



AGENDA

OPERATIONS COMMITTEE MEETING Tuesday 17 October 2006

Chairman: Mr Frank Willan

**Administrators: Mr Frank Willan
Ms Lucy Turnbull
Mr Max Boyd AM**

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ITEMS FOR CONSIDERATION OF THE COMMITTEE:

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REPORTS THROUGH THE GENERAL MANAGER

01 [GC-OC] Pecuniary Interest Returns and Register 2005/2006

ORIGIN:

Director Governance & Corporate Services

SUMMARY OF REPORT:

The Pecuniary Interest Returns for the period 1 July 2005 - 30 June 2006 are tabled in accordance with Sections 449 and 450A of the Local Government Act 1993.

RECOMMENDATION:

That the Pecuniary Interest Returns for the period 1 July 2005 to 30 June 2006, as tabled, be noted.

REPORT:

Section 449 of the Local Government Act 1993 requires the General Manager to obtain returns disclosing interest of Councillors and designated persons.

Section 450(a)(2) of the Local Government Act 1993 requires the General Manager to table such returns at the first meeting of Council held after the last day for lodgement of the returns, that date being 30 September 2006.

The returns relate to the period 1 July 2005 - 30 June 2006 and are available for inspection by members of the public.

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

*To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).*

Nil.

O2 [GC-OC] Councillors - Payment of Expenses and Provision of Facilities for Mayors and Councillors

ORIGIN:

Corporate Compliance

SUMMARY OF REPORT:

In accordance with Section 252 of the Local Government Act 1993, Council must within five months after the end of each year adopt a policy concerning the payment of expenses incurred or to be incurred by and the provision of facilities to Mayors, Deputy Mayors and other Councillors.

In accordance with Section 253 of the Local Government Act 1993, Council must advertise the draft policy for at least 28 days and call for public submissions. In regard to the 2006/2007 policy, Council has up until 28 February 2007 to deliver to the Department of Local Government its policy. However, it is suggested that Council should implement the processes to adopt a new policy at its meeting of 19 December 2006, thus eliminating any concerns of residents not being able to provide a public submission due to the festive season period.

RECOMMENDATION:

That the 'Councillors - Payment of Expenses and Provision of Facilities for Mayors and Councillors' Draft Policy be placed on exhibition for public comment for at least 28 days, for further consideration at its meeting of 19 December 2006.

REPORT:

In accordance with Section 252 of the Local Government Act 1993, Council must within five months after the end of each year adopt a policy concerning the payment of expenses incurred or to be incurred by and the provision of facilities to Mayors, Deputy Mayors and other Councillors.

To assist Council in adopting a policy, the Department of Local Government has issued new guidelines for all NSW Council's contained in Circular 06-57 – Guidelines for the Payment of Expenses and the Provision of facilities to Mayors and Councillors.

The current policy for Tweed Shire Council – Councillors, was adopted on 15 December 2004 and needs minor changes to ensure compliance with the Department's new guidelines. The policy contains information on Councillor Administration, Fees, Expenses and Facilities.

A new draft policy, Councillors - Payment of Expenses and Provision of facilities for Mayors and Councillors has been prepared in accordance with the new guidelines.

The draft policy establishes strong audit and accountability requirements that Councillors must adhere to before any reimbursement will be approved, including production of receipts.

Other requirements include the establishment of monetary limits and standards for the payment of expenses, such as:

- Mobile Telephone Charges - \$400 per month for the Mayor and \$200 per month for other Councillors;
- Care and other related expenses \$2,000 per annum;
- Incidental expenses incurred in attending approved conferences, seminars, training and educational courses;
- Spouse and partner expenses and
- Attendance at dinners and other non-council functions, seminars, conferences, training and educational courses, travel arrangements, both local and outside local government area, postage and insurance.

In regard to the provision of facilities, the policy provides standards on the dedicated mayoral vehicle, other mayoral facilities and services and provision of other facilities generally to Councillors.

To enable Council to have a policy in place that complies with the guidelines, it is necessary to resolve to place the draft policy on public exhibition for at least 28 days and invites submissions. Council should consider any submissions and adopt the updated policy at its meeting of 19 December 2006.

Councillors – Payment of Expenses and Provision of Facilities for Mayors and Councillors

PART 1 INTRODUCTION

Purpose of the Policy

The purpose of the policy is to ensure that there is accountability and transparency in the reimbursement of expenses incurred or to be incurred by Councillors. The policy also ensures that the facilities provided to assist Councillors to carry out their civic duties are reasonable.

Objectives and coverage of the Policy

In accordance with Section 439 of the Local Government Act 1993, Councillors must act lawfully, honestly and exercise a reasonable degree of care and diligence in carrying out their functions under this Act or any other Act.

Furthermore, it is to ensure that the Councillors would not be financially or otherwise disadvantaged in undertaking their civic responsibilities.

Legislative Compliance

The Local Government Act 1993 has statutory requirements which describe what fees, expenses and facilities may be paid or provided to Councillors.

Information on the pertinent sections applicable to this policy is contained in the Department of Local Government's Circular 06-57 - Guidelines for the Payment of Expenses and the Provision of Facilities to Mayors and Councillors.

Other NSW Government policy provisions

There are a number of publications which provide assistance to Councillors in complying with the provisions of this policy.

DLG Guidelines for payment of expenses and provisions of facilities

Section 252(5) of the Local Government 1993, the Council expenses policy must comply with these guidelines issued under Section 23A of the Act.

Model Code of Conduct

This policy is consistent with the Model Code of Conduct for Local Councils in NSW in particular with the use of Council resources.

DLG Circulars to Councils

Circular 05/08 Legal assistance for Councillors and Council employees
Circular 02/34 Unauthorised use of Council resources

Adopted at Council Meeting held

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Tweed Shire Council

Policy Document

ICAC publications

No Excuse for Misuse, preventing the misuse of Council resources.

PART 2 PAYMENT OF EXPENSES

GENERAL PROVISIONS

Allowances and expenses

No annual, monthly or daily allowance or expenses type allowance payment shall be payable in any circumstances.

Reimbursement and reconciliation of expenses

Reimbursement of expenses shall only be made upon the production of appropriate receipts and tax invoices and the completion of the required claim forms.

All reimbursement of expenses must be approved by the General Manager.

All expenses being reimbursed must be in accordance with the provisions of this policy.

A Councillor seeking reimbursement of expenses must lodge a claim within three months of the expense being incurred.

Payment in advance

This policy does not provide for cash payments being advanced to Councillors in anticipation of expenses being incurred in the conduct of their civic duties.

Establishment of monetary limits and standards

Monetary limits applying to this policy include:

- **Mobile Telephone**

Council will meet the cost of providing the mobile telephone, maintenance, monthly service and access fees, and call charges up to a maximum of \$400 per month for the Mayor and \$200 per month for other Councillors made in the conduct of the civic duties only.

- **Care and other related expenses**

The maximum entitlement for such expenses is \$2,000 per annum.

Incidental expenses incurred in attending approved conferences, seminars, training and educational courses

Facsimile -	to and from Council Office or residence only;
Internet Charges -	maximum daily limit \$5.00;
Laundry and Dry Cleaning-	maximum daily limit \$10.00;
Newspapers -	maximum daily limit \$2.00;
Taxi Fares -	from transport destination to accommodation and/or conference venue
Parking Fees -	include airport parking when plane travel is being used,

Any costs incurred by a Councillor in addition to the daily limits, are the responsibility of the individual Councillor.

Councillors are to use their mobile telephones for all calls including business and private. Special circumstances will be permitted, when mobile telephone reception does not allow the use of a mobile telephone.

The daily limit for meals (including refreshments) will be in accordance with the Australian Taxation Office allowance guideline.

Spouse and partner expenses

Council will not normally reimburse the expenses of spouses, partners and accompanying persons for attendance at any Council function.

Council may reimburse expenses of spouse, partners and accompanying persons in certain and special circumstances at any Council approved function, with prior approval being sought from the Mayor and General Manager.

Accommodation (shared basis) will be met by Council, provided that there are no additional costs incurred by Council.

A Councillor must make separate arrangements for the payment of expenses incurred by a spouse or partner.

SPECIFIC EXPENSES FOR MAYORS AND COUNCILLORS

Attendance at dinners and other non-Council functions

Consideration may be given to meeting the cost of Councillors attendance at dinners and other non-Council functions which provide briefings to Councillors from key members of the community, politicians and business.

Approval to meet expenses will only be given when the function is relevant to Council's interest and attendance at the function is open to all Councillors.

Adopted at Council Meeting held

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No payment will be reimbursed for any component of the ticket that is additional to the service cost of the function, such as a donation to a political party or candidate electoral fund or some other private benefit.

An additional payment to a registered charity may be acceptable as part of the cost of the function.

Councillors seeking reimbursement for this type of expense, must have it approved by Council and not the General Manager.

Attendance at seminars and conferences

Attendance at conferences and seminars by Councillors must be authorised in advance by a Council Resolution. An exception may occur in an emergency, then such attendance must be authorised by the Mayor and General Manager.

The exception will only apply to short term (1 day) events and be organised within the local region.

Council will be responsible for the following expenses to be incurred by a Councillor in attending an approved conference or seminar.

- **Registration Expenses**

Including official luncheons, dinners and tours relevant to the conference, seminar or training course.

- **Travel Expenses - Local or Outside Local Government area**

As detailed within this policy.

- **Accommodation Expenses**

Accommodation for attendance at approved conferences, seminars and training courses will only be authorised on the following basis:

- venue where the conference, seminar and training course is being conducted;
- where venue is unavailable, then the alternative venue is up to a standard of four star NRMA rating;
- night before and after depending on the event and travel circumstance, such approval must be obtained in advance from the General Manager;
- Council to make the relevant accommodation booking.

- **Meals and Other Incidental Expenses**

Outlined in the establishment of monetary limits and standard provisions contained in this policy.

Adopted at Council Meeting held xxxxx at Minute No xxxx

Attendance at training and educational courses

Attendance at training and educational courses by Councillors must be authorised in advance by a Council Resolution. An exception may occur in an emergency, then such attendance must be authorised by the Mayor and General Manager.

The exception will only apply to short term (1 day) events and be organised within the local region and facilitated by the Local Government & Shires Association, Independent Commission Against Corruption or Department of Local Government.

Council will be responsible for the following expenses to be incurred by a Councillor in attending an approved training or educational courses.

- **Registration Expenses**

Including official luncheons, dinners and tours relevant to the training or educational course.

- **Travel Expenses - Local or Outside Local Government area**

As detailed within this policy.

- **Accommodation Expenses**

Accommodation for attendance at approved training or educational courses will only be authorised on the following basis:

- venue where the training or educational course is being conducted;
- where venue is unavailable, then the alternative venue is up to a standard of four star NRMA rating;
- night before and after depending on the event and travel circumstance, such approval must be obtained in advance from the General Manager;
- Council to make the relevant accommodation booking.

- **Meals and Other Incidental Expenses**

Outlined in the establishment of monetary limits and standards provisions contained in this policy.

Local travel arrangements and expenses

Councillors will be entitled to be reimbursed for travel from their home whilst undertaking civic duties at the rate per kilometre as set out in the Notional Agreement Preserving the State Award, Local Government (State) Award 2004.

Civic duties are defined as:

- Council and Committee Meetings;
- Community Meetings approved by the Mayor or General Manager;
- Meetings with the staff approved by the General Manager; and
- Conferences, seminars, training courses, formal and social functions where representing Council, approved by the Council, Mayor or General Manager.

Adopted at Council Meeting held

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Where a Councillor must use a form of transport other than own vehicle for travel within the local government area, then such approval must be obtained in advance from the Mayor or General Manager.

Travel outside local government area including interstate travel

Councillors must obtain approval from Council, Mayor or General Manager for all travel outside of the Local Government Area, including interstate travel.

Councillors will be entitled to travel to official engagements at Council's expense by the most practical method, i.e. aircraft, Council vehicle or private vehicle.

Councillors when travelling by air will travel Economy Class or as determined by the General Manager.

A Councillor who travels in his/her own vehicle will be reimbursed at the appropriate per kilometre rate or airfare whichever is the lower.

Telephone costs and expenses

Councillors will be provided with a mobile telephone to assist in undertaking civic duties.

Council will meet the cost of providing the mobile telephone, maintenance, monthly service and access fees, and call charges up to a maximum of \$400 per month for the Mayor and \$200 per month for other Councillors made in the conduct of their civic duties.

Individual Councillors must meet the cost of all non- business calls and any additional Council calls above the limits.

Councillors will be provided with a fax machine to assist in undertaking civic duties. Council will meet the cost of providing the fax machine, maintenance and rental charges for one (1) home facsimile line, together with fax paper.

Postage of Official Councillor Correspondence

Councillors will be reimbursed for official postage, provided expenses can be verified and where it is impractical to use the Council's own mail system.

Applications for reimbursement of postage expenses must contain verification information and be authorised by the General Manager

Internet

Council will meet the cost of Internet charges involved in the conduct of the Mayor and Councillors civic duties.

Care and other related expenses

Councillors are entitled to the reimbursement of carer expenses that were necessary to enable Councillors to undertake their civic duties.

The maximum entitlement for such expenses is \$2,000 per annum.

Insurance expenses and obligations

Councillors are to receive the benefit of insurance cover for:

• **Personal Injury**

Whilst on Council business, covering bodily injury caused by accidental, violent, external and visible means up to a sub-limit for death and capital limits as specified in the Councillors and Officers Liability Insurance Policy. Also covering permanent disablement, temporary total disability and temporary partial disability.

