



WARRINGAH
COUNCIL

ATTACHMENT BOOKLET

ORDINARY COUNCIL MEETING

TUESDAY 22 MARCH 2016



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Application of Investment Funds	Description	Value (\$)
Restricted Funds:		
Externally Restricted	Section 94 Old Plan	12,880,354
	Section 94A Plan Contributions	7,181,165
Externally Restricted Reserves	Unexpended Grants	451,902
	Domestic Waste	5,814,645
Internally Restricted Reserves	Held to ensure sufficient funds are available to meet future commitments or specific objectives. Employee Leave Entitlements, Bonds & Guarantees, Compulsory Open Space Land Acquisitions, & Insurance.	9,491,387
Unrestricted Funds	Funds Allocated to meet Current Budgeted Expenditure	63,131,222
Total		98,950,676

There has been an increase in the investments held of \$4,225,376 which is in line with budgeted movements at this time of year.

Reconciliation of Cash Book

Description	Value (\$)
Council's Cash Book balance	4,547,297
Kimbriki Bank balance	1,959,534

Investments Funds Report - As at 29-Feb-16

Maturity date	Face Value	Current Yield	Borrower	Standard & Poor's Rating	Current Value
Mortgage Backed Securities Investment Group					
Weighted Avg Life *	Face Value				
22-Aug-22	1,383,253	2.7267	Emerald Series 2006-1 Class A	AAA	1,075,475
	1,383,253				1,075,475
Term Investment Group					
02-Mar-16	1,000,000	2.9500	Bendigo & Adelaide Bank Ltd	A2	1,000,000
07-Mar-16	1,000,000	4.0500	National Australia Bank Ltd	A1+	1,000,000
08-Mar-16	500,000	4.0700	National Australia Bank Ltd	A1+	500,000
14-Mar-16	2,000,000	2.9500	Suncorp-Metway Ltd	A1	2,000,000
15-Mar-16	1,000,000	2.9000	National Australia Bank Ltd	A1+	1,000,000
22-Mar-16	1,000,000	2.9500	Suncorp-Metway Ltd	A1	1,000,000
31-Mar-16	2,000,000	2.8500	National Australia Bank Ltd	A1+	2,000,000
04-Apr-16	2,000,000	2.8000	Suncorp-Metway Ltd	A1	2,000,000
05-Apr-16	1,000,000	2.9000	National Australia Bank Ltd	A1+	1,000,000
10-Apr-16	1,000,000	2.8600	Westpac Banking Corporation Ltd	A1+	1,000,000
11-Apr-16	1,000,000	2.9100	Suncorp-Metway Ltd	A1	1,000,000
19-Apr-16	1,000,000	2.8700	National Australia Bank Ltd	A1+	1,000,000
29-Apr-16	2,000,000	2.7900	Commonwealth Bank of Australia Ltd	A1+	2,000,000
03-May-16	1,000,000	2.9000	National Australia Bank Ltd	A1+	1,000,000
09-May-16	1,000,000	2.8700	Suncorp-Metway Ltd	A1	1,000,000
10-May-16	1,000,000	2.8600	Westpac Banking Corporation Ltd	A1+	1,000,000
17-May-16	2,000,000	2.9300	National Australia Bank Ltd	A1+	2,000,000
17-May-16	1,000,000	2.8600	Commonwealth Bank of Australia Ltd	A1+	1,000,000
20-May-16	1,000,000	2.8500	Bank of Queensland Ltd	A2	1,000,000
27-May-16	1,000,000	3.0000	Bank of Queensland Ltd	A2	1,000,000
02-Jun-16	1,000,000	2.7700	Commonwealth Bank of Australia Ltd	A1+	1,000,000
07-Jun-16	1,000,000	3.0000	Suncorp-Metway Ltd	A1	1,000,000
16-Jun-16	2,000,000	2.8600	Commonwealth Bank of Australia Ltd	A1+	2,000,000
20-Jun-16	2,000,000	2.9500	Commonwealth Bank of Australia Ltd	A1+	2,000,000
24-Jun-16	1,000,000	3.1000	Suncorp-Metway Ltd	A1	1,000,000
28-Jun-16	1,000,000	2.7800	Commonwealth Bank of Australia Ltd	A1+	1,000,000
04-Jul-16	1,000,000	2.8000	Bank of Queensland Ltd	A2	1,000,000
07-Jul-16	1,000,000	3.0000	Bank of Queensland Ltd	A2	1,000,000
11-Jul-16	1,000,000	3.0000	Bendigo & Adelaide Bank Ltd	A2	1,000,000
13-Jul-16	1,000,000	2.9200	Commonwealth Bank of Australia Ltd	A1+	1,000,000
19-Jul-16	1,000,000	2.9500	Commonwealth Bank of Australia Ltd	A1+	1,000,000
21-Jul-16	1,000,000	3.0000	Bendigo & Adelaide Bank Ltd	A2	1,000,000
25-Jul-16	1,000,000	3.0000	Bendigo & Adelaide Bank Ltd	A2	1,000,000
26-Jul-16	1,000,000	3.1000	Bank of Queensland Ltd	A2	1,000,000
01-Aug-16	1,000,000	3.0000	Members Equity Bank Ltd	A2	1,000,000
03-Aug-16	2,000,000	2.9500	Bendigo & Adelaide Bank Ltd	A2	2,000,000
09-Aug-16	500,000	3.0700	Members Equity Bank Ltd	A2	500,000
10-Aug-16	1,000,000	2.9000	Bendigo & Adelaide Bank Ltd	A2	1,000,000
12-Aug-16	1,000,000	2.9500	Bendigo & Adelaide Bank Ltd	A2	1,000,000
12-Aug-16	1,000,000	2.9200	Commonwealth Bank of Australia Ltd	A1+	1,000,000
23-Aug-16	2,000,000	2.9500	Commonwealth Bank of Australia Ltd	A1+	2,000,000
01-Sep-16	2,000,000	2.8500	Bendigo & Adelaide Bank Ltd	A2	2,000,000
06-Sep-16	1,000,000	2.9500	Bank of Queensland Ltd	A2	1,000,000
12-Sep-16	1,000,000	2.9100	Commonwealth Bank of Australia Ltd	A1+	1,000,000
19-Sep-16	1,000,000	3.0000	Bank of Queensland Ltd	A2	1,000,000
20-Sep-16	2,000,000	2.9500	Commonwealth Bank of Australia Ltd	A1+	2,000,000
22-Sep-16	1,000,000	2.9400	Commonwealth Bank of Australia Ltd	A1+	1,000,000
26-Sep-16	1,000,000	3.0000	Bank of Queensland Ltd	A2	1,000,000
04-Oct-16	1,000,000	2.8000	Bank of Queensland Ltd	A2	1,000,000
10-Oct-16	1,000,000	3.0800	National Australia Bank Ltd	A1+	1,000,000
18-Oct-16	2,000,000	2.9400	Commonwealth Bank of Australia Ltd	A1+	2,000,000
25-Oct-16	1,000,000	2.9500	Bendigo & Adelaide Bank Ltd	A2	1,000,000
28-Oct-16	1,000,000	3.1000	Members Equity Bank Ltd	A2	1,000,000
01-Nov-16	1,000,000	2.9100	Commonwealth Bank of Australia Ltd	A1+	1,000,000
09-Nov-16	2,000,000	3.0000	Bendigo & Adelaide Bank Ltd	A2	2,000,000
15-Nov-16	1,000,000	2.9300	Commonwealth Bank of Australia Ltd	A1+	1,000,000
28-Nov-16	1,000,000	3.0000	Bank of Queensland Ltd	A2	1,000,000
30-Nov-16	1,000,000	3.0000	Bendigo & Adelaide Bank Ltd	A2	1,000,000
13-Dec-16	1,000,000	2.9500	National Australia Bank Ltd	A1+	1,000,000
19-Dec-16	1,000,000	3.0000	Members Equity Bank Ltd	A2	1,000,000
16-Jan-17	1,000,000	3.0900	Bendigo & Adelaide Bank Ltd	A2	1,000,000
24-Jan-17	1,000,000	3.1000	Members Equity Bank Ltd	A2	1,000,000
30-Jan-17	1,000,000	3.0000	Members Equity Bank Ltd	A2	1,000,000
07-Feb-17	2,000,000	3.0500	Members Equity Bank Ltd	A2	2,000,000
13-Feb-17	2,000,000	3.1000	Members Equity Bank Ltd	A2	2,000,000
21-Feb-17	1,000,000	3.1000	Members Equity Bank Ltd	A2	1,000,000
27-Feb-17	1,000,000	3.1000	ING Bank Australia Limited	A2	1,000,000
	81,000,000				81,000,000
Term Investment Group & Cash Deposit Account					
Rollover Date	Face Value	Current Rate	Borrower	Rating	
Cash Account	1,445,598	1.8000	CBA (Business Saver)	A-1+	1,445,598
17-Jun-16	1,000,000	2.7500	CBA Term Deposit Kimbriki 35810609	AA-	1,000,000
10-May-16	8,061,729	3.0300	WBC Term Deposit Kimbriki 11-1208	AA-	8,061,729
26-May-16	2,520,848	2.9300	WBC Term Deposit Kimbriki 11-4185	AA-	2,520,848
01-Mar-16	3,847,026	1.5000	CBA Money Market Kimbriki 10162612	AA-	3,847,026
	16,875,201				16,875,201
	99,258,454				99,258,454
			Closing Balance:		98,950,676

* Weighted Average Life is the anticipated date of repayment of Council's full principal in mortgage backed securities based upon the expected repayment of a critical balance of underlying mortgages. It is calculated by professional actuaries and its use is market convention for securities such as these. Council's investment policy recognises Weighted Average life dates as appropriate maturity dates for these securities

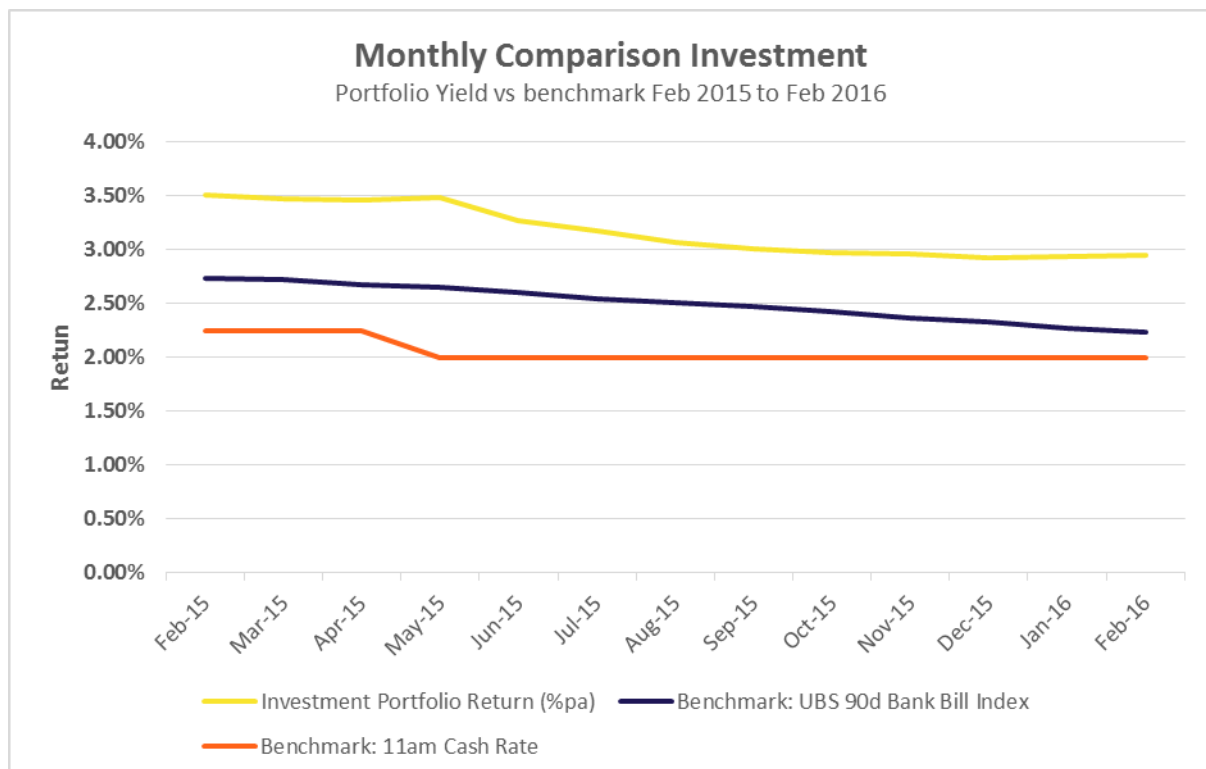
Portfolio Performance vs. 90 day Bank Bill Index over 12 month period.	✓	Council's investment performance did exceed benchmark.
Monthly Income vs. Budget	✓	Council's income from investments did exceed monthly budget.
Investment Policy Compliance		
Legislative Requirements	✓	Fully compliant
Portfolio Credit Rating Limit	✓	Fully compliant
Institutional Exposure Limits	✓	Fully compliant
Term to Maturity Limits	✓	Fully compliant

Investment Performance vs. Benchmark

	Investment Portfolio Return (%pa)*	Benchmark: Bloomberg AusBond Bank Bill Index	Benchmark: 11am Cash Rate **
1 Month	2.95%	2.23%	2.00%
3 Months	2.94%	2.28%	2.00%
6 Months	2.96%	2.35%	2.00%
FYTD	3.00%	2.40%	2.00%
12 Months	3.14%	2.48%	2.04%

* Excludes cash holdings (i.e. bank account, loan offset T/Ds, and Cash Fund)

** This benchmark relates to Cash Fund holdings

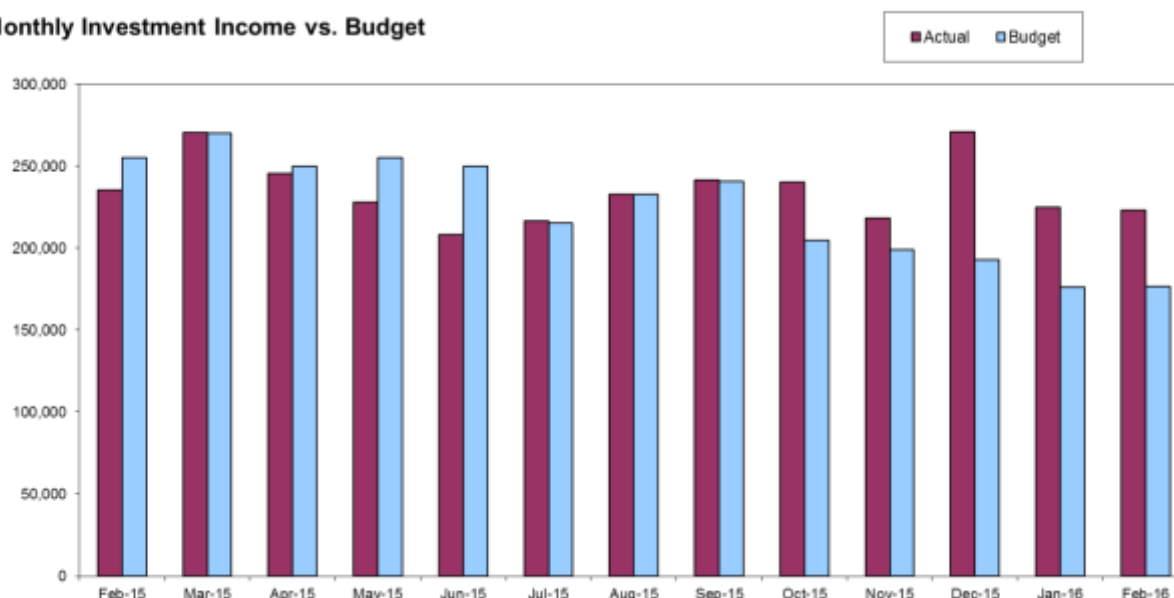


Monthly Investment Income* vs. Budget

	\$ Feb 16	\$ Year to Date
Investment Income	226,060	1,859,129
Adjustment for Fair Value	(2,965)	9,351
Total Investment Income	223,095	1,868,480
Budgeted Income	176,500	1,637,424

*Includes all cash and investment holdings

Monthly Investment Income vs. Budget



In February we have reflected a fair value decrease of \$2,965 in accordance with AASB 139 Financial Instruments: Recognition and Measurement. It is Council's intention to hold these investments to maturity and as such no gain of principal will occur in these circumstances. These investments could have been classified as Held-to-maturity investments upon initial recognition under AASB 139 in which case no fair value adjustment would be required through profit or loss. When these investments reach maturity any fair value adjustment which has been taken up will be written back to the Profit and Loss Account.

Economic Notes

Global economic readings were mixed-strength in February, but still point on balance to growth losing momentum. The continuing volatility in global financial markets and weakness in some commodity prices, especially oil, still highlight the possibility of very weak global economic conditions ahead, an issue starting to influence the decisions of central banks. In Australia, economic readings seem to show relative strength in the non-resources parts of the economy countering the negative impact of weak commodity prices and big falls continuing in mining investment spending. The RBA held the cash rate unchanged at 2.00% at its first policy meeting for 2016, is comparatively upbeat about the Australian economy, but because of continuing low inflation has the capacity to lower the cash rate should demand in the economy show signs of weakening.

In the United States economic readings released in February showed soft GDP growth in Quarter 4, 1.0% annualized growth down from 2.2% in Quarter 3, but January readings have taken a mostly stronger turn, including previously soft manufacturing readings. January industrial production lifted by 0.9% month-on-month while January durable goods orders were much stronger than expected, up 4.9% month-on-month. The US economy seems on balance to have gained a little growth momentum in January, notwithstanding financial market volatility. The mid-February semi-annual monetary policy testimony by Fed Chair Janet Yellen, implied that the potential negative economic consequences from financial market volatility may delay the Fed's plans to normalize interest rates, but more recent signs showing the possible beginnings of inflation pressure throw the issue of when or if the Fed may lift rates again back in to the melting pot.

In China, economic readings presented a mixed picture. January purchasing manager survey readings for the manufacturing sector continued to languish below the 50 expansion/contraction benchmark while the official services sector PMI fell to 53.5 from 54.4 in December. January exports, -11.2% year-on-year, and imports, -18.8% year-on-year were both much worse than expected pointing to weaker economic activity. In contrast, loan growth jumped to 15.3% year-on-year from 14.3% year-on-year in December and early reports of retail spending in the New Year holiday week seem quite strong. The jury is out on whether slowing growth in China is starting to base out.

In Europe, Q4 GDP rose by 0.3% quarter-on-quarter, 1.5% quarter-on-quarter virtually the same as the result as in Q3 2015 and showing that Europe is continuing to struggle to grow. Growth is very mixed among the various euro-area economies ranging from recession in Finland and Greece to strong growth 1%+ quarter-on-quarter in Estonia and Slovakia. Three of the big-four euro-area economies Germany, France and Italy are growing only modestly between 0.1% quarter-on-quarter and 0.3% quarter-on-quarter while the news continues to improve for previous problem economy, Spain growing strongly again by 0.8% quarter-on-quarter. European banks came under selling pressure at times during the month causing ECB President Draghi to state that the ECB was prepared to take further action to ensure that financial market volatility would not compromise the safety of European banks. ECB guidance has fostered a view in markets that monetary policy will be eased again at the next ECB policy meeting in March.

In Australia, the economic readings released in February have been very mixed. Home building approvals rebounded strongly by 9.2% in December after falling 12.4% in November. Retail sales, in contrast were surprisingly soft in December, 0.0% change after lifting 0.4% in November. The monthly trade deficit also worsened sharply in December to \$A3.5 billion from \$A2.7 billion in November driven mostly by a 4.7% month-on-month fall in exports. After two exceptionally strong gains in employment back in October and November, employment fell in December (-800) and again in January (-7,900). The unemployment rate that fell through 2015 to 5.8% in December, unexpectedly rebounded to 6.0% in January.

