

# minutes

## Finance Committee

MEETING HELD ON **TUESDAY 24 NOVEMBER 2015**

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## CITY OF JOONDALUP

### MINUTES OF THE FINANCE COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 24 NOVEMBER 2015.

#### ATTENDANCE

##### Committee Members

Cr Tom McLean, JP	<i>Presiding Member</i>	
Mayor Troy Pickard		
Cr Philippa Taylor	<i>Deputy Presiding Member</i>	<i>from 5.46pm</i>
Cr Russell Poliwka		
Cr Mike Norman		
Cr John Logan		
Cr Sophie Dwyer		

##### Officers

Mr Garry Hunt	Chief Executive Officer	<i>absent from 5.48pm to 5.51pm</i>
Mr Mike Tidy	Director Corporate Services	
Mr Nico Claassen	Director Infrastructure Services	
Mr Blignault Olivier	Manager City Projects	
Mr Brad Sillence	Manager Governance	
Mr Alan Ellingham	Senior Financial Analyst	<i>until 6.33pm</i>
Mr John Byrne	Governance Coordinator	
Mrs Deborah Gouges	Governance Officer	

##### Observer

Cr John Chester

#### DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

#### DECLARATIONS OF INTEREST

Nil.

**APOLOGIES/LEAVE OF ABSENCE****Leave of Absence Previously Approved:**

Cr John Chester	30 November 2015 to 8 December 2015 inclusive;
Cr Mike Norman	7 December to 11 December 2015 inclusive;
Cr Liam Gobbert	10 December to 15 December 2015 inclusive;
Cr Nige Jones	14 December to 18 December 2015 inclusive;
Cr Mike Norman	21 February to 5 March 2016 inclusive.

**CONFIRMATION OF MINUTES****MINUTES OF THE SPECIAL FINANCE COMMITTEE HELD 3 NOVEMBER 2015**

**MOVED** Cr Norman **SECONDED** Mayor Pickard that the minutes of the special meeting of the Finance Committee held on 3 November 2015 be confirmed as a true and correct record.

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman and Poliwka.

**ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

**IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC**

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

**PETITIONS AND DEPUTATIONS**

Nil.

*Cr Taylor entered the Room at 5.46pm.*

## REPORTS

### **ITEM 1                      IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN OF REPORTS TO COUNCIL – JULY 2015 TO SEPTEMBER 2015**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	105350, 101515
<b>ATTACHMENT</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – July 2015 to September 2015</i>
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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## PURPOSE

For the Finance Committee to be informed on the impacts to the *20 Year Strategic Financial Plan* (SFP) of reports approved by Council for the period July 2015 to September 2015.

## EXECUTIVE SUMMARY

A new quarterly report was introduced in October 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is the first quarterly report for 2015-16. The intention is to provide progressive updates between annual reviews of the SFP by summarising the impacts on the SFP of reports presented to Council.

This report covers Quarter 1 (July 2015 to September 2015). There are three reports that have an estimated benefit of \$600,000.

*It is therefore recommended that the Finance Committee NOTES that the estimated benefit of \$600,000 on the 20 year Strategic Financial Plan of reports approved by Council July 2015 to September 2015.*

## BACKGROUND

A new quarterly report was introduced in October 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is the first quarterly report for 2015-16. The intention is to provide progressive updates between annual reviews of the SFP by summarising the impacts on the SFP of reports presented to Council.

The SFP is a long-term planning tool, and evaluating impacts which are minor is of little relevance therefore a minimum threshold has been applied, in which an impact of less than \$50,000 is not reported. The threshold of \$50,000 results in many of the reports being outside the scope of this analysis, as they have a relatively small amount (such as planning fees) or have no financial impact at all. Consequently, most of the reports presented to Council have no impact on the SFP.

## DETAILS

There were three reports between July 2015 to September 2015, that had impacts and these are listed in Attachment 1. With regard to the tables, it should be noted that the impacts have been categorised as follows:

- Commitments made by Council.
- Other impacts including amounts that were informed by other bodies, or potential impacts for reports that have been noted, without a firm commitment having yet been made.

For those reports where there is an impact from July 2015 to September 2015, all of the values are identified as commitments made by Council. There are no other impacts.

- The SFP Impact is based on:
  - Total estimated cash flows up to 2033-34.
  - Includes inflation.
  - Includes all whole of life costs such as capital expenditure, operating expenses, operating income, reserves, borrowings, interest payments, earnings on cash held.

As a result of calculating the impacts up to 2033-34 for total cash, the impact for each report is higher than the initial impact.

## Issues and options considered

There are three reports in Quarter 1 that have an estimated benefit of \$600,000. The impacts of all reports included in Attachment 1 are included in the updated *20 Year Strategic Financial Plan 2014-15 to 2033-34* being presented to the Committee.

## Legislation / Strategic Community Plan / policy implications

### Legislation

*Local Government Act 1995.*

Section 5.56 of the *Local Government Act 1995* provides that:

*“(1) A local government is to plan for the future of the district.”*

### Strategic Community Plan

#### Key theme

Financial Sustainability.

#### Objective

Effective management.

#### Strategic initiative

- Manage liabilities and assets through a planned, long-term approach.
- Balance service levels for assets against long-term funding capacity.

**Policy** Not applicable.

**Risk management considerations**

The SFP is based on many assumptions. There is a risk that those assumptions could be wrong or may not come to pass, however, it is a planning tool and the City is not committed to anything in the plan by virtue of endorsing it. Periodic review and continual update of the plan will ensure that it remains a relevant and useful document to manage the City's financial affairs into the future.

**Financial / budget implications**

The impact to the City up to 2033-34 of the reports approved between July 2015 and September 2015 is estimated to be a benefit of \$600,000. This impact is the total change in cash at the end of 2033-34.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

This report provides a further enhancement to the long-term financial sustainability by the City by providing a progressive update on the impacts on the 20 Year SFP of Council decisions.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Dwyer, **SECONDED** Cr Logan that the Finance Committee **NOTES** the estimated benefit of \$600,000 on the *20 Year Strategic Financial Plan* of reports approved by Council from July 2015 to September 2015.

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman, Poliwka and Taylor.

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1agnFIN151124.pdf](#)*

*The Chief Executive Officer left the Room at 5.48pm and returned at 5.51pm.*

## **ITEM 2                      DRAFT 20 YEAR STRATEGIC FINANCIAL PLAN 2014-15 TO 2033-34**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	104470, 101515
<b>ATTACHMENT</b>	Attachment 1      Scenario 1 Schedules Attachment 2      Scenario 2 Schedules Attachment 3      Draft 20 Year Strategic Financial Plan 2014-15 to 2033-34
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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### **PURPOSE**

For Council to adopt the draft *20 Year Strategic Financial Plan* for the period 2014-15 to 2033-34 and *Guiding Principles 2015*.

### **EXECUTIVE SUMMARY**

The *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33 was adopted by Council at its meeting held on 24 June 2014 (CJ101-06/14 refers).

The updated draft *20 Year Strategic Financial Plan* was presented to the former Strategic Financial Management Committee at its meeting held on 14 July 2015. It was requested that the schedules of the plan be recast in a way that highlights the financial impact of the plan by the removal of the Joondalup Performing Arts and Cultural Facility (JPACF) and the inclusion of the Hawker Park Clubrooms project.

As requested, scenarios have been prepared with:

- 1      Scenario 1 – JPACF included.
- 2      Scenario 2 – JPACF excluded and Hawker Park Clubrooms reinstated.

With regards to Scenario 2:

- The removal of the JPACF would improve the financial sustainability of the plan and the projected reserves at 2033-34 would increase significantly. The removal of the JPACF however would not have a material impact in improving the achievement of the key ratios, with 84 projected instead of 83. For those years where the ratios are not achieved it is not due to the JPACF but due to existing conditions. The removal of the JPACF would ensure the plan has less risk.



- If the Hawker Park Clubrooms project was reinstated, this has been assumed to be completed by 2020-21. The reinstatement would have no impact on the number of guiding principles achieved and a relatively minor impact in the cash held at 2033-34. The City would need to identify users of the facility as all clubs who had initially been identified to use Hawker Park Clubrooms now have alternative arrangements at other facilities.

The draft *20 Year Strategic Financial Plan 2014-15 to 2033-34* (Attachment 3 refers) is based on Scenario 1 and shows tracked changes from the previously adopted plan, however it should be noted that all charts and tables, other than those proposed to be deleted, have also been updated.

*It is therefore recommended that Council:*

- 1 *ADOPTS the draft 20 Year Strategic Financial Plan 2014-15 to 2033-34 as detailed in Attachment 3 to this Report;*
- 2 *NOTES that the Guiding Principles 2015 are included as Appendix 1 to the 20 Year Strategic Financial Plan.*

## **BACKGROUND**

The current adopted *20 Year Strategic Financial Plan* covers the years 2013-14 to 2032-33 and was adopted by Council at its meeting held on 24 June 2014 (CJ101-06/14 refers). The plan is updated annually, and was presented to the former Strategic Financial Management Committee at its meeting held on 14 July 2015. The key changes that were included in the update in July were as follows:

- Rates Business Growth has higher projections than the previously adopted plan. A more detailed analysis has been undertaken which now projects an increase in business rates revenue of 43% by 2033-34, the previous plan assumed a 14% increase.
- Tamala Park proceeds – the draft *20 Year Strategic Financial Plan* now includes an updated forecast with the proceeds received over a longer period of time (2028-29), where the previous plan assumed proceeds received by 2024-25.
- Capital Renewal Expenditure – the previous plan estimated additional expenditure from 2020-21, but did not identify specific programs. The draft *20 Year Strategic Financial Plan* has identified that additional renewal expenditure for road resurfacing and paths.
- Joondalup Performing Arts and Cultural Facility:
  - \$10 million grant funding assumed, subject to successful application to the National Stronger Regions Fund
  - Annual operating subsidy increased from \$400,000 to \$900,000 following further research by the City.