• **Professional Indemnity**

For matters arising out of Councillors' performance of civic duties or exercise of their functions as Councillors provided the performance or exercise of the relevant civic duty or function in the opinion of Council is bona fide and/or proper and is carried out in good faith, as required under 731 of the Local Government Act.

• **Public Liability**

For matters arising out of Councillors' performance of civic duties or exercise of their functions as Councillors, being carried out in good faith.

Legal expenses and obligations

Legal expenses for a Councillor may be either paid or reimbursed by the Council only if the matter is authorised by the Local Government Act 1993 either expressly or because it is supplemental or incidental to or consequential upon the exercise of its functions.

Council may therefore indemnify or reimburse the reasonable expenses of:

- a Councillor defending an action arising from the performance in good faith of a function under the Local Government Act (Section 731) ; or
- a Councillor defending an action in defamation provided the statements complained of were made in good faith in the course of exercising a function under the Act ; or
- a Councillor for proceedings before the Local Government Pecuniary Interest and Disciplinary Tribunal or investigative body and where the finding is substantially favourable to the Councillor.

Council will not indemnify or reimburse the legal expenses of Councillor arising merely from something that a Councillor has done during his or her term in office.

Council will not meet the costs of an action in defamation taken by a Councillor as a plaintiff in any circumstances.

Council will not meet the costs of a Councillor seeking advice in respect of possible defamation or in seeking a non-litigious remedy for possible defamation.

Adopted at Council Meeting held

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Additional Mayoral Expenses

Provision of a dedicated motor vehicle

A motor vehicle bearing no markings or identification will be provided for the sole use of the Mayor, in accordance with the Council's resolutions.

The conditions of the use of the vehicle by the Mayor are covered by:-

- Minute No.170 of the Council meeting of 19 July 1995:

"RESOLVED that the conditions for use in the provision of a motor vehicle to the Mayor be the same as that of the General Manager and Directors with a telephone to be installed."

and

- Minute No. 652 of the Council meeting of 20 December 2000:

"RESOLVED that Council maintains the current policy in relation to the use of the mayoral vehicle."

The motor vehicle is and shall remain the property of Council and shall be surrendered to Council by the Mayor in the event that the person is no longer the Mayor.

The Mayor is to be given unrestricted use of such vehicle with the Council servicing and maintaining such vehicle, paying registration and insurance (including full comprehensive cover) and providing fuel. Private use means that the Mayor and his/her spouse or other licensed driver (provided the Mayor or Mayor's spouse is in the car) or any other Council employee are allowed to drive the vehicle.

The type of vehicle that will be provided is to be at a standard mutually acceptable to Council and the Mayor.

The vehicle is to be replaced at the most economically beneficial time as determined by the Works Manager.

Other equipment, facilities and services

Other equipment, facilities and services that are to be provided by Council for the use of the Mayor are as follows:

- An experienced person suitably qualified to provide secretarial support to the Mayor.
- Mayoral letterhead, envelopes and stationery generally

-
- Where appropriate assistance with the organisation of functions, meetings and briefings to which the Mayor is invited to attend.
 - A furnished office will be provided at the Council Administration Office, to enable the Mayor to undertake the civic duties appropriate to that position.
 - Refreshments will be provided in the Mayoral Office for entertainment purposes.
 - An allotted parking space will be provided at the Council Administration Offices for the parking of the Mayoral vehicle.

PART 3 PROVISIONS OF FACILITIES

GENERAL PROVISIONS

Provision of facilities generally

Council will provide facilities and equipment to each Councillor to ensure that they can undertake their civic duties in an appropriate manner. The facilities and equipment include:

Stationery

Provision of personalised Councillor letterhead and envelopes

Business cards

Provision of 250 business cards (replacement on request)

Christmas cards

Maximum of 100 per year

Name badges

Councillors to be provided with a name badge

Filing cabinet

Councillors to be provided with a home filing cabinet if required.

Filing cabinet is to be returned if the person ceases to be a Councillor.

Meetings meals and refreshments

Provision of meals and refreshments associated with Council, committee and working party meetings where appropriate

Meeting rooms/ Councillor room

Provision of meeting room facilities, including telephone, computer network facilities and access to a photocopier in the Administration Centre for the purpose of Council, committee and working party meetings and for meeting with constituents.

Adopted at Council Meeting held

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Tweed Shire Council

Policy Document

Secretarial support

Provision of secretarial support, as necessary for Councillors to undertake their civic duties.

Private use of equipment and facilities

A Councillor must not use any of the facilities allocated by Council for their private use.

A Councillor may use their mobile telephone or facsimile machine for their private use however payment is to be made to Council for such use.

Any contravention of this policy will result in the matter being reviewed against the provisions of Council's Code of Conduct.

PART 4 OTHER MATTERS

Acquisition and returning of facilities and equipment by Councillors

Councillors are to return to Council, where appropriately practicable, after the completion of their term of office or entering extended leave of absence or at the cessation of their civic duties all facilities and equipment that have been allocated by Council.

Should a Councillor desire to keep any equipment allocated by Council, then this policy enables the Councillor to make application to the General Manager to purchase any such equipment. The General Manager will determine an agreed fair market price or written down value for the item of equipment.

Status of the Policy

The provisions of the Councillors- Payment of Expenses and Provision of Facilities for Mayors and Councillors shall remain valid until revoked or amended by Council.

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

POLICY IMPLICATIONS:

A new policy, Councillors - Payment of Expenses and Provision of facilities for Mayors and Councillors to replace current policy, Tweed Shire Council – Councillors.

UNDER SEPARATE COVER/FURTHER INFORMATION:

*To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).*

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03 [GC-OC] 2005/2006 Statutory Financial Reports / Audit Report

ORIGIN:

Financial Services

SUMMARY OF REPORT:

Council's Statutory General Purpose Financial Reports in accordance with Section 413 (2)(c) of the Local Government Act, 1993 for the financial year ended 30 June 2006 have been completed and audited. The Reports, including significant accounting policies and associated independent Audit Report from Thomas, Noble and Russell (TNR), presents Council with a financial overview of its operations for the year 2005/06.

The financial result for the year reveals that Council's finances are in a favourable position and that the internal financial management practices are sound.

The Financial Reports for 2005/06 are now presented to Council for adoption.

RECOMMENDATION:

That Council adopts the tabled 2005/06 Financial Reports, as required by Section 413 (2) (c) of the Local Government Act, 1993 as follows:-

The financial statements are drawn up in accordance with:

- **The Local Government Act 1993 (as amended) and the Regulations made thereunder;**
- **The Australian Accounting Standards and professional pronouncements;**
- **The Local Government Code of Accounting Practice and Financial Reporting, and**
- **The reports, to the best of our knowledge;**
- **Present fairly the Council's operating result and financial position for the year, and**
- **Accord with Council's accounting and other records.**

REPORT:

BACKGROUND

Council's General Purpose Financial Report, including significant accounting policies for year ended 30 June 2006 have now been completed and the auditor's report received. In accordance with the provisions of the Local Government Act, and the Local Government General Regulations, Council must implement the following actions to allow the reports to be finalised.

- a) adopt the financial reports and financial policies;
- b) fix a meeting date to present the reports to the public, and
- c) advertise, for a minimum period of seven (7) days, that the Statements and the Auditor's Reports are available for public inspection.

In order to comply with these guidelines, Council advertised in the Tweed Link on Tuesday 10 October 2006, that the reports are to be presented to Council at this meeting and that the reports are available for public inspection.

A copy of the Financial Reports will be tabled to this meeting.

These reports were completed by Council and audited by Council's auditors, Thomas Noble and Russell, within the statutory timeframe set by NSW Government legislation.

LEGISLATION REQUIREMENTS

The Local Government Act, 1993 ("the Act") relating to the preparation of Council's annual financial reports requires that: -

1. Section 413 – A council must prepare financial reports for each year, and must refer them for audit as soon as practicable after the end of that year.
2. Section 413 (2) – A council's financial reports must include:
 - (a) a general purpose financial report;
 - (b) any other matter prescribed by the regulations; and
 - (c) a statement in the approved form by the council as to its opinion on the general purpose financial report.
3. Section 413 (3) – The general purpose financial report must be prepared in accordance with the Act and the regulations and the requirements of:
 - (a) the publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to regulations; and
 - (b) such other standards as may be prescribed by the regulations.
4. Section 416 – A council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year.

5. Section 418 – Upon receiving the Auditor’s Report, the Act requires the Council to give at least 7 days public notice of the meeting at which it proposes to present its audited financial reports, together with the Auditor’s Report, to the public.
6. Section 420 – Any person may make a submission to the Council with respect to the Council’s audited financial reports or with respect to the Auditor’s Report.
7. Section 428(2)(a) – The audited financial reports must be included in the Council’s annual report.
8. Clause 215 of the Local Government (General) Regulation, 2005 requires that the Statement under Section 413 (2) (c) on the annual financial report must be made by resolution of the Council and signed by the Mayor, at least one (1) other member of Council, the General Manager and the Responsible Accounting Officer.
9. It is a requirement of the Department of Local Government that lodgement of the Audited Financial Statements and the Auditors Report be submitted to the Director General by 7 November of each year.

COUNCIL’S RESPONSIBILITY

Council is responsible for the preparation of the financial reports and adequate disclosures. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of Council. As the Responsible Accounting Officer, the Manager Financial Services, Mr Michael Chorlton has stated the accounting records have been maintained in accordance with Section 412 of the Act and in a manner that permitted the timely preparation of the General and Special Purpose Financial Reports for the year ended 30 June 2006.

Update No. 14 to the Local Government Code of Accounting Practice and Financial Reporting was issued in June of this year and is relevant to accounting periods ending 30 June 2006.

The Operating Result for the year for General Fund is generally in accordance with budget expectations. Revisions have been made through the year in quarterly Budget Reviews to ensure Council has a sound financial result for the year.

Both Water and Sewerage Funds are financially stable. It should be noted that major capital expenditure for the Murwillumbah Water Treatment Plant and Kingscliff Sewerage Treatment Plant is programmed for the next 2 – 3 years.

BENEFITS AND PURPOSE OF ANNUAL FINANCIAL REPORTING

The primary benefits of financial reporting are:

- It makes Council accountable to the community for its financial management

- It provides the community and other interested parties with access to information about the current financial status of Council and its operational performance for the period in question.

The purpose of financial reporting, or the preparation of annual financial statements, is to communicate information about the financial position and operating results of Council to those who need to know or have an interest in Council operations.

Parties who have an interest in, or need to know financial reporting information include:

- administrators and management;
- residents/ratepayers;
- government departments and public authorities;
- community groups; and
- financial institutions

The users of financial reporting information are varied and financial statements must, therefore, be structured to meet all their respective requirements. This is achieved through conformity with the Australian Accounting Standards, which apply to the majority of business operations in Australia.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

AIFRS has had a material impact on Council's financial reporting.

2006 is the first year of reporting under AIFRS. Council has complied with the new financial reporting requirements which have also included restatement of 2005 comparative information. The financial effect of the introduction of AIFRS is disclosed and explained at Note 21 to the general purpose financial report.

ANNUAL FINANCIAL REPORTING SYSTEM

General Purpose Financial Reports

Under the requirements of Australian Accounting Standards, in particular AAS 27, Council is required to prepare the following reports for each financial year.

Income Statement

This shows the operating result and change in net assets from operations for the year.

Balance Sheet

This discloses the assets, liabilities and equity of Council.

Statement of Changes in Equity

This reconciles opening and closing balances for each class of equity during the reporting period and gives details of any movement in these classes of equity.

Cash Flow Statement

This shows information about cash flows associated with Council's operating, financing and investing activities.

Notes to the Financial Statements

These disclose the accounting policies adopted by Council and provide additional material necessary for evaluating and interpreting the financial statements.

In addition to the General Purpose Financial Reports, Council must also submit the Auditor's Reports in accordance with Section 417(1) of the Act and Council's Certificate in accordance with Section 413(2)(c) of the Act.

Special Schedules

The Department of Local Government, the Local Government Grants Commission and the Department of Energy, Utilities and Sustainability require a series of schedules. These provide additional details on Council's net cost of services; internal and external loans; operating statements and statements of net assets committed for water and sewerage services; and information on water and sewerage rates and charges.

AUDIT MANDATE

Council's Auditors, Thomas Noble and Russell, have completed the audit of Council's general purpose financial reports for the year ended 30 June 2006 under Section 417 of the Local Government Act 1993.

The audit included:

- An examination of the financial information for the purpose of expressing and opinion on financial statements to help establish the credibility of those statements
- An examination of financial information for the purpose of reporting on the legality and control of operations and the probity of those dealing with public funds, and including the expression of an opinion on an entity's compliance with the statutory requirements and regulations that govern the activities of Council.

Council's auditor must prepare two reports to Council (Section 417 (1)): -

- A report on the general purpose financial report, and
- A report on the conduct of the audit.

As soon as practicable after receiving the auditor's reports, Council must send a copy of the audited financial reports and the auditor's reports to the NSW Department of Local Government.

MANAGEMENT RESPONSIBILITY - AUDIT

The performance of an audit or the provision of an audit report does not in any way absolve or relieve management of its responsibility in the maintenance of adequate accounting policies and the preparation of financial information such as budget preparation and the quarterly budget reviews submitted to Council each three months. Council has strong internal management reporting practices in place that ensures all costs and income are monitored and acted upon on a weekly basis.

Management has the responsibility to safeguard Council assets and prescribe policies and procedures that are consistent with the economic and efficient use of resources.

PERFORMANCE INDICATORS

Council remains in a sound financial position regarding its short-term liquidity. The key financial performance ratios, as shown in the statements and listed in the following table, remain at satisfactory levels.