On the positive side, consumer sentiment has strengthened and business sentiment has held up reasonably well too. The RBA both in its February policy meeting and in its quarterly monetary policy statement has taken a reasonably upbeat view of what signs there are of improvement in the non-resources parts of the economy. While recognising the volatility in global financial markets the RBA wants to wait and see what impact if any there will be on Australian real economic activity. The RBA continues to note that inflation is likely to stay low for the next year or two affording it the capacity to lower rates should demand weaken.

The investment portfolio return for February was 2.95% versus the Ausbond bank bill index return of 2.23%. On an annual basis the portfolio has returned 3.14% verses the Ausbond bank bill index of 2.48%. The year to date return is 3.00% verses Ausbond bank bill index of 2.40%.



Investment Strategy Review
Warringah Council

25 February 2016



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Warringah Council – Portfolio Commentary

Market Update

The Reserve Bank of Australia took their vacation over the holiday period and as such no meeting was held in January. The cash rate remains 2.00% as we head into 2016. The three-month BBSW was 2.34% at the beginning of January and trended lower over the month to end at 2.29%. The six month BBSW was similar, starting the month at 2.46%, falling 5bps across the month to end the month at 2.41%. Lack of liquidity in bills meant that rates were exceptionally high at year end. The subsequent retracement can be explained by a normalisation of the curve throughout the month of January. The spread between three-month BBSW and six-month BBSW is as wide as it's ever been over the past 12 months. The significance of this for investors will be discussed further below. In the top half of the following graph it shows the differential in levels in terms of price, and the bottom half shows the spread differential.



Term Deposit rates being offered by higher rated major and regional banks continue to surpass those offered by lower rated foreign and mutual bank / credit unions. In the A2 space ME Bank continue to raise wholesale deposits via NCDs at relatively high levels (3mBBSW+55) which is forcing the rest of the A2 ADIs to increase their rates in order to compete.

Issuer	S&P Rating	NCD margin to 90 day BBSW	Term Deposit margin to 90 day BBSW
Major Bank	AA- / A1+	Flat	+60
Regional Bank	A / A1	+20	+60
Foreign Bank	A / A1	+35	+40
Mutual Bank / Credit Union	BBB+ / A2	+55	+50

There were two large domestic issuances in January. On the 18th January CBA (rated AA- S&P) issued a \$1.8 billion 5-year senior unsecured deal which priced at 3mBBSW+115. This was 7 bps wider than the last major issuance by a major bank (Westpac and NAB priced at +108 in October 2015). On the 27th January Royal Bank of Canada (rated AA- S&P) issued an \$800m 5-year senior unsecured deal which priced at 3mBBSW+125. There was also a small private placement issued by Newcastle Permanent Building Society (rated BBB+ S&P) who issued a 1-year senior unsecured deal which priced at 3mBBSW+80.



The following is a snapshot of trading levels of some highly liquid senior unsecured FRNs as at end of January 2016:

Issuer	S&P Rating	Maturity Date	Term Deposit margin to 90 day BBSW	Change month-to-month
Bendigo Bank	A-	17 May 2017	+80	-2
AMP Bank	A+	06 Jun 2018	+85	+3
NAB	AA-	27 Nov 2019	+96	+4
Macquarie Bank	A+	03 Mar 2020	+121	+17
Westpac	AA-	28 Oct 2020	+108	+3
CBA	AA-	18 Jan 2021	+115	-

Credit Update

Throughout January there's been clear divergence between where CDS is trading and where physicals are trading. Itraxx 5yr started the month at 127.7 and traded as wide as 152 on the 20th Jan, ending the month at 139.6. This move is in contrast to movement in the physical market. As you can see in the above table spreads have only moved a few bps across the curve – except for the Macquarie March 2020's that have moved significantly.

The lack of movement in physicals despite the sharp movement in CDS can be attributed to the reduced liquidity in the market. There is a general lack of stock in the market which means very little stock on the offer. As a result, the only time the physicals are moving wider is when investors are forced to hit the bid which has moved wider in-line with CDS movement. The below graph highlights this greater movement in CDS verse physicals. The graph shows a 26.41% widening in CDS compared to a 11.20% widening in physical credit spreads.



Investors are generally unconcerned with the credit worthiness of their underlying assets. The banking system in Australia continues to remain robust, well capitalised and profitable. The movement in spreads during the global financial crisis in 2008 was more a liquidity event in Australia rather than a credit event. The disruption to global markets at the start of 2016 has the same feel about it. Do we think that the credit risk of owning 5-year CBA senior unsecured now compared to the middle of October 2015 has increased? No we don't. However, we do think that liquidity is much lower and there's a perception that physical credit has moved wider. Certainly sentiment would have it so. Those investors who are slightly concerned about the underlying credit worthiness of their assets are buying



protection rather than selling the physical asset. This behaviour is reminiscent of the way events unfolded in 2012 when CDS moved wider a lot wider than the corresponding physicals.

Economic Review

Global economic readings continued to run on balance softer than widely expected through much of January adding to concerns about a potential global economic slowdown in 2016. Weaker commodity prices, including the price of oil down to a 12-year low at one point, and the worst start to a calendar year on record for global share markets reinforced a sense that global economic growth may be faltering. While there were some soft data points during the month, however, they were consistent with moderating growth, rather than unduly weak economic activity. In Australia, economic readings were comparatively firm on balance, to the point where it seems likely that the RBA will continue to keep its cash rate on hold at 2.00% for another few months.

In the United States economic readings released so far this month present a mixed picture. Most indicators relating to the manufacturing sector have taken a turn for the weaker. December industrial production fell by 0.4%, while the December ISM manufacturing survey reading fell further below the 50 expansion/contraction line to 48.2 from 48.6 in November. Set against the weakness in US manufacturing, non-manufacturing or services sector activity remained comparatively robust on the basis of the December ISM survey – a reading of 55.3, down only a little from 55.9 in November.

In terms of spending in the US economy, retail sales have been disappointing, flat in December after lifting only 0.2% in November, yet consumer confidence and borrowing have been quite strong. Housing activity has been volatile month-to-month, although December existing home sales were very strong, up 14.7% in the month, while housing starts and permits in December down respectively 2.5% and 3.9% held much of the near 11% gains in both back in November. Employment remains very strong with non-farm payrolls lifting in December by 292,000 after an upwardly revised 252,000 lift in November. US inflation remains subdued with December producer prices down 0.2% in the months and the CPI down 0.1%. With the US economy growing only modestly and with little sign of inflation the Federal Reserve seems likely to progress very cautiously lifting the Federal funds rate. After a first hike back in December, a “no change” decision seems likely at the policy meeting this week with perhaps another rate hike at the March policy meeting, data permitting.

In China, despite concerns that the rebalancing of the economy away from foreign trade, investment spending and manufacturing as chief economic growth drivers moving towards more retail spending and services sector activity might be going awry, the data released over the past month point to respectable growth and with contributions along the lines favoured by China's Government. Quarter 4 GDP rose 6.8% year on year and for the whole of 2015 GDP was up by 6.9% after lifting 7.3% in 2014, a slowdown but not an unduly pronounced one. The tertiary or services sector, moreover, showed signs of taking over the growth lead lifting 8.3% in 2015, up from 7.8% in 2014. The moves by the authorities adjusting down the yuan exchange rate and intervening occasionally in the share market were in the spotlight and at times lacked finesse adding to market uncertainty. These issues seem likely to settle over time given annual economic growth stabilizing in 6%+ territory and still the undoubted capability to use the main macroeconomic policy levers – easier monetary policy and more budget spending if needed.

In Europe, the data reports released in January were mixed-strength. On the positive side, the December business and consumer survey lifted to 106.8 from 106.1 in November while Europe's unemployment rate fell unexpectedly to 10.5% in December from 10.6% in November. On the negative side, November retail sales fell by 0.3% after falling 0.2% in October and November industrial production fell by 0.7% almost reversing a 0.8% gain in October. The minutes of the ECB's December policy meeting were less than encouraging too showing divisions among the members explaining why the policy easing at that meeting was effectively a compromise, failing to live up to pre-meeting guidance from ECB President Draghi. Interestingly the ECB policy meeting held last week made no policy change but is again providing guidance that policy will be “revisited” – read eased – at the next meeting in March.



In Australia, the economic readings released so far in January have been comparatively firm, but with the notable exception of November home building approvals that fell sharply by 12.7% driven by a particularly large fall in approvals for private multi-occupancy dwellings in Victoria. Signs are accumulating that the home buying and building boom has topped out.

On the positive side, household consumption spending seemed to strengthen in Q4. Retail sales rose by 0.4% in November after lifting by 0.6% in October. November international trade was stronger than expected too with the trade deficit narrowing to \$A2.9 billion from \$A3.2 billion in October assisted by a 1% lift in exports. The biggest positive is the resilience of employment falling by only 1,000 in December after lifting 75,000 in November. The unemployment rate was steady at 5.8% in December. Importantly job vacancies continue to rise strongly, up 3.5% in Quarter 4 and up 11.8% year on year, the best annual gain in almost 4 years and a sign that employment may continue to grow reasonably well early in 2016.

The RBA board meets for the first time in two months on February 2nd. Going back to early December when the RBA board met last time the view of the board was that although inflation was low and the economy continued to grow below potential there were signs that activity would improve over time. The data released over the past two months remains consistent with that view so it seems unlikely that the RBA will adjust the 2.00% cash rate in the near term. We still see soft global and local economic conditions leading the RBA to cut the cash rate further, but not ahead of the May policy meeting. We continue to pencil in two 25bps cash rate cuts in May and June this year taking the cash rate down to 1.50% in the second half of 2016.

Rate and yield curve commentary

Mixed strength economic readings released in January and a Quarter 4 CPI report showing that annual inflation remains very well contained below the bottom of the RBA's 2-3% target range for the CPI and at the bottom of the range for underlying inflation still point to the capacity for the RBA to ease monetary policy further in need. In the immediate term the RBA seems likely to wait for more data to see whether its economic growth and inflation forecasts are on track. Most likely outcomes for monetary policy decisions in the near term are no change, or further easing. A turn towards hiking interest rates is a very unlikely outcome any time soon.

Recent economic readings have been mixed showing signs of weakness in housing activity, strength in retail sales and employment, but a continuing sharp decline in mining investment spending. Topping out of housing activity; further falls in mining investment spending and an accelerating rundown in jobs in the manufacturing sector (automobile manufacturing in particular) all point to weak patches in economic activity through 2016.

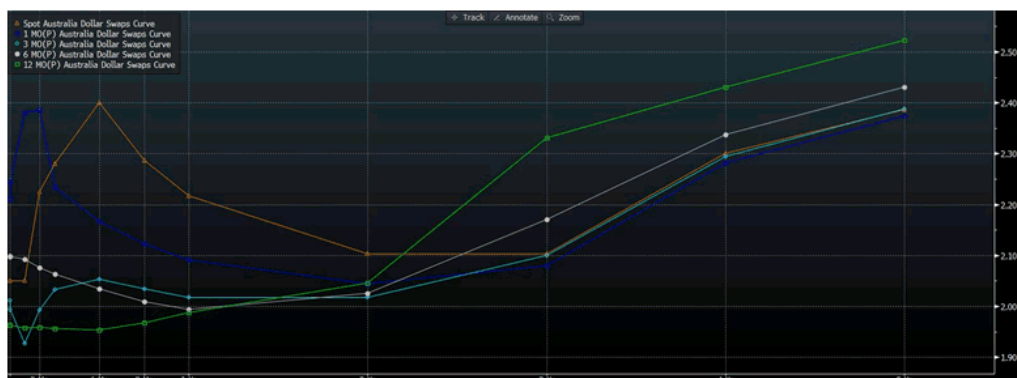
We still see the RBA needing to cut the cash rate further and two 25bps cuts in relatively quick succession are likely to be needed to provide impact. However, it is unlikely that the data will show the consistent weakness causing the RBA to cut the cash rate until mid-2016. A low interest environment is likely to persist for some time. Increasing expectations of more Australian cash rate cuts, even at a time when the US Fed is slowly raising its Funds rate is likely to keep Australian longer-term bonds comparatively well bid.

The Australian cash rate is likely to stay low through 2016 extending in to 2017. It may be two years at least before the market starts to anticipate the RBA moving to tighten monetary policy. Over the next 12 months the yield curve is more likely to flatten. There is a chance that the curve could invert for a period next year. We do not see the curve starting to steepen consistently until mid-2017, possibly later.



Forward Yield Curves

The charts below show market predicted interest rate curves for 1, 3, 6, 12 months forward. The orange curve is the current yield curve (as at 31 Jan 2016). The forecast curves are 1 month (dark blue), 3 months (aqua), 6 months (white) and 12 months (green). The forward curves indicate that the short end of the yield curve (out to 12 months) is expected to flatten with no upward pressure on interest rates. The graph highlights the point made above that we believe that rates will remain relatively flat over the next two years.



Strategic implications

- Interest rates to stay low (and potentially fall) across the short term part of the interest rate curve for at least the next 18 months.
 - **While our recommendation is to invest in floating rate securities for terms beyond 18 months to maturity, investors should not be reluctant to take advantage of special term deposit rates in the 6-month to 1-year part of the curve where rates of around 3.00%-3.10% are now available.**
- No significant steepening of the curve out to 2 years expected in the next 12 months.
 - **Continuing to identify opportunities to invest in longer term floating rate notes where a pickup in yield can be delivered from wider credit spreads is recommended. Given FRN's reset over 90 days over the 90 day bank bill rate, any increase that does occur in short term rates will be reflected in higher interest rate resets over time.**
- Relatively minor curve steepening in the longer part of the curve expected over the next 12 months.
 - **Through January forward curves have steepened in the 2 to 5-year part of the curve. The forward market has moved its prediction of a rate movements in the longer part of the curve from 15-20bps in December to 40-50bps in January. Given our recommendations for longer term investments risk to stay floating, (ie investments that reset each 90 days) rising longer term interest rates will have little to no effect on the portfolio in terms of the interest rate risk associated with rising interest rates and long term investments**



Investment Strategy Recommendations

The following table summarises the Council's investment portfolio as at December 31 2015 (excluding deposits relating to Kimbriki). The Council remains fully invested in term deposits except for the legacy investment in the Emerald Trust Reverse Mortgage. All investments remain appropriate for a local government entity and fully comply with legislation and Investment Policy Limits.

Warringah Council Investment Profile 31 Dec 2015 (excluding Kimbriki)				
General Credit Profile				
	Investment Balance	Weighting	Investment Policy Limits	Investment Policy Compliance
	\$ million	%	%	
Direct Securities*				
AAA/A1+	46.8	55	100	Yes
AA/A1 Category	11.0	13	100	Yes
A/A2 Category	27.5	32	70	Yes
BBB/A3 Category	0.0	0	20	Yes
Unrated ADI Category	0.0	0	20	Yes
* Where the security has a maturity date > 1 year the long term rating is referenced.	85.3	100		
Individual Counterparty Limits				
Largest Exposure per Credit Rating				
Direct Securities (Max Exposure)				
AAA/A1+ Category (CBA)	27.1	32	45	Yes
AA/A1 Category (Suncorp)	11.0	13	35	Yes
A/A2 Category (Bendigo)	15.0	18	25	Yes
BBB/A3 Category	0.0	0	10	Yes
Unrated ADI Category	0.0	0	10	Yes
Term to Maturity Limits				
Portfolio % < 1 yr	84.2	99	Min 40% Max 100%	Yes
Portfolio % > 1 yr	1.1	1	60	Yes
Potfolio % > 3 yrs ≤ 5 yrs	1.1	1	30	Yes
Asset Allocation Targets				
Cash, Term Deposits, Discount Securities	84.2	99	n/a	
ADI Issued Senior Debt	0.0	0	n/a	
Structured Securities	1.1	1	n/a	

Laminar Capital Investment Strategy

Fixed income investors should continue to take advantage of good deposit rates in the 6 month to 12-month part of the curve. As we've already seen in January primary issuance will present investors with buying opportunities. The CBA and RBC new issues were examples of such opportunities. New issuance in the 1-4 year parts of the curve will also come to market which should give investors a clearer picture as to what 'fair' levels are across the curve. Margins of BBSW + 115 are now available from the major banks in the form of floating rate notes/deposits.



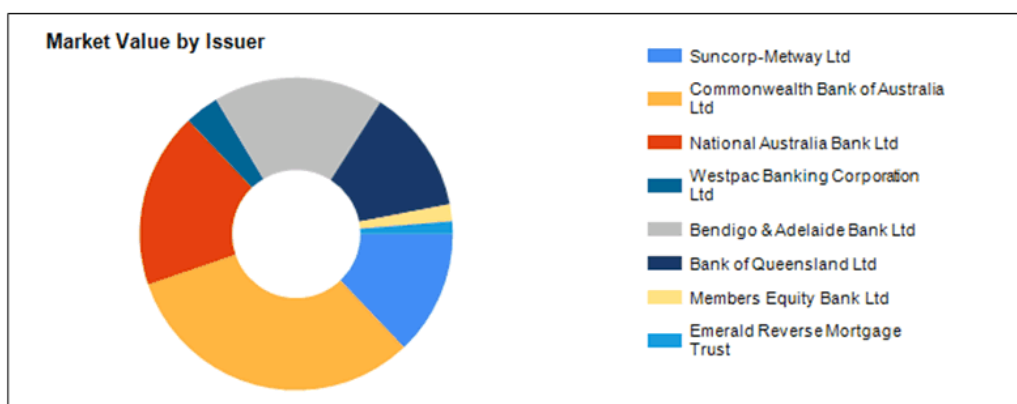
Overall Portfolio Credit Profile:

- The Council remains conservatively invested with 99% the portfolio invested in term deposits with 54% of the portfolio in the highest short term rating of A1+
- The portfolio remains conservatively placed, well within the investment portfolio limits from a risk and term to maturity perspective.
- As at 31 December 2015 all of the investments in the investment portfolio are considered low risk with a low probability of capital loss
- The council should however be mindful that term deposits are now illiquid and cannot be broken or traded in the event of needing cash quickly.

Individual Counterparty Allocation

- The portfolio remains conservatively invested across seven term deposit issuers.
- The Council has been taking advantage of term deposit specials where appropriate.
- It is recommended that this strategy continues.
- We will continue to monitor the market for other term deposit issuers, who meet the investment and credit criteria and who offer attractive interest rates.
- There is an opportunity to expand the list of counterparties to take advantage of specials as they emerge.

Issuer	Market Value	% Total Value
Bank of Queensland Ltd	11,000,000.00	12.90%
Bendigo & Adelaide Bank Ltd	15,000,000.00	17.59%
Commonwealth Bank of Australia Ltd	27,162,404.85	31.85%
Emerald Reverse Mortgage Trust	1,103,612	1.30%
Members Equity Bank Ltd	1,500,000.00	1.76%
National Australia Bank Ltd	15,500,000.00	18.18%
Suncorp-Metway Ltd	11,000,000.00	12.90%
Westpac Banking Corporation Ltd	3,000,000.00	3.52%
Portfolio Total	85,266,016.85	100.00%



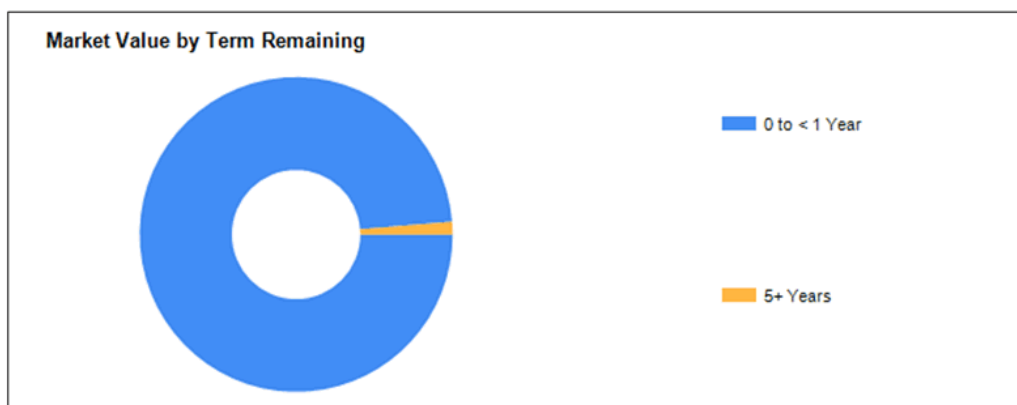


Term to Maturity Allocation

- The Council's portfolio remains conservatively invested from a duration perspective with 99% of the portfolio having a maturity date of less than one year.
- The portfolio has shortened from an average of 159 days in December 2014 to 145 days as at December 2015.
- The longest term deposit matures in November 2016.
- While there are good investment opportunities with longer durations and we would ordinarily recommend a larger percentage of the portfolio be invested for a longer term, we understand this is limited by the need to have cash available shorter term for capital works projects that have been identified.

