9.13 Bushfire Recovery Financial Update

REPORT BY THE CHIEF FINANCIAL OFFICER AND SENIOR WORKS ENGINEER
TO 20 MAY 2020 ORDINARY MEETING
GOV400087, FINXXX

RECOMMENDATION

That Council:

1. receive the report by the Chief Financial Officer and Senior Works Engineer on the Bushfire Recovery Financial Update;

2. note the progress on the recovery and clean-up of the 2019/20 bushfire damage, particularly the clean-up of unsafe roadside vegetation;

3. note that Council is accessing Natural Disaster funding for the restoration works, and that approval for the funding claim is yet to be finalised;

4. amend the 2019/20 budget as follows:

   4.1 increase S44 Kerry’s Ridge by $90,000, funded from S44 bushfire reimbursements;

   4.2 increase S44 Upper Turon Road by $60,000, funded from S44 bushfire reimbursements;

   4.3 increase Natural Disaster Kerry’s Ridge Fire by $1,570,000, with $134,000 funded from unrestricted cash and $1,437,000 funded from Natural Disaster funding;

   4.4 increase Natural Disaster Upper Turon Fire by $555,000, funded from Natural Disaster funding;

5. note that the Tree Services contract expired on the 31 March 2020, and that works continue to be required to make safe trees damaged by fire;

6. approve exemption from tender in accordance with Section 55(3)(i) of the Local Government Act 1993, for Tree Services work, for the completion of works in response to the 2019/20 bushfires; and

7. note that the reason for exemption for tender is that:

   7.1 works are required at a value above the tender threshold, in a timely manner due to unsafe and damaged trees on roadside and on properties, that cause a risk to the public;

   7.2 Council has utilised all local tree service providers capable of doing the required work, so the market has been tested and is currently exhausted;
Executive summary

In December 2019, through to February 2020 three large bushfires burnt approximately 210,000 hectares in the Mid-Western Regional Local Government Area. Council continues to assist property owners impacted by the fire, but has also continued recovery works in these areas to make safe roadsides and Council reserves and assets.

Disclosure of Interest

Nil

Detailed report

A Natural Disaster was declared (AGRN 871) due to the 2019/20 bushfires. There are two locations where Recovery Works continue.

UPPER TURON – RUNNING STREAM

Works will be completed on the Castlereagh Hwy in 2 weeks. This work has been commissioned by RMS and is allocated to a separate budget. Following discussions had with residents in the bushfire recovery meetings and various emails received, as well as recent arborist assessment it is apparent further die back of trees has occurred in Mt Vincent Rd, Camerons Rd, Hearne Ln and New Olivers Rd requiring another pass. Berwick Rd felled tree is currently stockpiled and needs to be mulched. Razorback Rd has to date not been worked on and, as notified by a resident on the road, trees have come down from the road reserve over the property fence. At the time of writing this report, current estimation is of 4-5 weeks to complete these works in the Running Stream area.

Works on Brogans Creek Rd have commenced and likely to take 4 weeks. As we need to draw a line in the sand as to how far we take these works it is proposed that this be the end of our recovery works in Running Stream.

Cost estimates for these repairs are:

<table>
<thead>
<tr>
<th>Natural Disaster Funding category</th>
<th>Actuals</th>
<th>Forecast*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Works</td>
<td>$265,000</td>
<td></td>
</tr>
<tr>
<td>Essential Asset Reconstruction</td>
<td>$2,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Contingency</td>
<td></td>
<td>$8,000</td>
</tr>
<tr>
<td>Recommended Budget Allocation</td>
<td></td>
<td>$675,000</td>
</tr>
</tbody>
</table>

* Please note estimates are based on current resourcing and recent invoices. If resources need to be increased then costs may exceed estimates.