Performance Indicators	2005/06	2004/05
Current Ratio	519.3%	649.2%
Unrestricted Current Ratio	225.0%	245.7%
Debt Service Percentage	6.91%	6.75%
Rates and Annual Charges Coverage Ratio	42.45%	35.23%
Rates and Annual Charges Outstanding	5.28%	4.78%

To clarify the meaning and implication, a basic definition of each indicator is listed below.

- a) Current Ratio - The total current cash or cash convertible assets available, divided by current liabilities.
- b) Unrestricted Current Ratio – This is the same as the current ratio except it excludes assets and liabilities, which relate to activities that are restricted to specific purposes by legislation. This is a measure of Council’s liquidity.
- c) Debt Service Ratio – The amount used to repay borrowings as a percentage of total operating revenues. The indicator shows the amount of revenue necessary to service annual debt obligations.
- d) Rates and Annual Charges Coverage Ratio – This percentage is based on rates and annual charges revenues as a percentage of total operating revenues. This is a measure of Council’s dependency on rate income. State average is approximately 50%.
- e) Rates and Annual Charges Outstanding Percentage – This percentage is based on the amount outstanding as a percentage of the amount to be collected for rates and annual charges. This indicator measures the effectiveness of Council in recovering legally owed debts.

FINANCIAL OVERVIEW - GENERAL COMMENTS

While the above performance indicators reflect a sound position, the result has only been achieved through tight control over Council finances. Council's infrastructure needs continue to exceed available funds and the demand for works and services continue to grow as the population of the Shire increases. As experienced during the recent deliberations for the 2005/06 Management Plan & Budget, funding for operational and capital works continues to remain tight. Council will need to develop its list of priority projects, to be incorporated into the long term financial plan, so a planned strategic approach to works and services may be implemented, whilst maintaining Council's sound financial position.

INCOME STATEMENT
for the year ended 30 June 2006

Original budget ⁽¹⁾ 2006 \$'000	Notes	Actual 2006 \$'000	Actual 2005 \$'000
INCOME FROM CONTINUING OPERATIONS			
<i>Revenue:</i>			
45,999	Rates and annual charges	3a 47,639	44,354
17,878	User charges and fees	3b 17,822	17,278
8,321	Interest and investment revenue	3c 8,787	8,575
752	Other revenues	3d 795	1,233
13,642	Grants and contributions provided for operating purposes	3e,f 16,444	13,322
29,194	Grants and contributions provided for capital purposes	3e,f 20,703	41,070
<i>Other Income:</i>			
	Share of interests in joint ventures and associates using the equity method	19 32	31
115,786	TOTAL INCOME FROM CONTINUING OPERATIONS	112,222	125,863
 EXPENSES FROM CONTINUING OPERATIONS			
30,007	Employee benefits and on-costs	4a 32,889	28,600
2,691	Borrowing costs	4b 2,293	3,137
21,497	Materials and contracts	4c 27,330	23,910
23,986	Depreciation and amortisation	4d 21,785	22,350
7,785	Other expenses	4e 9,686	8,189
	Net Loss from the disposal of assets	5 1,569	328
85,966	TOTAL EXPENSES FROM CONTINUING OPERATIONS	95,552	86,514
29,820	OPERATING RESULT FROM CONTINUING OPERATIONS	16,670	39,349
29,820	NET OPERATING RESULT FOR THE YEAR	16,670	39,349
	Attributable to Council		
29,820	- Council	16,670	39,349
626	Net operating result for the year before grants and contributions provided for capital purposes	(4,033)	(1,721)

Note:

⁽¹⁾ The original budget as approved by Council Refer Note 16

The above Income Statement should be read in conjunction with the accompanying notes.

COUNCIL OF TWEED SHIRE

BALANCE SHEET

as at 30 June 2006

	Notes	Actual 2006 \$'000	Actual 2005 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6a	129,026	147,736
Investments	6b	3,159	4,283
Receivables	7	11,077	7,216
Inventories	8	863	1,502
Other	8	951	902
Total current assets		<u>145,076</u>	<u>161,639</u>
Non-current assets			
Investments	6b	4,045	1,005
Receivables	7	1,288	1,222
Infrastructure, property, plant and equipment	9	961,134	828,283
Investment property	14	1,590	1,570
Intangible assets	26	198	200
Total non-current assets		<u>968,255</u>	<u>832,280</u>
Total assets		<u>1,113,331</u>	<u>993,919</u>
LIABILITIES			
Current Liabilities			
Payables	10	15,597	13,763
Interest bearing liabilities	10	3,698	3,199
Provisions	10	8,641	7,937
Total current liabilities		<u>27,936</u>	<u>24,899</u>
Non-current liabilities			
Payables	10	563	1,354
Interest bearing liabilities	10	38,290	34,687
Provisions	10	9,244	8,790
Total non-current liabilities		<u>48,097</u>	<u>44,831</u>
Total Liabilities		<u>76,033</u>	<u>69,730</u>
Net assets		<u>1,037,298</u>	<u>924,189</u>
EQUITY			
Retained earnings	20	938,803	922,133
Revaluation Reserve	20	98,495	2,056
Total Equity		<u>1,037,298</u>	<u>924,189</u>

The above Balance Sheet should be read in conjunction with the accompanying notes.

**COUNCIL OF TWEED SHIRE
STATEMENT OF CHANGES IN EQUITY**

for the year ended 30 June 2006

Notes Ref	Actual 2006 \$'000			Actual 2005 \$'000		
	Retained Earnings	Asset Revaluation Reserve	Total Equity	Retained earnings	Asset Revaluation Reserve	Total Equity
	922,133	2,056	924,189	882,954	1,886	884,840
9,14		96,439	96,439		170	170
	922,133	98,495	1,020,628	882,954	2,056	885,010
	16,670		16,670	39,179		39,179
	938,803	98,495	1,037,298	922,133	2,056	924,189

Balance at beginning of the reporting period
 Adjustment on adoption of AASB 132 and
 AASB 139
 Transfers to/from Asset Revaluation Reserve
 Transfers to/from Other reserves⁽¹⁾
 Other adjustments⁽¹⁾
 Distributions to minority interests

Net movements recognised directly in equity
Net operating result for the year
Balance at end of the reporting period
Effect or correction of error in previous year,
being an increase in retained earnings

The accompanying notes form an integral part of the financial statements

Note:
 (1) Details supporting these entries must be provided by footnote or separate note.
 The above Statement of changes in equity should be read in conjunction with the accompanying notes.

COUNCIL OF TWEED SHIRE
CASH FLOW STATEMENT
for the year ended 30 June 2006

Budget 2006 (\$'000)	Notes	Actual 2006 (\$'000)	Actual 2005 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
45,999	Rates & annual charges	47,220	44,170
18,205	User charges & fees	16,706	16,966
8,321	Investment revenue and interest	8,944	8,407
31,008	Grants and Contributions	25,026	33,158
425	Other	807	787
<i>Payments:</i>			
(30,007)	Employee benefits and on-costs	(32,076)	(28,467)
(21,497)	Materials & Contracts / Other	(34,207)	(30,840)
(2,691)	Borrowing Costs	(2,214)	(2,410)
(7,785)	Other		
41,978	Net cash provided by (or used in) operating activities	30,206	41,771
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
1,416	Sale of infrastructure, property, plant & equipment	804	4,744
	Payments from deferred debtor	102	16
<i>Payments:</i>			
	Purchase of investments		
(66,497)	Purchase of infrastructure property, plant & equipment	(52,672)	(34,501)
	Advances to deferred debtors	(300)	0
	Refunds of deposits held in trust	(951)	(1,500)
(65,081)	Net cash provided by (or used in) Investing activities	(53,017)	(31,241)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Receipts:</i>			
5,476	Borrowings & advances	7,539	4,837
<i>Payments:</i>			
(3,574)	Borrowings & advances	(3,438)	(3,333)
1,902	Net cash provided by (or used in) financing activities	4,101	1,504
(21,201)	Net increase/(decrease) in cash and cash equivalents	(18,710)	12,368
	Cash & cash equivalents at beginning of reporting period	147,736	135,368
(21,201)	Cash & cash equivalents at end of reporting period	129,026	147,736

The above Cash flow statement should be read in conjunction with the accompanying notes.



THOMAS NOBLE & RUSSELL

Chartered Accountants

Serving locally since 1899

Lismore, 5 October 2006

The Administrators
Tweed Shire Council
Civic and Cultural Centre
MURWILLUMBAH NSW 2484

Dear Administrators

We advise that we have completed our audit of the Council's general purpose and special purpose financial reports for the year ended 30 June 2006 under section 417 of the Local Government Act 1993.

In accordance with that section we now report on the conduct of the audit.

1. AUDITORS' RESPONSIBILITIES

In order that your Administrators may appreciate our responsibilities as auditors, we take this opportunity to briefly discuss the scope of our audit.

In accordance with our contractual arrangements with Council we have undertaken to perform an attest (risk based) audit. The definition of an attest audit is:

"the minimum audit work necessary to enable an opinion to be expressed as to whether the financial report is presented fairly in accordance with the requirements of the Local Government Act 1993, Australian Accounting Standards and Accounting Concepts so as to present a view which is consistent with an understanding of the Council's financial position, the results of its operations and its cash flows."

Forming an opinion

Our function as auditors is to examine the general purpose and special purpose (National Competition Policy) financial reports presented to us by the Council. Our audit responsibility does not extend to:

- the original budget information included in the income statement, cash flow statement, Note 2(a) and Note 16 budget variation explanations in the general purpose financial report,
- the best practice disclosures in Notes 2 & 3 to the special purpose financial report, and
- information presented at Note 17 to the general purpose financial statements relating to

projected future contributions, cost of works and over / (under) funding.

Accordingly, we do not express an audit opinion on this information.

As auditors of the Council we are not responsible for the preparation of the financial reports nor for the maintenance of proper and adequate accounting records and proper systems of internal control. These responsibilities, together with the requirement to present financial reports which give a true and fair view of the state of the Council's affairs and of its results are imposed on the General Manager and Administrators by the Local Government Act and Regulations 1993.

As auditors of Council we are not required to:

- 1) Review and assess the adequacy of Council's:
 - a) management plans;
 - b) quarterly budget reviews;
 - c) insurance cover; and
 - d) infrastructure improvement / maintenance planning and monitoring.
- 2) Form an opinion on, or advise Council on the probity of its decisions, however we ensure that the financial effect of Councils decisions are adequately disclosed in the general purpose and special purpose financial reports in accordance with applicable Accounting Standards, Statements of Accounting Concepts and other mandatory professional requirements.

The responsibility of the abovementioned rests with Council.

2. FINANCIAL MANAGEMENT PRACTICES

In accordance with the requirements of the Local Government Act and Regulations Council must prepare detailed budgets for all operations. As part of the budgetary process Council is responsible for authorising all expenditures and variations to budget. Council's policy in general fund is to operate with a balanced budget.

The quarterly review of Council's budget progress is a very important process in ensuring that the financial targets established by Council are satisfied. We are aware that management place a high level of importance in ensuring that budgets are complied with. To maintain Council's financial position there needs to be a continued level of accountability and responsibility by senior management.

All decisions of Council need to be made with appropriate consideration of their financial impact.

3. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

2006 represents the first year of reporting under AIFRS. Council has complied in all material respects with the new financial reporting regime which has also required restatement of 2005 comparative information. In some cases, AIFRS has had a material impact on Council's financial reporting. The financial effect of the introduction of AIFRS is disclosed and explained at Note 21 to the general purpose financial statements.

4. OPERATING RESULT

Council's surplus from all activities for 2006 totalled \$16,670,000. This compares to a surplus

in 2005 of \$39,349,000. This result can be summarised as follows:

	2006	2005
	\$'000	\$'000
Revenues from continuing operations	91,519	84,793
Expenses from continuing operations	(72,198)	(63,836)
Result from continuing operations before depreciation	19,321	20,957
Less Depreciation expense	(21,785)	(22,350)
Result from continuing operations before capital amounts	(2,464)	(1,393)
Capital grants and contributions	20,703	41,070
Gain / (loss) on disposal of assets	(1,569)	(328)
Significant items	-	-
Surplus from all activities	16,670	39,349

Variations to 2005 by Income / Expenditure

The result from continuing operations before capital amounts, gain / (loss) on disposal of property, plant and equipment and significant items has decreased from a deficit of \$1,393,000 for the 2005 year to a deficit of \$2,464,000 in the 2006 financial year. Some of the components contributing to the deterioration in the result from continuing operations before capital amounts include:

Revenue

i) *increased general rates income \$2,627,000*

General rates revenue has increased due to the following factors:

- the rate-pegged increment of 3.5%, and
- natural growth in the number of assessments.

ii) *increased sewerage annual charges income \$929,000*

Revenue has increased due to an increment in the annual charge per assessment from \$445 in 2005 to \$473 in 2006.

iii) *increased water user charges revenue \$672,000*

Revenue has increase due to user charges increasing from 68c per kilolitre in 2005 to 82c per kilolitre in 2006.

iv) *reduced building and subdivision charges revenue \$665,000*

Building and subdivision fees have reduced in conjunction with a decline in the number of larger developments approved during the 2006 financial year.

v) *increased interest revenue \$212,000*

Interest revenue increased due to additional funds being held for investment and an increase in interest rates during the year.

Expenditure

- i) *increased employee costs \$4,289,000*

Council's employment costs have been influenced by the following factors:

- award increases during the year of 3.25%, and
- an increase in full-time equivalent employees by 40.

- ii) *reduced interest expense \$844,000*

Interest expense has been materially influenced by the unwinding of the discount associated with the rehabilitation liabilities for Council's tips and quarries. In the 2005 financial year the interest expense which represents the unwinding of the discount on these liabilities totalled \$751,000 however in 2006 an increase in government guaranteed bond rates used to calculate the tips and quarries rehabilitation liability has resulted in a reduced interest expense.