Term Remaining	Market Value	% Total Value
0 to < 1 Year	84,162,404.85	98.70%
5+ Years	1,103,612.00	1.30%
Portfolio Total	85,266,016.85	100.00%

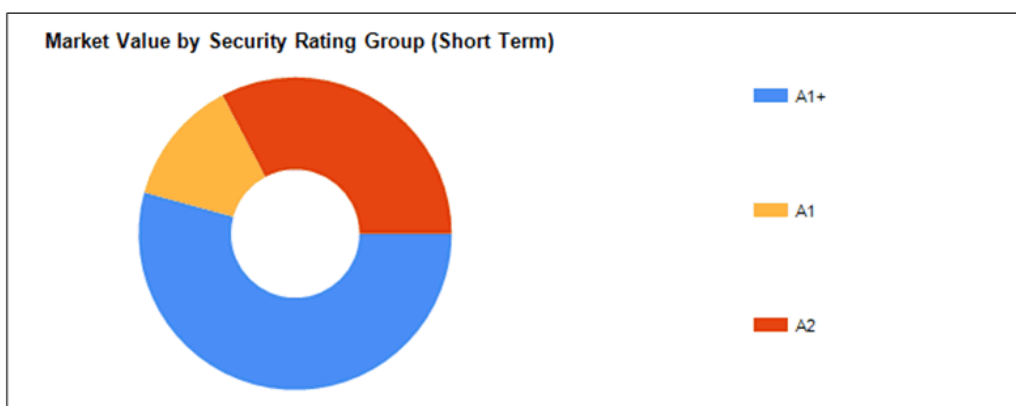
Note: Term Remaining is calculated using a weighted average life date (WAL) where appropriate and available otherwise the interim (initial) maturity date is used.





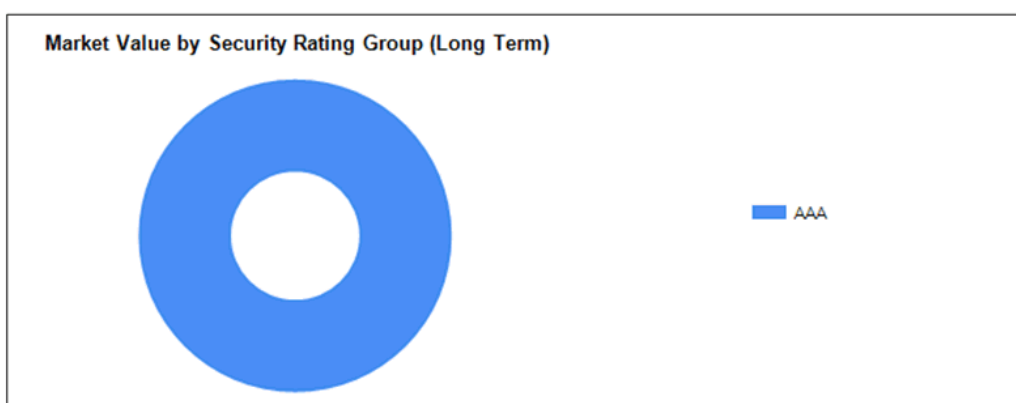
Rating Categories

- The investment portfolio remains weighted to A1+ term deposit issuers. These are the major banks. The major banks have been aggressive in pricing term deposits in the 6-12 month part of the curve and the Council has been taking advantage of these rates while they remain available.
- 34% is invested with A2 rated term deposit issuers. Bendigo Bank and Bank of Queensland make up a bulk of this exposure. These banks have been more aggressive in attracting new deposits, therefore paying higher rates.
- The credit quality of the A2 issuers is not a concern. These organizations are well run, have a good market position and maintain good residential loan quality.



Short Term Security Rating Group	Market Value	% Total Value
A1+	45,662,404.85	53.55%
A1	11,000,000.00	12.90%
A2	27,500,000.00	32.25%
Portfolio Total	84,162,404.85	98.70%

Long Term Security Rating Group	Market Value	% Total Value
AAA	1,103,612.00	1.30%
Portfolio Total	1,103,612.00	1.30%

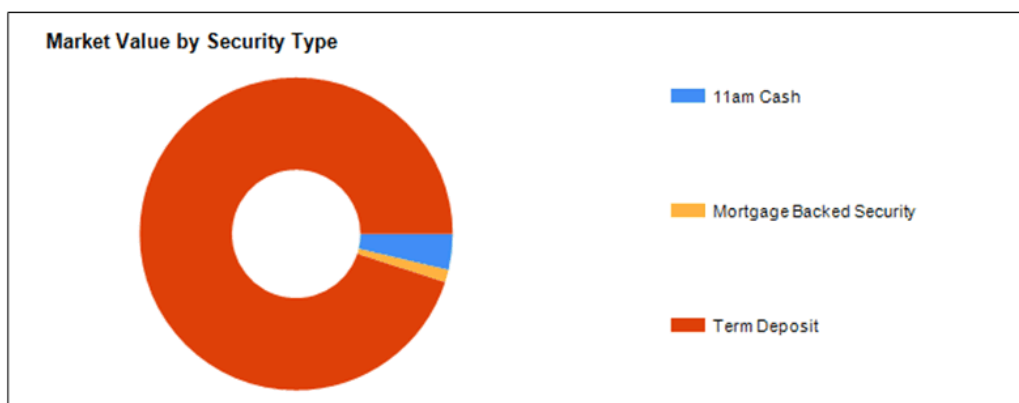




Security Type Allocation

- 99% of the portfolio is invested in cash term deposits.
- While the Council has the ability to invest in ADI issued senior debt, these investments tend to be longer term to maturity and this is inconsistent with the current strategy of investing shorter term due to capital expenditure requirements.
- Higher returns are currently available on term deposits in the shorter term than any other eligible assets.
- We recommend that this strategy is maintained until Council can identify the amount of investment that can be invested longer term after the capital works requirements have been fulfilled.

Security Type	Market Value	% Total Value
11am Cash	3,162,404.85	3.71%
Mortgage Backed Security	1,103,612.00	1.30%
Term Deposit	81,000,000.00	94.99%
Portfolio Total	85,266,016.85	100.00%





Investment Strategy Summary

- Overall the Councils portfolio is conservatively invested and well within the allowable investments as set out in the list of eligible investments.
- While we would ordinarily include recommendations to invest a portion of the Councils funds in longer term investments to help lock in interest rate margins, the strategy needs to take the Councils cash flow needs into account.
- The Council has a significant amount of capital works in the pipeline and cash needs to be available for this purpose.
- With these considerations in mind our recommendation is to continue to invest in term deposits and maintain the current, or similar, maturity profile.
- The risk of capital loss is extremely low in the current portfolio. The risk of losing principle in an Australian Authorised Deposits-taking Institution is remote. Australia continues to have one of the strongest banking regulatory regimes in the world and senior debt (including deposits) issued by and Australian ADI are considered to be safe investments.
- Given credit risk is not a major concern, attention need to turn to obtaining the best rates possible from the list of ADI's that the Council currently deals with, while looking for new opportunities from ADI's not currently dealt with (where their ratings meets the Councils Investment Policy requirements).
- Once the Council's current round of capital works is completed we would recommend a further review of this strategy with a view of moving funds into longer term investments to lock in some higher returns.
- We would like to see the Council begin investing a portion of the portfolio in longer dated floating rate notes to take advantage of the widening of interest rate margins that is occurring in the wholesale markets. Returns of BBSW + 115 basis point are available from the major banks and this is an opportunity to lock in spreads to reverse the spread tightening occurring in the portfolio associated with term deposits
- Investing in bank issued floating rate notes also introduces some additional liquidity in the portfolio but this does come at the cost of mark-to-market movements in the valuation of these type of investments. As a hold to maturity investor this should not be of huge concern because we are not worried about the ability of the banks to repay their debt obligations.

Portfolio Performance

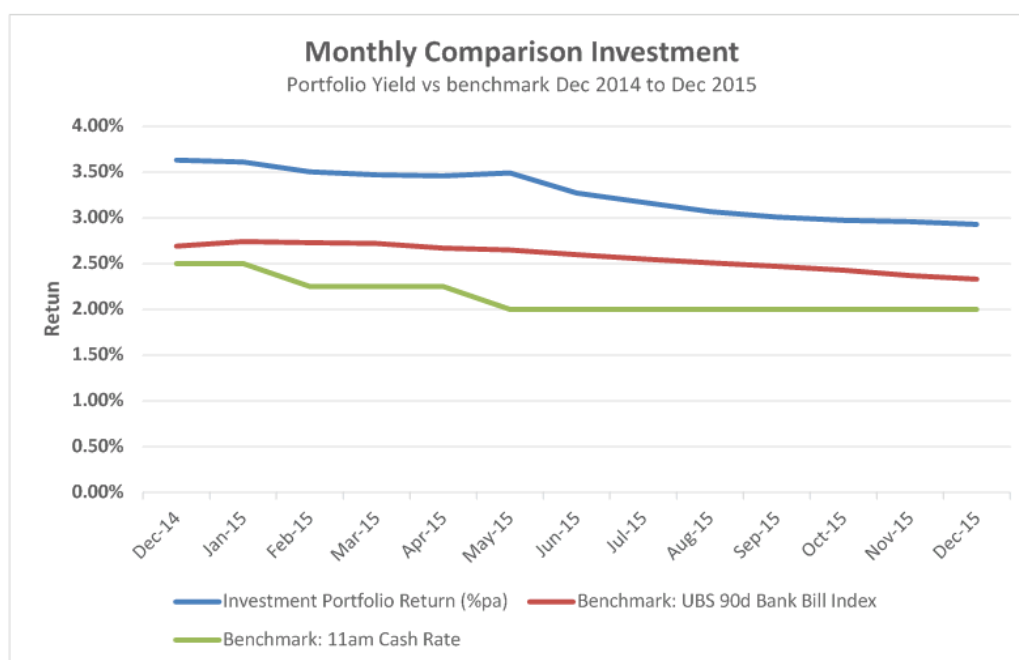
The investment portfolio had a running yield of 2.93% as at December 31 2015. This compared to a running yield of 3.63 as at December 31 2014 for a 12-month average of 3.24%. The outperformance of the running yield compared to the Bank Bill index has compressed to 60 basis points from 87 basis point a year earlier. This is consistent with the margins offered on wholesale term deposits reducing over this period.

We think term deposit margins should stabilise over the early part of 2016 as wholesale funding spreads continue to increase. We have seen a marked increase in the margins on offer from the banks on floating rate notes from 85 basis points over BBSW to 115 basis points over BBSW in the last 3 months and we predict these spreads will widen further as investors demand higher spreads for the perceived increase in "riskiness" of the banking sector globally.



Investment Performance vs. Benchmark

	Investment Portfolio Return (%pa)	Benchmark: Bloomberg Ausbond Bank Bill Index	Benchmark: 11am Cash Rate **
1 Month	2.93%	2.33%	2.00%
3 Months	2.95%	2.38%	2.00%
6 Months	3.02%	2.44%	2.00%
FYTD	3.02%	2.44%	2.00%
12 Months	3.24%	2.56%	2.10%





Appendix A – Authorised Deposit-taking Institution S&P Credit Ratings

Australian-owned Banks *rated by Moodys	Long Term	Short Term	Outlook
AMP Bank Ltd	A+	A1	Stable
Australia and New Zealand Banking Group Limited	AA-	A1+	Stable
Bank of Queensland Limited	A-	A2	Stable
Bendigo and Adelaide Bank Limited	A-	A2	Stable
Commonwealth Bank of Australia	AA-	A1+	Stable
Community CPS Australia Limited (trading as Beyond Bank Australia)	BBB+	A2	Stable
Defence Bank Limited	BBB+	A2	Stable
Heritage Bank Limited*	A3	P2	Stable
Macquarie Bank Limited	A	A1	Stable
mecu Limited (trading as bankmecu)	BBB+	A2	Stable
Members Equity Bank Pty Limited	BBB+	A2	Stable
Mystate Bank	BBB	A2	Stable
National Australia Bank Limited	AA-	A1+	Stable
Police Bank Ltd	BBB+	A2	Stable
QT Mutual Bank Limited	BBB+	A2	Stable
Rural Bank Limited (a subsidiary of Bendigo and Adelaide Bank Limited)	A-	A2	Stable
Suncorp-Metway Limited	A+	A1	Stable
Teachers Mutual Bank Limited	BBB+	A2	Stable
Victoria Teachers Limited (trading as Victoria Teachers Mutual Bank)*	Baa1	P2	Stable
Westpac Banking Corporation	AA-	A1+	Stable
Foreign Subsidiary Banks *rated by Moody's	Long Term	Short Term	Outlook
Arab Bank Australia Limited	BB+	B	Negative
Bank of China (Australia) Limited	A	A1	Stable
HSBC Bank Australia Limited	A+	A1	Stable
ING Direct (the trading name of ING Bank (Australia) Limited)	A-	A2	Stable
Investec Bank (Australia) Limited	BBB	A2	Negative
Branches of Foreign Banks	Long Term	Short Term	Outlook
* rated by Moodys	Long Term	Short Term	Outlook
Banco Santander, S.A.	BBB	A2	Stable
Bank of America, National Association	A	A1	Negative
Bank of China Limited	A	A1	Stable
Bank of Communications Co., Ltd.	A-	A2	Stable
Barclays Capital (the trading name of Barclays Bank PLC)	A+	A1	Stable
BNP Paribas	A+	A1	Negative
China Construction Bank Corporation	A	A1	Stable
Credit Suisse AG	A	A1	Stable
Deutsche Bank Aktiengesellschaft	A	A1	Stable
Industrial and Commercial Bank of China Limited	A	A1	Stable
ING Bank N.V.	A	A1	Stable
JPMorgan Chase Bank, National Association	A+	A1	Stable



Korea Exchange Bank Co., Ltd	A-	A2	Positive
Lloyds Bank plc	A	A1	Negative
Mega International Commercial Bank Co., Ltd.	A	A1	Stable
Mizuho Bank, Ltd.	A+	A1	Negative
Oversea-Chinese Banking Corporation Limited	AA-	A1+	Stable
Rabobank Nederland (the trading name of Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.)	A+	A1+	Stable
Royal Bank of Canada	AA-	A1+	Stable
State Bank of India	BBB-	A3	Negative
Sumitomo Mitsui Banking Corporation	A+	A1	Negative
Taiwan Cooperative Bank, Ltd	A-	A2	Stable
The Bank of Tokyo-Mitsubishi UFJ, Ltd	A+	A1	Stable
The Hongkong and Shanghai Banking Corporation Limited	A+	A1	Stable
The Royal Bank of Scotland N.V.	A-	A2	Negative
The Royal Bank of Scotland plc	A-	A2	Negative
United Overseas Bank Limited	AA-	A1+	Stable

Building Societies * rated by Moodys	Long Term	Short Term	Outlook
Greater Building Society Ltd	BBB	A2	Positive
IMB Ltd	BBB	A2	Stable
Newcastle Permanent Building Society Limited	BBB+	A2	Stable
The Rock Building Society Limited	BBB	A2	Stable
Wide Bay Australia Ltd	BBB	A2	Negative
Credit Unions *rated by Moodys	Long Term	Short Term	Outlook
Australian Central Credit Union Ltd (trading as People's Choice Credit Union)	BBB+	A2	Stable
Credit Union Australia Ltd	BBB+	A2	Stable
Qantas Staff Credit Union Limited	BBB	A2	Stable



Appendix B – Standard & Poor's Credit Ratings Definitions

Issuer Credit Ratings

A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness in order to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. Counterparty credit ratings, corporate credit ratings and sovereign credit ratings are all forms of issuer credit ratings. Issuer credit ratings can be either long-term or short-term. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Long-Term Issuer Credit Ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard & Poor's.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Short-Term Issuer Credit Ratings

A-1

An obligor rated 'A-1' has strong capacity to meet its financial commitments. It is rated in the highest category by Standard & Poor's. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong.

A-2

An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

A-3

An obligor rated 'A-3' has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

CreditWatch

CreditWatch highlights S&P's opinion regarding the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by Standard & Poor's analytical staff.

Ratings Outlooks

A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

- Positive means that a rating may be raised.
- Negative means that a rating may be lowered.
- Stable means that a rating is not likely to change.



Appendix C – Standard & Poor’s Credit Ratings Correlations

Source: Standard & Poor’s

Ratings Table

The following table maps Standard * Poor’s short and long term ratings that are applied to Australian issuers:

Short term ratings	Long term ratings
A1+	AAA
	AA+
	AA
	AA-
A1	A+
	A
A2	A-
	BBB+
	BBB
A3	BBB-
Unrated	Unrated



Overview of the “Emerald II Reverse Mortgage Series 2006-1 Trust”

Purpose of the Analysis & Outcome

Providing a current overview of the Emerald II Reverse Mortgage Series 2006-1 Trust (“Trust” or “Notes”) and identification of the strengths and weaknesses of the Trust. On balance the Notes are adequately collateralised by the Trust assets. Notwithstanding the sufficiency of assets backing the Notes, there are nevertheless risks which investors need to be cognisant of. In summary, the most noteworthy risks are:

1. The extended term of the Notes with the notes passing their call dates;
2. A general market value decline of housing stock;
3. Rating migration risk. With the extended maturity of the Notes, the ratings may migrate from their current ascribed ratings;
4. The coupon on the Notes were ‘cut’ pre GFC, accordingly are more sensitive to an increase in risk aversion and the corollary on widening in credit spreads.

Capital Structure Limited as at November 2015

Class	Rating	Bond Factor	Original Balance	Current Balance
Class ‘A’ Note	AAA	70%	\$88m	\$61.7m
Tranche ‘A’ Instalment Option Advance Facility			N/A	\$8.5m
Tranche ‘A’ Further Advance			N/A	\$5.1m
Step-up margin due on Class ‘A’ notes				\$2.3m
Class ‘B’ Note	AA	100%	\$11.0m	\$11.0m
Tranche ‘B’ Instalment Option Advance Facility				\$1.3m
Tranche ‘B’ Further Advance				\$787.5k
Step-up margin due on Class ‘B’ notes				548.4k
Class ‘C’ Note	A	100%	\$13.2m	\$13.2m
Tranche ‘C’ Instalment Option Advance Facility				\$1.58m
Tranche ‘C’ Further Advance				\$945.0k
Step-up margin due on Class ‘C’ notes				1.1m
Liquidity Facility				\$48.6m



Deal Description

The underlying collateral of the Trust is a pool of A\$ reverse mortgage loans and accommodation bonds. The reverse mortgages are secured by first ranking mortgages over properties located throughout Australia.

A reverse mortgage is a type of loan product available to borrowers usually over the age of 60 which are seeking to monetise the equity in their home without having to sell or vacate the property. A borrower that has taken out a reverse mortgage is provided with a loan by the lender, in the form of a lump sum of money, or installment amounts over a period of time, which is a percentage of the value of the security property. The loan is secured by the borrower's owner occupied home or their investment property. Under a reverse mortgage the borrower is not obliged to periodically repay the principal balance of the loan or make regular interest payments, but rather the interest on the loan accrues and capitalises onto the balance of the loan which must then be repaid under the following circumstances:

1. the borrower's mortality, in which case the lender stands to be repaid ahead of any other creditors or heirs out of the borrower's estate;
2. the borrower moves to an aged care facility;
3. sale of the security property; and
4. any other circumstance in which the security property is vacated by the borrower.