The draft *20 Year Strategic Financial Plan* was presented to the former Strategic Financial Management Committee at its meeting held on 14 July 2015 which resolved as follows:

*The 20 Year Strategic Financial Plan for the period 2014-15 to 2033-34 BE REFERRED BACK to the Chief Executive Officer to allow the schedules of the plan to be recast in a way that highlights the financial impact of the plan by the removal of the Joondalup Performing Arts and Cultural Facility and the inclusion of the Hawker Park Clubrooms project.*

## DETAILS

### Disclaimer

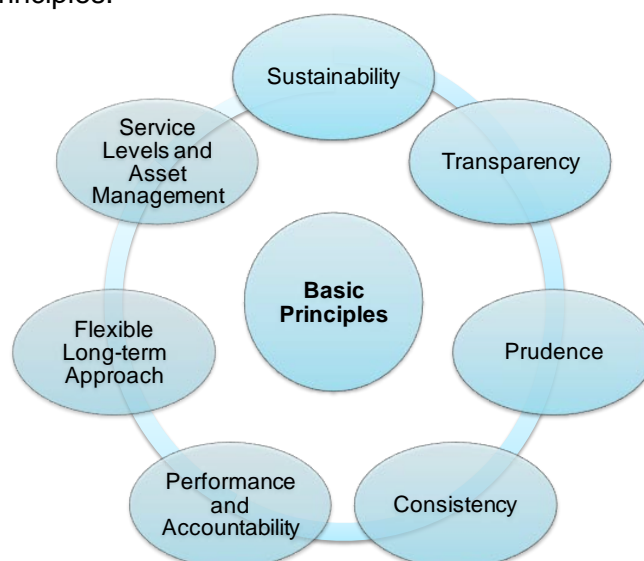
*Readers of the 20 Year Strategic Financial Plan should note that the document is used predominantly as a planning tool. As such it is based on many assumptions and includes several projects and proposals that in some cases:*

- have been approved by Council and are in progress*
- have been considered by Council but are yet to receive final approval*
- have only been considered by Elected Members at a strategy level*
- have only been considered by Officers*
- are operational in nature and based on the continued provision of services and maintenance of City assets and infrastructure in accordance with management and other plans.*

*Any of the assumptions and any of the projects or proposals not already approved could prove to be inaccurate both as to likely requirement, timing and financial estimates or may not come to pass at all. They have, however, been included based on the best available information and knowledge to hand at this time in relation to likely requirement, timing and financial estimates. Adoption of the 20 Year Strategic Financial Plan by Council does not constitute a commitment or agreement to any of the projects or proposals that have not already been approved or the financial estimates and projections.*

### Drivers and Philosophies

The 20 Year SFP has been developed using a set of Guiding Principles. These are reviewed annually and were last adopted by Council at its meeting held on 24 June 2014 (CJ101-06/14 refers). There are seven basic principles which form the foundation of the overall Guiding Principles:



The core of the guiding principles is the key ratios.

### Key Ratios

There are five key ratios that the *20 Year Strategic Financial Plan* aims to achieve. These are referred to throughout the report. The five key ratios are listed in the table below. There is a maximum possible achievement of 100 ratios over the 20 years of the plan (five per year x 20 years). Ideally the City should achieve at least 90 of the key ratios, because there are three ratios (Net Municipal Closing Funds, Rates % Increase and Debt Service Coverage Ratio) where the City should be achieving the ratio in every year, while the other two Ratios (Operating Surplus Ratio and Asset Sustainability Ratio) should be achieved in most years.

Table 1 – Key Ratios

Ref	Key Ratios	Details
1	<b>Net Municipal Closing Funds</b>	<ul style="list-style-type: none"> <li>Balanced budget (Net Municipal Funds) is a key requirement.</li> <li>Flexible use of reserves and disposal proceeds can be used to help shortfalls in municipal funds, although these have to be paid back to the required reserve at some point in future.</li> </ul>
2	<b>Operating Surplus Ratio</b>	<ul style="list-style-type: none"> <li>This is the key ratio for evaluation of operating results, and indeed the most important ratio overall.</li> <li>Operating Surplus ratio is calculated as Operating Surplus as a % of own source revenue. Operating Surplus is the difference between Operating Income and Operating Expenses (including Depreciation).</li> <li>A desired ratio for Operating Surplus is between 2% and 8%, as a five year average.</li> </ul>
3	<b>Rates % Increase</b>	<ul style="list-style-type: none"> <li>Rates % Increases capped at no more than 5% of the overall rates revenue.</li> </ul>
4	<b>Asset Sustainability Ratio</b>	<ul style="list-style-type: none"> <li>Evaluates asset management.</li> <li>Asset Sustainability compares the amount of expenditure on replacement capital projects versus depreciation.</li> <li>The ratio is an indicator of whether the City is spending adequate amounts on its replacement program in comparison to the consumption (depreciation) of its assets.</li> <li>The target for Asset Sustainability Ratio, as per the Department Local Government and Communities (DLGC) guidelines, is between 90% and 110%. The City has slightly varied the targets to achieve between 90% and 110% based on a five year average, rather than each individual year. While the minimum threshold is 90%, the long-term average that the City should aim for is 100%.</li> </ul>
5	<b>Debt Service Coverage Ratio</b>	<ul style="list-style-type: none"> <li>This is the key ratio to evaluate treasury management.</li> <li>Used by Western Australian Treasury Corporation (WATC) to help evaluate requests for loans.</li> <li>The ratio is the calculation of how much operating cash flow (excluding depreciation) covers the cost of loan repayments (principal and interest).</li> <li>The target for Debt Service Coverage Ratio is that the ratio does not fall less than five that is the City should have surpluses that are at least five times greater than the loan repayments.</li> </ul>

Ref	Key Ratios	Details
		<ul style="list-style-type: none"> <li>○ The City has determined that some years legitimately fail the threshold, such as if the City were repaying a lot of debt based on one-off proceeds, and consequently the City target is to avoid having a ratio of less than five for five years in a row.</li> </ul>

Ratios are not merely figures that are calculated for the purpose of complying with a reporting requirement. The Ratios provide an assessment of the current and future financial sustainability of the City. While some of the ratios are far from ideal in their calculation (such as the Debt Service Coverage Ratio), they provide a useful overall barometer of the City's financial management.

### Guiding Principles 2015

The Guiding Principles 2015 are included in the *Draft 20 Year Strategic Financial Plan* as Appendix 1. There are no changes proposed to the Guiding Principles and therefore they would remain the same as the Guiding Principles adopted by Council at its meeting held on 24 June 2014 (CJ101-06/14 refers).

### How the 20 Year Strategic Financial Plan is produced

There are five sets of assumptions used to build up the *20 Year Strategic Financial Plan*, as summarised below. These assumptions are explained in more detail in Section 6 of the plan itself (Attachment 3 refers).

- 1 External Environment
  - Demographics.
  - Economic indicators.
  - Housing Strategy.
  - Business Growth.
- 2 Operating Income and Expenses
  - Baseline analysis. Adopted Budget 2015-16 is used as the baseline.
  - Escalation factors (such as % increases) are then applied to each individual service item.
  - Volume changes based on approved projects and planned projects. Where information is available from a feasibility study (such as Joondalup Performing Arts and Cultural Facility) or a decision by Council, then this information is used.
- 3 Capital Expenditure
  - Adopted *Five Year Capital Works Program 2015-16 to 2019-20* is embedded into the draft *20 Year Strategic Financial Plan*.
  - Forecast for each of the programs from 2020-21 to 2033-34 have been made.
  - Other 'business as usual' capital programs (Information Technology, Fleet, and Parking) have been forecast.
  - Major Projects – based on feasibility studies or council papers.
  - Escalation factors (such as % increases) are then applied to each individual project.

- 4 Capital Disposals
  - Sale of land such as Tamala Park.
- 5 Funding. Each program or project has been separately assessed, to identify whether the project is funded by either:
  - municipal funds
  - specific reserves
  - strategic asset management reserve
  - disposal proceeds (for example Grove Child Care / Dorchester Hall)
  - borrowings.

The projected key ratios have been reviewed with consideration given to changes that are required to achieve a balanced budget and achievement of as many of the key ratios as possible.

### Attachments

There are three attachments to this report:

- 1 Attachment 1 relates to Scenario 1 and comprises eight parts 1.1 to 1.8. Each of these attachments is explained in the table below.
- 2 Attachment 2 relates to Scenario 2 (JPACF excluded and Hawker Park Clubrooms included) comprising the same eight parts as Attachment 1 and is also explained in the table below.
- 3 Attachment 3 is the draft plan itself. The contents of this are explained in a separate table.

Table 2 – Attachments 1.1 to 1.8 and 2.1 to 2.8 – Detailed Schedules

No	Report	Purpose
1.1 2.1	<b>Key Ratios Summary</b>	<ul style="list-style-type: none"> <li>○ Summary of the Key Ratios achieved versus adopted plan.</li> <li>○ Other key indicators are also summarised.</li> <li>○ Graphs of key indicators.</li> </ul>
1.2 2.2	<b>20 Year Financial Projections</b>	<ul style="list-style-type: none"> <li>○ Operating statement, capital expenditure, funding.</li> </ul>
1.3 2.3	<b>Assumptions</b>	<ul style="list-style-type: none"> <li>○ Escalation assumptions applied for operating income and operating expenditure.</li> <li>○ Also includes other key assumptions, such as costs of borrowing.</li> </ul>
1.4 2.4	<b>Major Project Assumptions</b>	<ul style="list-style-type: none"> <li>○ List of major projects.</li> <li>○ Comparison of updated capital cost versus adopted SFP, and comparison of timescales for completion.</li> </ul>
1.5 2.5	<b>Capital Expenditure by Year – excluding escalation</b>	<ul style="list-style-type: none"> <li>○ Summary of all capital requirements, both for existing programs and new projects.</li> <li>○ Projects that are highlighted in yellow are in Attachment 1.7.</li> </ul>
1.6 2.6	<b>Capital Expenditure by Year – including escalation</b>	<ul style="list-style-type: none"> <li>○ Summary of all capital requirements, both for existing programs and new projects.</li> <li>○ Projects that are highlighted in yellow are in Attachment 1.7.</li> </ul>

No	Report	Purpose
1.7 2.7	<b>Capital Projects Funding</b>	<ul style="list-style-type: none"> <li>○ Funding summary to explain how each of the large / significant projects are funded.</li> <li>○ This only includes those projects that are not funded solely by municipal.</li> </ul>
1.8 2.8	<b>Reserves</b>	<ul style="list-style-type: none"> <li>○ Projected reserve balances and movements.</li> </ul>

The table below provides a summary view of the content of the plan (Attachment 3 refers):

The plan has been prepared using Scenario 1.