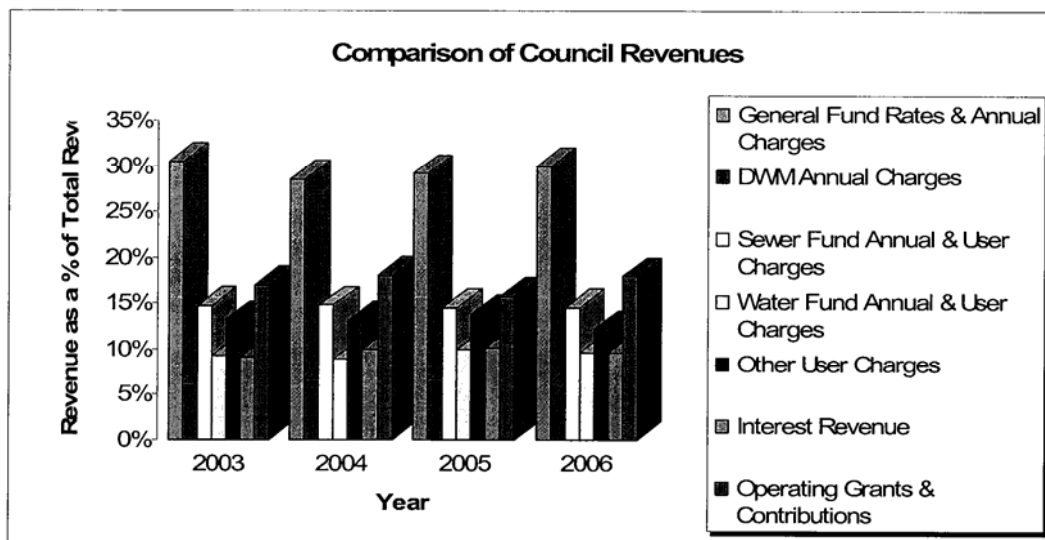
- iii) *increased expenses relating to materials and contracts \$3,420,000*

Materials and contracts expenditure levels have largely been impacted by higher roads maintenance costs.

4.1 COUNCIL REVENUE SOURCES

	2006	2005	2004	2003
	\$'000	\$'000	\$'000	\$'000
General Fund Rates & Annual Charges	27,400	24,751	22,847	22,252
Domestic Waste Management Annual Charges	5,702	5,668	5,380	4,581
Sewer Fund Annual & User Charges	13,242	12,329	11,832	10,745
Water Fund Annual & User Charges	8,830	8,443	7,089	6,752
Other User Charges	11,114	11,705	10,473	9,612
Interest Revenue	8,787	8,575	7,971	6,575
Operating Grants & Contributions	16,444	13,322	14,377	12,393
	91,519	84,793	79,969	72,910

Council's relative reliance on its material income streams as detailed above have remained steady over the last four years. Council's total rates and annual charges as a percentage of total revenue before capital grants and contribution is 52% which is below other Category 5 Councils. Our review of this ratio for other Category 5 Councils noted that this ratio is in excess of 60%. On the following page is a graph illustrating Council's revenue streams as a percentage of total revenue excluding capital grants and contributions.



4.2. CAPITAL GRANTS AND CONTRIBUTIONS

Capital grants received during the period amount to \$3,464,000 and largely consisted of grants for Roads to Recovery, construction of extensions to the art gallery, cycleways / walkways, bus shelters and the environment.

Capital contributions received during the period amounted to \$17,239,000. This can be broken down as follows:-

	2006	2005	2004
	\$'000	\$'000	\$'000
Developer Infrastructure Dedications	9,034	21,494	12,493
Section 94 Contributions - cash	2,502	7,551	5,912
Section 64 Contributions - cash	2,912	9,313	7,927
RTA Contributions	0	525	388
Other contributions	2,791	672	567
TOTAL	17,239	39,555	27,287

Developer infrastructure dedications and contributions have reduced significantly on 2005 due to the completion of large residential developments during the 2005 financial year and a general reduction in development applications processed during the 2006 financial year.

Section 94 and 64 Contributions

At 30 June, 2006 Council had \$23,068,000 held as a restricted asset for S94 contributions. S64 receipts are treated as a recoupment of infrastructure constructed in prior years and accordingly there are no unexpended S64 contributions. Council places all such receipts into internal reserves. Unexpended S94 contributions comprised:

	2006	2005	2004
	\$'000	\$'000	\$'000
Open Space	7,533	7,292	5,020
Community Facilities	2,429	2,280	3,153
Car Parking	987	1,101	1,048
Roads & Associated Infrastructure	10,405	9,152	7,082
Drainage	971	913	502
Other	743	1,359	886
TOTAL	23,068	22,097	17,691

4.3 GAIN / (LOSS) ON SALE OF ASSETS

Council's loss on sale of assets comprise the following items.

	2006	2005	2004
	\$'000	\$'000	\$'000
Profit/(Loss) on sale of plant and equipment	151	32	253
Loss on disposal of roads infrastructure	(473)	(788)	(1,182)
Loss on disposal of water and sewer infrastructure	(1,016)	(1,862)	(1,562)
Profit / (Loss) on sale of property	(231)	2,290	(35)
Total	(1,569)	(328)	(2,526)

Loss on disposal of infrastructure represents the written down value of the assets replaced or reconstructed.

4.4 WATER SUPPLIES

(i) Operating Result

Water supply activities can be summarised as follows:-

Water	Actual	Actual	Actual
	2006	2005	2004
	\$'000	\$'000	\$'000
Rates and service availability charges	2,482	2,876	2,644
User charges	6,507	5,790	4,643
Interest	2,206	2,444	2,482
Other	901	890	704
Government grants	382	344	402
Capital contributions	2,209	6,548	5,529
Total Revenue	14,687	18,892	16,404
Management expenses	3,902	3,453	3,016
Operating costs	3,365	3,366	2,960
Other	339	419	293
Depreciation	3,464	3,225	3,072
Loss/(Gain) on disposal of assets	503	768	1,236
Interest expense	0	1	31
Total Expenses	11,573	11,232	10,608
Operating Result	3,114	7,660	5,796

(ii) Key Indicators

	2006	2005	2004
	\$	\$	\$
Average Rate / Service Availability Charge Per Assessment	74	93	82
Management & Operating Costs Per Assessment	217	221	203

(iii) Explanations for Significant Variances to Prior Year

Revenue

Water service availability and user charges have varied in comparison to 2005 revenues as a result of access annual charges reducing from \$106 to \$90 per assessment and user charges increasing from 68¢ to 82¢ per kilolitre. Capital contributions fluctuate from year to year dependent on the number and size of developments.

Expenditure

Management expenses and operating costs have increased largely due to a revision of activity based costing allocations during the 2006 financial year and the employment of asset management and other engineering personnel.

4.5 SEWERAGE SERVICES

(i) Operating Result

Sewerage services activities can be summarised as follows:-

Sewerage	Actual	Actual	Actual
	2006	2005	2004
	\$'000	\$'000	\$'000
Rates and service availability charges	12,267	11,408	11,136
User charges	992	1,058	1,056
Interest	2,720	2,626	2,559
Other	597	428	38
Grants - PWD	544	194	311
- Other	364	364	365
Capital Contributions	2,133	11,282	6,289
Total Revenue	19,617	27,360	21,754
Management Expenses	3,101	2,895	2,469
Operating Costs	5,754	5,302	4,795
Other	200	1,091	283
Depreciation	5,217	3,775	3,604
Loss/(Gain) on Disposal of Assets	513	770	397
Interest	360	507	724
Total Expenses	15,145	14,340	12,272
Operating Result	4,472	13,020	9,482

(ii) **Key Indicators**

	2006	2005	2004
	\$	\$	\$
Average Rate / Service Availability Charge Per Assessment	422	393	403
Management & Operating Costs Per Assessment	304	282	263

(iii) **Explanations for Significant Variances to Prior Year**

Revenue

Capital contributions fluctuate from year to year dependent on the number and size of developments. Rates and service availability revenue increased in conjunction with an increment to the annual charge of \$28 per assessment.

Expenditure

Depreciation expense has increased as a result of management reassessing the remaining useful life of a number of sewer treatment facilities.

4.6 NATIONAL COMPETITION POLICY REPORTING REQUIREMENTS

Under the National Competition guidelines Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial report. Each activity has a required rate of return on its activities that is calculated as the operating result plus interest expense divided by the written down value of property, plant & equipment.

Where the return on investment is below the required rate of return, the difference is disclosed as a subsidy from Council's General Fund activities. Dividends represent funds provided by the relevant business activity for other functions of Council.

A summary of the financial performance of Council's declared business activities is:

Activity/Year	Revenue \$'000	Expenses \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
2006						
Water	12,478	11,690	788	0.5	-	95
Sewer	16,940	15,288	1,652	1.2	-	56
Holiday Parks	5,283	4,261	1,022	5.4	1,955	861*
Commercial Waste	1,221	1,459	(238)	(11.0)	612	-
2005						
Water	12,312	11,255	1,057	0.7	-	89
Sewer	17,701	14,280	3,421	2.5	-	64
Holiday Parks	5,075	3,299	1,776	13.8	156	836*
Commercial Waste	1,129	1,591	(462)	(21.8)	653	-

* Represents a contribution toward maintenance of Crown land managed by Council.

Water and Sewer Services

In accordance with a direction from the Department of Energy, Utilities and Sustainability all Councils are to declare and pay a dividend representing taxation equivalents calculated under National Competition Policy guidelines. The dividend paid to Council's general fund totalled \$95,000 and \$56,000 for water and sewer operations respectively for the 2006 financial year.

Holiday Parks

Council is Reserve Trust Manager for a number of holiday parks situated on Crown reserves located within the Tweed Shire local government area. The operating result for Crown Caravan Park operations declined from 2005 due to abnormal cabin refurbishment costs of \$413,000 incurred during the 2006 financial year.

Council has adopted a desired rate of return on assets for its Crown Holiday Park operations of 15%. Council's rate of return for the 2006 financial year has reduced on 2005 as a result of increasing land values. The difference between the actual rate of return and the desired rate of return is represented by a notional subsidy from Council of \$1,955,000.

Commercial Waste Services

Council's Commercial Waste operation has returned a loss before capital amounts of \$238,000. This loss has largely arisen due to the commercial waste activity incurring annual costs of approximately \$255,000 for collection of waste from bins located in public areas throughout the shire. Council has reviewed its commercial waste operations and has determined that the costs associated with collection of waste from bins located in public areas will be incurred by general fund commencing in the 2007 financial year. Commercial Waste

losses have been funded from general fund revenue and commercial waste reserves which has been disclosed in the special purpose financial report as a subsidy from general fund.

Council has adopted a desired rate of return on assets for its commercial waste operations of 15%. Council's rate of return for the 2006 financial year has improved on 2005 however greater profits need to be generated to ensure Council achieves its desired rate of return. The difference between the actual rate of return and the desired rate of return is represented by a notional subsidy from Council of \$612,000.

5. STATEMENT OF FINANCIAL POSITION

5.1 NET CURRENT ASSETS

5.1.1 CASH AND INVESTMENTS

Council has net current assets of \$117,140,000 as at 30 June 2006. Net current assets however contains \$112,730,000 of externally restricted cash in the form of special purpose grants, security deposits, development contributions and restricted water, sewer, domestic waste management and Crown Reserve Caravan Park funds. Also included in Council's net current assets is \$5,770,000 of externally restricted receivables and other current assets relating to water, sewerage and domestic waste management activities.

In addition, Council has allocated \$17,983,000 to internally restricted cash to fund long term commitments.

After funding internal and external restrictions Council has unrestricted cash of \$1,472,000.

5.2 NON-CURRENT ASSETS AND LIABILITIES

Council has a net non-current asset position of \$920,158,000 which consists largely of infrastructure, property, plant and equipment, loans, and provisions for employee entitlements.

5.2.1 ASSET MANAGEMENT

During the year Council capitalised the following property, plant and equipment:

	2006	2005	2004
	\$'000	\$'000	\$'000
<i>Developer Infrastructure Dedications</i>			
Open Space	244	3,918	296
Roads and Drainage Network	6,986	10,445	8,293
Water Supply Network	731	1,557	1,089
Sewerage Network	839	4,936	2,815
<i>Non-cash Grants/contributions</i>			
Bush Fire, Subsidised Schemes etc.	348	51	519
<i>Council Constructed / Purchased Assets</i>			
Land and Buildings	3,012	4,089	5,051
Plant and Equipment	4,122	4,498	5,149
Roads and Drainage	10,573	8,693	15,198
Water Supply Network	6,867	10,218	9,707
Sewerage Network	1,882	7,436	5,056
Other Structures	371	996	38
Work in Progress	25,603	-	-
	61,578	56,837	53,211

As illustrated above, Council capitalises in excess of \$50 million in infrastructure, property, plant and equipment each financial year. Asset management is an important part of Council's operations. Council's infrastructure assets represent the largest item on Council's balance sheet and in most cases, the depreciation expense attaching to Council's assets represents Council's largest expense item in the income statement.

As at 30 June 2006 Council has estimated that it would cost approximately \$118 million to rehabilitate its infrastructure assets and buildings to a "satisfactory standard". \$107 million of this estimated expenditure relates to Council's roads infrastructure. Estimated annual costs to maintain infrastructure at this "satisfactory standard" is \$20 million. Council currently spends approximately \$16.4 million annually on maintaining its infrastructure assets. These figures have been assessed by Council staff and are unaudited.

