
**MM3/13 DEALINGS WITH DIRECT HEALTH SOLUTIONS AND ANY
OTHER COMPANIES OPERATED BY THE OBEID FAMILY
- The Mayor, Councillor Ivan Petch**

File Number: GRP/09/5/6/4 - BP13/223

On Tuesday, 13 November 2012, Council unanimously passed a resolution in respect of a matter of urgency put forward by Councillors Pickering and Etmekdjian. Council resolved;

“That the General Manager provide a detailed report to councillors on the allegations made in the Sydney Morning Herald in relation to Ryde Council’s association with Direct Health Solutions and any other company operated by the Obeid family. This report should detail the circumstances and approval processes that operated and provide an explanation (if necessary) on why the normal tendering process allegedly did not take place”.

The Council accepted the urgency of the matter due to allegations against Council published in the Sydney Morning Herald at that time. On Monday, 4 February 2013, the Sydney Morning Herald again inferred that this Council and staff may have acted improperly in engaging the services of Direct Health Solutions and that this company was affiliated with the Obeids.


It is therefore of the utmost urgency that Council be in a position to respond. As such, this time a report as tabled in the Mayoral Minute should be accepted by Council. The report has been prepared by the Group Manager Corporate Services – Roy Newsome, who has undertaken a comprehensive review and research on the matters in question raised by Councillors Pickering and Etmekdjian.

RECOMMENDATION:

I formally move:

1. That Council receive and note the report attached to this Mayoral Minute.
2. That Council authorise the Mayor and the Acting General Manager to release a media release confirming the findings contained in the report.

Report Prepared By:


**Councillor Ivan Petch
The Mayor**

MM3/13 (continued)**DEALINGS WITH DIRECT HEALTH SOLUTIONS AND ANY OTHER COMPANIES OPERATED BY THE OBEID FAMILY****Report prepared by – Group Manager – Corporate Services**

As requested by the Mayor, Councillor Petch, on Friday, 8 February 2013, this report is provided to Council to explain the details in response to Council's resolution at its meeting on 13 November 2012 which is detailed below;

"That the General Manager provide a detailed report to councillors on the allegations made in the Sydney Morning Herald in relation to Ryde Council's association with Direct Health Solutions and any other company operated by the Obeid family. This report should detail the circumstances and approval processes that operated and provide an explanation (if necessary) on why the normal tendering process allegedly did not take place".

Given the limited time to prepare this report, there are some areas in the report that may require further detailed analysis. It should also be noted that this report responds to specific questions that have been raised by the Mayor in respect of the engagement of Direct Health Solutions and Streetscape Projects Pty Ltd.

Council should note that in respect of its resolution of 13 November 2012, Council's General Manager had arranged for Expressions of Interest to be called to appoint an investigator into the above matters with these quotations closing at 2pm Tuesday, 5 March 2013. It is recommended that this independent review still be conducted by the Acting General Manager.

Engagement of Direct Health Solutions (DHS)

The following information is provided to Council in detailing the process and explanation on how DHS were engaged by the City of Ryde. In response to newspaper reports, I provided Councillors with an email on 13 November 2012 and is **ATTACHMENT 1**.

In April 2006, Direct Health Solutions (DHS) had approached the then General Manager, on the concept of operating an Absence Management System, together with other health support services for staff. DHS staff referred to their past experience in England and gave case studies of organisations that had implemented similar systems.

The then General Manager organised a meeting with DHS and the then Manager Human Resources and Group Manager Corporate Services in reviewing the proposal with the intent of preparing a report back to the Executive Team.

Council, dated 12 February 2013, submitted on 12 February 2013.

MM3/13 (continued)

DHS proposed the following services to be provided;

- Attendance Management and Reporting,
- Provide Council staff with 24x7 access to a dedicated 'RydeHealthline', that was supported by a qualified nurse. Staff were required to contact the RydeHealthline if they were sick and would be absent from work,
- Provided all staff with access to on-line health information,
- Held quarterly on-site presentations to staff on health and well being matters,
- Each employee had the option of an initial health assessment survey undertaken,
- Regular reporting to Group and Service Unit Managers on staff absences, trends and results.