Table 3 – Explanation of the draft *20 Year Strategic Financial Plan (Attachment 3)*

Summary	Reference	Pages	Details
<b>Introduction</b>	Sections 1 to 3	3 to 9	Introductory sections, explaining the purpose of the draft <i>20 Year Strategic Financial Plan</i> , executive summary and description of the City of Joondalup.
<b>Strategy</b>	Sections 4 to 5	11 to 13	<p>These two sections explain the strategy used to prepare the projections. Includes:</p> <ul style="list-style-type: none"> <li>• Summary of the guiding principles, adopted by Council at its meeting held on 24 June 2014 (CJ101-06/14 refers).</li> <li>• <i>Asset Management Policy</i> and <i>Five Year Capital Works Program</i>.</li> </ul>
<b>Assumptions</b>	Section 6	14 to 22	<p>This section provides details of the five sets of assumptions used to build up the projections:</p> <ul style="list-style-type: none"> <li>• External environment.</li> <li>• Operating income and expenses.</li> <li>• Capital Expenditure.</li> <li>• Capital Proceeds.</li> <li>• Funding.</li> </ul>
<b>Impacts Key Ratios &amp; Funding</b>	Sections 7 to 9	23 to 41	These three sections explain the ratio projections and the supporting schedules.
<b>Risk and Sensitivity</b>	Sections 10 to 11	42 to 47	Analysis of risk and scenario analysis.
<b>Guiding Principles</b>	Appendix 1	48 to 50	<i>20 Year Strategic Financial Plan</i> - Guiding Principles Statement as adopted by Council at its meeting held on 24 June 2014 (CJ101-06/14 refers) with one proposed change.
<b>Capital Projects</b>	Appendix 2	50 to 51	List of capital programs/projects, and associated operating impacts.

Summary	Reference	Pages	Details
<b>Financial Statements</b>	Appendix 3 and Financial Statements FS1 to FS4	52 to 62	<p>The supporting Financial Statements to the draft <i>20 Year Strategic Financial Plan</i>.</p> <p>The Financial Statements are:</p> <ul style="list-style-type: none"> <li>As per the DLGC Long Term Financial Planning (LTFP) Framework and Guidelines (note Statement of Financial Position and Equity Statement have been combined as a single statement).</li> <li>Similar statements required for the Budget and Annual Financial Statements, but in an abridged format.</li> <li>Each followed by a table that explains each line.</li> </ul>
<b>Supporting Schedules</b>	Supporting Schedules SS1 to SS5	63 to 71	Five supporting schedules provide additional detail on calculations and projections.

#### Changes Since July 2015

There are five changes to the model since the draft *20 Year Strategic Financial Plan* was presented in July 2015. The table below provides the details of the changes. The impacts of the changes increase the cash balance at 2033-34 from \$374.4 million (as presented in July 2015) to \$428.6 million now presented.

Table 4 – Changes to draft *20 Year Strategic Financial Plan* since July 2015

Issue	Source	Details	Cash Impact \$ million #1
<b>a) Draft 20 Year Strategic Financial Plan (July 2015)</b>			<b>\$374.4</b>
1) Greenwood Community Centre / (Calectasia Hall / GSGH)	Active Reserve Review	The Active Reserve Review, as noted by Council in July 2014, identified the redevelopment as a lower priority and deferred to 2037-38. The updated plan now addresses this.	\$12.6
2) Joondalup Performing Arts & Cultural Facility (JPACF)	JPACF Draft Business Case (July 2015)	<p>The plan presented in July 2015 was prepared prior to the completion of the draft JPACF Business Case. The draft Business Case was presented to JPACF Steering Committee in June 2015 and to Council in July 2015. The draft <i>20 Year Strategic Financial Plan</i> is aligned with the draft JPACF.</p> <p>Business Case, with the following 2 changes:</p> <ul style="list-style-type: none"> <li>i) Capital Costs increased from \$93.9 million to \$97.6 million</li> <li>ii) Operating Subsidy reduced from \$869,000 to \$818,000</li> </ul>	(\$3.6)



Issue	Source	Details	Cash Impact \$ million #1
3) Tamala Park Proceeds	Tamala Park Regional Council (TPRC)	An updated forecast has been received and is included in the updated plan. This reduces the overall estimated proceeds by (\$2 million). The forecast proceeds for the next four years (up to 2019-20) is (\$3 million) less than previously forecast, which results in higher borrowing requirements for the JPACF.	(\$2.4)
4) Asset Rationalisation Proceeds	Council Sep 2015	The sale of lots at Gibson Avenue and Caridean Street has been approved by Council. The proceeds are higher than the forecast previously included.	\$1.1
5) Baseline	Draft Accounts 2014-15	<p>The 20 Year Strategic Financial Plan uses the current 2015-16 year as the baseline for projecting future estimates. The Draft Accounts 2014-15 have been used to review/update the baseline. The following changes have been made to 2015-16 Baseline:</p> <ul style="list-style-type: none"> <li>• 2015-16 Opening cash balance based on 2014-15 closing balance</li> <li>• Reserve Opening Balances based on 2014-15 Closing Balances</li> <li>• Depreciation increased by \$1.4 million</li> <li>• Materials &amp; Contracts reduced by \$1 million</li> <li>• Interest earned increased by \$300,000</li> <li>• Utility costs reduced by \$200,000.</li> </ul> <p>The impacts result in a \$100,000 improvement to Operating Surplus and a \$1.5 million improvement in Operating Cash flow (excluding Depreciation).</p> <p>As a result of the higher opening balance and the improved operating cash flow, there is an additional \$6 million available in the <i>Strategic Asset Management Reserve</i> (SAMR) at 2017-18 to assist with the JPACF. Previously the SAMR was not considered for the JPACF as it was depleted by other projects. The SAMR contribution to the JPACF has therefore reduced the overall borrowings for the JPACF.</p>	\$46.9
6) Penistone Park	Council Aug 2015	Council requested an additional amount of \$277,000 be listed for consideration within the City's <i>Five Year Capital Works Program</i> for the construction of two tennis courts as part of the Penistone Park redevelopment project. The overall impacts to the City over a 20 year period are estimated to be (\$500,000).	(\$500,000 )
<b>b) Draft 20 Year Strategic Financial Plan (Nov 2015)</b>			<b>\$428.6</b>

#1 Cash Impact relates to the total cash held at 2033-34



## Issues and options considered

### Scenarios

As requested scenarios have been prepared as:

Scenario 1 – JPACF included.

Scenario 2 – JPACF excluded and Hawker Park Clubrooms reinstated (2020-21).

The tables and graphs below compare the two scenarios. The differences are as follows:

- Key Ratios (Table 5) – the removal of the JPACF (Scenario 2) and inclusion of Hawker Park Clubrooms would result in 84 Guiding Principles achieved, which is one more than Scenario 1. The removal of the JPACF does not provide a large improvement in the achievement of the ratios, because the ratios that are not being achieved (Operating Surplus Ratio and Asset Sustainability Ratio) are due to current values and are not caused by the introduction of the JPACF.
- Other Financial Indicators (Table 6) – this provides further information to confirm that Scenario 2 would provide improved financial sustainability compared to Scenario 1, with the total cash held at end of 2033-34 increasing from \$428.6 million to \$667 million.
- Operating Surplus Ratio (Figure 1). This indicates that the target would be achieved one year earlier (2020-21) than is currently projected in Scenario 1 (2021-22)
- Asset Sustainability Ratio (Figure 2). Scenario 2 would achieve the target in 10 of the 20 years, the same as Scenario 1.
- Debt Service Coverage Ratio (Figure 3). Both scenarios are within target for all 20 years. However the impacts of Scenario 2 are very different, as the borrowings for the City would be significantly reduced if there was no JPACF and as a result the ratio is very high from 2024-25.

Table 5 – Key Ratios – Scenario 1 versus Scenario 2

<b>KEY RATIO</b>		<b>Target Range</b>		<b>Scenario 1 Recommended</b>		<b>Scenario 2 JPACF Excluded #1</b>	
as per the City's Guiding Principles		Low	High	Number of Years within Tolerance	Number of Years Outside Tolerance	Number of Years Within Tolerance	vs. Projection
1	Rate % Increase	0.0%	5.0%	20	0	20	0
2	Balanced Books	\$0	\$0	20	0	20	0
3	Operating Surplus Ratio %	2.0%	8.0%	13	7	14	-1
4	Asset Sustainability Ratio %	90.0%	110.0%	10	10	10	0
5	Debt Service Coverage Ratio	< 5	>5	20	0	20	0
Total				83	17	84	-1

#1 Also includes Hawker Park Clubrooms

Table 6 – Other Financial Indicators – Scenario 1 versus Scenario 2

<b>OTHER FINANCIAL INDICATORS</b>			<b>Scenario 1 Recommended</b>	<b>Scenario 2 JPACF Excluded #1</b>	<b>Diff erence</b>
Indicator	Measure				
1	Financial Sustainability: Yr 1 to 10	Score out of 100 (less than 70 is below average)	71	74	-2
2	Proposed Borrowings	20 Year Total (\$m)	\$89.9	\$45.0	\$44.9
3	Treasury Borrowings Criteria	No of Years where borrowings fails Test	0	0	0
4	Cash Held less Borrowings Owing:	at end of 2033-34 \$ms	\$428.6	\$667.0	(\$238.4)
5	Rates % Increase:	Average Increase Years 1 to 10	4.4%	4.4%	0.0%
6	Operating Surplus Ratio:	What Year does SFP first achieve target ?	2021-22	2020-21	1
7	Operating Surplus Ratio:	Average Performance Years 1 to 10	2.7%	5.0%	-2.4%