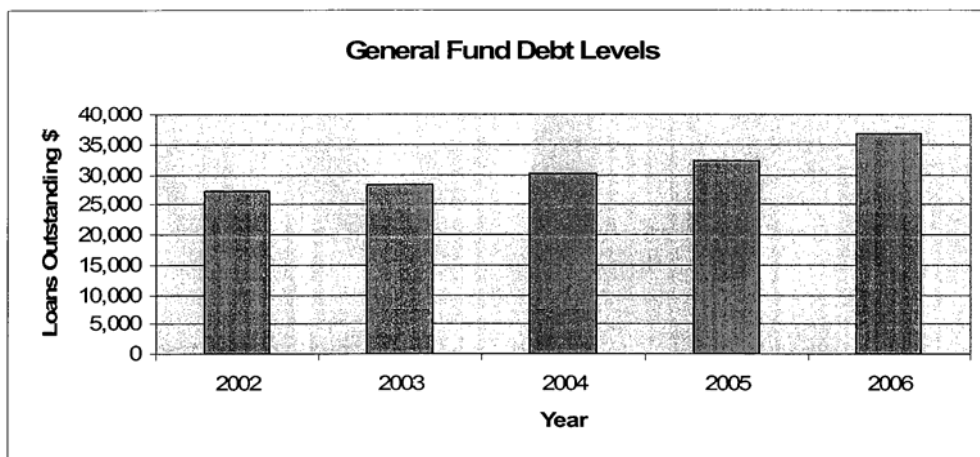
Current Council Initiatives

In addition to annual reassessment of the useful life of major infrastructure assets, Council's management is currently considering other asset management initiatives such as regular revaluations and better financial planning based on an improved understanding of the cost of maintaining each asset throughout its useful life. We also note that the Department of Local Government has announced its intention to introduce fair-value accounting for all Council infrastructure assets commencing in the 2007 financial year. Council has been pro-active in this area and has commenced a revaluation process for its infrastructure assets prior to the Department of Local Government announcement.

Council needs to continue to adopt improved asset management practices to:

- provide improved financial reporting,
- ensure maintenance expenditure satisfies asset usage patterns, and
- improve asset replacement and maintenance budgeting.

5.2.3 LOANS LIABILITY



Council's overall debt position has increased during the last twelve months by \$4,101,000. During the 2006 financial year Council's General Fund borrowed \$7,539,000 to fund the following projects:

	2006 \$'000
Open Space	577
Roads and Bridges	1,378
Improvements to Crown Holiday Park Operations	1,285
Drainage	2,007
Flood Mitigation	373
Tweed Art Gallery Improvements	350
Civic Centre Improvements	887
Waste Management	378
Other	304
	7,539

6. PERFORMANCE INDICATORS

Council's performance can be measured using selected indicators. We provide an analysis of key performance indicators as disclosed at Note 13 to the general purpose financial statements.

Unrestricted Current Ratio

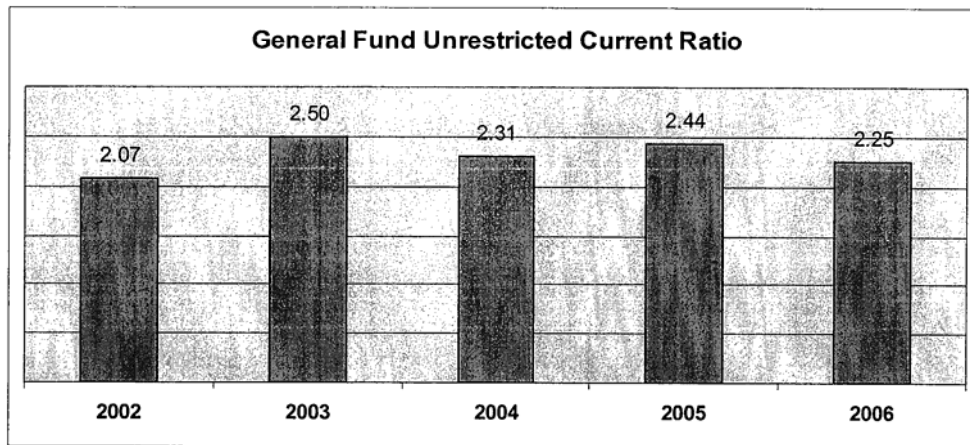
The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

Factors influencing Council's unrestricted current assets ratio include:

- planning and budgetary controls
- cash management and the timing of cash flows
- the level of internally restricted assets

- credit management policies and economic circumstances

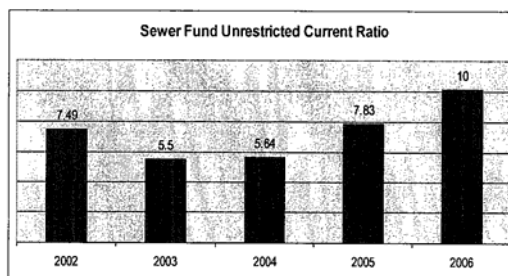
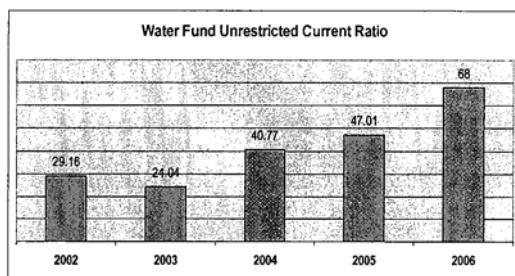
General Fund Unrestricted Current Ratio



Council's general fund unrestricted current ratio at balance date remains at an acceptable level of 2.25. This means that Council has \$2.25 in liquid assets for every \$1 in current liabilities. The trending of this ratio over the last five years highlights the stability of the general fund unrestricted current ratio and illustrates Council's sound short-term financial position.

General Fund Long-Term Objectives

It is important to note that the unrestricted current ratio does not reflect Council's capacity to fund long term infrastructure needs nor the state of the infrastructure itself. Council needs to assess its infrastructure requirements and develop strategies to ensure the long-term viability (ability to provide services) of its assets. (Refer to 5.2.1 for further discussion)



Sewer and Water Fund Unrestricted Current Ratio

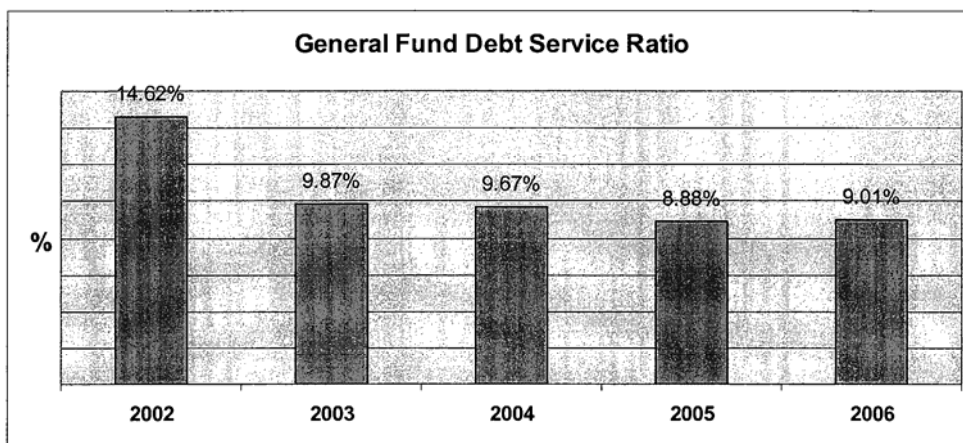
The unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly variations in the ratio may result from the build up of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.

Debt Service Ratio

This indicator assesses the degree to which revenues from continuing operations are committed to the repayment of debt. Factors influencing a council's debt service ratio include:

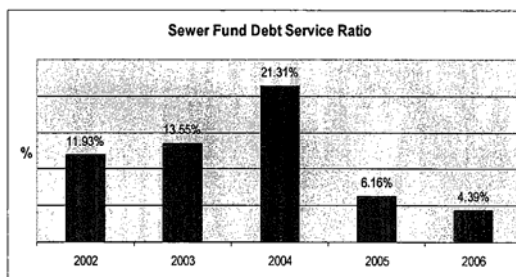
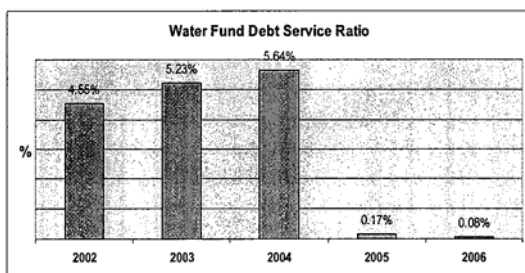
- the rate of new development in the shire

- Council's debt policy
- interest rate movements and loan terms
- capital investment strategies and capital contributions policies
- the level of cash reserves available to reduce the level of borrowings
- the state of Council's infrastructure / age of assets.



The above graph illustrates Council's management of debt service levels over the past five years. Council's general fund debt service ratio has remained relatively static increasing from 8.88% in 2005 to 9.01% in 2006. Council's debt service ratio represents total debt service costs as a percentage of revenues (excluding specific purpose grants and contributions as well as capital revenue). Whilst Council's General Fund has higher debt levels at the end of the reporting period, the debt service ratio has remained at the same level as 2005 as a result of increasing revenue levels.

The current general fund debt service ratio is acceptable for a council with high population growth and corresponding infrastructure needs.

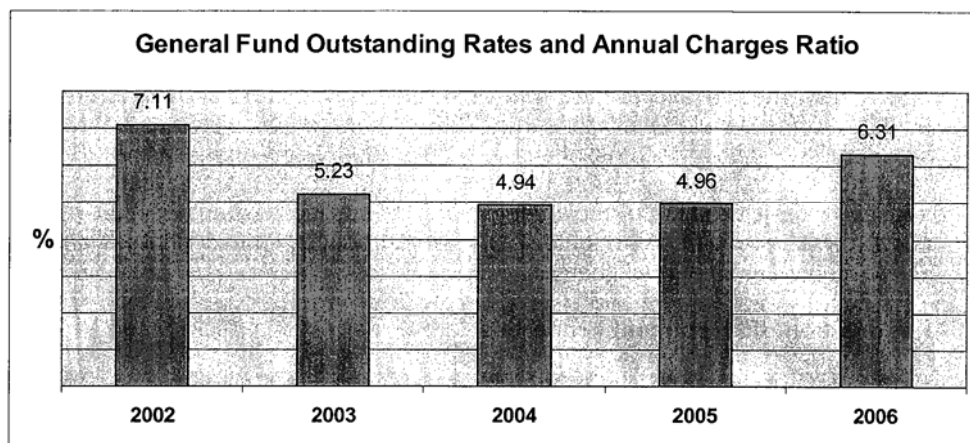


The above graphs illustrate the periodic borrowings to fund Council's capital works programmes for water and sewer funds. As at 30 June 2006 Council's water and sewer funds had low debt levels and, as a result, low debt servicing costs as a percentage of revenue. Neither water or sewer funds borrowed money during the 2006 financial year.

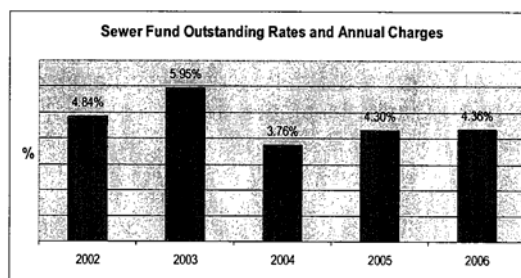
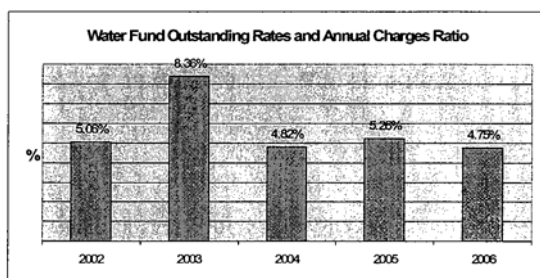
Rates and Annual Charges Outstanding Percentage

This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

- Council's rating policy
- credit management policies
- the socioeconomic characteristics of the area
- environmental factors influencing ratepayers ability to satisfy their obligations.



Council's general fund rates and annual charges outstanding percentage has increased from the 2005 financial year to 6.31%. Whilst this ratio has deteriorated it is consistent with industry statistics for rates and annual charges outstanding.



The above graphs illustrate the rates and annual charges outstanding ratio for water and sewer funds and reflect sound debt collection management practices.

7. OTHER CURRENT MATTERS

7.1 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

Tweed Shire Council has adopted Australian Equivalents to International Financial Reporting Standards (AIFRS) when preparing the 2006 financial report.

Financial reports of Tweed Shire Council until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Tweed Shire Council's 2006 financial report, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS's on the Council's equity and its net income are provided at Note 21 to the general purpose

financial statements.

Briefly, the 2006 financial report has been impacted by AIFRS requirements relating to the following areas:

i) Rehabilitation of Tip Sites and Quarries

Council is required to recognise a liability equivalent to the cost of rehabilitating its tip and quarry sites in accordance with applicable governing instruments such as EPA guidelines and development consents. This rehabilitation liability has been recognised in Council's financial records effective 1 July 2004 and appear in the 2006 financial report for the first time. Accurate recognition of the liability to rehabilitate tip and quarry sites will assist Council to implement improved costing systems so that rehabilitation costs may be recovered through sale of quarry products, tip user charges and domestic waste management annual charges.

ii) Recognition of Investment Properties

Council has disclosed carrying values and other information relating to properties held for rental or capital appreciation. These properties are now classified in the balance sheet as investment properties and are recognised at their fair value.

iii) Financial Instruments

Under AIFRS Council is required to classify its cash assets as cash and cash equivalents or investments. Where an item qualifies as an investment Council has elected to classify each item as "at fair value through the profit and loss". By designating each item as at fair value through the profit and loss each investment is carried at fair value in the balance sheet and movements in their fair value are recorded in the income statement.

iv) Current v Non-Current Classifications

AIFRS has impacted Council's financial report when classifying assets and liabilities as current or non-current in the balance sheet. A change in the definition of current liabilities has resulted in a larger proportion of employee benefits now being recognised in the balance sheet as a current liability. This increase in current liabilities has been offset by a change to the classification of cash and cash equivalents which has resulted in a greater proportion of these assets being recognised as a current asset.