In addition, DHS also offered other ancillary services that could be undertaken, including Employee Health Checks, for an additional fee.

A copy of their initial proposal is **ATTACHMENT 2**.

This matter was discussed and presented on a number of occasions to the Executive Team that resulted in the engagement of DHS on a 12 month trial basis, for a fee of \$50,000.

In considering this engagement the Executive Team noted it was a trial, that the fee offered was considered very competitive and the service being offered was quite unique at the time with no other Council or public sector organisation receiving such a service. At the time of the engagement, no other provider of such a service was known by Council. As stated in the agreement, the fee charged to the City of Ryde was a 50% reduction of the normal fee. A copy of the Agreement with DHS is **ATTACHMENT 3**.

Through the Group Manager, Corporate Services and the then Manager, Human Resources extensive communication and consultation was undertaken with all staff and the Consultative Committee. This also involved discussions with all Unions and presentations by DHS with each respective Group Manager to their staff. Following these discussions and feedback the system went live in September, 2006.

In June 2007, DHS provided a report back to the then Executive Team on the results achieved to date. This report projected, with the introduction of this system, apart from the qualitative aspects of the service provided and the health information provided to staff, an estimated saving (direct/indirect) to Council of \$270,600.

ATTACHMENT 4.

MM3/13 (continued)

As agreed with staff, an employee survey was undertaken in September, 2007 to assess the success of the system and to allow staff to raise issues in assessing their response to the system. The results of the survey showed an overall support for the system, positive results in 7 of the 11 questions asked with 4 having an overall negative response. **ATTACHMENT 5.**

Based on the results achieved, the Executive Team agreed to continue with the trial scheme. An Employee Health and Well Being Day was held in December 2007 that tested all staffs' blood pressure, body mass index, cholesterol and glucose and a brief consultation with a doctor. Council's Employee Assistance provider was also present. This initiative, in particular received very positive feedback from staff.

Council embarked on a number of initiatives in 2009 with its current Health and Wellbeing program, that resulted in Expressions of Interest being called and a new provider Peak Health Management, for Council's Health and Wellbeing program being appointed. As a result of this process, the services provided by DHS ceased in June 2009.

Specific questions and responses to be addressed in this report are detailed below:-

Q1. Did Council pass any resolutions or provide any delegations to any staff member to engage the services of DHS. If so, please provide the details of such resolution of delegation.

Response: Council did not pass any resolution to engage DHS. The then General Manager signed the agreement to appoint DHS for a 12 month trial in accordance with his delegation of authority. A copy of the then General Manager's delegation as at 2006 is **ATTACHMENT 6.**

Q2. If Question 1 is in the affirmative, did the staff member act in accordance with the Delegation.

Response: The then General Manager acted in accordance with his delegation.

Q3. At the time DHS were engaged with the City of Ryde, did any of the Obeid names appear as a shareholder or Director?

Response: It is advised that due to the quantum and the nature of this service, no such company search was undertaken. Council's Procurement Policy and practice requires company searches only for major tenders or for known sensitive projects/services.

MM3/13 (continued)**Q4. What was the actual amount paid to DHS?**

Response: DHS was paid \$180,216.64 excluding GST for the period September 2006 to June 2009, a period of 2 years 9 months.

Q5. Why did the amount exceed \$150,000? Was this due to discussions with Unions and all staff? Is there any explanation as to why this amount was exceeded?

Response: The main reason why this service continued, as explained above, was mainly due to the projected savings Council was achieving in introducing such a system. Even though there were questions in validating the estimated savings achieved, DHS had presented to the Executive Team that an annual saving of \$270,600 was projected. The other reason why DHS's services were continued was due to the positive staff survey results undertaken in September 2007.

The payment of \$180,216.64 was paid to DHS over the period stated above, that also included additional cost in running the Health and Wellbeing day for staff in December 2007.