Figure 1 – Operating Surplus Ratio – Scenario 1 versus Scenario 2

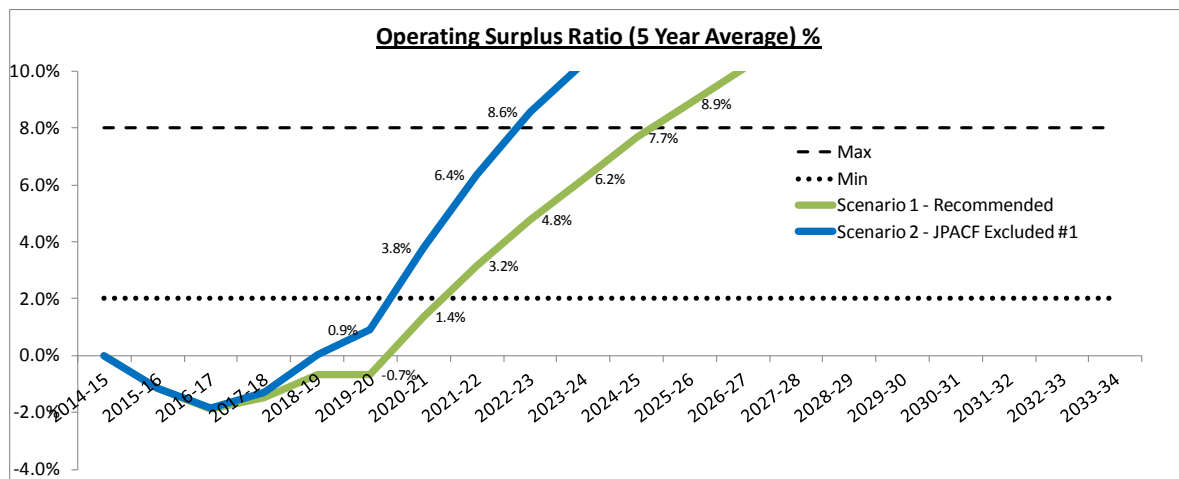


Figure 2 – Asset Sustainability Ratio – Scenario 1 versus Scenario 2

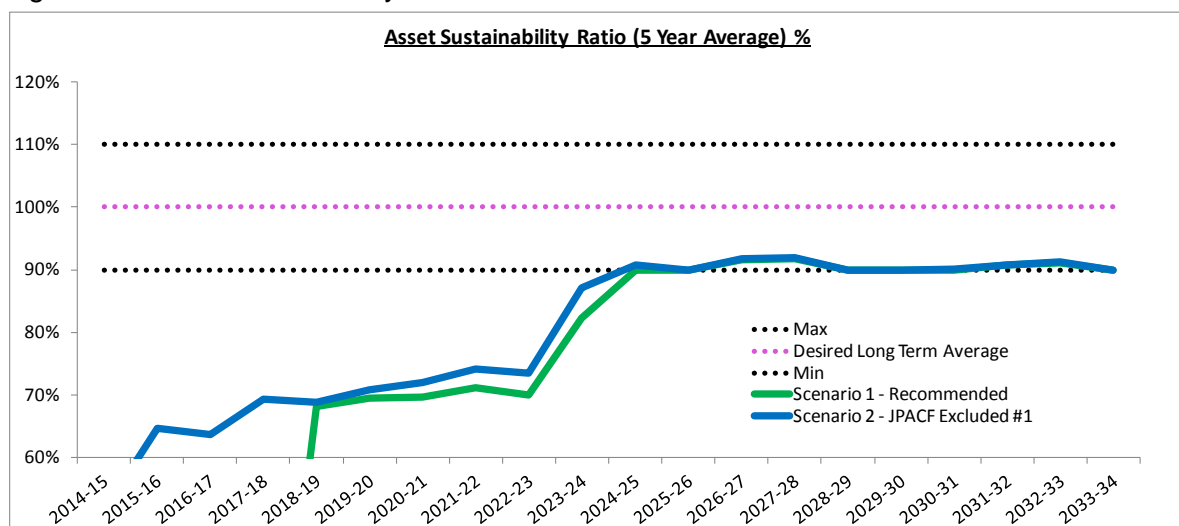
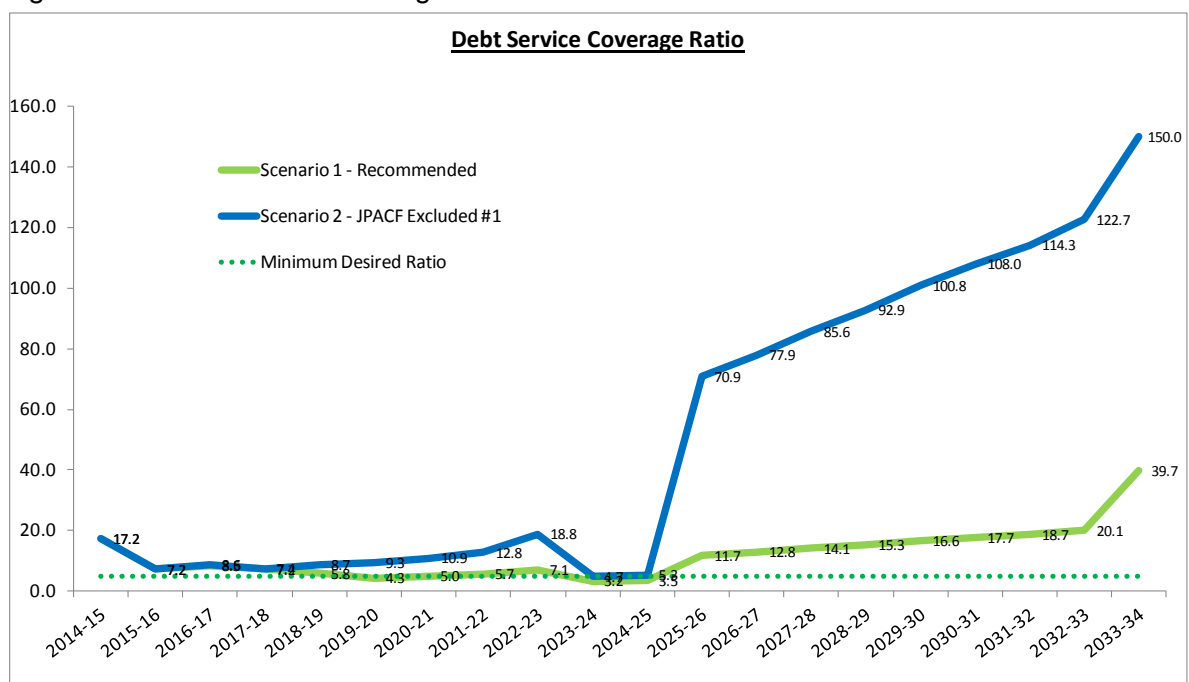


Figure 3 – Debt Service Coverage Ratio – Scenario 1 versus Scenario 2



### Scenario Summary

Table 7 below summarises the two scenarios and provides a Red/Amber/Green critique with supporting comment. The overall summary is:

- 1) Financial Sustainability - Scenario 2 would provide a more financially sustainable plan but only marginally improves the achievement of the key ratios. Scenario 1 was already indicating that the City would have excess cash (\$429 million) at 2033-34, Scenario 2 would leave a lot more excess cash with the funds from Asset Rationalisation and Tamala Park not used.
- 2) Asset Renewal - The City's infrastructure is currently young in comparison to the estimated useful life, however in later years there will be a greater requirement for renewal expenditure to maintain existing service levels. Increases have already been made to the planned renewal expenditure from 2020-21, and these are affordable in both plans. Scenario 2 would provide a lot more flexibility if there was higher renewal requirements than currently projected, however both scenarios are classed green as they are acceptable based on current estimates of renewal requirements.
- 3) & 4) Risk - The JPACF project itself has risks for both the one-off costs and the recurring impact and therefore Scenario 2 is regarded as green compared to amber for scenario 1. There are economic risks with the plan, for example if the costs of borrowing were higher than projected, this puts more risk with Scenario 1, although it should be noted that the City has opportunities to fix borrowing costs at an early stage if it wanted to minimise the risk of rising interest rates.

Table 7 – Scenario Summary

SCENARIO SUMMARY (RAG Analysis)		Scenario 1 Recommend ed	Scenario 2 JPACF Excluded #1	Comments
1	Financial Sustainability Guiding Principles & Cash	Amber	Amber	The removal of the JPACF would marginally improve the ratios and would increase cash held at end of 2033-34
2	Asset Renewal Ability to fund higher renewals	Green	Green	Both plans provide flexibility to fund higher renewal expenditure as the City's infrastructure gets older.
3	<u>Risk</u> JPACF Capital & Operating	Amber	Green	JPACF has a risk of higher capital costs, and the operating subsidy being higher than \$818k p.a.
4	<u>Risk</u> External & Economic	Amber	Green	The JPACF project would make the SFP much more at risk from adverse economic conditions.

### Hawker Park Clubrooms

The Hawker Park Clubroom project was included in the last adopted plan (June 2014) and was assumed to be completed in 2016-17. The committee discussed this project in March 2015 and asked the City to review the viability of project. The project was subsequently removed from the draft *20 Year Strategic Financial Plan* presented to the Strategic Financial Management Committee meeting held on 14 July 2015 because there are other nearby facilities (Penistone, Percy Doyle Reserve, and Warwick Open Space) that provide adequate facilities for all local clubs. Meanwhile all clubs who were initially intended as users of Hawker Park Clubrooms now have alternative arrangements at other facilities.

### Options

At the time of presenting the *20 Year Strategic Financial Plan* for adoption, there are likely to be projects and plans being reviewed that have different assumptions to those included in the *20 Year Strategic Financial Plan*. The *20 Year Strategic Financial Plan* is updated annually, and therefore revised assumptions can be included in future updates of the *20 Year Strategic Financial Plan*.