Accommodation bonds are a type of reverse mortgage and have similar characteristics to those described above, however, the loan or lump sum payment by the lender enables the borrower to fund upfront or ongoing payments required to enter an aged care facility. Under the terms of an accommodation bond, the loan is only required to be repaid upon the borrower's mortality or sale of the security property.

The structure benefits from a liquidity facility provided by Barclays Bank PLC ("Barclays"). At the time the deal was printed, Barclays was rated 'AA+', its current rating is 'A-'. The liquidity facility is a critical structural support in reverse mortgage transactions, given the sporadic nature of loan cash flows in the early years, when fewer exits are expected. The sporadic cash flows arise because there are no regular repayment obligations on the reverse mortgage loans or accommodation bond loans, with the only payment the ultimate repayment of the loan on the sale of the security property.

The liquidity facility is currently only available to meet the pre step-up coupon payments on the Class 'A' notes. As discussed later, as the Trustee failed to exercise their call option, the notes have stepped up at 2x their pre step-up coupon. The step-up coupon for Class A, B and C notes are currently capitalising and will only begin to be paid once the principal value of all the Class notes have been repaid.

Key Weaknesses

Ratings Migration Risk

When the transaction was originally written Standard and Poors and Fitch ascribed ratings to the Notes. Currently only Fitch rate the securities. Notwithstanding the Notes currently having a stable outlook from Fitch, the outlook could change with the lengthening maturity profile as noteholders are more exposed to a general market value decline of property values with the inevitable increase in interest rates before the Notes are fully amortised.



Capitalised Coupon deeply subordinated

With the Trustee not exercising their option to refinance the Trust, the coupons on all the Class of notes stepped up by 2x their original amount. The payment of the capitalised interest is more exposed to market value decline of housing stock than the principal and pre step-up coupon owing to the cash flow waterfall.

Post the step-up date, which occurred on 21 May 2011, the class 'A' notes are receiving their coupon plus the interest on the step-up interest, but step-up payments are capitalising. The payment of the capitalised interest will only begin to be paid once all the Class of notes has fully amortised.

Pre GFC cut coupon exposes noteholders to widening credit spreads with a longer WAL

With the coupons on the Notes cut pre-GFC, the securities carry a coupon which is well below prevailing market rates. With the Class A notes carrying a coupon of 45bps, (Class B: 75bps, Class C: 120bps), and the increasing tail risk of the securities, an increase in risk aversion and the corollary on widening credit spreads will have a more pronounced effect on the Notes.

Complex Derivative Overlays and Interest Rate Risk

Since 91.5% of the loans are a fixed for life and 8.5% are capped for life, the Trust is exposed to interest rate risk. This risk stems from the mortgage loans accruing interest under fixed or 'capped' rates and the Notes and support facilities paying a floating rate of interest. Accordingly, noteholders are exposed to fluctuations in interest rates. To mitigate this interest rate risk, the trust has interest rate hedges in place.

For each fixed rate reverse mortgage, the Trust has entered into a lifetime (35 year) interest rate swap with either Barclays Bank PLC or Westpac. For each capped variable rate reverse mortgage, the Trust has entered into a lifetime (35 year) interest rate cap with Barclays Bank PLC, whereby the interest rate cap is paid through regular instalments over the life of the loan.

If capped rate variable borrowers voluntarily discharge their loans, there are no cap break costs chargeable to them. Conversely, if a fixed rate borrower voluntarily discharge their loan, a break fee is payable. If the pre-payment is not voluntary, for example in the event of mortality or morbidity, then the borrower/estate is not liable for the break fee. Laminar believes the risk of the derivative overlays must not be underestimated, particularly with the Trustee failing to refinance the notes at the May 2011 call date.

With current interest rates significantly below the rates in 2006, the Trust could potentially have a large unfunded contingent liability, as Barclays, upon a break of the underlying loan, would receive less when the funds have to be re-invested.

Property Risk Exposure

Unlike traditional mortgages where the primary exit is the receipt of monthly principal and interest payments which fully amortises the loan, under a reverse mortgage the loan interest capitalises (and compounds) and the loan repayment is via a 'bullet', with the sale or refinance of the underlying collateral. Accordingly, reverse mortgages are more vulnerable to the vagaries of the housing market and potential market value declines, with this risk being more pronounced following the trustee not exercising their call option.

Of the collateral pool, 44.2% of the security properties are in non-metropolitan locations where time to realisation of a security property is generally longer and on balance the secondary market is not as deep as in metropolitan areas.



Properties backing reverse mortgages may be subject to a lower standard of maintenance

An important component in the valuation of the property, particularly for reverse mortgages is land value and not the improved capital value (i.e. the house). This aspect of a property's valuation is more critical for reverse mortgages as it is possible that properties securing reverse mortgage will be subject to lower standards of maintenance during the life of the loan and lower eventual sale prices upon loan termination.

Key Strengths

As interest capitalises onto the balance of the loan the borrower's loan obligation effectively grows over time. Therefore, it is critical in a reverse mortgage transaction that when the property is ultimately sold there is sufficient equity to repay principal and accrued interest in order for note-holders to receive a full return. We believe the Trust exhibits the following strengths:

Reverse mortgages have no credit risk

Reverse mortgages do not require ongoing payments of interest or principal from the borrower. All interest is accrued and paid along with the principal at the termination of the loan, usually from the sale proceeds of the property. Therefore, unlike standard mortgages, reverse mortgages are not exposed to the risks associated with the credit quality of the borrowers and their ability or willingness to make ongoing payments on the loan.

Low LVR of collateral pool

On the closing date of the transaction the weighted-average (WA) LVR of the collateral pool was 20.45%. While the WA LVR of the pool will naturally increase and accrued interest capitalises onto the balance of the loans outstanding, the fact that the original lend was only a relatively small percentage of the security value means the LVR as at 31 Jan 2014 is 36.35%. This low LVR provides Laminar with comfort that even if there is moderate devaluation of property prices there is sufficient equity value in the security properties to repay the debt.

Full valuations conducted for all properties

All security property valuations undertaken at the time of origination were full valuations. Full valuations are undertaken by a licensed valuer and are a more rigorous form of valuation in comparison to relying on a contract of sale, rates notice or a desk-top valuation. Full valuations give greater comfort that the original LVR were accurate and not underestimated.

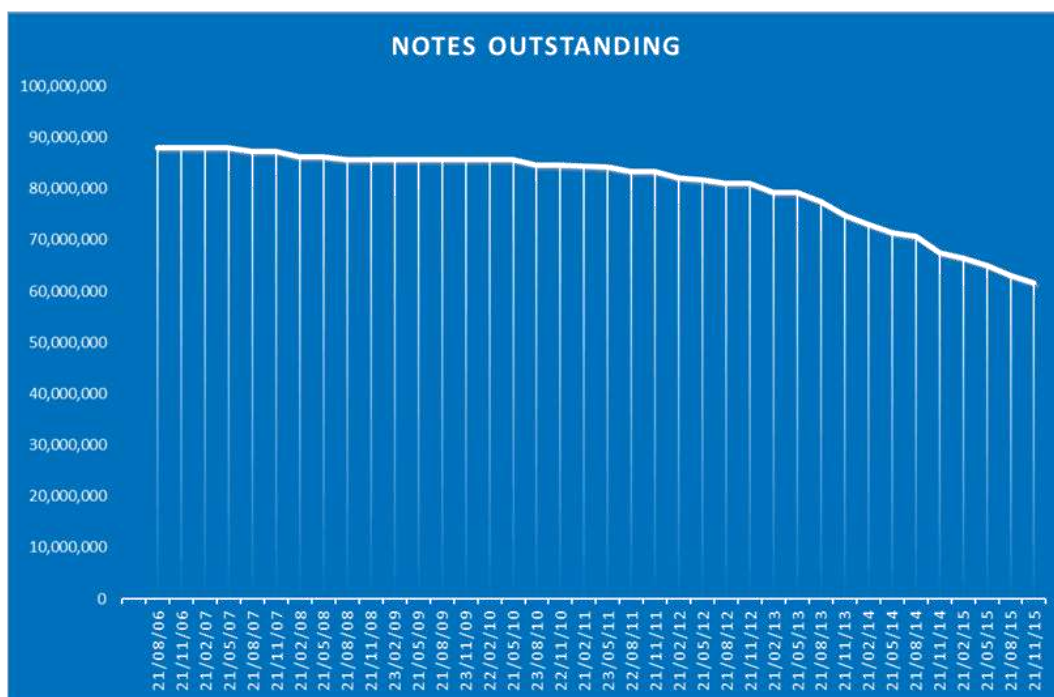
Excess Spread captured in Trust

Unlike traditional RMBS whereby the excess spread is paid to the Seller of the receivables, subject to trigger tests being satisfied, in the Emerald 2006-1 Trust, the excess spread is not available on an ongoing basis to flow out of the bottom of the waterfall. The reserve of excess spread in the structure will set-off loans which repay and the property is sold for less than the capitalised loan amount, a case of negative equity. The trustee provides borrowers with a guarantee against this event. Accordingly the excess spread forms the first layer of protection for investors against losses on the mortgage loans.



Collateral Pay Down

The chart below shows the outstanding note balance of the 2001-1 A note balance. Based on current average monthly reduction in the note bond factor, the notes will be fully paid down in 2037. Many factors can affect the average pay down however including the life expectancy of the mortgage holders.



Conclusion

The Notes are well secured with the conservative LVR of 37.3% and diversification across borrowers and geography. Notwithstanding the current level of collateral supporting the Notes, investors need to be mindful that the current benign property cycle may not prevail for the term of the Notes. Importantly with the tail risk of the loans, post call date, and with the property backing the loan the primary exit, note investors are in essence taking the view that the property market will remain stable or may only moderately fall. The other large unknown is the potential unfunded liabilities of the out of the money fixed interest rate swaps of the Trust.

On balance Class 'A' notes benefit from a strong underlying collateral backing, and the structural features of the Trust provide sound credit enhancements. While ultimate payment of interest and principal is sound, the Notes are still subject to ratings migration risk from the combination of:

1. a slowdown of prepayments, voluntary payments have most likely already occurred; and
2. a potential devaluation of house values with an inevitable rise of interest rates before the Notes fully amortise.

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Warringah Council

Audit & Risk Committee Charter



1 Introduction

Name

The Committee shall be called the Audit & Risk Committee (ARC).

Mission

The ARC Charter sets out the role, composition, authority, responsibilities and operation of the ARC.

The main purpose and function of this ARC is to provide independent assurance and assistance to Council on risk management, control, governance and external accountability responsibilities.

In addition, the purpose and function of this ARC is to ensure that there is adequate and effective systems of internal control throughout Council and to assist in the operation and implementation of the Internal and External Audit Plans.

Acronyms

The following acronyms apply throughout this Charter:

Acronym	Term	Acronym	Term
ARC	Audit and Risk Committee	IA	Internal Audit
B&ER	Business & Enterprise Risk	IA Charter	Internal Audit Charter
GIPA	Government Information Protection Act and Regulations	Council	Warringah Council
PPIPA	Personal and Private Information Protection Act	Management	Executive Management Team

2 Membership and Tenure

Membership

Membership of the ARC is by virtue of the appointed position; no delegates of the members are permitted.

The ARC membership shall consist of two (2) Councillors, and two (2) independent external members.

One of the independent members shall be voted Chair for the Term of Office.

The independent members cannot be a current or former Warringah councillor or staff member.

Only the members can vote on matters raised in the ARC meetings.

Non-voting attendees have a standing invite to attend each Meeting, and they include:

- General Manager
- Deputy General Manager

- Group Manager Business & Enterprise Risk
- Chief Financial Officer
- Internal Ombudsman
- Internal Auditor (outsourced)
- Representative of the External Auditor

Comment [AV1]: new

In addition, from time to time other non-voting attendees may be invited to attend Meetings, for the purpose of addressing specific agenda items. This shall be by invitation as requested by the ARC.

Skills and Experience

The members of the ARC, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council.

At least one member of the ARC shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

Selection and Appointment of Members

The selection and appointment of the councillor members shall be by Council resolution.

Comment [AV2]: new

The selection criteria and process for the appointment of the independent external members shall ordinarily be as follows:

- The ARC shall seek nominations from persons interested in being appointed to the available position. All nominees who satisfy the conditions of this Charter shall be eligible for appointment.
- The eligible persons will be interviewed by Senior Management, who shall make recommendations to the ARC.
- Following receipt of recommendations from Senior Management, the ARC may appoint the independent external member by:
 - Making a direct appointment based on merit; or
 - Determining the representative by the drawing of lots where there are suitable and complying nominations with equal merit.
- In the event of equal votes the Chair shall have the casting vote.

Term of Office

The independent external members will be appointed for a term of four (4) years, ceasing at the end of the Financial Year following the end of term of the Council. The independent external members will be eligible for extension or re-appointment following a formal review of their performance.

Voting on their re-appointment shall be undertaken in accordance with the Decision Making section of this Charter, except that the independent external member seeking reappointment may not vote on the reappointment and will be deemed to be absent for the vote. This will mean that, if the external member seeking reappointment is usually the Chair, the other independent external member will become the Chair for the purpose of the vote.

The maximum number of terms an independent external member can sit on the ARC is two (2) terms.

Vacancy

In the case of resignation from the ARC by an independent external member, the ARC is to appoint another independent external member as soon as is practicably possible, but no later than one month prior to the next meeting, so that there are always two independent external members on the ARC.

Chairperson

In the case of resignation by the Chair, the other current serving independent external member will be appointed as Chair.

In the absence of the appointed Chair, the other current serving independent external member shall serve as the Chair for the period of absence of the duly nominated Chair.

3 Roles & Responsibilities

Accountability

The ARC is accountable for ensuring that they meet their requirements as set out in this Charter.

All members are accountable to ensure they abide by to Council's Code of Conduct at all times.

All members of the ARC are individually accountable to:

- Understand the relevant legislative and regulatory requirements appropriate to Council
- Contribute the time needed to study and understand the papers provided
- Apply good analytical skills, objectivity and good judgment
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

Authority

The Council authorises the ARC, within the scope of its role and responsibilities, to:

- Provide regular assessment on the adequacy and effectiveness of the organisation's processes for controlling its activities and managing its risks
- Obtain any information it needs from any employee or external party (subject to their legal obligation to protect information)
- Discuss any matters with the internal auditor, external auditor or other external parties (subject to confidentiality considerations)
- Request the attendance of any employee or councillor at ARC meetings
- Request external legal or other professional advice, as considered necessary to meet its responsibilities
- Appoint the independent external representatives to the ARC, as per the parameters and procedures outlined in the Membership section of this Charter.

Comment [AV3]: Was 'obtain'

Scope

The role of the ARC is to oversee risk, compliance, external accountability and the internal control environment on behalf of Council.

The ARC has no executive powers, except those expressly provided by the Council. In carrying out its responsibilities, the ARC must at all times recognise that primary responsibility for management of Council rests with the Council and the General Manager as defined by the *Local Government Act 1993*.

The responsibilities of the ARC may be revised or expanded by Council from time to time.

Specifically, the ARC's responsibilities are set out below:

- Risk Management – oversee Council's risk management arrangements and review whether or not:
 - Council complies with relevant risk management standards
 - Management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud
 - A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
 - A sound and effective approach has been followed in establishing business continuity planning arrangements, including if plans have been tested periodically
- Control Framework - review whether or not:
 - Management has adequate and effective internal controls in place, including over external parties such as contractors and advisors
 - Management has in place relevant policies and procedures, and if these are periodically reviewed and updated
 - Appropriate processes are in place to assess if Council complies with policies and procedures
 - Appropriate policies and procedures are in place for the management and exercise of delegations
 - Management has taken steps to embed a culture which is committed to ethical and lawful behaviour
- External Accountability:
 - Being satisfied that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate Management sign-off on the statements and the adequacy of internal controls
 - Reviewing the External Audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments
 - Considering contentious financial reporting matters in conjunction with Council's Management and External Auditors
 - Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements
 - Being satisfied that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations
- Legislative Compliance
 - Determine if Management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements
 - Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies
- Internal Audit
 - Act as a forum for communication between the Council, General Manager, Senior Management, Internal Audit and External Audit
 - Review and authorise the annual and long-term IA Plan as developed by the Internal Auditor including consideration of the Risk Management Plan
 - Monitor the resources of the IA function and make recommendations to the General Manager to ensure that the IA function is sufficient and appropriate
 - Ensure and support the independence of the IA function

- Make recommendations for inclusion and/ or prioritising projects in the IA Plan/s
- Make recommendations to commission audits of any kind, whether to be conducted by the Internal Auditor or otherwise
- Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices
- Review and discuss the Internal Auditor's quarterly reports including year to date progress as per the IA Plan; significant variations that have occurred from the IA Plan; and any specific concerns the Internal Auditor may have to discuss.
- Monitor the acceptance and implementation of IA recommendations by Management
- Approve and periodically review the IA Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- Periodically review the performance of IA – as set out in the Review Arrangements section below.
- Meet at least once per year with the Internal Auditor, in camera, to discuss any issues of concern.
- **External Audit**
 - Review the proposed audit scope and approach, with particular respect to coordination of audit effort with IA
 - Act as a forum for communication between the Council, General Manager, Senior Management, Internal and External Audit
 - Provide input and feedback on the financial statement and performance audit coverage proposed by External Audit, and provide feedback on the External Audit services provided
 - Review all external plans and reports in respect of planned or completed external audits, and monitor management's implementation of audit recommendations
 - Consider significant issues raised in relevant External Audit reports and better practice guides, and ensure appropriate action is taken.
 - Meet at least once per year with the External Auditor, in camera, to discuss any issues of concern.
- **Continuous Improvement**
 - Reviewing the overall approach and arrangements in place that support Management implementing a successful culture of continuous improvement to drive productivity and efficiency gains.
- **Transparency**
 - To provide advice to Management on the public disclosure of records relating to the IA function, consistent with relevant legislation (such as Government Information Protection Act and Regulations, and Personal and Private Information Protection Act), including the redaction of any sensitive information
 - Due to the inherent risks associated with the disclosure of potentially sensitive and/or confidential information, the ARC shall give due consideration to each item presented at a ARC meeting on a merit (case by case) basis
 - In some instances, for example, the ARC may recommend the non-release, or delayed release, of a particular report – at least until such time as the findings contained within it are sufficiently managed so as not to jeopardise Council's financial, legal, safety or other risks
 - The ARC may wish to seek input or advice from Council's nominated GIPA and PPIPA specialists in relation to any public disclosures.

Comment [AV4]: New

Reporting Arrangements

At the first ARC meeting after 30 June each year, Group Manager B&ER shall provide a performance report (Annual Report) of both the ARC and the IA function. The report shall include commentary on performance against:

Comment [AV5]: reordered, outcome still same as previous

- The approved IA Plan of work for the previous financial year showing the current status of each audit
- The performance of IA for the financial year as measured against agreed key performance indicators
- Management's progress with the implementation of audit recommendations
- The activities of the ARC
- Other matter/s that the ARC deems of sufficient importance to do so. In addition, at any time an individual ARC member may request a meeting with the Chair of the ARC.

Following endorsement, the ARC shall table this annual report to Council in open session.

4 Meeting Arrangements

Quorum

A quorum will consist of a majority of ARC members, including at least one independent external member.

Proceedings

Meetings

The ARC shall meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion as well as review and endorsement of the annual IA Plan.

The need for any additional meetings will be decided by the Chair, although the other ARC members may make requests to the Chair for additional meetings.

Meetings will ordinarily be held in person, but can also be by telephone or by video conference.