KERRY’S RIDGE - OLINDA

The current work faces are Coricudgy Rd and Nullo Mountain Rd. This is a heavily wooded area highly effected by the fire. This is the first pass only in recovery works and Council staff are working towards the end of MWRC maintained road reserve. Contractors currently have up to 14 men working on Nullo Mountain Rd and about 7 in Coricudgy Rd. Council staff have given contractors the target of end of May 2020 to complete the works.
Cost estimates for these repairs are:

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<th>Natural Disaster Funding category</th>
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<th>Forecast*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Works</td>
<td>$715,000</td>
<td></td>
</tr>
<tr>
<td>Essential Asset Reconstruction</td>
<td>$130,000</td>
<td>$1,090,000</td>
</tr>
<tr>
<td>Contingency</td>
<td></td>
<td>$15,000</td>
</tr>
<tr>
<td>Recommended Budget Allocation</td>
<td></td>
<td>$1,950,000</td>
</tr>
</tbody>
</table>

* Please note estimates are based on current resourcing and recent invoices. If resources need to be increased then costs may exceed estimates.

**Exemption from Tender for Tree Services**

Noting that an exemption for tender has been provided up to a maximum of $500,000 per contract, in order to complete works it is anticipated that contractors will breach the maximum amount. Hence, this Council report seeks to obtain an exemption from Tender, as:

1. works are required in a timely manner due to unsafe and damaged trees on roadside and on properties, that cause a risk to the public;

2. Council has utilised all local tree service providers capable of doing the required work, so the market has been tested and is currently exhausted.

A new tender will be run to establish a new panel contract for tree services providers, however the timing will not be adequate for these recovery works.

**Community Plan implications**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Good Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>An effective and efficient organisation</td>
</tr>
<tr>
<td>Strategy</td>
<td>Prudently manage risks association with all Council activities</td>
</tr>
</tbody>
</table>

**Strategic implications**

**Council Strategies**

Not Applicable

**Council Policies**

Procurement Policy
Local Preference Policy

**Legislation**

**LOCAL GOVERNMENT ACT 1993 - SECT 55**

55 Requirements for tendering

(1) A council must invite tenders before entering into any of the following contracts—

   (a) a contract to carry out work that, by or under any Act, is directed or authorised to be carried out by the council,

(3) This section does not apply to the following contracts—

   (i) a contract where, because of extenuating circumstances, remoteness of locality or the unavailability of competitive or reliable tenderers, a council decides by resolution (which
states the reasons for the decision) that a satisfactory result would not be achieved by inviting tenders.

OLG Circular 20-03 advised of temporary emergency amendments to increase the tender threshold to $500,000:

Amendments to the Local Government (General) Regulation 2005 to increase the tendering exemption threshold for contracts for bushfire recovery and operations

- Section 55 of the Local Government Act 1993 (the Act) requires councils to invite tenders before entering into a wide range of contracts. This section also specifies a number of exemptions to this requirement.
- Section 55(3)(n)(i) of the Act currently exempts from the tendering requirements a contract involving an estimated expenditure of an amount of less than $250,000.
- The Local Government (General) Amendment (Tendering) Regulation 2020 augments this by extending the exception where the contract is primarily for the purposes of bushfire response and recovery.
- The exception will be limited to contracts entered into during the period 17 January 2020 to 1 July 2020 where the contract involves an expenditure of an amount less than $500,000.

Financial implications

The increase to the recovery budgets and S44 budgets is mostly recovered through external grant sources, however a portion of the Natural Disaster works is required to be funded by Council. This amount is about $134,000.

Works are expected to be complete this financial year.

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>Operating Performance Ratio</th>
<th>Own Source Revenue</th>
<th>Building &amp; Infrastructure Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019/20</td>
<td>✗</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>Future Years</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Associated Risks

There is a risk that the Natural Disaster funding may not cover the full allocation of recovery works, as this funding is yet to be finally approved. The risk is equivalent to about 20% of the cost of works. This is estimated at up to $300,000. If this occurs, a report will be brought back to Council to fund any unfunded portion of the works.

LEONIE JOHNSON
CHIEF FINANCIAL OFFICER

8 May 2020

Attachments: Nil

APPROVED FOR SUBMISSION:

BRAD CAM
GENERAL MANAGER