The options are:

- adopt Scenario 1 as the draft *20 Year Strategic Financial Plan* (Attachment 1 and Attachment 3), without any further changes
- adopt Scenario 2 as the draft *20 Year Strategic Financial Plan*
- adopt the draft *20 Year Strategic Financial Plan* with other specified changes  
or
- do not adopt the draft *20 Year Strategic Financial Plan* at this stage pending further changes.

Option 1 that the draft *20 Year Strategic Financial Plan* be adopted with its current assumptions is recommended.

### **Legislation / Strategic Community Plan / policy implications**

**Legislation** Section 5.56(i) of the *Local Government Act 1995* provides that:

*“A local government is to plan for the future of the district.”*

### **Strategic Community Plan**

**Key theme** Financial Sustainability.

**Objective** Effective management.

**Strategic initiative**

- Manage liabilities and assets through a planned, long-term approach.
- Balance service levels for assets against long-term funding capacity.

**Policy** *20 Year Strategic Financial Plan – Guiding Principles.*

### **Risk management considerations**

The plan is based on many assumptions. There is a risk that those assumptions could be wrong or may not come to pass, however, it is a planning tool and the City is not committed to anything in the plan by virtue of endorsing it. Periodic review and update of the plan will ensure that it remains a relevant and useful document to manage the City's financial affairs into the future.

Within some years of the plan (notably 2017-18 and 2019-20), there are multiple planned projects, although some of these projects are not yet fully scoped, for example Grove Child Care / Dorchester Hall / Warwick Hall. There may appear to be a risk in the capacity of the City in implementing multiple projects. However this risk can be mitigated by outsourcing some of the activities such as detailed design if necessary. The City reviews the scheduling and implementation of major projects on an annual basis, as part of the review of *Five Year Capital Works Program* and *20 Year Strategic Financial Plan*, and will continue to evaluate capacity as part of the annual reviews.

### **Financial / budget implications**

The draft *20 Year Strategic Financial Plan* represents projections and estimates, based on many assumptions and is a primary planning tool for the development of future budgets. Adoption of the draft *20 Year Strategic Financial Plan*, however, does not constitute a commitment or agreement by the City to the projects and proposals it contains or the financial estimates and projections included in the draft *20 Year Strategic Financial Plan*.

The plan has been prepared and reviewed during the annual Budget process, which will enable the plan to be used as an enabler to the annual Budget for the following year.

### Regional significance

Not applicable.

### Sustainability implications

The draft *20 Year Strategic Financial Plan* represents the primary and key strategic financial planning document for the City and has a direct bearing on planning for the financial sustainability of the City.

### Consultation:

The draft *20 Year Strategic Financial Plan* has been prepared after extensive consultation with City Business Units, the Executive Leadership Team and Elected Members.

### COMMENT

The draft *20 Year Strategic Financial Plan 2014-15 to 2033-34* (Attachment 3 refers), sets out a significant program of works and projects for the City of Joondalup over the next 20 years. These are in keeping with and represent the *Joondalup 2022* vision for the City: “A global City: bold, creative and prosperous”.

Although the program is ambitious it is achievable with financial discipline and the draft *20 Year Strategic Financial Plan* maps out how this can be done.

The draft *20 Year Strategic Financial Plan 2014-15 to 2033-34* replaces the previous plan adopted in 2014.

The table below summarises the key ratios.

Table 8 – Key Ratio Projections

<b>KEY RATIO</b>		<b>Target Range</b>		<b>Updated 20 Year SFP</b>		<b>Previously Adopted</b>		
as per the City's Guiding Principles		Low	High	Number of Years within Tolerance	Number of Years Outside	Number of Years Within Tolerance	vs. Current Proposal	
1	Rate % Increase	0.0%	5.0%	20	0	19	1	●
2	Balanced Books	\$0	\$0	20	0	20	0	●
3	Operating Surplus Ratio %	2.0%	8.0%	13	7	10	3	●
4	Asset Sustainability Ratio %	90.0%	110.0%	10	10	8	2	●
5	Debt Service Coverage Ratio	< 5	>5	20	0	17	3	●
Total				83	17	74	9	●

Of the five key ratios identified within the *Guiding Principles*, 83 out of 100 are achieved, although there is only 33 out of 50 achieved in the first 10 years. Although the projected achievement of 83 ratios out of 100 is nine higher than the adopted plan, it is far from ideal because the City should achieve at least 90 of the key ratios. Indeed the Operating Surplus Ratio, which is the most important ratio, is below the threshold for the first seven years and only comes within tolerance from 2021-22. For those ratios that are not achieved (Operating Surplus Ratio and Asset Sustainability Ratio), there is a positive trend. The ratios are explored in great detail within the plan at Attachment 3; some summary comments to note include the following:

- Rates increases at no more than 5%. This is achieved in 20 of the 20 years.
- Balance the books is a ratio that must be achieved every year, and the recommended option achieves that.
- Operating Surplus Ratio is the most important indicator out of all the ratios, as it has a mix of all the other ratios combined (liquidity, asset management, operating performance). The City currently has an Operating Surplus Ratio that is below the target, however steady improvements are projected. The target is to have a five year average between 2% and 8% which is projected to be achieved in 13 of the 20 years. The starting point of the projections of 2015-16 is negative 4.8% and it becomes difficult for the City to improve this in the next few years due to the new investment and the additional operating expenses required to operate new facilities. For example the Joondalup Performing Arts and Cultural Facility will depress the Operating Surplus Ratio by 2.8% each year due to the operating subsidy required, interest expense on borrowings and Depreciation. The projections from 2021-22 onwards are all within the target or exceed it.
- Asset Sustainability Ratio - measures the rate at which the City spends capital expenditure on replacement versus depreciation. The target is to be between 90% and 110%, the long-term average should be 100%. This ratio fails the target in the first 10 years which suggests that there is insufficient expenditure on replacement of existing assets and too much on new assets. The City's assets and infrastructure are relatively young and at this stage in their life cycle it is reasonable for the Asset Sustainability Ratio to be depressed. The City will need to increase expenditure on renewals in later years as the City becomes older; this has been factored into the capital forecast. This ratio will be subject to ongoing review with updates to the asset management plans and the ratio calculated separately for each asset class.
- Debt Service Coverage Ratio compares the amount of operating cash flow available versus loan repayments. Ideally there should be surplus from operating cash flow of five times or more of loan repayments. It is intended that the ratio does not fall below the range of two to five, and the target is to avoid this occurring for five years in a row. This ratio is achieved in all 20 years, however there are four years where the ratio falls below the desired threshold of five, this is a short term impact caused by the borrowings for major investment including the Joondalup Performing Arts and Cultural Facility and Edgewater Quarry.

In the early years of the plan cash reserves are depleted, reducing from \$55 million at June 2014 to \$24 million by June 2018, with the *Strategic Asset Management Reserve* reduced to \$1 million by 2017-18. The early years of the plan (and in particular 2017-18 and 2018-19) are projected to have a high level of new investment and consequently deplete the *Strategic Asset Management Reserve* and then cause higher external borrowings than the City has normally used.

Between the years 2015-16 to 2018-19 the City projects borrowings of \$53 million. \$44 million of this relates to the Joondalup Performing Arts and Cultural Facility. Within the previous plan it was assumed that the future proceeds from Tamala Park land sales would allow the City to repay this quickly within six years. However the proceeds from Tamala Park will now be received over a longer period of time and in total will be insufficient to cover all of the costs of borrowings. The total cost of the borrowings to the City, including interest, of the Joondalup Performing Arts and Cultural Facility is \$62 million. As the future Tamala Park proceeds are estimated at \$46 million, there is a shortfall of \$16 million, which in the plan is assumed to be funded by general municipal funds.

There are \$90 million in borrowings projected within the 20 years of the plan, however these are spread across multiple years and begin to be repaid immediately. The maximum balance owing at any one time is estimated to be \$58 million in 2021-22. The borrowings of \$90 million may appear to be a high value, but in terms of the bold projects taken on and the ring-fencing of specific land proceeds (Tamala Park and Edgewater Quarry) to help fund major projects, the use of borrowings in the draft *20 Year Strategic Financial Plan* is deemed appropriate.

## VOTING REQUIREMENTS

Simple Majority.

**MOVED** Cr Dwyer, **SECONDED** Mayor Pickard that Council:

- 1**      **ADOPTS** the draft *20 Year Strategic Financial Plan* for the period 2014-15 to 2033-34 as detailed in Attachment 3 to this Report;
- 2**      **NOTES** that the *Guiding Principles 2015* are included as Appendix 1 to the *20 Year Strategic Financial Plan*.

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman, Poliwka and Taylor.

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2agnFIN151124.pdf](#)*

*The Senior Financial Analyst left the Room at 6.33pm.*

### **ITEM 3                    2016-17    UNDERCROFT    BRIDGE    CLUBROOM REFURBISHMENT PROJECT**

<b>WARD</b>	South	
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services	
<b>FILE NUMBER</b>	17817, 101515	
<b>ATTACHMENT</b>	Attachment 1	Aerial map of Undercroft Bridge Clubroom
	Attachment 2	Undercroft Bridge Clubroom floor plan (existing)
	Attachment 3	City's endorsed Masterplanning Process
	Attachment 4	Undercroft Bridge Clubroom concept plan
	Attachment 5	Undercroft Bridge Clubroom cost estimate
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.	

#### **PURPOSE**

For Council to consider the concept plans, estimated capital costs and recommendations for the 2016-17 Undercroft Bridge Clubroom refurbishment project.

#### **EXECUTIVE SUMMARY**

Each year the City plans to undertake one or two refurbishments of community and sporting facilities.

The Undercroft Bridge Clubroom is located on Warwick Road, Duncraig. The facility was constructed in 1993 and consists of a hall, meeting room, kitchen and toilets. The facility had a heating/cooling system upgrade in 2011-12. The facility is leased to the Undercroft Bridge Club who has approximately 466 members.