Comment [AV6]: Change -- emphasise that meetings in person are preferred

A forward meeting plan, including meeting dates and agenda items, will be agreed by the ARC each year. The forward meeting plan will cover all ARC responsibilities as detailed in this Charter.

NB: Where either IA Plan priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the ARC will be kept fully informed of all changes via email.

Venue

All ARC meetings will be held in the Civic Centre, Warringah Council.

Conflicts of Interest

ARC members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest shall be appropriately minuted.

Where members or invitees at ARC meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from ARC deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the ARC.

Minutes

Council will provide secretariat support to the ARC.

The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained.

Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their ARC responsibilities.

Decision Making

The ARC is expected to make decisions by consensus but if voting becomes necessary then the details of the vote are to be recorded in the minutes.

Each member of the ARC shall be entitled to one vote only. In the case of an equality of votes on any issue the Chair shall have the casting vote.

Between meetings the Chair may circulate to members by email specific proposals for adoption by the ARC. Members shall be given a set time – at least 5 (five) days – in which to reply to indicate their agreement with a particular proposal.

A member's failure to respond within the timeframe given shall be taken as a vote against the proposal. Any decision taken by the ARC by email is to be noted and minuted at the commencement of the next meeting.

5 Review Arrangements

Review of ARC Performance

The Chair will initiate a review of the performance of the ARC at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

When reviewing the ARC's performance the Chair should be satisfied that an effective, comprehensive and complete service is being provided.

Review of IA Performance

The ARC will oversee an annual internal review of the performance of the IA function (using those agreed metrics set out in the Internal Audit Services contract), and an independent review of the IA function at least once every 5 years.

Comment [AV7]: new – in keeping with NSW Public Sector

Charter Review

At least once every two years the ARC will review this Charter to ensure it remains current and reflects the ARC's role and objectives.

The ARC will approve any changes to this Charter prior to adoption by Council.

6 Document Control

Established by authority of the General Manager on 25 January 2006
Amended by the Internal Audit Review Committee: 18 October 2006
Amended by the Internal Audit Review Committee: 21 May 2008
Amended by the Internal Audit Review Committee: 20 August 2008 to reflect the new DLG guidelines and the election of Councillors
Amended by the Audit Committee: 24 February 2010 and adopted by Council 23 March 2010

Last Update: **xx March 2016**

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Amended by the Audit & Risk Committee: 29 February 2012 and adopted by Council 27 March 2012
Amended by the Audit & Risk Committee: 25 September 2013 and adopted by Council 22 October 2013
Amended and endorsed by the Audit & Risk Committee on 2 March 2016; and adopted by Council on xx March 2016

Warringah Council Internal Audit Charter



DRAFT for Council Approval - xx March 2016

1 Introduction

Charter Purpose

The purpose of this Internal Audit Charter is to set out the roles, responsibilities, authorisation, activities and reporting relationships of the IA function at Warringah Council (Council).

Mission of Internal Audit

The mission of IA is to be an effective, independent and objective assurance and consulting activity which is designed to add value and improve the operations of Council. It helps us accomplish our objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, systems of internal control, and governance processes.

IA is part of Council's overall governance framework and has been established to provide an independent and objective appraisal and advisory function for Management, the IAMC and the ARC.

IA's function in broad terms includes examining, evaluating and monitoring the adequacy and effectiveness of the Council's governance, risk management, financial and operational controls designed to manage our risks and achieve our objectives. Opportunities for improving management control, financial sustainability, and Council's image may be identified during audits. They will be communicated to the appropriate level of management.

Acronyms

The following acronyms apply throughout this Charter:

Acronym	Term	Acronym	Term
ARC	Audit and Risk Committee	IA	Internal Audit
B&ER	Business & Enterprise Risk	SAP	Strategic Audit Plan
ERM	Enterprise Risk Management	IAMC	Internal Audit Management Committee
EY	Ernst & Young	Council	Warringah Council
Management	Executive Management Team	IAAP	Internal Audit Annual Plan

2 Roles & Responsibilities

Reporting Lines

Council outsources the IA function. This appointment is governed by the terms and conditions set out in the Internal Audit Services contract, and the current outsourced Internal Auditor is Ernst & Young (EY). Under this arrangement, the Internal Auditor is the EY Engagement Partner.

The IA function reports directly (administratively) to Group Manager B&ER.

In addition to this reporting line, to ensure that the Internal Auditor has the requisite independence from Management, they also have functional (indirect) reporting responsibilities to the IAMC and to the ARC – set out below under Independence & Objectivity and Reporting Arrangements.

Comment [AV1]: new

Comment [AV2]: change – function previously reported to the Internal Ombudsman

Warringah Council Internal Audit Charter



DRAFT for Council Approval - xx March 2016

Accountability

Group Manager B&ER is accountable to Management, the IAMC and the ARC to:

- Provide regular assessment on the adequacy and effectiveness of the organisation's processes for controlling its activities and managing its risks.
- Report significant issues related to the processes for controlling the activities of the organisation and its affiliates, including potential improvements to those processes.
- Administer and manage the IA function to ensure it is efficient and effective, and is compliant with the Internal Audit Services contract.
- Facilitate the ARC undertaking an annual internal review of the performance of the IA function (using those agreed metrics set out in the Internal Audit Services contract), and an independent review of the IA function at least once every 5 years.
- Provide information periodically on the status and results of the IA Annual Plan, and the sufficiency of IA resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

Comment [AV3]: changed from previous version – these were previously responsibility of the IA

Comment [AV4]: new – in keeping with NSW Public Sector

The IA function is accountable to Management, the IAMC and the ARC to:

- assist Group Manager B&ER in fulfilling their accountabilities set out above
- fulfil its duties set out in the Scope of IA section below
- exhibit those professional standards that are set out in the Independence and Objectivity section below
- abide by Council's Code of Conduct at all times.

Comment [AV5]: streamlined from previous version for simplification. No change to intent

Authority

The IA function is authorised to:

- Have unrestricted access to functions, records, property and personnel.
- Have full and free access to Management, the ARC and IAMC.
- Handle the documents and information given to them, and therein be responsible in the same prudent and confidential manner as by those employees normally accountable for them.

The IA function is not authorised to:

- Perform any operational duties for Council or its affiliates
- Make any decision on behalf of Council
- Initiate or approve accounting transactions
- Direct the activities of any Council employee.

Independence & Objectivity

Independence is essential to the effectiveness of the IA function.

Warringah Council Internal Audit Charter



DRAFT for Council Approval - xx March 2016

Independence is the freedom from conditions that threaten the ability of the IA activity to carry out their responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the IA activity, IA has direct and unrestricted access to senior management, and to the IAMC and ARC.

To ensure objectivity, IA has no direct authority or responsibility for the activities it reviews. The IA function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.

The Internal Auditor will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Scope of Internal Audit

In the conduct of its activities, the IA function plays an active role in:

- Supporting the culture of accountability and integrity, consistent with Council's core values.
- Promoting a culture of risk-awareness, self-assessment and adherence to high ethical standards.
- Facilitating the integration of risk management into day-to-day business activities and processes.
- Maintaining a professional and experienced IA function, through the engagement of suitably qualified professionals that have sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Ensuring that individual IA engagements are performed with proficiency and due professional care, and in accordance with the Internal Audit Services contract.
- Establishing a quality assurance program which assures the operation of IA activities.

The IA function's activities encompass the following areas:

- Developing a flexible IAAP using Council's adopted ERM risk-based methodology, including any risks or control concerns identified by management, and submitting that Plan to the ARC for review and approval.
- Implementing the IAAP including by undertaking the individual audit engagements, and as appropriate, any special tasks or projects requested by Group Manager B&ER, Management, the IAMC and/or ARC.
- Liaising with Group Manager B&ER to ensure that an integrated approach is undertaken when developing a Strategic Internal Audit Plan.
- Assisting the B&ER, Governance, Legal, Human Resources and Finance groups to promote awareness of a risk-based culture and the achievement of a balance between risk minimisation and reward for risks accepted.
- Performing consulting services beyond the IA function's assurance services to assist management in meeting its objectives – subject to independence considerations. Examples may include facilitation, process design, training and advisory services.
- Issuing periodic reports to the IAMC and ARC summarising results of audit activities.
- Attending and actively participating in IAMC and ARC Meetings.

Comment [AV6]: new - clarification that the outsourced internal auditor needs to ensure they maintain their independence at all times

Warringah Council Internal Audit Charter



DRAFT for Council Approval - xx March 2016

- Work collaboratively with Group Manager B&ER to follow-up implementation of outstanding audit recommendations and report results to Management and the ARC, and to contribute content to the Internal Audit Annual Report.
- Keeping the IAMC and ARC informed of emerging trends and successful practices in internal auditing.
- Assisting in the investigation of significant suspected fraudulent activities and notifying results to the Internal Ombudsman (as deemed necessary), and the IAMC and ARC.

Relationship with External Audit

Internal and External Audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between Internal and External Audit shall be held to discuss matters of mutual interest.

Standards of Practice

The IA function will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics* issued by the Institute of Internal Auditors.

Planning Arrangements

In developing the IAAP and SAP, the Internal Auditor and Group Manager B&ER will take into account:

- An assessment of risks across Council and the internal control environment
- Major projects that are either proposed or in-flight
- The results of previous internal audits
- The expectations of senior management, the Council and other relevant stakeholders regarding their perspective on key risk areas and required areas of IA focus.

The IAAP and SAP are endorsed by Management and the ARC.

The Internal Auditor and Group Manager B&ER will review and may adjust the IAAP in response to changes in the Council's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Internal Audit Plan will be communicated to the IAMC and ARC through periodic activity reports.

Reporting Arrangements

Group Manager B&ER is responsible for the following reporting in relation to IA function activities:

- Reporting to each ARC Meeting on the progress of the IA function generally, and on the implementation of audit recommendations by Management.
- The preparation of the Internal Audit Annual Report, whose purpose is to report to Council on the activities of the IA function and the ARC. This Report is made public on Council's website.
- Any other issue deemed appropriate.

The Internal Auditor is responsible for the following reporting:

Last Update: **xx March 2016**

Page 4 of 5

2016/058140

Warringah Council Internal Audit Charter



DRAFT for Council Approval - xx March 2016

- Reporting to each ARC on progress of audit engagements against the IAAP.
- Each completed audit engagement report (after Exit Meetings and seeking comment from Management).
- Any other issue deemed appropriate by the EY Engagement Partner.

3 Review of Arrangements

Internal Review of Internal Audit Function

Group Manager B&ER is responsible for an internal review of the efficiency and effectiveness of the operations of the IA function annually, in accordance with the Internal Audit Services contract. This includes facilitating a discussion with the ARC.

Independent Review of Internal Audit Function

Group Manager B&ER is responsible for an independent review of the IA function at least once every 5 years. This includes facilitating a discussion with the ARC.

Comment [AV7]: new – in keeping with NSW Public Sector

Charter Review

Group Manager B&ER will arrange for this this Charter to be reviewed at least annually by the IAMC with substantive changes to be formally approved by the ARC.

Comment [AV8]: new

Group Manager B&ER will also arrange for the ARC to review and adopt this Charter every two years.

4 Document Control

Established by authority of the General Manager on 25 January 2006
Amended by the Internal Audit Review Committee on 27 February 2007
Amended by the Internal Audit Review Committee on 27 May 2009
Amended by the Audit Committee on 24 November 2010
Amended and endorsed by the Audit & Risk Committee on 2 March 2016; and adopted by Council on xx March 2016



MINUTES

OPEN SPACE AND RECREATION STRATEGIC REFERENCE GROUP MEETING

held in the Guringai Room, Civic Centre on

WEDNESDAY 17 FEBRUARY 2016



**Minutes of the Open Space and Recreation
Strategic Reference Group Meeting
held on Wednesday 17 February 2016
in the Guringai Room, Civic Centre
Commencing at 6:33pm**

ATTENDANCE:

Members

Councillor Michael Regan	(Chairperson)
Dr Conny Harris	
David Morrissey	
Jane Hauser	
Julie Whitfield	
Lata Wilkinson	
Patrick Wong	
Paul Smith	

Council Officers

Michael Keelan	Group Manager Roads, Traffic and Waste
Damian Ham	Recreation Management Manager
Katie Kirwan	Administration Officer - Governance

NOTE: The order of business was changed to allow members of the OSR, ACE, ECOS and VCC SRGs to receive a joint presentation on Item 6.1 - *Local Government Reform: Merger Proposals Affecting Warringah Council*.

6.0 STRATEGIC WORKSHOPS

6.1 LOCAL GOVERNMENT REFORM: MERGER PROPOSALS AFFECTING WARRINGAH COUNCIL - MICHAEL MCDERMID

DISCUSSION

Michael McDermid, Corporate Planning Manager, provided a presentation to SRG members in relation to the Local Government reform merger proposals and outlined the details of Council's submission to the Council Boundary Review (*presentation attached*).

- Council endorses one single new Council on the Northern Beaches as it is a proven and agreed optimal solution for the region.
- Principles supporting one single Northern Beaches Council were outlined and examples given to SRG members.
- The timeline of the process was outlined in regards to the whole Local Government reform process.
- Members were encouraged to contribute to the process and make submissions if they hadn't done so already and encourage others to do the same.
- Council questions the proposed financial savings under the proposed merger and the financial impacts were outlined including the advantages and disadvantages and the impact on service delivery, asset splitting and staffing.
- The impact on built and natural environment. Clarification was given on where ecological and environmental issues sit under the criteria set by the Review.
- Governance impacts of the submissions were outlined including effective representation.
- Community attitudes and the issue of the structure of State Government representation within the new proposed Council areas was discussed.
- Members were advised that access to the Delegate's final reports will be available after they have submitted them to the Minister for Local Government and the process around the formation of the new councils and if merger proposals are not accepted were briefly outlined.
- It was highlighted that the proposal to create two new councils, both smaller than Warringah represents an issue with regards to strategic capacity and efficiency and it would jeopardise Government's own plans for growing Sydney.

M McDermid asked members to go to their individual SRG meetings and to discuss the merger proposal and give their individual views.

NOTE: The Open Space and Recreation SRG meeting opened at 7:09PM

M McDermid asked members for their initial views on the proposal. The general consensus was in support of one northern beaches council and members are disappointed with the State Government's decision. Members believe there is a political agenda behind this decision and has

not been made based on what is best for the community.

C Harris highlighted the importance of local representation for the community, and the decision to merge or split should not just be based on financial benefits.

M McDermid asked members to discuss their concerns with the merger proposal, and how it will affect the Open Space and Recreation SRG specifically.

Members highlighted the following points:

- Lack of consistency with sport fees, maintenance, agreements and allocations. Also recreational use and care of open spaces, beaches and rock pools. One council would ensure consistency with all of these matters
- Coordination of services
- Sport on the northern beaches is played regionally, in large associations. Pittwater and Manly do not invest in sport to the degree that Warringah does
- Rates won't decrease. This will become a lobbying subject in future elections of councillors
- The proposed boundary cuts into Dee Why lagoon which creates operational issues.
- Boundaries should follow the natural geography; i.e. follow beaches, bodies of water and national parks
- The proposal to divide Warringah has created an 'us' and 'them' attitude which has actually divided the community
- Any divide is not a good outcome and an opportunity to unite the community has been squandered

DECISION

The Open Space and Recreation SRG does not support the merger proposals as presented by the Minister for Local Government for the following reasons:

- A. Any division of the peninsula is a poor outcome and divides the Northern Beaches
- B. There is a "common community" of interest across the Northern Beaches which is not reflected in the boundaries in the merger proposal
- C. Sport is played regionally across the Northern Beaches and any merger proposal needs to be based on achieving a regional approach for sporting users in term of the ground allocation, maintenance standards, fees and licenses and hire agreements.
- D. The Northern Beaches is naturally bound by National Parks in the west and on three sides by water bodies which reflect the recreational, environmental and ecological values of the area. The Merger Proposal does not follow any natural boundaries and will not improve management of the natural environment.

1.0 APOLOGIES

Councillor Duncan Kerr, Councillor Menano-Pires and Antony Pecar.

2.0 DECLARATION OF PECUNIARY AND CONFLICTS OF INTEREST

Nil

3.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

3.1 MINUTES OF OPEN SPACE AND RECREATION STRATEGIC REFERENCE GROUP HELD 18 NOVEMBER 2015

Damian Ham, Recreation Management Manager, gave the following update on actions from the previous minutes:

PCYC Advisory Group: There will be an advisory group but at the moment the focus is on the construction so a date to convene this advisory group is not yet known.

Optus Telecommunications Infrastructure: Community consultation was done in November 2015. The location of the infrastructure is not yet known. Crown Lands receive any income from this.

Sports Ground Plan of Management: The Plan of Management review is now on hold due to merger proposal.

Generic Plan of Management Pilot Scheme: Christine Deaner has been in contact with J Whitfield regarding this.

Cr Regan / P Wong

That the Minutes of the Open Space and Recreation Strategic Reference Group held 18 November 2015, copies of which were previously circulated to all Members, are hereby confirmed as a true and correct record of the proceedings of that meeting.

4.0 COMMUNITY COMMITTEES MINUTES

4.1 REPORTING OF COMMUNITY COMMITTEE MINUTES - DAMIAN HAM

DISCUSSION

D Ham gave the following update:

Former Dee Why RSL Bowling Club site, North Curl Curl: seeking comments on future use on Council's Yoursay page.

Forestville War Memorial Playing Fields: Written to Geographic Naming Board requesting information on renaming of this area.

Stony Range Botanic Garden: They have just released their annual event program.

Cr Regan / P Wong

That the Draft Minutes of meetings of the following Community Committees be noted:

- A. John Fisher Park Community Committee meeting held 23 July 2015.
- B. John Fisher Park Community Committee meeting held on 17 September 2015.

- C. John Fisher Park Community Committee meeting held on 25 November 2015.
- D. Curl Curl Sports Centre Community Committee meeting held 9 November 2015.
- E. Forestville RSL War Memorial Playing Fields Community Committee meeting held 28 October 2015.
- F. Stony Range Botanic Garden Community Committee meeting held on 18 August 2015.
- G. Stony Range Botanic Garden Community Committee meeting held on 24 November 2015.

5.0 COUNCIL UPDATES

5.1 LIAISON OFFICER'S UPDATE - DAMIAN HAM

DISCUSSION

D Ham updated members on the following projects:

Dee Why Town Centre: Jeremy Smith will attend the next SRG meeting to give an update. There is a community information event and walking tour of Dee Why organised for Saturday 20 February which members will have to register for. Please see below link for details:

<http://www.warringah.nsw.gov.au/play/whats/warringah-council-events/dee-why-whats-latest-0>

Members queried if the works in Dee Why can still proceed give the merger proposal. Mayor Regan confirmed the following works are confirmed by Council resolution so are proceeding:

- Walter Gors Park
- Redman Road Plaza
- Police Station

M Keelan left the meeting at 8:15PM

Mayor Regan advised he is uncertain as to whether proposed street improvements of footpaths and widening of bike lanes can be carried out.

M Keelan returned to the meeting at 8:17PM

P Wong left the meeting at 8:17PM

Collaroy Beach: The next stage of works are underway and will be finished by ANZAC Day 2016.

PCYC: There has been some delay with regards to the roof but this has now been rectified.

Open Space Strategy: This has been adopted by Council and work has already begun on the agreed projects such as:

- Jamieson Park

Other matters:

- Irrigation has been completed at Stony Range
- Signs on the mountain bike track at Manly Dam have been completed
- The new dog park at Forestville War Memorial Playing Fields is to commence shortly

DECISION

That the Open Space and Recreation SRG members note the Liaison Officer updates and refer to Council's online project information about the status of capital works projects, key initiatives and financials.

