reality the initial purchase price has been repaid over time through sales and subsequent profits generated.

The information included in table three provides the historical and development costs recorded in Council's financial records for these properties. This information does not reflect current valuations and the only current valuation information is the land values used for rating purposes.

The latest values for the three properties based on those values, which range from 2008 to 2010 valuation dates, are as follows:

Property	**Land Value ($'000)**
Southern Cross (1)	9,000
Russellton	1,200
WUEA (2)	1,200

(1) This figure must be treated as indicative only as the land parcels as per the Valuer General's figures consist of a range of property holdings that make up the Southern Cross Estates and part of these property holdings overlap into other activities such as the airport.

(2) The land values for the two WUEA properties total $1.92m for approximately eight hectares and under the new LEP approximately 62% of this land will be able to be developed with the balance remaining as community use for open space and community facilities

Council again has the option of developing or selling undeveloped these land parcels. The appropriate response to measure the performance of these assets is to consider the cost and risk of a development proposal against the sale of the properties.

It is anticipated that development reports on all three properties will be submitted to Council in the near future and that will provide an opportune time for Council to consider whether or not it wishes to proceed with any further development.

Finally there have been discussions regarding the preparation of a profit and loss and balance sheet for Council's property holdings. This information can be prepared as it is largely a matter of removing the figures from our annual financial statements.

The real issue is to determine what assets and liabilities to include in the profit and loss and balance sheet. For example the airport has been mentioned as a commercial undertaking, although it is not included in our annual financial reports as a business. Similarly all the property assets identified in table one could also be included.

In order to keep this exercise relatively simple the following profit and loss and balance sheet focuses on the investment properties, the real estate holdings and the cash reserves. The format presented is as per Council's annual financial reports.

Income Statement - Year Ended 30 June 2011

Item	**2010/11**
Income from Continuing Operations	
User Charges and Fees - Investment Properties	1,757
Interest Earned	772
Contributions	1,646
Net Gain from the disposal of Assets	223
Total Income from Continuing Operations	**4,398**
Expenses from Continuing Operations	
Employee Benefits and On-costs	0
Materials and Contracts	470
Borrowing Costs	0
Depreciation	0
Net Loss from the Disposal of Assets	0
Total Expenses from Continuing Operations	**470**
Net Operating Result for the Year	**3,928**
Gain / (Loss) on Revaluation of Property	3,711
Total Comprehensive Income for the Year	**7,639**
Less Dividends Paid and Contribution to Services	9,901
Net Comprehensive Income for the Year	**(2,262)**

Balance Sheet - Year Ended 30 June 2011

Item	2010/11	2009/10
Assets		
Cash and Investments	4,757	15,253
Inventories (Real Estate)	6,058	4,969
Property	11,400	11,400
Investment Property	22,240	15,095
Total Assets	**44,455**	**46,717**
Liabilities		
Borrowings	0	0
Total Liabilities	**0**	**0**
Equity		
Retained Earnings	44,455	46,717
Total Equity	**44,455**	**46,717**

The key item in this format is the "Dividends Paid and Contributions to Services" figure of $9,901 included in the Income Statement. This represents the net contribution from Council's property reserves for the year.

This figure is massive and includes contributions to a wide range of projects such as the Wardell and Alstonville Town Centre Upgrades, the Lennox Head Community Centre, as well as a contribution to Council's recurrent operations. The one thing this information does demonstrate is the infrastructure benefits being gained from Council's property activities.

It is also important to note that the total equity included in the balance sheet has decreased from 2009/10 to 2010/11. This is a figure that should be monitored as it will highlight whether or not Council is draining its property reserves over time.

Legal / Resource / Financial Implications

There are no financial implications arising from this report.

Consultation

This report has been provided for public information.

Options

This report has been prepared largely for discussions purposes to determine how Council wishes to advance our reporting on commercial activities. The important point outlined in this report is that there is a wide range of information available and ultimately it is the users of that information who need to direct how the results are to be presented.

Whether Council wishes to progress this type of reporting is a matter for Councillors to determine, however it is considered that an annual income statement and balance for these activities would be of benefit in monitoring the overall performance of the commercial property portfolio.

RECOMMENDATIONS

That Council notes the contents of the report on reporting for our Commercial Activities.

Attachment(s)

Nil

5. Confidential Session

In accordance with Section 9 (2A) of the Local Government Act 1993, the General Manager is of the opinion that the matters included in the Confidential Business Paper, and detailed below are likely to be considered when the meeting is closed to the public.

Section 10A(4) of the Local Government Act, 1993 provides that members of the public are allowed to make representations to or at a meeting, before any part of the meeting is closed to the public, as to whether that part of the meeting should be closed.

A brief summary of each of the reports recommended for consideration in confidential session follows:

<u>Item 5.1 - Southern Cross Masterplan - Update</u>

This report contains information relating to commercial proposals and discussion of these in confidential session will enable the benefits from those proposals to be maximised.

<u>Item 5.2 - Lennox Head Cultural and Community Centre - Insurance Claim</u>

This report contains information relating to a contractual dispute with the original architect and the release of information in this report may impact negatively for Council in respect to that dispute.

<u>Item 5.3 - Retail Lease Agreements - Review</u>

This report contains information relating to commercial lease arrangements and discussion in an open meeting is not considered to be in the public interest as it may affect Council's ability to negotiate an outcome in respect to the contents of the report.

RECOMMENDATION

That Council moves into committee of the whole with the meeting closed to the public, to consider the following items in accordance with Section 10A (2) of the Local Government Act 1993.

5.1 <u>Southern Cross Masterplan - Update</u>

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(d) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to the following: -

(d) commercial information of a confidential nature that would if disclosed:
  (i) prejudice the commercial position of the person who supplied it
  (ii) confer a commercial advantage on a competitor of the council
  (iii) reveal a trade secret

and in accordance with 10D(2)(c), on balance, the discussion of the matter in an open meeting is not considered to be in the public interest as it is important that Council is able to discuss commercial proposals in confidence to ensure that the benefits from those proposals can be maximised.

5.2 Lennox Head Cultural and Community Centre - Insurance Claim

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(g) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to the following: -

(g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege

and in accordance with 10D(2)(c), on balance, the discussion of the matter in an open meeting is not considered to be in the public interest as Council is currently involved in a contractual dispute with the original architect and the release of information in this report may impact negatively for Council in respect to that dispute.

5.3 Retail Lease Agreements - Review

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to the following: -

(c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business

and in accordance with 10D(2)(c), on balance, the discussion of the matter in an open meeting is not considered to be in the public interest as it may affect Council's ability to negotiate an outcome in respect to the contents of the report.