At its meeting held on 21 April 2015 (CJ061-04/15 refers), Council agreed to undertake a building extension and a refurbishment of the toilets at Undercroft Bridge Clubroom at a total project cost estimate of \$445,547 in 2016-17, subject to the club contributing \$140,000.

As part of the needs analysis stage of the project, stakeholder consultation was undertaken with the Undercroft Bridge Club. Considering the feedback from the club and priorities identified by the City, a scope of works was developed in order to develop concept plans and a cost estimate.

The proposed facility concept plan includes a building extension with a new playing area, office and storeroom. The existing toilets will also be refurbished and reconfigured. Replacing the carpet in the main hall, replacing the tiles in the foyer and meeting room with carpet and a verandah extension was also included for consideration as part of the project.



The estimated capital cost for the Undercroft Bridge Clubroom refurbishment project is \$498,400 (includes an estimated \$2,000 that is required for modifications to an alternative facility for the club to be relocated to during construction) which is \$52,853 over the existing budget allocation.

It is recommended that the existing \$445,547 budget within the City's 2016-17 *Capital Works Program* for the project is not increased. Based on the determined project priorities, some items can be removed from the proposed refurbishment project following the tender process, if required to provide cost savings.

*It is therefore recommended that Council:*

- 1 *NOTES that \$445,547 (\$305,547 reserve funds, \$140,000 Undercroft Bridge Club contribution) is currently listed within the City's 2016-17 Five Year Capital Works Program for the Undercroft Bridge Clubroom refurbishment project;*
- 2 *APPROVES the proposed refurbishment works at the Undercroft Bridge Clubroom as detailed in this Report at a project cost estimate of \$498,400;*
- 3 *NOTES that \$52,000 has been identified within the 2015-16 budget to prepare tender documentation for the Undercroft Bridge Clubroom refurbishment project;*
- 4 *subject to tender documentation being prepared in 2015-16 as outlined in Part 3 above, REQUESTS that a revised amount of \$393,547 (\$253,547 reserve funds, \$140,000 Undercroft Bridge Club contribution) be listed for consideration within the City's 2016-17 Five Year Capital Works Program for the Undercroft Bridge Clubroom refurbishment project;*
- 5 *BY AN ABSOLUTE MAJORITY DELEGATES to the Chief Executive Officer in accordance with section 5.42 of the Local Government Act 1995 the authority to accept tenders for the Undercroft Bridge Clubroom refurbishment project subject to the price of tenders not exceeding \$393,547.*

## BACKGROUND

<b>Suburb/Location</b>	Percy Doyle Reserve 46 Warwick Road Duncraig WA 6023.
<b>Applicant</b>	City of Joondalup.
<b>Owner</b>	Crown Land – City of Joondalup Management Order.
<b>Zoning</b>	<b>DPS</b> Parks and Recreation.
	<b>MRS</b> Urban.
<b>Site area</b>	190,290m <sup>2</sup> .
<b>Structure plan</b>	Not applicable.

Since 2007, the City has undertaken one or two community facility refurbishment projects each year. Refurbishment projects intend to improve the functionality and aesthetics of the facility and are not designed to undertake general maintenance. The scope of each project is generally confined to the following aspects:

- painting
- replacing fixtures and fittings
- upgrading external environments – for example building pathways, landscaping around the building, signage
- kitchen facilities
- floor coverings

- toilets and changerooms (including refurbishment or new extensions)
- storage facilities (extensions to the facility)
- heating/cooling systems
- window treatments.

Major structural changes or modification to a facility that include major extensions and/or reconfigurations of areas are normally classified as a redevelopment project. However, due to the delay in the Percy Doyle Reserve masterplan project, this project will include a building extension.

The Undercroft Bridge Clubroom is located on Warwick Road, Duncraig (Attachment 1 refers). The facility was constructed in 1993 and consists of a hall, meeting room, kitchen and toilets (Attachment 2 refers). The facility had a heating/cooling system upgrade in 2011-12.

The facility is leased to the Undercroft Bridge Club (UBC) who has approximately 466 members. The club currently uses the facility daily running three morning sessions, seven afternoon sessions and four evening sessions for regular games, lessons, tournaments, meetings and other club events.

For a number of years, the club has identified that they have out-grown the clubroom. Currently they utilise Mildenhall on Saturdays for beginner and advanced lessons, as there is not space for these activities to be undertaken in the clubroom. In 2014 the club submitted an application to the City for a “club funded facility upgrade” project that would create an extension to the west of the existing building by 11 metres and a refurbishment of the existing toilets.

At its meeting held on 21 April 2015 (CJ061-04/15 refers), Council agreed to undertake a building extension and a refurbishment of the toilets at a total project cost estimate of \$445,547 in 2016-17, subject to the club contributing \$140,000 to the project.

## DETAILS

### Stakeholder consultation

Planning for the projects commenced in line with the City’s endorsed *Masterplanning Process* (Attachment 3 refers). As part of the needs analysis stage of the project, stakeholder consultation was undertaken with the Undercroft Bridge Club.

The following items were agreed to be included in the scope of works at the Council meeting held on 21 April 2015 (CJ061-04/15 refers):

- Building extension.
- Toilet refurbishment/reconfiguration.

The following additional items were identified during consultation and were included for consideration in the scope of works:

- Replacement of carpet in main hall.
- Replacement of tiles with carpet in foyer and meeting room.
- Verandah extension (to link existing verandah and new building extension).

Relocation during construction

The UBC currently use the clubroom daily running three morning sessions, seven afternoon sessions and four evening sessions. Based on this usage and the extent of works that will be undertaken at their clubroom, an alternative facility will be required for the UBC during construction. The Percy Doyle Football Tee-ball Clubroom (PDFTC) has been identified as a suitable alternative venue due to its size (the main hall is approximately 50m<sup>2</sup> larger than UBC's main hall), the close proximity to the Undercroft Bridge Clubroom (both facilities are located at Percy Doyle Reserve and are approximately 300 metres apart) and the availability of the facility based on UBC's current sessions/usage.

The UBC has confirmed that they would require storage for equipment (approximately 10m<sup>2</sup>), kitchen cupboard storage, fridge, oven, and an internet connection to a temporary facility.

An estimated \$2,000 of modifications is required to be made to the PDFTC to accommodate the UBC. These modifications are to provide an internet connection to the facility to allow the UBC to use their electronic scoring system and devices.

The existing kitchen at the PDFTC would provide kitchen cupboard storage and a fridge and oven for UBC to utilise. Storage for the club's equipment would be accommodated for within the clubroom. There would be no implication on cost for the project for these items.

Concept plans and capital cost estimate

A scope of works was developed based on addressing the challenges identified for the facility and stakeholder consultation with the Undercroft Bridge Club. Facility concept plans were developed based on the scope of works and a cost estimate was obtained from an external Quantity Surveyor.

The proposed facility concept plan (Attachment 4 refers) includes a building extension with a new playing area (dividable from the existing main hall by a moveable wall), office and storeroom. The existing toilets will also be refurbished and reconfigured to meet compliance requirements for the larger facility.

Replacing the carpet in the main hall, replacing the tiles in the foyer and meeting room with carpet and a verandah extension were also included as part of the scope for investigation as they were identified through the stakeholder consultation. The club agreed these items could be removed if over-budget at the time of tender submissions being evaluated. The following is a summary of the items and cost estimate (Attachment 5 refers):

Item	Cost (\$)
Building extension including playing area, office and storeroom (approximately \$2,610 per square metre)	280,300
Toilet refurbishment/reconfiguration (approximately \$3,334 per square metre)	117,700
Verandah extension	33,000
Replacement of hall carpet	12,300
Replacement of tiles in foyer and meeting room with carpet	3,900
External works and services	49,200
Relocation costs (not included in the cost estimate)	2,000
<b>TOTAL</b>	<b>498,400</b>

The cost estimate summary table includes preliminaries and small works margin (15%), professional fees in order to undertake detailed design (12%), design contingencies (5%), building contingencies (5%) and cost escalation to June 2016 (2.4%).

### Issues and options considered

Currently, there is \$445,547 (\$305,547 reserve funds, \$140,000 Undercroft Bridge Club contribution) listed in 2016-17 of the City's *Five Year Capital Works Program* for this project. The total cost estimate to undertake all the works as part of the refurbishment project is \$498,400 which includes the additional \$2,000 that is estimated to modify Percy Doyle Football Tee-ball Clubroom for the clubs relocation during construction.

It is important to note that the budget amount within the City's *Five Year Capital Works Program* was indicative and the figure was not based on any project scoping, concept plan or cost estimate.

The project's cost estimate has been itemised and the feasibility of each item determined. As the cost estimate exceeds the current amount listed in the City's *Five Year Capital Works Program*, there are two options for the project – either list an additional \$52,853 for consideration as part of the 2016-17 budget or remove some of the recommended facility refurbishment items (if required once a tender price is received).

Extending the building and refurbishing/reconfiguring the toilets are considered items required to meet compliance standards or are important to the user group's functionality of the facility.

Therefore, based on the determined project priorities, the following items could be removed from the project scope if cost savings are required in the following order as agreed by the club:

- 1 Replacement of tiles in foyer and meeting room with carpet - \$3,900.
- 2 Replacement of hall carpet – \$12,300.
- 3 Full verandah extension – \$25,200.
- 4 Movable wall - \$25,000.

TOTAL saving of approximately \$66,400.

The full verandah extension was included in the project as desirable and the full verandah extension (26m<sup>2</sup>) is not required to meet compliance or safety standards. A small verandah extension (4m<sup>2</sup>) and stairway is required to meet compliance and safety standards and is estimated to cost \$7,800, resulting in a saving of approximately \$25,200.

The movable wall is included as part of the building extension cost estimate. This item was included in the project to allow the Undercroft Bridge Club to operate teaching sessions/lessons in the new playing area and bridge games in the existing main hall, at the same time. If cost savings are required and this item removed from the project, it is proposed to provide the infrastructure and space for the movable wall at the time of construction. The movable wall can then be added to the facility at a later date, if the club requires.