Q6. What process was adopted to appoint DHS?

Response: Due to the unique services at the time, the process was to evaluate DHS's proposal by staff and then having the matter discussed and considered by the Executive Team. Consultation was also undertaken with staff through the Consultative Committee. The fee for this service was negotiated down by the then General Manager and once determined, the agreement was signed.

Q7. Why were the services of DHS terminated by the City of Ryde?

Response: Council called public quotations for Councils Health and Wellbeing Program in early 2009, which resulted in Council appointing Peak Health Management.

The calling of this quotation was as a result of the Executive Team agreeing to test the market and amending the format of its Health and Wellbeing Program, in meeting the changing needs of the organisation that included feedback from staff and unions.

Streetscape Projects Pty Ltd

Council in 2008 called a number of tenders with respect of the installation of multifunction poles. The tenders called in that year were as follows:-

Council, dated 12 February 2013, submitted on 12 February 2013.

MM3/13 (continued)

1. Macquarie University Railway Station Public Domain – COR-RFQ-05/08
Tender awarded to Poles and Underground Pty Ltd \$168,400 (excluding GST).
2. Meadowbank Public Domain (Stage 1) COR-RFT-14/08
Tender awarded to Tirawley Contracting Pty Ltd \$344,120 (excluding GST).
3. Tender for the supply and delivery of Multifunction Poles for Macquarie Park Station - COR-RFT-13/08
Tender awarded to Streetscape Projects Pty Ltd \$178,754 (excluding GST).

A copy of the tender report for Item 3 above is **ATTACHMENT 7**, noting the tender evaluation report is **CONFIDENTIAL**.

Whilst this tender was valued at \$178,754, it is noted that Council's total expenditure to Streetscape Projects Pty Ltd for the period August 2006 to May 2011 was \$988,267 (excluding GST). A high level analysis of this expenditure confirms that the expenditure relates to the purchase of smart poles, park poles and various supporting equipment including fabric banner arms. A further analysis and breakdown of this expenditure will be required.

The specific questions to be addressed in this report, in respect of this matter, are as follows:-

Q1. Who paid for the street poles installed within the City of Ryde? Did payments come from Council or private parties?

Response: It is understood that all payments for Multifunction Poles have been paid by the City of Ryde to the successful tenderers/contractors. It should be noted that some of the payments were funded from a variety of sources that included Developer contributions, works in kind or State Government grants/contributions.

Q2. Has Council adopted or passed resolutions or DCP's which nominate that smart poles have to be used?

Response: Yes, Council at the Committee of the Whole meeting 3 June 2008, adopted a range of revised planning documents relating to the Macquarie Park Corridor which included the Macquarie Park Corridor Public Domain Technical Manual. Detailed in the manual in Section 5 Technical Detailed Lighting, it specifies the following information:-

- Lighting type 1 (LT1), Street lighting - specifies a 9.6 metre high multi-purpose pole equivalent to Smartpole (S1A)

MM3/13 (continued)

- Lighting type 2 (LT2), Street lighting – specifies a 9.6 metre high multi-purpose pole equivalent to Smartpole (S1B)
- Lighting type 3 (LT3), Park and Open Space Lighting – specifies a 5 metre high smartpole or equivalent (S2D)

Q3. What Procurement Process has been adopted by Council?

Response: The procurement process adopted has been either through the calling of public tenders or quotations from Council's preferred providers list. As stated above, this may require further investigation to verify the process undertaken.

SUMMARY

The above report is provided to Council specifically on the two (2) companies mentioned recently in the media. It is acknowledged that further work is required to be undertaken to fulfil the full intent of Council's resolution of 13 November 2012. It is recommended that the Acting General Manager complete the current calling of quotations and appoint an independent investigator to undertake a full investigation into these matters.