7.3 INTERNAL CONTROL ENVIRONMENT

Results of Testing Council's Financial Reporting Systems

We have previously forwarded a report to the General Manager commenting on Council's systems of internal control and management procedures. No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

Establishment of Council Audit Committee and Internal Audit Function

During the 2006 financial year Council has improved its governance processes by establishing an Audit Committee. In addition, Council has established an internal audit function that reports to the Audit Committee on an independent basis. We commend Council

on these governance initiatives and believe it will greatly enhance the financial reporting, external and internal audit processes.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

Yours faithfully
THOMAS NOBLE & RUSSELL

Per:

.....
K R FRANEY (Partner)
Registered Company Auditor



THOMAS NOBLE & RUSSELL

Chartered Accountants

Serving locally since 1899

COUNCIL OF TWEED SHIRE
INDEPENDENT AUDIT REPORT

Scope

The financial report and Council responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Councillors' declaration for Tweed Shire Council (the Council), for the year ended 30 June 2006.

Our audit responsibility does not extend to the original budget information included in the income statement, cash flow statement, Note 2(a) and Note 16 budget variation explanations. In addition, our audit has not included the verification of forecast information contained within Note 17 to the financial statements and accordingly, we do not express an opinion on such. The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion on the financial report to the Council. Our audit was planned and performed in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, including compliance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of its performance as represented by the results of its operations and cash flows.

We have formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide absolute assurance on internal controls.

Independence

As auditor, we are required to be independent of the Council and free of interests that could be incompatible with integrity and objectivity. In respect of this engagement, we have followed the independence requirements set out by The Institute of Chartered Accountants in Australia and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Council. These services are disclosed in Note 4c to the financial statements. In our opinion, the provision of these services has not impaired our independence.

Audit Opinion

In our opinion:

- (a) Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993, Chapter 13, Part 3, Division 2; and
- (b) The Council's financial reports:
 - i. have been prepared in accordance with the requirements of that Division; and
 - ii. are consistent with the Council's accounting records; and
 - iii. present fairly the Council's financial position and the results of its operations and cash flows; and
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial reports that have come to light in the course of the audit.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

.....
K R FRANEY (Partner)
Register Company Auditor

Dated at Lismore this 16th day of October 2006.



THOMAS NOBLE & RUSSELL

Chartered Accountants

Serving locally since 1899

**COUNCIL OF TWEED SHIRE
SPECIAL PURPOSE FINANCIAL REPORT**

INDEPENDENT AUDIT REPORT

Scope

The financial report and Council responsibility

The financial report comprises the balance sheet, income statement, accompanying notes to the financial statements, and the Councillors' declaration for Tweed Shire Council (the Council), for the year ended 30 June 2006.

The Special Purpose Financial Report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit responsibility does not extend to the best practice management disclosures in Note 2 and Note 3 and accordingly, we do not express an opinion on such notes. The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion on the financial report to the Council. Our audit was planned and performed in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of its performance as represented by the results of its operations and cash flows.

We have formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide absolute assurance on internal controls.

Independence

As auditor, we are required to be independent of the Council and free of interests that could be incompatible with integrity and objectivity. In respect of this engagement, we have followed the independence requirements set out by The Institute of Chartered Accountants in Australia and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Council. These services are disclosed in Note 4c to the general purpose financial statements. In our opinion, the provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the Council's Special Purpose Financial Report:

- i. has been prepared in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting; and
- ii. is consistent with the Council's accounting records; and
- iii. presents fairly the financial position of Council's nominated Business Activities and the results of their operations.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

.....
K R FRANEY (Partner)
Register Company Auditor

Dated at Lismore this 16th day of October 2006.

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

*To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).*

Nil.

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04 [GC-OC] AusIndustry - Regulation Reduction Incentive Fund (RRIF)

ORIGIN:

Information Systems & Technology

SUMMARY OF REPORT:

Council has received a grant allocation under the AusIndustry's Regulation Reduction Incentive Fund. This fund was established by the Federal Government to encourage the Local Government sector to implement regulatory reforms that benefit small business, particularly home-based businesses. This funding allocation is part of a consortium of 37 NSW Council's headed by Rockdale City Council as the lead applicant and managed by the Local Government and Shires Association as project managers.

This report recommends that Council accept this funding allocation and expend it in accordance with the Scoping Report attached to this report.

RECOMMENDATION:

That Council accepts the funding grant of \$42,544 from the Local Government and Shires Association NSW (LGSA), which forms part of the AusIndustry's Regulation Reduction Incentive Fund and votes the expenditure.

REPORT:

The Federal Government established a \$50 Million Regulation Reduction Incentive Fund (RRIF) to provide local government authorities with an incentive to promote regulatory and compliance reforms that will benefit small and home based business.

Council participated and was successful in two RRIF submissions, one in partnership with Rockdale City Council and the other with Gold Coast City Council.

The objectives of these projects include:

- Reduction of the regulatory burden and development of standardised simple regulatory codes of conduct for knowledge and information for small and home based businesses in the Tweed and Gold Coast region.
- Alignment and reduction of the regulatory burden for mobile businesses operating on both side of the border.
- Alignment of requirements of Tweed and Gold Coast Councils for operation of small and home based businesses in the hospitality and creative industries sector.
- Alignment and simplification of regulatory burden for environmental performance for small and home based businesses.

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Council has attained a grant of \$42,544 for this project.

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

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1. Submission and Scoping Report dated 19 July 2006 (DW1428303).
-

O5 [GC-OC] Monthly Investment Report for the Period Ending 30 September 2006

ORIGIN:

Financial Services

SUMMARY OF REPORT:

This report is provided to Council to advise details of monies Council has invested in accordance with Section 625 of the Local Government Act 1993.

RECOMMENDATION:

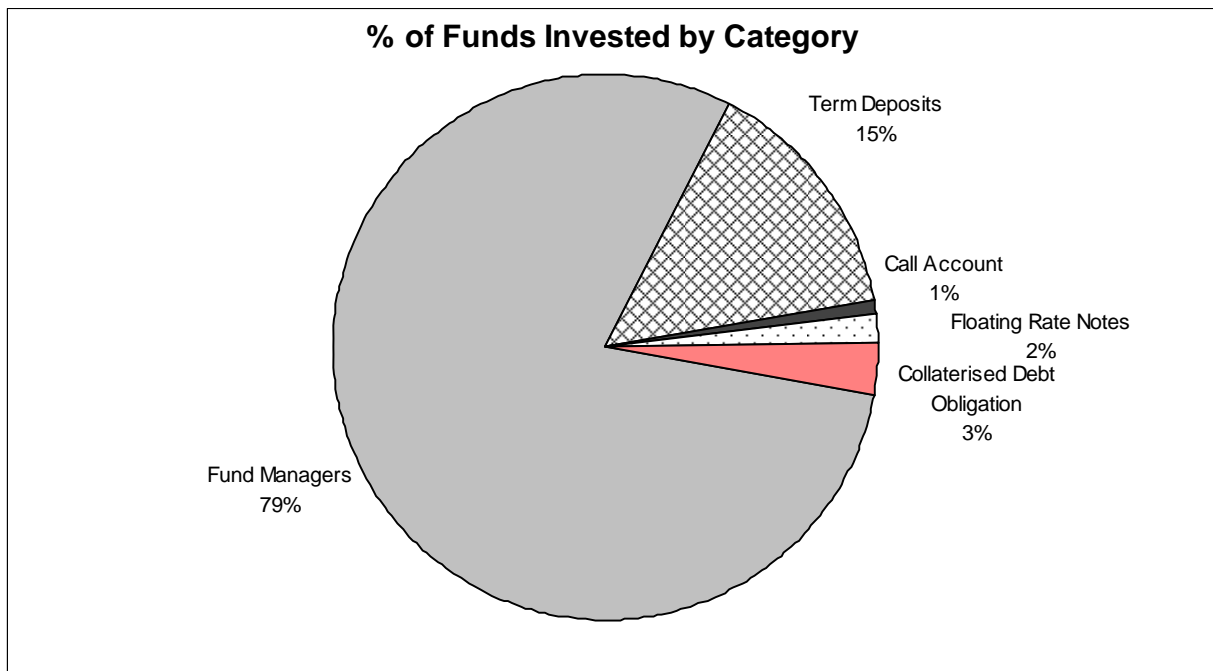
That in accordance with Section 625 of the Local Government Act 1993 the monthly investment report as at 30 September 2006 totalling \$131,394,463.15 be received and noted.

REPORT:

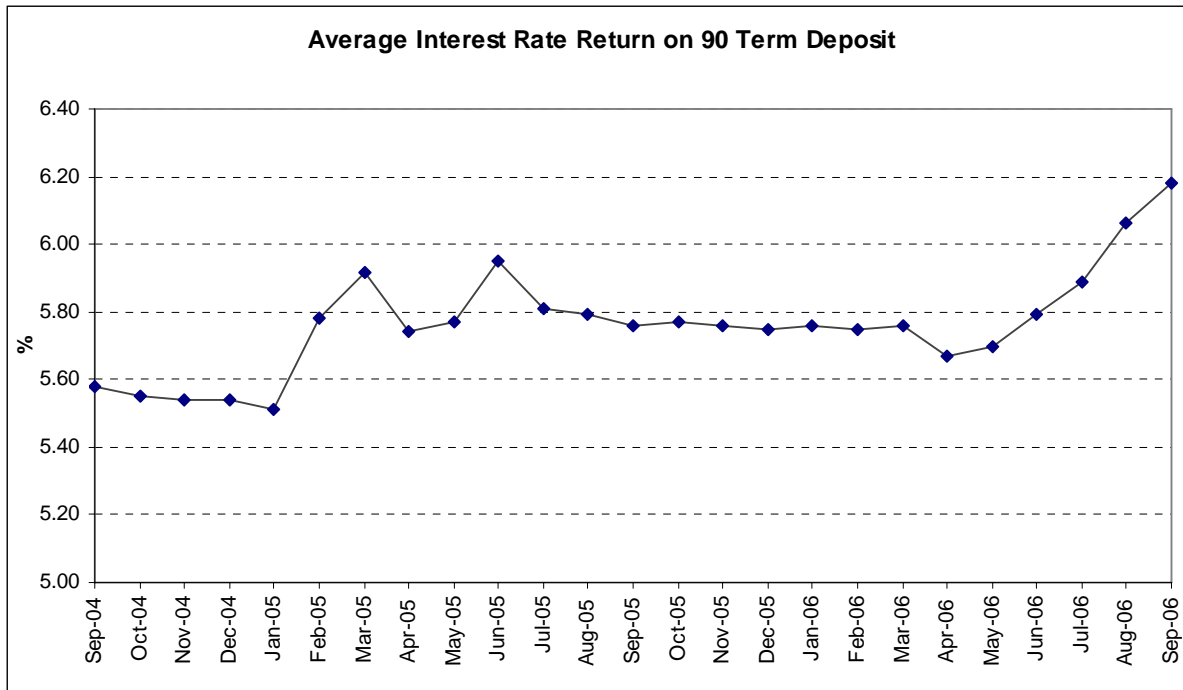
Report for Period Ending 30 September 2006

The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested and certification has been made in accordance with Section 625 of the Local Government Act (1993), Clause 212 of the Local Government (General) Regulations and Council policies.