6.0 GENERAL BUSINESS**6.1 PROPOSED FINES FOR PUSH BIKE RIDERS****DISCUSSION**

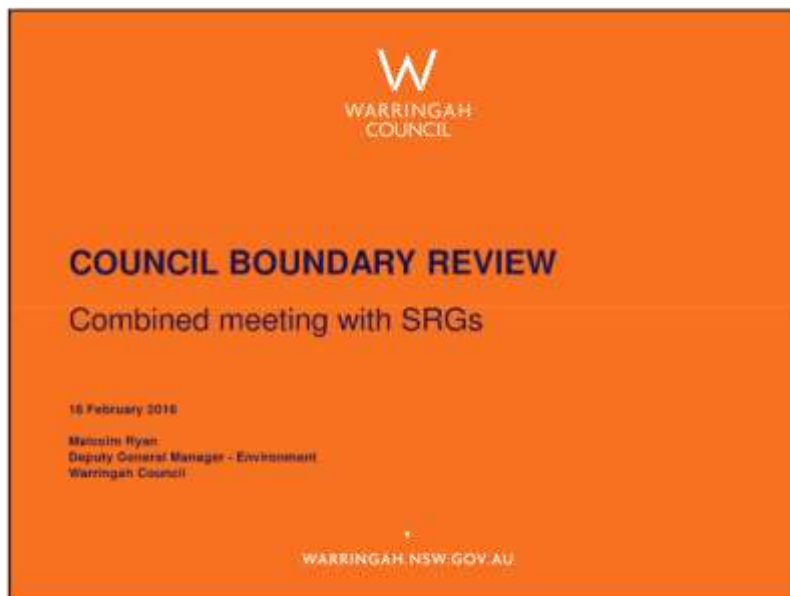
C Harris advised that the State Government is proposing a new law which requires push bike riders to carry a form of identification.

DECISION

That the Open Space and Recreation SRG recommend that Council consider writing a letter to the State Government in opposition to this proposal.

The meeting concluded at 8:38PM

This is the final page of the Minutes comprising 7 pages
numbered 1 to 7 of the Open Space and Recreation Strategic Reference Group
meeting held on Wednesday 17 February 2016 and confirmed on Wednesday 20 April 2016



Position



One single new Council on the Northern Beaches

- Council endorsed position, representative of community
- Proven and agreed optimal solution for the region

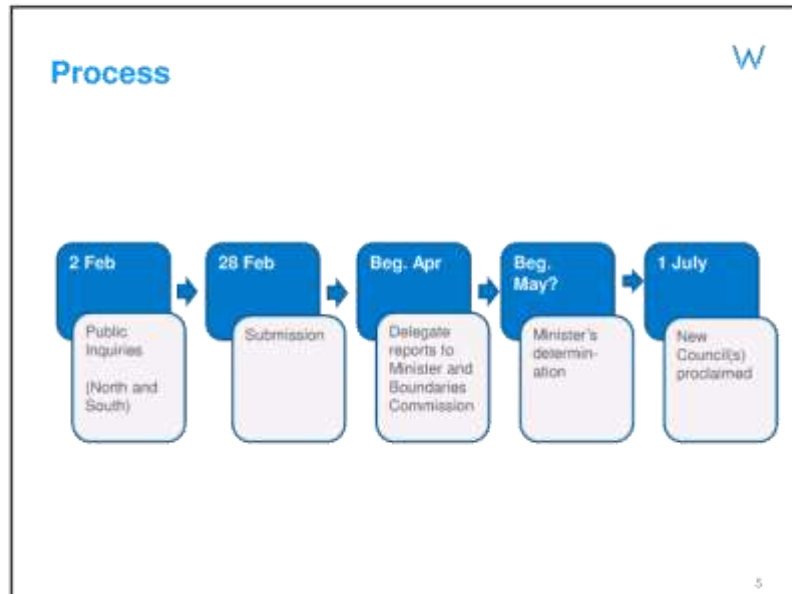
3

Principles



- Better **transport** outcomes for the whole region
- Increase potential for synergies and integrated planning for the region's **strategic centres**
- Better opportunities for **economies of specialisation**
- **Equitable** distribution of revenue and costs
- Consideration to **communities of interest**

4




SUBMISSION: Sustainable local government

- **Financial impacts**
 - S263(3) (a) the financial advantages or disadvantages
 - S263(3) (e1) ability of councils to provide adequate, equitable and appropriate services and facilities
 - S263(3) (e2) impact on employment of staff
- **Impacts on built and natural environment**
 - S263(3) (b) community of interest and geographic cohesion
 - S263(3) (c) existing historical and traditional values
- **Governance impacts**
 - S263(3) (e) Representation requirements
 - S263(3) (e4) Ward considerations
 - S263(3) (e5) Effective representation of diverse communities
- **Community attitudes (Requirement of the Delegate)**
 - S263(3) (d) the attitude of the residents and ratepayers
- **Other - S263(3) (f) such other factors as it considers relevant**
 - S263(3) (e3) the impact of any relevant proposal on rural communities

6

FINANCIAL IMPACTS

S263(3) (a) Financial Advantages and Disadvantages



Core assumptions – Government merger proposal

- Benefits and costs apportioned based on population and asset base on square kilometres - not consistent with the actual allocation

Diseconomies of scale

- Smaller populations in each proposed council than Warringah
- Previous analysis: diseconomies of scale effectively eliminate any financial benefits

Inequitable financial impacts


- Allocation of Warringah's Surplus from Continuing Operations over 20 years:

North merger proposal:	\$ 57.5M surplus
South merger proposal:	\$ 5.9M surplus

7

FINANCIAL IMPACTS

S263(3) (e1) Impact on the ability of councils to provide adequate, equitable and appropriate services and facilities



- Proposed new entities are both **smaller than Warringah is now**. This situation is unique. We question the application of scale and capacity arguments to this situation
- Residents of Warringah will be **worse off** than they currently are, particularly when taking diseconomies of scale into consideration
- Considerable **challenges in splitting assets, systems and people** across two new entities could entail disruption and/or lower standard of service delivery
- Unique situation of **high risks** of inequalities, inefficiencies and likely ineffectiveness as a result of proposed merger

8

FINANCIAL IMPACTS

S263(3) (e2) Impact on the employment of staff



Government proposal

- High risks of disadvantage for Warringah staff
- Unclear how staff will be allocated to new entities in a transition period
- Uncertainties regarding proposed recruitment process

Response

- Need for clarity at time of proclamation regarding the fair and equitable allocation of staff to new entities

9

BUILT AND NATURAL ENVIRONMENT IMPACTS

S263(3) (b) Community of interest and geographic cohesion



- **East/West transport corridor** and connection to the "Global Arc" of Sydney (Government policy)
- **Transport and traffic** consistently raised by residents and businesses as main concern across all four Councils
- **Connectivity** of strategic centres makes for sound planning outcomes
- **Urban character** of the future of low density villages versus higher density strategic and employment centres with increased growth potential



10

BUILT AND NATURAL ENVIRONMENT IMPACTS

S263(3) (b) Community of interest and geographic cohesion (characteristics)



- **Northern Beaches (Warringah, Manly, Pittwater)** – strong geographic and cultural cohesion, with over 60% of northern beaches workers living and working here. It is a contained area, and transport and employment issues are recognised by the NSW Government.
 - **Pittwater:** geographically constrained with limited infrastructure; mainly residential low density housing; recreation; environmental protection; 'peri-urban' development
 - **Warringah and Manly:** main employment on the peninsula; mix of low and medium density housing; strategic centres; and coastal/bushland environment; focus on balanced long term growth. Strong employment containment
- **Mosman:** strong sense of individual identity; strongly connected to CBD via transport corridors. Mix of low, medium and high density housing. Separated from Pittwater by Warringah and from Manly by (Middle Harbour). Only direct connection is via Spit Bridge.

11

COMMUNITY ATTITUDES (Delegate's consid.)

S263(3) (d) Attitude of residents and ratepayers



Engagement activities – Warringah Council, Fit for the Future

4,228 submissions, surveys and comments

1,300 conversations at engagement stalls

200,000 people reached via social media

Key findings



12

CONCLUSION

The proposal to create two new councils, both smaller than Warringah is now, is problematic in terms of **strategic capacity** and **efficiency** and would jeopardise the Government's own plans for growing Sydney

Once in a generation opportunity to create a strong local government sector to deliver sustainable growth.

13

Rooms

SRG	Room
Opens Space and Recreation	Guringai
Vibrant Connected Community	Banksia
ECOS	Flanner Flower
A Connected Environment	Walamai

14



MINUTES

A CONNECTED ENVIRONMENT STRATEGIC REFERENCE GROUP MEETING

held in the Walamai Room, Civic Centre on

WEDNESDAY 17 FEBRUARY 2016

Minutes of the A Connected Environment**Strategic Reference Group Meeting****held on Wednesday 17 February 2016****in the Walamai Room, Civic Centre****Commencing at 6:35pm with a joint presentation in the Council
Chambers****ATTENDANCE:****Members**

Councillor Sue Heins	(Chairperson)
Ann Sharp	
Chelsea Leung	
Glen Hugo	
Les Irwig	
Sandra Wilson	
Gordon Lang	(Non-voting stakeholder)

Council Officers

Malcolm Ryan	Deputy General Manager Environment
Boris Bolgoff	Group Manager Roads, Traffic and Waste
Melissa Lee	Governance Manager

NOTE: The order of business was changed to allow members of the OSR, ACE, ECOS and VCC Strategic Reference Groups to receive a joint presentation on Item 6.1 - *Local Government Reform: Merger Proposals Affecting Warringah Council*.

6.0 STRATEGIC WORKSHOPS

6.1 LOCAL GOVERNMENT REFORM: MERGER PROPOSALS AFFECTING WARRINGAH COUNCIL - MICHAEL MCDERMID

DISCUSSION

Michael McDermid, Corporate Planning Manager provided a presentation to SRG members in relation to the Local Government reform merger proposals and outlined the details of Council's submission to the Council Boundary Review.

- Council endorses one single new Council on the Northern Beaches as it is a proven and agreed optimal solution for the region.
- Principles supporting one single Northern Beaches Council were outlined and examples given to SRG members.
- The timeline of the process was outlined in regards to the whole Local Government reform process.
- Members were encouraged to contribute to the process and make submissions if they hadn't done so already and encourage others to do the same.
- Council questions the proposed financial savings under the proposed merger and the financial impacts were outlined including the advantages and disadvantages and the impact on service delivery, asset splitting and staffing.
- The impact on built and natural environment. Clarification was given on where ecological and environmental issues sit under the criteria set by the Review.
- Governance impacts of the submissions were outlined including effective representation.
- Community attitudes and the issue of the structure of State Government representation within the new proposed Council areas were discussed.
- Members were advised that access to the Delegate's final reports will be available after they have submitted them to the Minister for Local Government and the process around the formation of the new councils and if merger proposals are not accepted were briefly outlined.
- It was highlighted that the proposal to create two new councils, both smaller than Warringah represents an issue with regards to strategic capacity and efficiency and it would jeopardise Government's own plans for growing Sydney.

A copy of the presentation is attached (Attachment 1).

DECISION

That the ACE Strategic Reference Group note the update and discuss and provide feedback on Warringah's submission to the Council Boundary Review.

NOTE: *Following the group presentation, the formal meeting of the ACE Strategic Reference Group began at 7.11pm.*

NOTE: The order of business was changed to allow members of the ACE Strategic Reference Group further discussion within their individual group on Item 6.1 - *Local Government Reform: Merger Proposals Affecting Warringah Council* prior to other business being transacted at the meeting.

6.1 LOCAL GOVERNMENT REFORM: MERGER PROPOSALS AFFECTING WARRINGAH COUNCIL -

DISCUSSION

A number of issues with the merger proposals were raised as follows:

- Concern was raised around the table around Warringah providing not only the issues with the current boundary, but how to fix these. If Warringah is advising the boundaries commission how to go about fixing the issues it is raising, will their response simply be to fix them, and keep the two council proposal rather than overturn it and create one northern beaches council. However on the flip side of this, it was suggested that if Council did not point these issues out and offer solutions, we could have these poorly thought out boundaries implemented. A couple of specific examples include:
 - Issue with properties in the business estate at Frenchs Forest Business Park. If the current boundary is kept, parts of the business park will be in different LGAs and can't be dealt with as one entity with one council.
 - Planning instruments will possibly have different zoning in different councils, which will affect streets such as Jones street. Both councils could have low density zoning, however child care could be permissible (or not) next door to each other dependent on each councils planning instruments.
 - Peri-urban area (deferred in Warringah's LEP), scheduled to become an E4. One of the environmental zones in the southern council would have to have rural zonings (which would affect around 30 properties.)
 - The current boundary goes through Manly Warringah War Memorial and cuts off the top part of the catchment of Manly Dam – the whole catchment should be managed by one council area.
- Two councils will undoubtedly have different regulations, by laws, processes and rates in one geographical area and this does not make sense
- It doesn't matter where you put the boundary, if you don't use roads or natural features, you will generally always end up with non-workable boundaries
- People who live in Frenchs Forest are upset that they will not be in the same LGA as the people in the lower area of the current Warringah
- Dee Why/ Brookvale/ Frenchs Forest are a hub. Together they form components of one regional centre and an east/ west linkage
- Residents of Brookvale, see themselves as residents of the 'Northern Beaches', similarly residents of Palm Beach, see themselves as residents of the Northern Beaches, not a separate entity.
- What needs to be taken into consideration is what is best for the community, business and the environment.

- There was discussion on utilising the relationship with Mosman, as the other council who do not want the current merger proposal. Their preference is to either be left alone or to merge with North Sydney.
- Data management, how will this be done?
- The group felt that a larger council did not necessarily mean a loss of identity
- It was noted that whilst a majority of the group were in support of one northern beaches council, there are a few that support the status quo
- The group were happy with the use of examples in our submission but felt we should not give the solution (in relation to where the line could or should be).

Members of the group discussed what the financials of two smaller councils would look like; the cost of changing signage and logos on documentation; buildings and other amenities; management models and scale/capacity.

DECISION

That the A Connected Environment Strategic Reference Group does not support the merger proposals as presented by the Minister for Local Government and supports One Northern Beaches Council for the following reasons:

- There has been no logic for going away from the amalgamation reports
- Transport (east/west)
- Business interests
- Manage centres (Dee Why, Brookvale, Frenchs Forest Hospital)
- Connectivity
- Regional programs e.g. waste collection
- Data management
- Staff
- Catchment management (Manly Dam)
- Boundary inconsistency (services etc.)
- Road asset management
- Planning (land use, permissible use)
- Costs
 - Brookvale oval
 - Kimbriki
 - Dee Why development (Section 94 ability to fund Dee Why)
 - What is the infrastructure backlog?
- Scale/ Capacity 150000 residents – lowest
- Identity (locality) still will have this

- Eventually will end up as one council anyway
- Governance – representation will be satisfied in a One Council model
- School catchment – community of interest

1.0 APOLOGIES

Mayor Michael Regan (OSR), Councillor Jose Menano-Pires, Michael Moulds, Michael Syme and Dr Helen Wilkins

2.0 DECLARATION OF PECUNIARY AND CONFLICTS OF INTEREST

Gordon Lang declared a less than significant non pecuniary interest as he owns and operates a printing and mailing business and has undertaken work for Council in the past.

3.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

3.1 MINUTES OF A CONNECTED ENVIRONMENT STRATEGIC REFERENCE GROUP HELD 17 NOVEMBER 2015

DECISION

That the Minutes of the A Connected Environment Strategic Reference Group held 17 November 2015, copies of which were previously circulated to all Members, are hereby confirmed as a true and correct record of the proceedings of that meeting.

4.0 COMMUNITY COMMITTEES MINUTES

4.1 REPORTING OF COMMUNITY COMMITTEE MINUTES

DECISION

That the A Connected Environment SRG note the draft minutes of the following community committees:

- A. Affordable Housing Community Committee meeting held on 9 November 2015.
- B. Affordable Housing Community Committee meeting held on 7 December 2015
- C. Economic Development Community Committee held on 12 November 2015.

5.0 COUNCIL UPDATES

5.1 LIAISON OFFICER UPDATE - BORIS BOLGOFF - 10 MINS

DISCUSSION

B Bolgoff gave a brief overview of current projects including:

- Bike Plan – there were 278 comments added. Please go to the website and look at the interactive maps
- B Line – there is still a review going on around Dee Why. There has also been recent consultation held in Manly Vale
- The design for the carpark at Narrabeen (adjacent to Tramshed) is currently being looked at to increase spaces at the site by approx. 40
- Transport to consider all turning movements into side streets along Pittwater Rd in Narrabeen and Collaroy

Members of the group asked questions in relation to:

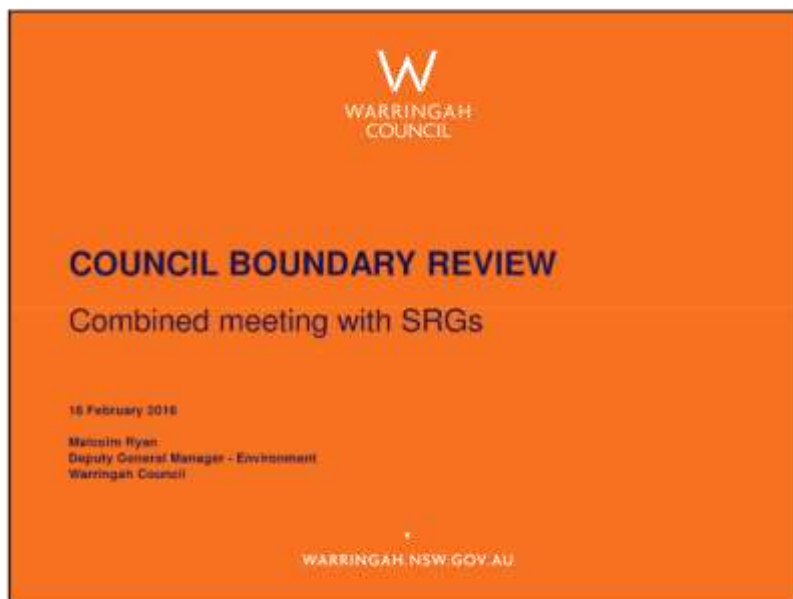
- the East/ West corridor, with M Ryan advising that there has been a promise made of 6 buses per hour running along the Chatswood to Dee Why route, with a stop at Hillmer Ave
- Has Warringah carried out their own transport modelling for the Frenchs Forest Hospital Precinct, with M Ryan advising that Council had completed this

DECISION

That members note the updates provided.