Roy Newsome
Group Manager – Corporate Services

ATTACHMENTS

- 1 Sydney Morning Herald Article 13 November 2012
- 2 Direct Health Solutions Initial Proposal April 2006
- 3 Trial Service Agreement with Direct Health Solutions August 2006
- 4 Direct Health Solutions projected savings June 2007
- 5 Direct Health Solutions Employee survey
- 6 General Manager's delegation 2006
- 7 Tender Report for Supply and Delivery of Multifunction Poles for Macquarie Park - CONFIDENTIAL

Roy Newsome

From: Roy Newsome
Sent: Tuesday, 13 November 2012 2:31 PM
To: DL Councillors; The Mayor
Cc: DL Executive Team
Subject: Sydney Morning Herald Article, 10 November 2012- Direct Health Solutions

Dear Councillors,

This item is provided to Councillors in clarifying the circumstances relating to an article that appeared in the Sydney Morning Herald on Saturday, 10 November 2012. The article stated "Direct Health Solutions received \$170,000 from Ryde Council without going to tender."

Direct Health Solutions were engaged by the City of Ryde from September 2006 to June 2009, a period of 2 years and 9 months.

In early 2006, Direct Health Solutions (DHS) had approached Council on the concept of operating an Absence Management System, together with other health support services for staff. DHS staff referred to their past experience in England and gave case studies of organisations that had implemented similar systems.

DHS proposed the following services to be provided;

- Attendance Management and Reporting,
- Provide Council staff with 24x7 access to a dedicated 'RydeHealthline', that was supported by a qualified nurse. Staff were required to contact the RydeHealthline if they were sick and would be absent from work,
- Provided all staff with access to on-line health information,
- Held quarterly on-site presentations to staff on health and well being matters,
- each employee had the option of an initial health assessment survey undertaken,
- regular reporting to Group and Service Unit Managers on staff absences, trends and results.

In addition, DHS also offered other ancillary services that could be undertaken, including Employee Health Checks, for an additional fee.

The then General Manager supported this matter being evaluated and following presentations and discussions on a number of occasions, the Executive Team approved the engagement of DHS on a 12 month trial basis, for a fee of \$50,000.

In considering this engagement the Executive Team noted it was a trial, that the fee offered was considered very competitive and the service being offered was quite unique, with no other Council or public sector organisation receiving such a service. At the time of the engagement, no other provider of such a service was known by Council.

Through the Group Manager, Corporate Services and the Manager, Human Resources extensive communication and consultation was undertaken with all staff and the Consultative Committee. This also involved discussions with all Unions. Following these discussions and feedback the system went live in September, 2006.

In June 2007, DHS provided a report back to the Executive Team on the results achieved to date and indicated that, with the introduction of this system, apart from the qualitative aspects of the service provided and the health information provided to staff, DHS were projecting an estimated saving (direct/indirect) to Council of an estimated \$270,600.

As agreed with staff, an employee survey was undertaken in September, 2007 to assess the success of the system and to allow staff to raise issues in assessing their response to the system. The results showed an overall support for the system, positive results in 7 of the 11 questions asked with 4 having an overall negative response.

Based on the results achieved, the Executive Team agreed to continue with the scheme. An Employee Health and Well Being Day was held in December 2007 that tested all staffs' blood pressure, body mass

index, cholesterol and glucose and a brief consultation with a doctor. Council's Employee Assistance Provider was also present. This initiative, in particular received very positive feedback from staff.

Council embarked on a number of initiatives in 2009 with its current Health and Wellbeing program, that followed Council's procurement process. As a result of this process, the services provided by DHS were ceased in June 2009.

Please contact me if you require any additional information on this matter.

Regards
Roy Newsome
Group Manager Corporate Services
City of Ryde
9952 8011

5 POSITION OF GENERAL MANAGER

Michael Whittaker has accepted the position of General Manager and will commence on 24 October 2004. It is necessary for Council to carry the following resolution.