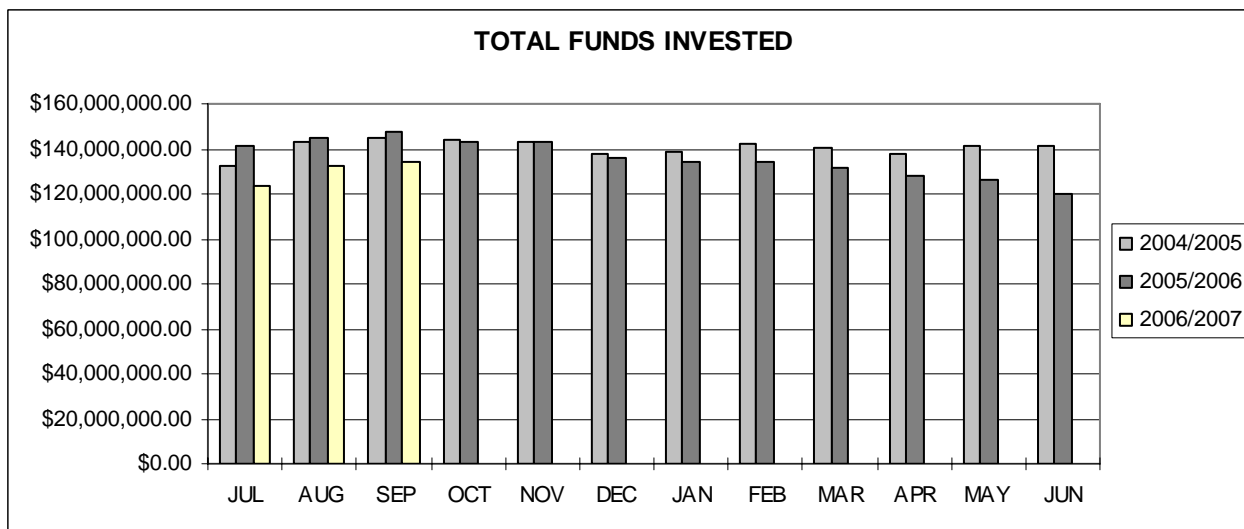
1. CURRENT INVESTMENT PORTFOLIO BY CATEGORY



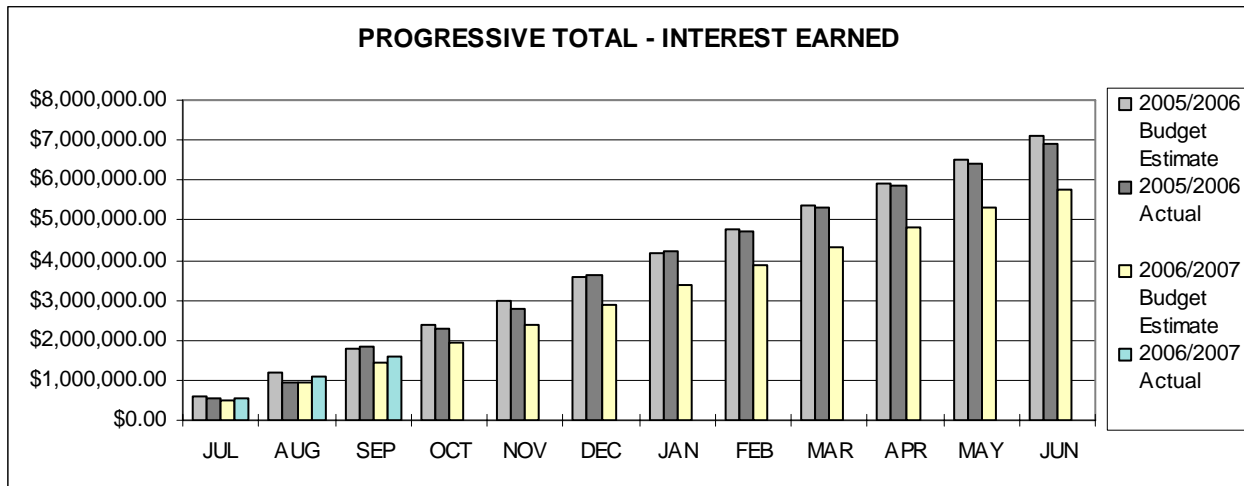
2. INVESTMENT RATES - 90 DAY BANK BILL RATE (%)



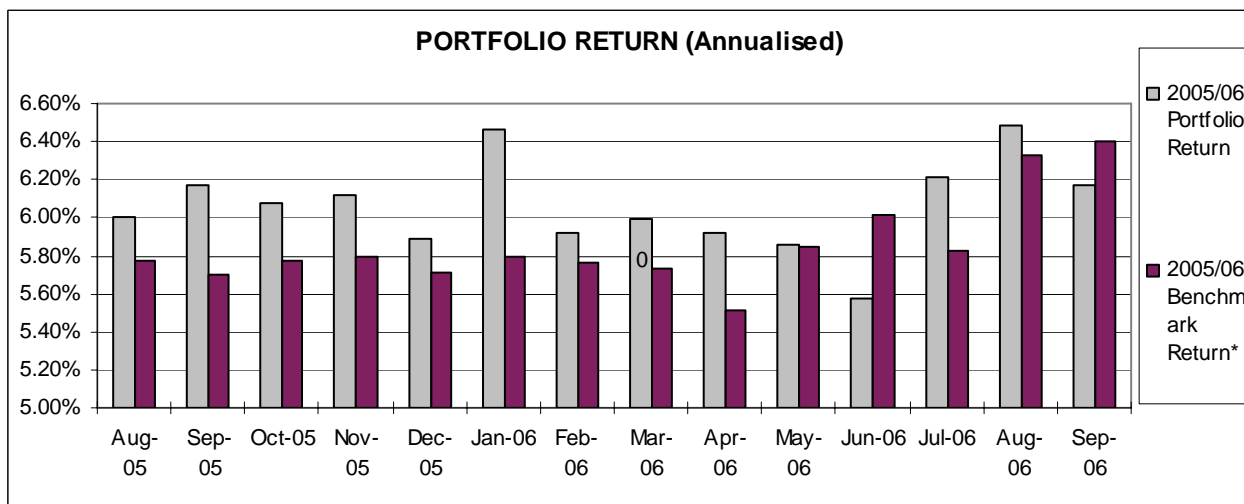
3. MONTHLY COMPARISON OF TOTAL FUNDS INVESTED



4 ANNUAL PROGRESSIVE TOTAL OF INTEREST ON TOTAL FUNDS INVESTED



5. PORTFOLIO PERFORMANCE



*UBS Warburg AUD Bank Bill Index

6 MARKET COMMENTARY

Domestic Economy

Latest building approvals showed a sharp drop of 12% nationally. NSW approvals dipped by 1% while WA approvals slumped by over 16%.

Lower oil prices and expectations of stable interest rates featured during the month. The Reserve Bank of Australia left the cash rate unchanged at 6% at its October meeting. Another interest rate hike before year end is still a possibility.

Global Economy

US economic growth continued to show signs of slowing, led by a weakening housing market and a drop in consumer spending.

Economists are still predicting solid global growth into 2007 but have tempered their predictions in recognition of slowing US growth.

Oil prices have fallen considerably from the year's high of US\$77/barrel to \$60. This has helped cool global inflation pressures.

Oakvale Capital Investment Portfolio Monthly Review

As in the previous month, credit spreads continued to trade in a tight range however generally widened across the maturity curve. This particularly affected the securities rated single A and below with the longer dated securities being impacted more than short dated issues. The major banks subordinated FRNs fall into this category as they are typically rated one notch below the banks' actual long term rating. With all four major banks rated AA-, the rated subordinated pieces fall in with an A+ rating.

The credit spread widening impacted the A rated funds within Council's portfolio more given the generally higher allocation to A rated stock, however the AA rated funds were not immune to the broad market movement. As we have seen in the past however, we expect the return to once again bounce back over ensuing months with solid economic fundamentals such as healthy corporate balance sheets and good interest cover ratios for borrowings continuing to provide a good base.

The direct floating rate note holdings continue to generate a solid and consistent income stream and given the resetting of the interest rate payable on these notes no longer than every ninety days, further interest rate rises adversely impacting on these longer term notes are mitigated.

We continue to be comfortable with the positioning of the overall portfolio although are looking for more opportunity to provide a higher level of consistent out-performance through increasing the direct investment exposure.

Source: Oakvale Capital September Economic Commentary

7 INVESTMENT SUMMARY AS AT 30 SEPTEMBER 2006

GENERAL FUND

TERM DEPOSITS	17,158,500.00	
FUND MANAGERS	39,797,984.68	
COLLATERISED DEBT OBLIGATION	4,044,820.00	
FLOATING RATE NOTE	2,000,000.00	
CALL	1,300,000.00	64,301,304.68

WATER FUND

TERM DEPOSITS	0.00	
FUND MANAGERS	25,639,256.97	25,639,256.97

SEWERAGE FUND

TERM DEPOSITS	2,000,000.00	
FUND MANAGERS	39,453,901.50	
CALL	0.00	
FLOATING RATE NOTE	0.00	41,453,901.50

TOTAL INVESTMENTS		131,394,463.15
--------------------------	--	-----------------------

It should be noted that the General Funds investments of \$64 million are not available to be used for general purpose expenditure. It is virtually all restricted by legislation and council resolution for such purposes as unexpended loans, developer contributions, unexpended grants and various specific purpose reserves such as domestic waste, land development and employee leave entitlements.

Statutory Statement - Local Government (General) Regulation 2005 Clause 212

I certify that Council's investments have been made in accordance with the Local Government Act 1993, the Local Government (General) Regulations and Council's investment policies.



**Chief Financial Officer
(Responsible Accounting Officer)**

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

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Nil.

O6 [EO-OC] Tweed Valley Floodplain Risk Management Study & Draft Plan 2005 Part 2 - Planning Controls for High Flow Areas

ORIGIN:

Planning & Infrastructure

SUMMARY OF REPORT:

The Tweed Valley Floodplain Risk Management Study & Draft Plan 2005, Part 2 - Planning Controls for High Flow Areas has been publicly exhibited. Two (2) submissions were received during the exhibition period. Four (4) late submissions were also received. In response to issues raised in these submissions, enquiries by stakeholders and additional investigations by Council officers, several minor amendments to the exhibited document are now proposed including:-

- Changes to Section and Page numbering;
- Redefinition of "high flow" areas as a combination of "floodway areas" and "flood conveyance zones";
- Amending the preferred option for residentially zoned land in high flow areas to retain the current enclosure limits on residential development (Option 3) pending more detailed analysis in later Part(s) of the Floodplain Risk Management Study;
- Correction to the preferred option for 5(a) Special Uses zone.

RECOMMENDATION:

That Council:-

- 1. Adopts the Tweed Valley Floodplain Risk Management Study & Draft Plan 2005, Part 2 - Planning Controls for High Flow Areas, with various minor amendments identified from the exhibition period, as detailed in the amended Draft Tweed Valley Floodplain Risk Management Study appended to this report.**
- 2. Undertakes to amend Clause 34 of the Tweed Local Environment Plan 2000 to include local provisions relating to the development of flood liable land, and specifically the objective of protecting the natural hydraulic properties of the floodplain from impacting development, in accordance with the Standard Instrument (Local Environment Plans) Order 2006, and as detailed in the amended Draft Tweed Valley Floodplain Risk Management Study.**

3. **Undertakes to amend Development Control Plan No.5 - Development of Flood Liable Land to implement the recommendations of the Tweed Valley Floodplain Risk Management Study and Draft Plan 2005, Part 2 - Planning Controls for High Flow Areas, as detailed in the amended Draft Tweed Valley Floodplain Risk Management Study.**

4. **Reviews the Murwillumbah Floodplain Management Plan 1989 in a future Part of the Tweed Valley Floodplain Risk Management Study 2005, including the identification and assessment of options for compensation of the landholder(s) of Lot 4 DP 591605 resulting from the prohibition of development due to the high flood flow properties of the land.**

REPORT:

Background

At its 25 July 2006 meeting, Council resolved:

That the Tweed Valley Floodplain Risk Management Draft Plan 2005 - Part 2 - Planning Controls for High Flow Areas, be amended to include Options 1 & 2 for development in high flow areas in 2(a) Residential Zone, and Option 4 for 3(d) Waterfront Enterprise Zone be extended to 3(c) Commerce and Trade and 5(a) Special Uses - School Zones within the mapped high flow areas, for community discussion/consultation.

and

That Council publicly exhibits the Tweed Valley Floodplain Risk Management Study and Draft Plan 2005 – Part 2 – Planning Controls for High Flow Areas, for community discussion/consultation.

The Study and Draft Plan were exhibited from 16 August to 15 September 2006. The exhibition was advertised in the Tweed Link and on Council's website.

As the options for planning controls could significantly affect the development potential for residentially zoned land in mapped high flood flow areas of South Murwillumbah and Condong, letters were sent to affected landowners, notifying them of the exhibition period, and inviting submissions.

Submissions

Two (2) written submissions were received during the exhibition period. As detailed in the following table, one of these submissions requested additional time to properly assess the impact of the study recommendations. An extension of three (3) weeks was granted to allow for a subsequent submission. Other late submissions received during this extension period were also accepted. In total, four (4) submissions were received during the extension period.

Many residents who received notification letters made general enquiries about the study. Council officers received various verbal comments on the study from stakeholders who did not wish to make a formal submission.

Table 1 - Summary of Submissions

Author	Issue	Comments	Action
<i>Submissions received during exhibition period</i>			
Egan Simpson Solicitors	Acting on behalf of landowner of Lot 4 DP 591605, requests extension of time to consider impacts of study recommendations on industrial zoned high flow land in South Murwillumbah	Agreed	Time extension of 3 weeks granted. Notified by letter dated 19/09/06.
D Hayes	Option 1 in Table 1.5 for residential zoned land is unacceptable, as objector intends to add a steel deck to existing house in South Murwillumbah, to provide additional floor area above flood level and strengthen existing structure. No objection to Options 2 or 3.	Noted	Amend recommendation for residential land to Option 3. Refer discussion below.
<i>Submissions received during extension period</i>			
Egan Simpson Solicitors	Further submission on behalf of landowner of Lot 4 DP 591605. Accepts prohibition of development on land, "provided adequate compensation is paid".	Compensation for loss of development potential is outside the scope of this Part of the Study. The options for land acquisition or monetary compensation will be included in a future Part of the Risk Management Study, reviewing the 1989 Murwillumbah Floodplain Management Plan. This process is necessary to be considered eligible for government grant funding.	No change to recommendation for industrial land (Option 4).
J Barrett & R Modystack	Opposes options for residential zoned land. Owns a house on Tweed Valley Way that is old and needs renovations, which would be prohibited by the proposed changes. This leaves residents vulnerable to increased flood damages.	Only Option 1 for residential zoned land in Table 1.5 would prohibit improvements to existing properties.	Amend recommendation for residential land to Option 3. Refer discussion below.