The meeting concluded at 8.38pm

This is the final page of the Minutes comprising 7 pages
numbered 1 to 7 of the A Connected Environment Strategic Reference Group
meeting held on Wednesday 17 February 2016 and confirmed on Tuesday 12 April 2016



Position



One single new Council on the Northern Beaches

- Council endorsed position, representative of community
- Proven and agreed optimal solution for the region

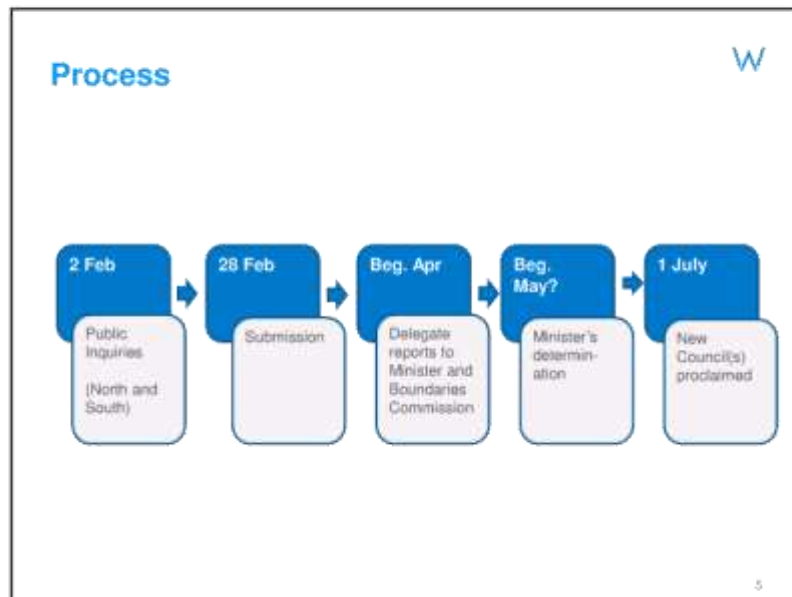
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Principles



- Better **transport** outcomes for the whole region
- Increase potential for synergies and integrated planning for the region's **strategic centres**
- Better opportunities for **economies of specialisation**
- **Equitable** distribution of revenue and costs
- Consideration to **communities of interest**

4



FINANCIAL IMPACTS

S263(3) (a) Financial Advantages and Disadvantages

W

Core assumptions – Government merger proposal

- Benefits and costs apportioned based on population and asset base on square kilometres - not consistent with the actual allocation

Diseconomies of scale

- Smaller populations in each proposed council than Warringah
- Previous analysis: diseconomies of scale effectively eliminate any financial benefits

Inequitable financial impacts

- Allocation of Warringah's Surplus from Continuing Operations over 20 years:

North merger proposal: \$ 57.5M surplus

South merger proposal: \$ 5.9M surplus

7

FINANCIAL IMPACTS

S263(3) (e1) Impact on the ability of councils to provide adequate, equitable and appropriate services and facilities

W

- Proposed new entities are both **smaller than Warringah is now**. This situation is unique. We question the application of scale and capacity arguments to this situation
- Residents of Warringah will be **worse off** than they currently are, particularly when taking diseconomies of scale into consideration
- Considerable **challenges in splitting assets, systems and people** across two new entities could entail disruption and/or lower standard of service delivery
- Unique situation of **high risks** of inequalities, inefficiencies and likely ineffectiveness as a result of proposed merger

8

FINANCIAL IMPACTS

S263(3) (e2) Impact on the employment of staff

W

Government proposal

- High risks of disadvantage for Warringah staff
- Unclear how staff will be allocated to new entities in a transition period
- Uncertainties regarding proposed recruitment process

Response

- Need for clarity at time of proclamation regarding the fair and equitable allocation of staff to new entities

9

BUILT AND NATURAL ENVIRONMENT IMPACTS

S263(3) (b) Community of interest and geographic cohesion

W

- **East/West transport corridor** and connection to the "Global Arc" of Sydney (Government policy)
- **Transport and traffic** consistently raised by residents and businesses as main concern across all four Councils
- **Connectivity** of strategic centres makes for sound planning outcomes
- **Urban character** of the future of low density villages versus higher density strategic and employment centres with increased growth potential



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BUILT AND NATURAL ENVIRONMENT IMPACTS

S263(3) (b) Community of interest and geographic cohesion (characteristics)



- **Northern Beaches (Warringah, Manly, Pittwater)** – strong geographic and cultural cohesion, with over 60% of northern beaches workers living and working here. It is a contained area, and transport and employment issues are recognised by the NSW Government.
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 - **Warringah and Manly:** main employment on the peninsula; mix of low and medium density housing; strategic centres; and coastal/bushland environment; focus on balanced long term growth. Strong employment containment
- **Mosman:** strong sense of individual identity; strongly connected to CBD via transport corridors. Mix of low, medium and high density housing. Separated from Pittwater by Warringah and from Manly by (Middle Harbour). Only direct connection is via Spit Bridge.

11

COMMUNITY ATTITUDES (Delegate's consid.)

S263(3) (d) Attitude of residents and ratepayers



Engagement activities – Warringah Council, Fit for the Future

4,228 submissions, surveys and comments
 1,300 conversations at engagement stalls
 200,000 people reached via social media

Key findings



12

CONCLUSION

The proposal to create two new councils, both smaller than Warringah is now, is problematic in terms of **strategic capacity** and **efficiency** and would jeopardise the Government's own plans for growing Sydney

Once in a generation opportunity to create a strong local government sector to deliver sustainable growth.

W

13

Rooms

SRG	Room
Opens Space and Recreation	Guringai
Vibrant Connected Community	Banksia
ECOS	Flanner Flower
A Connected Environment	Walamai

W

14



NOTES OF THE VIBRANT CONNECTED COMMUNITIES STRATEGIC REFERENCE GROUP MEETING

held in the Flannel Flower Room, Civic Centre on

WEDNESDAY 17 FEBRUARY 2016



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**Notes of the Vibrant Connected Communities
Strategic Reference Group Meeting
held on Wednesday 17 February 2016
in the Flannel Flower Room, Civic Centre
Commencing at 6:33pm**

ATTENDANCE:

Members

Councillor Roslyn Harrison	(Chairperson)
James Boyce	
Penny Philpott	
Sharon Austin	

Council Officers

John Warburton	Deputy General Manager Community
Ruth Robins	Group Manager Community Services
Nicki Adams	Executive Co-ordinator – Mayor's Office (Governance)

NOTE: The order of business was changed to allow members of the OSR, ACE, ECOS and VCC SRGs to receive a joint presentation on Item 6.1 - *Local Government Reform: Merger Proposals Affecting Warringah Council*.

6.0 STRATEGIC WORKSHOPS

6.1 LOCAL GOVERNMENT REFORM: MERGER PROPOSALS AFFECTING WARRINGAH COUNCIL - MICHAEL MCDERMID

DISCUSSION

Michael McDermid, Corporate Planning Manager provided a presentation to SRG members in relation to the Local Government reform merger proposals and outlined the details of Council's submission to the Council Boundary Review.

- Council endorses one single new Council on the Northern Beaches as it is a proven and agreed optimal solution for the region.
- Principles supporting one single Northern Beaches Council were outlined and examples given to SRG members.
- The timeline of the process was outlined in regards to the whole Local Government reform process.
- Members were encouraged to contribute to the process and make submissions if they hadn't done so already and encourage others to do the same.
- Council questions the proposed financial savings under the proposed merger and the financial impacts were outlined including the advantages and disadvantages and the impact on service delivery, asset splitting and staffing.
- The impact on built and natural environment. Clarification was given on where ecological and environmental issues sit under the criteria set by the Review.
- Governance impacts of the submissions were outlined including effective representation.
- Community attitudes and the issue of the structure of State Government representation within the new proposed Council areas was discussed.
- Members were advised that access to the Delegate's final reports will be available after they have submitted them to the Minister for Local Government and the process around the formation of the new councils and if merger proposals are not accepted were briefly outlined.
- It was highlighted that the proposal to create two new councils, both smaller than Warringah represents an issue with regards to strategic capacity and efficiency and it would jeopardise Government's own plans for growing Sydney.

(A copy of the presentation is attached)

NOTE: The formal VCC SRG meeting commenced 7.09pm.

Mette Kirk, Senior Corporate Planner, commenced by outlining the process of putting the submission together and invited SRG members to give their views / concerns and to form a

statement that would be included in council's submission.

P Philpott commented on the confusion in the community and the need for clearer guidelines on how to submit a submission to the Boundary Review.

Cr Harrison referred members to the NorthernBeaches.com website and explained the history of local government reform. Cr Harrison spoke specifically about Professor Sansom's findings in relation to the northern beaches.

The criteria for the submissions was raised and discussion ensued around the different criteria, in particular Communities of Interest and its relevance on the Northern Beaches.

In relation to the division of assets, Cr Harrison gave the example of lagoons in one area / catchments in another area and the implications and possible duplication of costs.

It was confirmed that SRG members will have access to the final Council submission when it becomes public and put to the Council at the meeting February 23.

J Boyce raised the issue that over 100 organisations describe themselves as 'Northern Beaches' organisations. He spoke based on his experience with the Manly Warringah Pittwater Historical Society established 90 years ago and talked about the difficulties for volunteers who need to deal with 3 councils and the triplication due to different approaches and the complex process of communication. One Northern Beaches would be ideal.

Dr Warburton highlighted the difficulty of splitting Warringah's local studies collection.

P Philpott said she was concerned for the arts community who have worked so hard to set up the Creative Space. She talked about the differing attitudes of Pittwater artists, Manly and Mosman and the impact on facilities such as Glen Street and Creative Space. A possible solution is to remove the boundaries and change to the Northern Beaches Creative Space.

S Austin preferred to remain as is but given the merger options she would prefer one council and raised concern for the impact on staff if the split is to occur. She commented that based on experience, she has not seen merged organisations become successful.

M Kirk and Cr Harrison outlined the historical issues on local government reform dating back to 1960.

VCC SRG members were asked to support the statement below and to give the reasons for their support.

The VCC SRG do not support the merger proposals as presented by the Minister for Local Government for the following reasons:

- Division of assets
- Duplication of services
- The splitting of cultural communities
- Regional assets and the hierarchy that sit under those assets and the complexities of funding eg Glen Street Theatre, WAC, Manly Swim Centre
- Staff will no longer be motivated and there will be a loss of quality staff and corporate knowledge
- Dis-economies of scale
- The disconnection of Council's current Youth, Healthy Ageing and Multicultural strategies in the community. In particular concern was expressed re the impact of the split on multicultural communities within Warringah who rely very heavily on Council for information. Council is

often the first port of call for new citizens in this area.

Dr Warburton discussed the financial impact on the various Master Plans with the two new entities.

DECISION

That the Vibrant Connected Communities Strategic Reference Group note the update and discussion and provide feedback on Warringah's submission to the Council Boundary Review.

PLEASE NOTE: Quorum was not achieved for this meeting

1.0 APOLOGIES

Fiona Verity and Kate Jackson.

2.0 DECLARATION OF PECUNIARY AND CONFLICTS OF INTEREST

Nil

3.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

3.1 MINUTES OF VIBRANT CONNECTED COMMUNITIES STRATEGIC REFERENCE GROUP HELD 17 NOVEMBER 2015

DECISION

Due to lack of quorum this item will be deferred to the next scheduled meeting.

4.0 COMMUNITY COMMITTEES MINUTES

4.1 REPORTING OF COMMUNITY COMMITTEE MINUTES

DISCUSSION

Due to lack of quorum this item will be deferred to the next scheduled meeting.

5.0 COUNCIL UPDATES

5.1 LIAISON OFFICER UPDATE - RUTH ROBINS

DISCUSSION

Ruth Robins asked the members present if there were any issues they wished to be updated on as there were no updates to be provided at this meeting.

Penny Philpott asked about the Warringah Art Prize and was advised that Council has budgeted

Page 5 of 6

for the event given we are operating as business as usual until formal decisions are made. It is hoped that events planned over the next 12 month period will be honoured under the new structure.

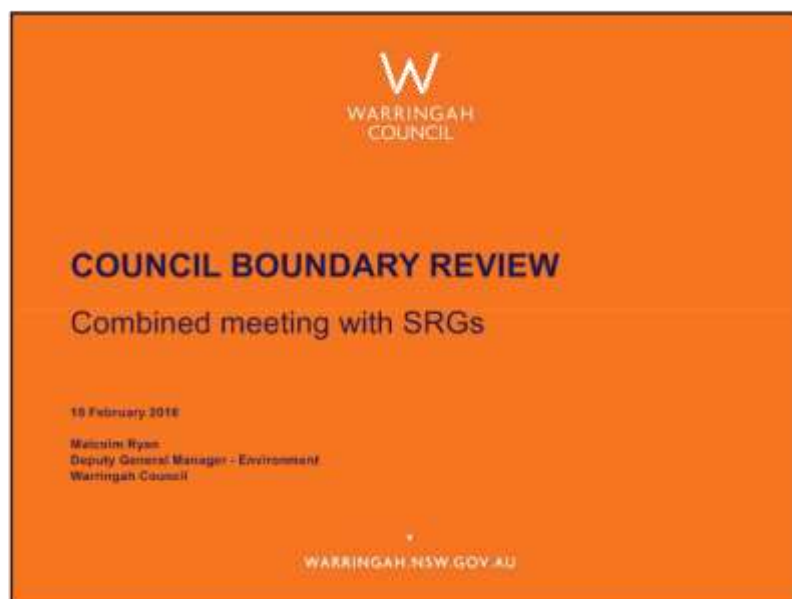
Ruth Robins confirmed that the Community Development and Cultural Grant Program will still go ahead.

DECISION

That members note the updates provided.

The meeting concluded at 8.26pm

This is the final page of the Notes comprising 6 pages
numbered 1 to 6 of the Vibrant Connected Communities Strategic Reference Group
meeting held on Wednesday 17 February 2016 and confirmed on Tuesday 12 April 2016



Position

W


One single new Council on the Northern Beaches

- Council endorsed position, representative of community
- Proven and agreed optimal solution for the region

3

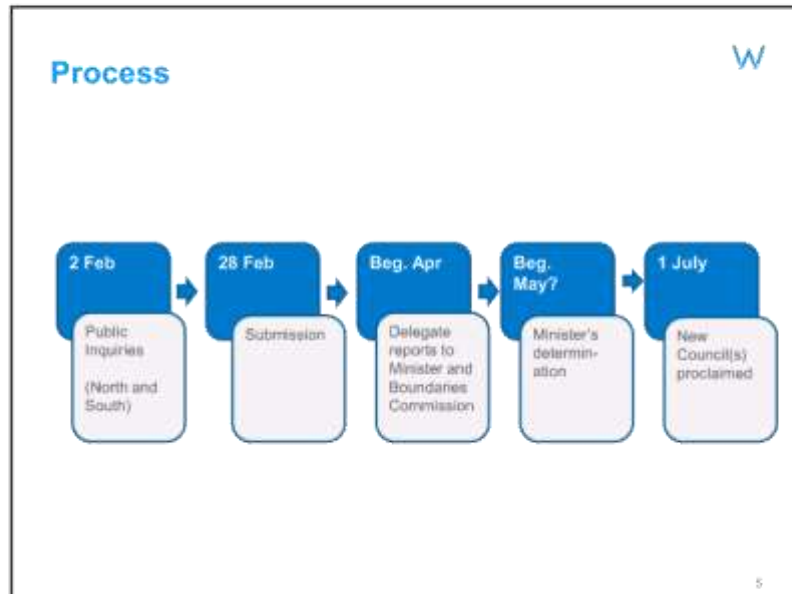
Principles

W



- Better **transport** outcomes for the whole region
- Increase potential for synergies and integrated planning for the region's **strategic centres**
- Better opportunities for **economies of specialisation**
- **Equitable** distribution of revenue and costs
- Consideration to **communities of interest**

4



SUBMISSION: Sustainable local government

- **Financial impacts**
 - S263(3) (a) the financial advantages or disadvantages
 - S263(3) (e1) ability of councils to provide adequate, equitable and appropriate services and facilities
 - S263(3) (e2) impact on employment of staff
- **Impacts on built and natural environment**
 - S263(3) (b) community of interest and geographic cohesion
 - S263(3) (c) existing historical and traditional values
- **Governance impacts**
 - S263(3) (e) Representation requirements
 - S263(3) (e4) Ward considerations
 - S263(3) (e5) Effective representation of diverse communities
- **Community attitudes (Requirement of the Delegate)**
 - S263(3) (d) the attitude of the residents and ratepayers
- **Other - S263(3) (f) such other factors as it considers relevant**
 - S263(3) (e3) the impact of any relevant proposal on rural communities

6

FINANCIAL IMPACTS

S263(3) (a) Financial Advantages and Disadvantages



Core assumptions – Government merger proposal

- Benefits and costs apportioned based on population and asset base on square kilometres - not consistent with the actual allocation

Diseconomies of scale

- Smaller populations in each proposed council than Warringah
- Previous analysis: diseconomies of scale effectively eliminate any financial benefits

Inequitable financial impacts

- Allocation of Warringah's Surplus from Continuing Operations over 20 years:

North merger proposal: \$ 57.5M surplus

South merger proposal: \$ 5.9M surplus

7

FINANCIAL IMPACTS

S263(3) (e1) Impact on the ability of councils to provide adequate, equitable and appropriate services and facilities



- Proposed new entities are both **smaller than Warringah is now**. This situation is unique. We question the application of scale and capacity arguments to this situation
- Residents of Warringah will be **worse off** than they currently are, particularly when taking diseconomies of scale into consideration
- Considerable **challenges in splitting assets, systems and people** across two new entities could entail disruption and/or lower standard of service delivery
- Unique situation of **high risks** of inequalities, inefficiencies and likely ineffectiveness as a result of proposed merger

5

FINANCIAL IMPACTS

S263(3) (e2) Impact on the employment of staff



Government proposal

- High risks of disadvantage for Warringah staff
- Unclear how staff will be allocated to new entities in a transition period
- Uncertainties regarding proposed recruitment process

Response

- Need for clarity at time of proclamation regarding the fair and equitable allocation of staff to new entities

9

BUILT AND NATURAL ENVIRONMENT IMPACTS

S263(3) (b) Community of interest and geographic cohesion



- **East/West transport corridor** and connection to the "Global Arc" of Sydney (Government policy)
- **Transport and traffic** consistently raised by residents and businesses as main concern across all four Councils
- **Connectivity** of strategic centres makes for sound planning outcomes
- **Urban character** of the future of low density villages versus higher density strategic and employment centres with increased growth potential



10

BUILT AND NATURAL ENVIRONMENT IMPACTS

S263(3) (b) Community of interest and geographic cohesion (characteristics)



- **Northern Beaches (Warringah, Manly, Pittwater)** – strong geographic and cultural cohesion, with over 60% of northern beaches workers living and working here. It is a contained area, and transport and employment issues are recognised by the NSW Government.
 - **Pittwater:** geographically constrained with limited infrastructure; mainly residential low density housing; recreation; environmental protection; 'peri-urban' development
 - **Warringah and Manly:** main employment on the peninsula; mix of low and medium density housing; strategic centres; and coastal/bushland environment; focus on balanced long term growth. Strong employment containment
- **Mosman:** strong sense of individual identity; strongly connected to CBD via transport corridors. Mix of low, medium and high density housing. Separated from Pittwater by Warringah and from Manly by (Middle Harbour). Only direct connection is via Spit Bridge.

11

COMMUNITY ATTITUDES (Delegate's consid.)

S263(3) (d) Attitude of residents and ratepayers



Engagement activities – Warringah Council, Fit for the Future

4,228 submissions, surveys and comments

1,300 conversations at engagement stalls

200,000 people reached via social media

Key findings



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CONCLUSION

The proposal to create two new councils, both smaller than Warringah is now, is problematic in terms of **strategic capacity** and **efficiency** and would jeopardise the Government's own plans for growing Sydney

Once in a generation opportunity to create a strong local government sector to deliver sustainable growth.

13

Rooms

SRG	Room
Opens Space and Recreation	Guringai
Vibrant Connected Community	Banksia
ECOS	Planner Flower
A Connected Environment	Walamai

14



MINUTES

ECOS STRATEGIC REFERENCE GROUP MEETING

held in the Flannel Flower Room, Civic Centre on

WEDNESDAY 17 FEBRUARY 2016



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**Minutes of the ECOS Strategic Reference Group Meeting
held on Wednesday 17 February 2016
in the Flannel Flower Room, Civic Centre
Commencing at 6:30pm**

ATTENDANCE:

Members

Councillor Vanessa Moskal	(Chairperson)
Dr Alan Jones	
Gail Phillips	
Michael Houston	
Sian Waythe	
Toni Wilson	

Council Officers

Todd Dickinson	Group Manager Natural Environment
David Kerr	Group Manager Strategic Planning
Melissa Lee	Governance Manager
Ximena Von Oven	Administration Officer - Governance

NOTE: *The order of business was changed to allow members of the OSR, ACE, ECOS and VCC SRGs to receive a joint presentation on Item 6.1 - Local Government Reform: Merger Proposals Affecting Warringah Council.*

6.0 STRATEGIC WORKSHOPS

6.1 LOCAL GOVERNMENT REFORM: MERGER PROPOSALS AFFECTING WARRINGAH COUNCIL - MICHAEL MCDERMID

DISCUSSION

Michael McDermid, Corporate Planning Manager provided a presentation to SRG members in relation to the Local Government reform merger proposals and outlined the details of Council's submission to the Council Boundary Review.