The flooring works were included in the project as desirable and are not required to meet compliance or safety standards. The replacement of the hall carpet and replacement of tiles for carpet in the foyer and meeting room were proposed to improve the aesthetics of the facility and to match the new carpet in the building extension. Given the existing carpet and tiles are in satisfactory condition, these items are considered the lowest priority for the project.

Removing the movable wall, flooring works and full verandah extension from the project will reduce the total project cost to an estimated \$432,000. It is proposed however, to include all the recommended works as part of the tender for the project. If the tender price received is over the \$445,547 budget, these would be the refurbishment items removed from the project.

### **Legislation / Strategic Community Plan / policy implications**

**Legislation** Not applicable.

### **Strategic Community Plan**

**Key theme** Community Wellbeing.

**Objective** Quality facilities.

**Strategic initiative**

- Support a long-term approach to significant facility upgrades and improvements.
- Understand the demographic context of local communities to support effective facility planning.
- Employ facility design principles that will provide for longevity, diversity, inclusiveness and where appropriate support the decentralising of City services.

**Policy** Not applicable.

### **Risk management considerations**

All capital projects bring risks in relation to contingencies and over runs against original design. The capital cost estimate is based on high level concept plans and may differ once further detailed designs are undertaken for the project.

### **Financial / budget implications**

The following is listed within the City's *2016-17 Capital Works Program*:

<b>Account no.</b>	MPP2057.
<b>Budget item</b>	Percy Doyle Reserve refurbishment works.
<b>Budget amount</b>	\$445,547 (\$305,547 reserve funds, \$140,000 Undercroft Bridge Club contribution).
<b>Amount spent to date</b>	\$ Nil.
<b>Balance</b>	\$ \$445,547.

At its meeting held on 21 April 2015 (CJ061-04/15 refers), Council agreed to the refurbishment project at the Undercroft Bridge Clubroom at a total project cost estimate of \$445,547 in 2016-17, subject to the club contributing \$140,000.

The estimated capital cost as provided by the external Quantity Surveyor for this project is \$496,400 (plus an additional estimated amount of \$2,000 to modify Percy Doyle Football Tee-ball Clubroom for the clubs relocation during construction).

There are therefore two options for the project – either list an additional \$52,853 for consideration as part of the 2016-17 budget or remove some of the recommended facility refurbishment items as discussed in the issues and options section of this report (if required once a tender price is received).

Based on the determined project priorities, the following items could be removed from the project scope if cost savings are required in the following order as agreed by the club:

- 1 Replacement of tiles in foyer and meeting room with carpet - \$3,900.
- 2 Replacement of hall carpet – \$12,300.
- 3 Full verandah extension – \$25,200.
- 4 Movable wall - \$25,000.

TOTAL saving of approximately \$66,400.

#### Future financial year impact

**Annual operating cost** The operating cost for the Undercroft Bridge Clubroom was \$4,391 for 2014-15.

It is estimated that with the proposed refurbishment works the annual operating costs would increase by \$2,020 to \$6,411. This increase includes additional maintenance and utilities as a result of the refurbishment.

**Estimated annual income** The income for the Undercroft Bridge Clubroom was \$2,080 for 2014-15.

It is expected that the proposed refurbishment works would not have an impact on the annual income for the facility.

**20 Year Strategic Financial Plan impact** The estimated net cash impact over the current adopted *20 Year Strategic Financial Plan* is estimated to be \$40,415. This is based on the estimated increase to the annual operating costs for a 20 year period (does not include escalation/inflation costs).

All amounts quoted in this report are exclusive of GST.

#### **Regional significance**

Not applicable.

#### **Sustainability implications**

##### Environmental

All facility refurbishment projects are planned to reduce the impact of the carbon footprint and consider environmental sustainability design features where possible within the project budget.

##### Social

The project has included consultation with the existing user group to ensure that feedback received represents their needs. Furthermore, any refurbishment works will consider access and inclusion principles and will aim to enhance the amenity of the public space.

##### Economic

Not applicable.

## Consultation

Consultation was undertaken with the Undercroft Bridge Club during the site and needs analysis stage of the project. Information on the consultation has been included in the details and issues/options sections of this report.

## COMMENT

The estimated capital cost for the Undercroft Bridge Clubroom refurbishment project is \$498,400 (includes an estimated \$2,000 that is required to modify Percy Doyle Football Tee-ball Clubroom for the clubs relocation during construction) which is \$52,853 over the existing budget allocation. It is recommended that the existing \$445,547 (\$305,547 reserve funds, \$140,000 Undercroft Bridge Club contribution) budget within the City's *2016-17 Capital Works Program* for the project is not increased. As outlined, based on the determined project priorities, the full verandah extension can be reduced to a small verandah extension, the replacement of the hall carpet, the replacement of tiles for carpet in the foyer and meeting room and the movable wall can be removed from the proposed refurbishment project following the tender process, if required to provide cost savings.

The PDFTC is heavily utilised during the winter sporting season (April to September). During the summer sporting season (October to March) the facility has much greater availability and it is proposed that construction be undertaken at the Undercroft Bridge Clubroom during the 2016-17 summer sporting season.

In order to meet this proposed construction timeline, detailed design will need to occur in 2015-16. This work is estimated at \$52,000 and funds have been identified as being available in the 2015-16 budget to undertake detailed design.

To assist in meeting these timelines, it is suggested the authority to appoint a construction contractor be delegated to the Chief Executive Officer.

## VOTING REQUIREMENTS

Absolute Majority.

**MOVED Cr Norman, SECONDED Cr Poliwka that Council:**

- 1 NOTES that \$445,547 (\$305,547 reserve funds, \$140,000 Undercroft Bridge Club contribution) is currently listed within the City's *2016-17 Five Year Capital Works Program* for the Undercroft Bridge Clubroom refurbishment project;**
- 2 APPROVES the proposed refurbishment works at the Undercroft Bridge Clubroom as detailed in this Report at a project cost estimate of \$498,400;**
- 3 NOTES that \$52,000 has been identified within the 2015-16 budget to prepare tender documentation for the Undercroft Bridge Clubroom refurbishment project;**

- 4 subject to tender documentation being prepared in 2015-16 as outlined in Part 3 above, REQUESTS that a revised amount of \$393,547 (\$253,547 reserve funds, \$140,000 Undercroft Bridge Club contribution) be listed for consideration within the City's 2016-17 *Five Year Capital Works Program* for the Undercroft Bridge Clubroom refurbishment project;
- 5 BY AN ABSOLUTE MAJORITY DELEGATES to the Chief Executive Officer in accordance with section 5.42 of the Local Government Act 1995 the authority to accept tenders for the Undercroft Bridge Clubroom refurbishment project subject to the price of tenders not exceeding \$393,547.

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman, Poliwka and Taylor.

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnFIN151124.pdf](#)*



## **ITEM 4                      UPDATE ON THE 2015-16 CAPITAL WORKS PROGRAM**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Nico Claassen Infrastructure Services
<b>FILE NUMBER</b>	102496, 101515
<b>ATTACHMENT</b>	Attachment 1      Capital Works Project Report 2015-16
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For the Finance Committee to note the update on the *2015-16 Capital Works Program*.

### **EXECUTIVE SUMMARY**

The Capital Works Project Report for the 2015-16 program, as at 30 October 2015 is attached (Attachment 1 refers).

*It is therefore recommended that the Finance Committee NOTES the report on the Capital Works Projects for 2015-16 as at 30 October 2015 forming Attachment 1 to this Report.*

### **BACKGROUND**

At its meeting held on 15 May 2012 (CJ094-05/12 refers), Council resolved in part, to establish a Capital Works Committee to:

- *oversee the monthly progress of the City's annual Capital Works Program and review of the City's Five Year Capital Works Program*
- *oversee the long term planning of major capital works projects not being the role of a Council Committee established for such purposes*
- *consider recommendations to modify the City's Capital Works.*

At its meeting held on 3 November 2015 (JSC02-11/15 refers), Council resolved, in part to:

"1      *DISBAND the following committees established by the Council at its meeting held on 5 November 2013 (JSC06-11/13 refers):*

1.3      *Capital Works Committee;*

## 2 *ESTABLISH a Finance Committee to:*

- 2.1 *oversee the progress of the City's annual capital works program and review of the City's Five Year Capital Works Program;*
- 2.2 *make recommendations to Council on modifications of capital works projects outside those projects of the Major Projects Committee;*
- 2.3 *make recommendations to Council on the services to be provided by the City and the standards of service delivery being cognisant of industry best practice;"*

*It is therefore recommended that the Finance Committee NOTES the report on the Capital Works Projects for 2015-16 as at 30 October 2015 forming Attachment 1 to this Report.*

## DETAILS

The Capital Works Project Report for the 2015-16 program as at 30 October 2015, is provided at Attachment 1.

At its meeting held on 2 June 2015, the (then) Capital Works Committee requested a comparison of the number of capital projects completed and carried forward over the last five years. The City has increased its focus on the completion of projects to reduce the number of carry-forward projects.

The table below shows the number of projects per financial year, the actual number carried forward and the percentage carried forward.

Capital Works Projects			
Year	Total number of projects	Actual carried forward projects	% carried forward
2010 - 2011	359	56	16%
2011 - 2012	352	46	13%
2012 - 2013	331	36	11%
2013 - 2014	292	23	8%
2014 - 2015	256	11	4%

## Issues and options considered

Not applicable.

## Legislation / Strategic Community Plan / policy implications

### Legislation

Sections 5.17 and 6.8 of the *Local Government Act 1995*.

A committee cannot make decisions, on behalf of the Council, that require an absolute majority decision (section 5.17 of the *Local Government Act 1995*), in which case, and in accordance with Section 6.8 of the *Local Government Act 1995*, includes approving expenditure not included in the City's Annual Budget. The Capital Works Committee could only recommend to the Council to approve or modify capital works projects.