RECOMMENDATION:

- 1 That Michael Whittaker be hereby confirmed pursuant to Section 334(1) of the Act, to the position of General Manager of the Council of the City of Ryde as from 24 October 2004 and to have and to exercise such powers, authorities, duties and functions as the Council may authorise from time to time.
- 2 That subject to the Act; to the direction and control of the Mayor and Council; and any resolution made from time to time by the Council in relation thereto Michael Whittaker, General Manager, be hereby authorised to exercise the following powers, authorities, duties and function; namely -
 - (a) to carry on the regular services and operations of the Council within the sums voted by the Council or expenditure thereon, and in accordance with the resolutions of the Council;
 - (b) to control and direct the servants of the Council.
 - (c) to terminate any servant of the Council other than Senior Staff and appoint some person to carry on the work until the next meeting of the Council. In the case of Senior Staff, to consult with Council prior to the suspension of such servant.
 - (d) to authorise the payment of the salaries and wages of the servants of the Council within the sums voted by the Council for expenditure thereon;
 - (e) to give effect to the provisions made by or under the Act and any other Act conferring powers or imposing duties on the Council, and to any resolution, minute report, or policy which has been passed or adopted by the Council;
 - (f) to take such actions and do such acts or things (not inconsistent with the Act or any Act conferring powers or imposing duties on the Council or with any resolution, minute, report, or policy which has been passed or adopted by the Council) as the General Manager deems necessary to generally manage, control and administer the affairs of the Council.
- 3 That the authorities conferred by this resolution be unlimited as to the period during which they may be exercised.
- 4 That, in the absence from duty of the General Manager (which absence shall

This is page no. 8 of the Acting General Manager's Report No.14/04, dated 24 September 2004, submitted to Council on 28 September 2004.

be notified in writing to the Mayor, all members of the Council and Senior Staff), the powers, authorities, duties and functions herein authorised to be exercised by the General Manager will be exercised by the Council officer nominated by the General Manager and approved by the Mayor from time to time.

David Linnert
Acting General Manager

This is page no. 9 of the Acting General Manager's Report No.14/04, dated 24 September 2004, submitted to Council on 28 September 2004.

ITEM 5 (continued)

ANNEXURE 3

FILE COPY

POWER OF ATTORNEY

BY THIS POWER OF ATTORNEY given on 2005
the COUNCIL OF THE CITY OF RYDE ABN 81 621 292 610 of Civic Centre, 1 Devlin Street, Ryde ("the Council") appoints MICHAEL WHITTAKER of Civic Centre, 1 Devlin Street, Ryde ("the Attorney") the attorney of the Council for and in the name of an on behalf of the Council to do or execute all or any of the acts and things mentioned below that is to say:

1. To transact the Council's business: To transact manage carry on and do all and every business matters and things requisite and necessary or in any manner connected with or having reference to the business and affairs of the Council; and for those purposes to conduct all correspondence appertaining to that business and those affairs.
2. To lease property: From time to time to lease and hold all houses offices buildings lands hereditaments chattels and effects or any of them as shall be thought necessary or expedient for or in relation to any of the functions or objects of the Council.
3. To sell property: From time to time if and when the attorney shall think fit to sell exchange surrender give up mortgage charge demise lease or dispose of any items of plant or equipment belonging to or held by the Council for any consideration and subject to any covenants exceptions reservations and restrictions as the Attorney shall think fit and to execute and enforce any powers of sale or other rights powers or remedies incident to the said items or otherwise to realise and obtain the benefit of them in whatever manner the Attorney shall think proper.
4. To sign cheques and endorse cheques: To sign cheques as authorised by the Council in its approved budget each year drawn on the Council's account at any bank for the purpose of the business of the Council and endorse on behalf of the Council any cheques drafts or other negotiable instruments which the Attorney may deem necessary or proper in relation to the Council's affairs.

This is page no. 26 of the General Manager's Report No.1/06, dated 10 February 2006, submitted to Council on 14 February 2006.