- Council endorses one single new Council on the Northern Beaches as it is a proven and agreed optimal solution for the region.
- Principles supporting one single Northern Beaches Council were outlined and examples given to SRG members.
- The timeline of the process was outlined in regards to the whole Local Government reform process.
- Members were encouraged to contribute to the process and make submissions if they hadn't done so already and encourage others to do the same.
- Council questions the proposed financial savings under the proposed merger and the financial impacts were outlined including the advantages and disadvantages and the impact on service delivery, asset splitting and staffing.
- The impact on built and natural environment. Clarification was given on where ecological and environmental issues sit under the criteria set by the Review.
- Governance impacts of the submissions were outlined including effective representation.
- Community attitudes and the issue of the structure of State Government representation within the new proposed Council areas were discussed.
- Members were advised that access to the Delegate's final reports will be available after they have submitted them to the Minister for Local Government and the process around the formation of the new councils and if merger proposals are not accepted were briefly outlined.
- It was highlighted that the proposal to create two new councils, both smaller than Warringah represents an issue with regards to strategic capacity and efficiency and it would jeopardise Government's own plans for growing Sydney.

A copy of the presentation is attached (Attachment 1).

DECISION

That the ECOS Strategic Reference Group note the update and discuss and provide feedback on Warringah's submission to the Council Boundary Review.

NOTES *The formal meeting was opened at 7:12pm after this presentation*

Cr Harrison did not attend the ECOS SRG meeting as she was chairing the Vibrant Connected Community SRG.

1.0 APOLOGIES

Tom Hazell

NOTE *A Petrolo attended the meeting as a visitor.*

2.0 DECLARATION OF PECUNIARY AND CONFLICTS OF INTEREST

Cr Moskal declared a less than significant non pecuniary interest in relation to *Item 6.1 Local Government reform merger proposals affecting Warringah Council*. As she holds a position at an affected Council, as a Councillor at Warringah Council.

T Wilson declared a less than significant non pecuniary interest in relation to *Item 6.1 Local Government reform merger proposal affecting Warringah Council*. As she holds a position at an affected Council, with the Coastal Environment Centre at Pittwater Council."

3.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

3.1 MINUTES OF ECOS STRATEGIC REFERENCE GROUP HELD 18 NOVEMBER 2015

Cr Moskal / Ms Phillips

DECISION

That the Minutes of the ECOS Strategic Reference Group held 18 November 2015, copies of which were previously circulated to all Members, are hereby confirmed as a true and correct record of the proceedings of that meeting.

4.0 COMMUNITY COMMITTEES MINUTES

4.1 REPORTING OF COMMUNITY COMMITTEE MINUTES

Cr Moskal / Ms Phillips

DECISION

That the Minutes and Draft Minutes of the Dee Why and Curl Lagoon Community Committee meeting held on 12 August 2015 and 9 December 2015 be noted by the ECOS Strategic Reference Group members.

PROCEDURAL MOTION - CHANGE TO ORDER OF BUSINESS

Cr Moskal / Ms Phillips

That the Order of Business be changed so Item 6.1 is brought forward and dealt with immediately.

6.0 STRATEGIC WORKSHOPS

6.1 LOCAL GOVERNMENT REFORM: MERGER PROPOSALS AFFECTING WARRINGAH COUNCIL

DISCUSSION

David Kerr, Group Manager Strategic Planning provided an introduction to the workshop, emphasising the importance of consulting SRG members about their opinion with regards to the merger proposal. He outlined the process of putting the submissions together and invited SRG members to provide their views / concerns and to form a statement that would be included in council's submission.

SRG members were requested to provide feedback. SRG members considered the idea of having one Northern Beaches Council, as recommended by ILGRP and IPART, and compared this to the Government's proposal for Mosman/Manly/Part Warringah and Pittwater/Part Warringah. The following key points were discussed by ECOS SRG members:

- Best outcome from an ecological point of view - considering consistency or fragmentation of environmental management across the Peninsular
- Benefits from a town planning perspective and cumulative impacts over time
- Local community identity on the Northern Beaches
- Advocacy and the ability to have a voice in front of the State Government

The group highlighted their disagreement regarding the proposal to split Warringah, to form the proposed Mosman/Manly/Part Warringah and Pittwater/Part Warringah Local Government Areas."

DECISION

That the ECOS Strategic Reference Group does not support the merger proposal as presented by the Minister for Local Government for the following reasons:

- a) Does not deliver geographic cohesion impacting on total catchment management, biodiversity (e.g. wildlife corridors) sustainability, climate change responsiveness, environmental development controls (e.g. flood)
- b) Does not deliver integrated environmental management across the Northern Beaches peninsula
- c) Does not deliver co-ordinated economic development across the Northern Beaches peninsula
- d) Divides community representation and associated advocacy for Warringah residents and Northern Beaches peninsula as a whole
- e) Loss of voice for Warringah residents on regional issues such as transport and road corridors that affect all residents of the Northern Beaches peninsula
- f) Inequitable distribution of financial impact to Warringah ratepayers over time
- g) Inequitable distribution of assets and resourcing leading to a net loss of efficiency of service delivery for managing Warringah assets (e.g. stormwater)
- h) Lost opportunity to make strategic land use planning decisions for a geographically cohesive region (e.g. Northern Beaches peninsula)
- i) Historical values of the area do not support combining Mosman with Manly and the southern

areas of Warringah

5.0 COUNCIL UPDATES

5.1 LIAISON OFFICER UPDATE - TODD DICKINSON

DISCUSSION

This item was deferred to the next meeting.

The meeting concluded at 9:10pm

This is the final page of the Minutes comprising 6 pages
numbered 1 to 6 of the ECOS Strategic Reference Group
meeting held on Wednesday 17 February 2016 and confirmed on Wednesday 20 April 2016



MINUTES OF MEETING

Manly Lagoon Catchment Coordinating Committee

HELD THURSDAY 29th October 2015

NOTE: All minutes are subject to confirmation at a subsequent Council or Planning and Strategy Committee meeting.

PRESENT:

Citizen Members:

Clr Hugh Burns
Clr Candy Bingham
Dr Judy Lambert
Mr Terrence Murphy
Mayor, Clr Michael Regan
Clr Sue Heins
Dr Helen Wilkins
Mr Mark Roberts
Mr Frank Gleason
Mr Tom Hazell
Mr Malcolm Fisher

Manly Council (Chairperson)
Manly Council
Manly Community Representative
Manly Community Representative
Warringah Council
Warringah Council
Warringah Community Representative
Warringah Community Representative
Warringah Community Representative
Proxy for the State Member for Manly
Save Manly Dam Catchment Committee

State Government Representatives:

Mr Wayne Lyne
Mr Greg Davis
Ms Allison Flaxman

Warringah/Pittwater SES Unit
NSW Office of Environment and Heritage
Sydney Northern Region SES

Manly Staff Representatives:

Mrs Christina Femia
Mr Patrick Stuart
Mr Eduard McPeake

Water Cycle Management Team Leader
Catchments Project Officer
Environmental Programs Manager

Warringah Staff Representatives:

Mr Adrian Turnbull
Ms Jodie Crawford
Mr Jason Ruszczyk
Mr Todd Dickinson

Coast and Waterways Manager
Senior Environment Officer - Lagoons
Environment Officer – Lagoons
Group Manager Natural Environment

Guest Speakers

Mr Duncan Howley

Floodplain Management Officer, Warringah Council

Observers (all observers present may not be listed)

Dr Conny Harris
Ms Anne Sharp

TO THE MAYOR AND COUNCILLORS OF THE COUNCILS

The **Manly Lagoon Catchment Coordination Committee (MLCCC)** met on 29th October, 2015, to consider the matters referred to it and now provides the following advice to Manly and Warringah Councils.

OPEN	The meeting commenced at 17:00hrs.	ACTION
ITEM 1	APOLOGIES AND LEAVE OF ABSENCE Apologies were received from the following members: <ul style="list-style-type: none"> - Cllr, Mayor Jean Hay AM (Manly Council) - Mr Norm Nikolich (Sydney Water) - Mr Marcel Green (NSW Fisheries) 	
ITEM 2	DECLARATION OF INTEREST No declarations of interest were received from Committee members or attendees.	
ITEM 3	Confirmation of Minutes The Minutes of the Committee meeting held 30 th July, 2015 are confirmed, subject to the following amendment: After some discussion and in light of the alternative below, it was agreed P6. Item 7: Recommendation (part 2) for Manly Council (letter to Crown Lands to transfer the land to a community trust) be removed from Minutes and the item moved to reconsidered as part of the current meeting agenda. Moved: Dr Helen Wilkins Seconded: Cllr Candy Bingham Mayor, Cllr Michael Regan arrived at approximately 17:10.	
ITEM 3a	Crown Land Owned Lots Adjacent to Mermaid Pool Options for the MLCCC to lobby for land zoning changes with greater environmental protections was discussed for the following four lots identified as Lots 7369 and 7370 in DP 1165551, Lot 7371 in DP 1165577 and Lot 2501 in DP 752038. It was noted Warringah Council had been authorised to undertake environmental management works on two of the four lots by the owner, NSW Crown Lands. The Committee discussed recommending the two councils allocate resources to preparing a planning proposal to support the recommended letters to the Minister for Planning. Recommendation Warringah Council provide an update on timeframes for changing the zoning of the 4 lots to environmental zoning. The two Mayors write on behalf of the Committee to the Minister for Planning to seek that the four lots be rezoned from R2 to E1 or E2 using Department of Planning resources. Amendment moved: Mr Malcolm Fisher Seconded: Dr Frank Gleason	Warringah Council Manly and Warringah Councils

**ITEM 4 Report – Update on the Manly Lagoon Floodplain Risk
Management Study and Plan***Submitted by Warringah Council*

Mr Duncan Howley, provided an update on the Manly Lagoon Floodplain Risk Management Study and Plan. The project has experienced some delays due to data validity issues stemming from a software update, however this issue has been overcome to the satisfaction of all project partners. It was noted a sensitivity analysis will be undertaken on model parameters including sea level rise and other climate change assumptions.

Stage 1 of the project is now continuing. The timing of initial community consultation activities was discussed and is now planned to be conducted in February 2016, after the summer school holiday period. The target completion timeframe for the study was by the end of 2016.

The question was raised whether the manual should be revised to cover tsunami risks, more extreme weather events (eg low pressure system) and climate change risks.

It was noted that tsunami modelling is outside the scope of the study as determined by the NSW Floodplain Development Manual (2005), and that this matter is managed by the NSW SES.

The SES noted they expect to be able to give an update presentation briefing on tsunami data modelling around April next year

Ms Allison Flaxman, provided an update on the Northern Beaches Local Flood Sub-plan, which is being developed by the SES and will include the Manly Lagoon Catchment. It was noted that the SES will give the opportunity for community consultation and the MLCCC to provide informal feedback on the draft plan when appropriate. It was noted that current and future alerts are/will be issued by the SES based on impact areas defined by polygons derived from Council and other best available information.

Mr Eduard McPeake left at 6pm.

Recommendation

The information be received and noted.

**ITEM 5 Report – Overview of the Manly West Park Sediment Basin
Project and Other Burnt Bridge Creek Water Quality
Improvement Programs***Submitted by Manly Council*

Mr Patrick Stuart provided a presentation on the Manly West Park Pollutant Interception Basin Project in lower Burnt Bridge Creek. The basin is designed to capture sediment, organic matter and attached heavy metals and nutrients, before it smothers sea grass and contaminates Manly Lagoon. The project was 50% grant funded by OEH. The basin is fed from a 376 hectare upstream catchment and the flow can be over 16 cubic metres of water per second during a flood event. An overview was given of the extensive design stage and significant challenges the project has overcome. The construction

was successfully completed in May 2015 using a sheet pile structure. Material within the structure (504 tonnes) was successfully excavated in September/October 2015 resulting in the creation of a submerged basin with a storage volume of 285m³. The design is based on use of sheet piling. In response to a question, it was noted the drop in water velocity in the trap allows the coarse material to settle out of the flow running through the trap. The project costs and maintenance budgets were explained (total project cost was \$246,000). Committee members expressed support for Council's initiative in installing the sediment basin.

The presentation concluded with a brief summary of other water quality improvement projects solely or primarily managed by Manly Council during the past 5 years since the 2010 ICMS Review.

Projects included the:

- Burnt Bridge Creek Integrated Restoration Project for which the councils won awards, aspects of the project included;
 - o Bush regeneration
 - o Various education projects
 - o Stormwater harvesting dam in Balgowlah Golf Course
- Manly Lagoon Dredging Project;
- Duck Weir Sediment Cleanout;
- Gross Pollutant Trap (GPT) cleaning (noting 60% are in the Lagoon catchment) including review of frequency;
- Rain-gardens and Water Harvesting;
- Active Sewer Leak Detection in storm water pipes by analysing the water for ammonia and bacteria; and
- Water Sensitive Urban Design Policies and Planning in the Manly LEP and DCP (2013).

See Attachment 2 for the presentation slides.

Clr Candy Bingham, Ms Allison Flaxman, Mr Wayne Lynne, Mr Malcolm Fisher left the meeting at approximately 18:20. Mr Malcolm Fisher requested that the Save Manly Dam Catchment Committee be represented by Ms Anne Sharp for the remainder of the meeting.

It was noted that the rate of sediment refilling of the 2.2m deep basin up to the current creek invert level will be monitored. Maintenance budget had been allocated though Manly Council's Environment Levy for one cleanout per year (subject to approval each subsequent year).

Recommendation

That the information be received and noted.

ITEM 6 Report - Update on the Manly Lagoon Integrated Catchment Management Strategy (ICMS) Action Matrix

Submitted by Warringah Council and Manly Council

Warringah and Manly staff have met to assess the progress of actions identified in the Manly Lagoon Integrated Catchment Management Strategy (2005), reported to the Committee as an Action Matrix (see Attachment 2). Reviews of the Action Matrix have previously been undertaken in 2006, 2010 and 2012. Significant progress has been made with 79 of the 84 actions completed or underway. The remaining five actions are tasks which have been considered non-viable for various reasons, including changes in

science and technology, improved understanding of estuary and flood processes, and unavoidable loss of support from partners. Further discussion is contained within the Action Matrix.

The matter of not dredging of the lagoon around Pittwater road bridge was discussed including noting past dredging at this location. The issue clarified that dredging was not considered beneficial enough to warrant the cost. The issue of communication of outcomes was discussed. The issue of any dredging at the bridge was that it may benefit the many properties at risk of flooding upstream but is expected to increase risk to properties downstream.

In light of the success of the Strategy and the high number of completed actions, The Manly Lagoon Catchment Coordinating Committee may recommend that Warringah and Manly Councils formally complete the ICMS, and initiate discussion on a new iteration for future management of the Manly Lagoon Catchment. If this avenue is pursued, it is recommended the document have a catchment focus, and that objectives are values based and evidence driven. It is suggested that Manly and Warringah staff investigate planning and funding opportunities with OEH.

It was requested by the Committee that Documentation of 2004 ICMS, (including Volume 1 and 2), be distributed to committee members (see Attachment 3). The completed ICMS (2004) be included in an induction for new committee members.

At the relevant stage in the process of creating a new Management Strategy, it was noted that the MLCCC anticipated the following items would be considered during the scoping stage (Manly and Warringah staff to action):

- The staff compile a literature review of latest research and reports to inform the committee's forward planning, including community attitudes and the built environment.
- The action evaluation matrix shall consider social, environmental, economic, recreational values.
- That community consultation be used to develop the new planning documentation.
- The completed ICMS be made part available as part of future induction to new committee members
- Consult MLCCC Members and allow input for the updated Management Strategy and new action matrix for implementation.
- It was considered there was a need to form a stakeholder consensus of a guiding vision between the mission statement and the plan, to outline the uses of the various parts of the lagoon to do and be for.
- A request was made for an evaluation column to be included in the reporting framework.
- The staff noted there needed to be plans of potential projects and actions including feedback from the community. There needs to be a weighted evaluation matrix of criteria (eg aesthetics/amenity) for potential projects. The need for a balance between restoration to original pristine condition vs what looks attractive was noted. The need for a higher level more holistic view was raised.
- Ideas should be forwarded to our secretariat for circulation to both Council's staff.

Recommendation

That the original strategy documentation for the ICMS be circulated to the committee between now and the next meeting.

**Manly
Council**

In light of the success of the Strategy and the high number of completed actions, it is recommended that Warringah and Manly Councils consider the ICMS complete, and initiate discussion on a new iteration for future management of the Manly Lagoon Catchment. It is recommended the new management document have a catchment focus, and that objectives are values based and evidence driven. It is suggested that Manly and Warringah staff investigate planning and funding opportunities with OEH.

**Manly and
Warringah
Councils**

That the information be received and noted.

ITEM 7 General Business

7.1 Update on Possible Threats to Bushland Surrounding Manly Warringah Memorial Park (Manly Dam)

Submitted by Mr Malcolm Fisher

Mr Mark Roberts and Dr Judy Lambert left at approximately 19:10.

Regarding the potential sell off of Sydney Water land at Seaforth was discussed. It was noted that as of the last update given to Committee Members, Sydney Water sale of reservoir land at Seaforth has been put on hold. Committee Members expressed an interest in receiving an update from Sydney Water and the Premier on any plans for future sale for the site.

Regarding the proposed lease of land by Warringah Council at Aquatic Reserve The assessment report is being reviewed and Warringah council will provide an update at the next MLCCC Meeting on the Aquatic Reserve site. Community members noted they remained concerned about this matter.

Concern was again raised by community members about the proposed Manly Vale School Development and its footprint into remnant bushland. It was considered the department were not addressing or considering the critical issues involved with the plans (eg placement and fire protection and possibly threatened species on the site.) A brief update was provided on the assessment process of the Crown development application for the School. A view was expressed by a community representative that it is considered desirable for an appropriate state government agency to conduct a higher strategic review on the project to ensure the project is meeting environmental statutory requirements.

Road extensions associated with the Frenchs Forest Hospital Development were mentioned in regards to their impact on local bushland.

It was requested that Council Staff suggest recommendations for each item in future MLCCC agendas.

Recommendation

That the drafted letter recommended at the July 30th 2015 MLCCC meeting, expressing concern for the Proposed Manly Vale School Development, be sent to the following people:

- Minister for Infrastructure, Premier of NSW, the Hon. Mike Baird;
- Minister for Planning, the Hon. Rob Stokes;
- Minister for Lands and Water the Hon. Niall Blair; and
- Minister for Education, the Hon. Adrian Piccoli.

**Manly
Council**

7.2 Update from Sydney Water

Submitted by Sydney Water

The Committee was notified that the October 2015 written update from Sydney Water providing information on relevant projects will be attached to the Meeting Minutes.

See Attachment 4 for the Sydney Water MLCCC update for October 2015.

Recommendation

That the information be received and noted.

7.3 Administration of MLCCC Meetings

Councillor Sue Heins made a request that MLCCC meetings be recorded for production of the minutes. Cllr Hugh Burns informed the Committee that he had previously made such a request to Manly Council staff to have the meetings recorded but this had been declined for this meeting. Council staff advised at this stage it was intended to assist future proceedings by pre-drafting recommendations.

Recommendation

That the information be received and noted.

7.4 Assistance with Bush Regeneration in the Mermaid Pool Precinct.

Dr Helen Wilkins advised the Committee that the Bushlink Organisation had been contacted regarding bushland management in the lots surrounding Mermaid Pool, however, Bushlink have initially advised that management of bush regeneration on this land by them was not viable and that seed funding needed to be sought.

Recommendation

The assistance of the MEC be sought towards preparing a submission to seek grant funding for an on-going restoration program covering the four sites.

**Manly
Council**

General Manager's Note:

It is not appropriate for a specific section of Manly council to be recommended to seek grant funding for a site outside the Manly Local Government Area.

ITEM 8 NEXT MEETING DATE:**Date:** Thursday 4th February 2016**Time:** 5pm**Venue:** Manly Council Chambers

Following the 4th February 2016 meeting, the subsequent meeting is proposed for 28th April 2016.

Meeting closed at 19:30hrs