E & P Norris	<p>Owner of two 3(d) zoned allotments in Chinderah high flow area. Considers it inappropriate to change development controls on 3(d) zoned land due to:</p> <ul style="list-style-type: none"> • the small number of properties affected • the rarity and relatively short duration of major floods • The arbitrary selection of the 0.3 velocity/depth product for high flow definition • Lack of investigation into the true cumulative impact of intensified development within the high flow areas, and whether this impact is "significant". 	<p>Recommended change to development controls actually increases development potential for land, by allowing 50% development coverage, rather than the current DCP5 50m² rule applying to all land in the village area. Option 4 is an acceptable compromise between development potential of flood liable land and cumulative impact on limited high flow areas. Consistent with current controls on Chinderah industrial area (Ozone St), and the recommended study option for high flow industrial land in South Murwillumbah. Draft Part 4 of the Floodplain Risk Management Study is considering applying 50% development coverage rule to the entire waterfront enterprise zone, regardless of high-low flow classification, due to incompatibility of 50m² rule for commercial development.</p>	<p>No change to recommendation for waterfront enterprise land (Option 4).</p>
P & M Wade	<p>Recently purchased a dwelling in South Murwillumbah which is in need of restumping, repair, renovation or replacement. Objects to preferred Options 1 & 2 as these prohibit such improvements. This prevents people from protecting their houses against flooding and will result in aging, badly maintained homes in the flood area.</p>	<p>Noted</p>	<p>Amend recommendation for residential land to Option 3. Refer discussion below.</p>

Amendments

a) Section Numbering

As the exhibited document is Part 2 of the Study, all section numbers should begin with 2 rather than 1 (i.e. 2.3.1 instead of 1.3.1).

b) Page Numbering

Add page numbers to document.

c) Section 1.2 How are "High Flow" Areas Defined?

This section was criticised by stakeholders for linking the definition of "high flow" areas to the definition of "floodway areas" in the NSW Floodplain Development Manual. It is considered that this definition, being central to the Study, is open to dispute and legal interpretation.

Amongst flood planning professionals, "floodway areas" are widely and generally defined as those areas subject to velocity-depth products greater than one ($vxd > 1$), though this hydraulic relationship is no longer specified in the Floodplain Manual. As the aim of the Tweed Valley Flood Study 2005 in mapping areas relative to the velocity-depth product of 0.3 was to identify inter-connected areas of the floodplain providing the main water conveyance function, it is considered that this definition is too limited. The areas mapped as $vxd > 0.3$ are a combination of "floodway areas" and "flood conveyance zones".

Amendments to this Section are shown in the attachment.

d) Section 1.6 Preferred Development Control Options, Part (ii) 2(a) Low Density Residential Zoned Land

The Tweed Valley Flood Study 2005 involved hydraulic modelling of the floodplain in a 40m by 40m grid (comprising some 300,000 $1600m^2$ cells). This governs the resolution at which the model outputs (such as the mapping of high flow areas) can be meaningfully examined. Most urban residential allotments are smaller than the model grid spacing (typically only $600-700m^2$ in area), and this creates difficulties in applying model outputs in urban residential areas, such as South Murwillumbah and Condong and in ground-truthing the high flow mapping produced by the Flood Study. While the Flood Study demonstrates that these localities are significantly affected by high flood flows, correlating to historical evidence from past floods, the resolution of the flood modelling is such that the accuracy of the mapped high/low flow boundaries may be questioned. This is not the case in rural and industrial areas, where allotment sizes are generally much larger than the grid spacing of the flood model.

As such, it is the recommendation of the amended study that mapped high flow areas in residential zoned areas retain the same development controls as adjoining low flow areas. Option 3 in Table 1.5 maintains this *status quo*, by permitting residential development on land that is zoned as such, but also restricting enclosures below the flood planning level to $50m^2$, as per DCP No.5 - Development of Flood Liable Land. This will limit cumulative impacts on high flood flow areas, while ensuring equity and minimising disputes in implementing the study options. It should also be noted that the majority of residential zoned allotments in the mapped high flow areas already contain dwellings and other structures, often with enclosures much larger than $50m^2$, so redevelopment in accordance with the "50m² rule" will improve local flow conditions in many cases.

The forthcoming Part 4 of the Floodplain Risk Management Study deals with enclosures below flood planning level, and considers the appropriateness of the current "50m² rule" for the high flow localities of South Murwillumbah and Condong. A later Part of the Floodplain Risk Management Study will review the 1989 Murwillumbah Floodplain Management Plan, and may also make recommendations in this regard.

e) Section 1.6 Preferred Development Control Options, Part (v) 5(a) Special Uses (School) Zoned Land

Option 1 from Table 1.5 is the preferred option for this zone, rather than Option 4, which was an error in the exhibited draft.

f) Section 1.9 Recommended Preferred Options for the Tweed Valley Floodplain Risk Management Study 2005, Part 2 - Planning Controls for High Flow Areas

In accordance with discussion in (d) above, Option 3 from Table 1.5 is the amended recommended development control option for 2(a) Low Density Residential zoned land.

g) Annexure A - Draft Part 2 of the Tweed Valley Floodplain Risk Management Plan 2005, Planning Controls for High Flow Areas

In accordance with (e) above, Option 3 from Table 1.5 is the amended recommended development control option for 2(a) Low Density Residential zoned land.

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

The Tweed Valley Floodplain Risk Management Study & Draft Plan 2005 has been prepared and exhibited in accordance with the gazetted NSW Floodplain Development Manual 2005. Section 733 of the Local Government Act 1993 provides Council and its officers with legal indemnity in respect of flooding advice and planning done in good faith, that is, substantially in accordance with the principles of the Manual.

The recommended amendments above ensure that land and flood classifications and definitions in the Study are clear and robust.

Further policy and development control review is enabled by later Parts of the Study, and shall similarly follow the Manual process.

POLICY IMPLICATIONS:

Implementation of the Study recommendations includes amendments to the Tweed Local Environment Plan 2000 and Development Control Plan No.5 - Development of Flood Liable Land. These amendments will be the subject of future reports to Council.

UNDER SEPARATE COVER/FURTHER INFORMATION:

*To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).*

1. Tweed Valley Floodplain Risk Management Study and Draft Plan 2005, Part 2 – Planning Controls for High Flow Areas (September 2006). Recommended changes to the exhibited version of this document are shown thus: ~~deleted text~~, new text (DW 1463709);
 2. Tweed Valley Floodplain Risk Management Study High Flow Maps (DW1463669).
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07 [EO-OC] Tweed Valley Floodplain Risk Management Study - Part 3 - Habitable Land Uses on the Floodplain

ORIGIN:

Planning & Infrastructure

SUMMARY OF REPORT:

The preparation of the Draft "Tweed Valley Floodplain Risk Management Study - Part 3 - Habitable Land Uses on the Floodplain" is well advanced.

This study is targeted at controlling land use for habitable purposes on flood prone land, and will address these issues in the following context:-

- Strategic land use issues
 - Need for specific floodplain management clauses in the Tweed LEP.
 - Matters to be considered when assessing proposals to amend the LEP to permit additional areas to be used for habitable purposes on flood prone land.
- Development control
 - Development standards or prohibitions required to control habitable land uses on flood prone land.

The study will address the safety of persons who live on the floodplain and ensure there is a practical provision for emergency response for all floods up to the Probable Maximum Flood (PMF) level.

RECOMMENDATION:

That:-

- 1. The Floodplain Management Committee considers the Draft Tweed Valley Floodplain Risk Management Study - Part 3 - Habitable Land Uses on the Floodplain;**
- 2. After consideration by the Floodplain Management Committee, the draft may be amended by the Committee and placed on public exhibition.**

REPORT:

Council is proceeding with development of the Tweed Valley Floodplain Risk Management Study and Plan in separable parts:-

Part 1 - Establishment of Flood Planning Levels was implemented by Council on 28 February 2006.

Part 2 - Planning Controls for High Flow Areas has been on public exhibition and is the subject of a separate report to Council.

The preparation of the draft "Tweed Valley Floodplain Risk Management Study - Part 3 - Habitable Land Uses on the Floodplain" is well advanced.

This study is targeted at controlling land use for habitable purposes on flood prone land. and will address these issues in the following context:-

- Strategic land use issues
 - Need for specific floodplain management clauses in the Tweed LEP.
 - Matters to be considered when assessing proposals to amend the LEP to permit additional areas to be used for habitable purposes on flood prone land.
- Development control
 - Development standards or prohibitions required to control habitable land uses on flood prone land.

The study will address the safety of persons who live on the floodplain and ensure there is a practical provision for emergency response for all floods up to the Probable Maximum Flood (PMF) level.

It is proposed to submit this draft to the Floodplain Management Committee and publicly exhibit the draft (as may be amended by the Committee).

On 15 August 2006 Council Resolved:

"That with the benefit of hard data provided by the Tweed Valley Flood Model and the widely held scientific evidence that sea levels are rising, ice caps are melting, extreme weather events are becoming more prevalent and the earth's temperatures are elevating, I will move that:-

1. *Serious consideration be given to putting in place a policy that all land zoned to allow for future urban expansion be above the maximum probable flood height.*

2. *Consideration be also given to the desirability of locating all future developments such as nursing homes, retirement villages, private hospitals and other developments which provide services and accommodation for frail, infirm and aged people be above the maximum flood height.*

3. *The placement of essential and emergency services such as police stations, ambulance stations, SES headquarters, power sub-stations, emergency accommodation etc be also carefully considered in terms of policies covering these instrumentalities."*

The above Council resolution and a response from the Department of Natural Resources will be taken into account by the Committee in its consideration of the draft "Tweed Valley Floodplain Risk Management Study - Part 3.

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

*To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).*

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O8 [EO-OC] EC2006-109 Trenchless Crossings for DN300 Water Main and DN600 Effluent Main Pacific Highway Chinderah

ORIGIN:

Design

FILE NO: GC12/3-2006109

SUMMARY OF REPORT:

Tenders were called for the thrust boring (trenchless crossing) of a 600mm sewer effluent main and a 300mm diameter water main crossing the Pacific Highway on/off ramps at Chinderah Road, Chinderah. A total of four lump sum tenders were received by the advertised closing date of 30 August 2006.

This report provides a recommendation on the preferred tenderer.

RECOMMENDATION:

That:-

- 1. Council awards the contract EC2006-109 Trenchless Crossings for DN300 Water Main and DN600 Effluent Main Pacific Highway Chinderah to UEA Pty Ltd for the lump sum price of \$256,947.00 (excluding GST).**
- 2. The Acting Director Engineering and Operations be given delegated authority to approve variations up to 20% above the initial contract price.**

REPORT:

Tenders were called for the thrust boring (trenchless crossing) of a 600mm sewer effluent main and a 300mm diameter water main crossing the Pacific Highway on/off ramps at Chinderah Road at Chinderah. The scope of the tender includes:-

- Design, supply and construction of approximately 2 x 50 m of enveloper pipe at three road crossings, suitable for the installation of DN 600 and DN 300 DICL pipes. The locations being beneath the two Pacific Highway offramps (southbound) and the Pacific Highway onramp (northbound) at Chinderah Road;
- Installation of DN 600 and DN 300 DICL pipes within the enveloper pipes;
- Grouting the voids between the enveloper pipes and DICL pipes;
- Installing end caps to the DICL mains at each crossing location;
- Reinstatement of the concrete footpath on the northern side of the Pacific Highway on-ramp;
- Reinstatement of the concrete lined drain on the eastern side of the Tweed Coast Road;
- Backfilling, compaction and reinstatement of all disturbed areas;
- Implementation of sediment and erosion control measures; and
- Traffic control;

This work forms part of the Kingscliff Sewage Treatment Plant project which is currently underway.

A total of four lump sum tenders were received for the Lump Sum Contract by the advertised closing date of 30 August 2006. The tenderers were:

Perry Infrastructure
Bothar Boring
UEA Pty Ltd
DJ and MB McCormick Pty Ltd

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

The construction will occur over the 2006/2007 financial year. Funding has been budgeted for in the current Water Unit funds for 2006/2007.

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).

1. **Confidential Attachment** – Supplementary Information - EC2006-109 Trenchless Crossings for DN300 Water Main and DN600 Effluent Main Pacific Highway Chinderah (DW 1473464)
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09 [EO-OC] EC2006-083 - Construction of Sewage Pump Station 5028, Pottsville

ORIGIN:

Contracts

FILE NO: GC12/3-200683 Pt1

SUMMARY OF REPORT:

Tenders were called, in accordance with the Local Government (General) Regulations 2005, for the construction of a new Sewage Pump Station (SPS 5028) at Tweed Coast Road, Pottsville. Tenders closed on 20 September 2006.

Seven (7) tenders were received by the advertised closing time and date.

This report considers the tenders received and recommends the tender most beneficial to Council.

RECOMMENDATION:

That:-

- 1. Council awards Contract EC2006-083 for the construction of Sewage Pump Station 5028 to Telfer & Co Pty Ltd for the amount of \$596,950.00 (excluding GST);**
- 2. The Acting Director Engineering and Operations be given delegated authority to approve variations up to 20% of the initial contract sum.**

REPORT:

In order to provide a more efficient transfer of raw sewage and to provide for future population growth, a new sewage pump station is required to be constructed at North Pottsville.

Following completion of design and documentation, tenders were called and closed on 20 September 2006. Seven (7) tenders were received as follows:-

Abergeldie Constructions Pty Ltd
CLM Excavations
Demacs Constructions (Aust) Pty Ltd
Hopedale Services Pty Ltd
HVAC Queensland Pty Ltd
MJ & SL Seery Excavations Pty Ltd
Telfer & Co Pty Ltd

All tenders generally complied with the drawings and specifications.

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

The cost of the proposed sewage pump station is included in the 2006/07 Sewer Budget.

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

To view any "non confidential" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).

1. **Confidential Information** - Supplementary Information - EC20060083 Construction of Sewage Pump Station 5028, Pottsville (DW 1475750)
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