ITEM 5 (continued)

ANNEXURE 3

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5. To give receipts: To demand sue for enforce payment of and receive and give effectual receipts and discharges for all moneys securities for moneys debts goods chattels and personal estate of or to which the Council is now or may from now on become possessed or entitled or which are or may become due owing payable or transferable to the Council in or by any right title or means from any person or persons or corporation.
6. To settle accounts, etc: To adjust settle compromise or submit to arbitration any accounts or debts owing to the Council or claims or demands by or against the Council or any disputes concerning any such account debt claims or demands which may from now on arise between the Council and any person or persons.
7. To take and defend legal proceedings: To commence prosecute enforce defend answer or oppose all actions and other legal proceedings and demands touching any of the matters abovementioned or any other matters in which the Council is or may from now on be interested or concerned and also if thought fit to compromise refer to arbitration abandon submit to judgment or become non-suited in any action or proceedings as abovementioned.
8. To concur in doing acts: To concur in doing any of the acts or things abovementioned in conjunction with any other person or persons interested in the premises.
9. To execute deeds, etc: Subject to any requirement of the Local Government Act ¹⁹⁹³ ~~1919~~, Regulations made thereunder and any other statute or law, to execute sign enter into acknowledge perfect and do all deeds agreements instruments acts consents to dealings and applications and things as shall be requisite for or in relation to all or any of the functions or matters abovementioned.
10. To employ professional assistance: For the better and more effectually executing the powers or authorities abovementioned or any of them to retain and employ solicitors advocates consultants advisers and/or debt collecting agents respectively to advise act for or represent the Council.
11. To manage reserve trusts: To the extent permitted by the Crown Lands Act, 1989 and within the conditions and limitations elsewhere imposed by this power of

This is page no. 27 of the General Manager's Report No.1/06, dated 10 February 2006, submitted to Council on 14 February 2006.

ITEM 5 (continued)

ANNEXURE 3

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attorney, to manage the affairs of reserve trusts of which the Council is the manager.

12. And by this deed it is declared that:

12.1 Ratification: The Council ratifies and confirms and agrees to ratify and confirm whatever the Attorney shall do or purport to do by virtue of this Power of Attorney including in that confirmation whatever shall be done between the time of revocation of this Power of Attorney and the time of that revocation becoming known to the Attorney.

12.2 Registration: The Council authorises and empowers the Attorney to acknowledge in the name and as the act and deed of the Council this Power of Attorney and that the seal of the Council was duly affixed to it and to register and record it in the proper office and/or registry and to procure to be done any and every other act and thing which may be in any way requisite or proper for authenticating and giving full effect to this Power of Attorney according to the law as fully and effectually as could the Council.

12.3 Interpretation: This Power of Attorney shall in all respects be interpreted in accordance with and governed by the law of New South Wales.

13. This Power of Attorney is subject to the following conditions and limitations namely it does not extend to permit the Attorney to perform any functions which by virtue of Section 377 of the Local Government Act ¹⁹⁹³ ~~1919~~ a council may not delegate and is to endure whilst the Attorney is General Manager of the Council or until revoked by the Council.

Executed as a Deed.

THE COMMON SEAL of THE COUNCIL

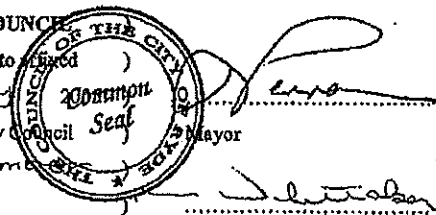
OF THE CITY OF RYDE was hereto affixed

this 25 day of January

in pursuance of a resolution passed by Council

on the 14 day of December

2004.



General Manager

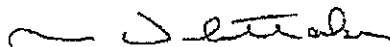
This is page no. 28 of the General Manager's Report No.1/06, dated 10 February 2006, submitted to Council on 14 February 2006.

ITEM 5 (continued)

ANNEXURE 3

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I accept my appointment as an Attorney.



.....
Attorney's Signature

Dated: 21 | 1 2005

This is page no. 29 of the General Manager's Report No.1/06, dated 10 February 2006, submitted to Council on 14 February 2006.

General Manager

Chairperson