**Strategic Community Plan**

**Key theme** Financial Sustainability.

**Objective** Major project delivery.

**Strategic initiative** Not applicable.

**Policy** Not applicable.

**Risk management considerations**

Not applicable.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The Capital Works Project Report for the 2015-16 program provides an update on the capital works activities undertaken as at 30 October 2015.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Logan, SECONDED Cr Dwyer that the Finance Committee NOTES the report on the Capital Works Projects for 2015-16 as at 30 October 2015 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman, Poliwka and Taylor.

*Appendix 4 refers*

*To access this attachment on electronic document, click here: [Attach4agnFIN151124.pdf](#)*

## ITEM 5                      BI-MONTHLY                      CAPITAL                      WORKS                      PROJECT REPORTS

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Nico Claassen Infrastructure Services
<b>FILE NUMBER</b>	102496, 101515
<b>ATTACHMENT</b>	Attachment 1    Iluka Sports Centre Refurbishment Attachment 2    Timberlane Park Hall Upgrade Attachment 3    Kingsley Clubrooms Attachment 4    SES Winton Road Attachment 5    James Cook Park Landscape Upgrade Attachment 6    Ocean Reef Road - Marmion Avenue to Oceanside Promenade Duelling Attachment 7    Whitfords Avenue - Northshore Drive to Belrose Entrance Duelling Attachment 8    Ocean Reef Road/Joondalup Drive Intersection Upgrade Attachment 9    City Centre Lighting Attachment 10   Chichester Park Flood Lighting Upgrade Attachment 11   Bramston Park Facility Attachment 12   Multi Storey Car Park - Boas Avenue Attachment 13   Marmion Angling and Aquatic Club Parking Attachment 14   Synthetic Hockey Project Warwick
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

### PURPOSE

For the Finance Committee to note the bi-monthly project status reports for capital works projects.

### EXECUTIVE SUMMARY

At the Capital Works Committee meeting held on 14 September 2015 the Committee determined which capital works project reports were required and the frequency of reporting. The bi-monthly project reports are attached (Attachments 1-14 refer).

*It is therefore recommended that the Finance Committee NOTES the bi-monthly capital works project reports forming Attachments 1 to 14 to this Report.*

### BACKGROUND

At its meeting held on 14 September 2015 the Capital Works Committee requested that the following project reports from the *2015-16 Capital Works Program* be provided on a bi-monthly basis:

- Iluka Sports Centre Refurbishment
- Timberlane Park Hall Upgrade
- Kingsley Clubrooms
- SES Winton Road
- James Cook Park Landscape Upgrade
- Ocean Reef Road – Marmion Avenue to Oceanside Promenade Dualling
- Whitfords Avenue – Northshore Drive to Belrose Entrance Dualling
- Ocean Reef Road/Joondalup Drive Intersection Upgrade
- Joondalup City Centre Lighting
- Chichester Park Flood Lighting Upgrade
- Bramston Park Facility
- Multi Storey Car Park - Boas Avenue
- Marmion Angling & Aquatic Club Parking
- Synthetic Hockey Project Warwick.

At its meeting held on 3 November 2015 (JSC02-11/15 refers), Council resolved, in part to:

“1 *DISBAND the following committees established by the Council at its meeting held on 5 November 2013 (JSC06-11/13 refers):*

1.3 *Capital Works Committee;*

2 *ESTABLISH a Finance Committee to:*

2.1 *oversee the progress of the City’s annual capital works program and review of the City’s Five Year Capital Works Program;*

2.2 *make recommendations to Council on modifications of capital works projects outside those projects of the Major Projects Committee;*

2.3 *make recommendations to Council on the services to be provided by the City and the standards of service delivery being cognisant of industry best practice;”*

## DETAILS

A summary of the projects and their current status is detailed in the bi-monthly project reports forming Attachments 1-14 to this Report.

## Issues and options considered

Not applicable.

## Legislation / Strategic Community Plan / policy implications

### Legislation

Sections 5.17 and 6.80 of the *Local Government Act 1995*.

A committee cannot make decisions, on behalf of the Council, that require an absolute majority decision (section 5.17 of the *Local Government Act 1995*), in which case, and in accordance with Section 6.8 of the *Local Government Act 1995*, includes approving expenditure not included in the City's Annual Budget. The Capital Works Committee could only recommend to the Council to approve or modify capital works projects.

**Strategic Community Plan**

**Key theme** Financial Sustainability.

**Objective** Major project delivery.

**Strategic initiative** Not applicable.

**Policy** Not applicable.

**Risk management considerations**

Not applicable.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The attached capital works project reports provide an update on the activities undertaken in the last four months.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Norman, **SECONDED** Mayor Pickard that the Finance Committee **NOTES** the bi-monthly capital works project reports forming Attachments 1 to 14 to this Report.

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman, Poliwka and Taylor.

*Appendix 5 refers*

*To access this attachment on electronic document, click here: [Attach5agnFIN151124.pdf](#)*

## **ITEM 6                      STATUS      REPORT      ON      CITY      FREEHOLD PROPERTIES      PROPOSED      FOR      DISPOSAL INCLUDING THE PROPOSED ACQUISITION OF LOT 12223 (12) BLACKWATTLE PARADE, PADBURY**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Chief Executive Officer
<b>FILE NUMBER</b>	63627, 101515
<b>ATTACHMENTS</b>	<p>Attachment 1      Lot 200 (24), Lot 201 (22) Lot 202 (20) Kanangra Crescent, Greenwood</p> <p>Attachment 2      Lot 23 (77) Gibson Avenue, Padbury</p> <p>Attachment 3      Lot 803 (15) Burlos Court, Joondalup</p> <p>Attachment 4      Lot 1001 (14) Camberwarra Drive, Craigie</p> <p>Attachment 5      Lots 642/643 (57/59) Marri Road, Duncraig</p> <p>Attachment 6      Lot 745 (103) Caridean Street, Heathridge</p> <p>Attachment 7      Lot 549 (11) Moolanda Boulevard, Kingsley</p> <p>Attachment 8      Lot 12223 (12) Blackwattle Parade, Padbury</p>
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

### **PURPOSE**

For the Finance Committee to note the progress towards the disposal of a number of City owned freehold land sites and the potential acquisition of a Crown land community purpose reserve.

### **EXECUTIVE SUMMARY**

The City's freehold land disposal project initially included 14 sites with two sites being withdrawn from consideration. Of these 12 sites, five were sold via public auction, two by private treaty and a further private treaty negotiation is pending the result of the developers' site evaluations. The four remaining sites are at the stage of two currently being advertised for public comment with regard to rezoning amendments and two sites being available for disposal. Council approved the sale of these properties for the development of 'aged and dependent persons' dwellings' – or unit developments for people over 55 years of age.

Information detailed in Table 1 of this Report is a summarised account of the progress towards the disposal of sites remaining to be sold. Table 1 also includes a summary on the progress of the City's proposed acquisition of the State Government owned Lot 12223 (12) Blackwattle Parade, Padbury.

Council supporting land availability for the development of 'aged and dependent persons' dwellings' has resulted in 24 of these units being developed for over 55's to-date - creating approximately \$24,000 per annum in local government rates. An examination of the remaining City properties potentially assigned for aged and dependent persons' developments indicates the potential for up to 117 units to be developed, subject to final approval of the applicable amendments to the City's *District Planning Scheme No. 2 (DPS2)*. Using 117 units as an example, the rates revenue that could be generated from their development could be in the region of \$90,000 per annum, subject to unit specifications, gross rental valuation and rate/dollar applied. This does not include any unit development proposed for the land sold at 11 Moolanda Boulevard, Kingsley, as a unit development on this site is likely to be rates exempt.

Council has agreed that the proceeds from the sale of freehold land are to be transferred to the Joondalup Performing Arts and Cultural Facility Reserve Fund.

The City's objective with the land disposal project has not only resulted in a community benefit whereby local residents have the opportunity to 'age in place' but also has the effect of generating a rates revenue stream. Land disposal is not an approach that can be sustained long term as a funding source and it is now timely to reconsider the direction with potentially a focus on optimisation of the City's remaining freehold land, in addition to assessing potential Crown land opportunities.

*It is therefore recommended that the Finance Committee:*

- 1 *NOTES the status report on the progress of the City's proposed disposal of the seven freehold land sites as at 24 November 2015 as detailed in this Report;*
2. *NOTES the status report on the progress of the City's proposed acquisition of State owned Lot 12223 (12) Blackwattle Parade, Padbury;*
- 3 *NOTES a further status report on the progress of the City's proposed disposal of five freehold land sites and the proposed acquisition of Lot 12223 (12) Blackwattle Parade, Padbury will be submitted to the Finance Committee meeting to be held on 3 February 2016.*

## **BACKGROUND**

At its meeting held on 21 September 2010 (CJ163-09/10 refers), Council resolved to support the disposal of the following five freehold lots subject to the consideration of business plans and a number of conditions:

- Lot 181 (4) Rowan Place, Mullaloo – withdrawn from sale (CJ096-05/12 refers).
- Lot 200 (18) Quilter Drive, Duncraig – sold at auction in March 2013 for \$1,350,000.
- Lot 766 (167) Dampier Avenue, Kallaroo - sold post auction in March 2013 for \$1,055,000.
- Lot 202 (20) Kanangra Crescent, Greenwood – this site was subject to further investigations that eventually included adjoining Lots 200 and 201.
- Lot 147 (25) Millport Drive, Warwick - sold at auction in March 2013 for \$1,340,000.



Council has also resolved to initiate rezoning amendments to DPS2 for the following four lots:

- Lot 613 (11) Pacific Way, Beldon - sold post auction in March 2013 for \$700,000.
- Lot 671 (178) Camberwarra Drive, Craigie - sold post auction in March 2013 for \$825,000.
- Lot 745 (103) Caridean Street, Heathridge – sold by private treaty and currently awaiting settlement.
- Lot 977 (15) Burlos Court, Joondalup – ready for disposal.

A further five identified lots were submitted to Council to be considered for disposal:

- Lot 23 (77) Gibson Avenue, Padbury – potential purchaser undertaking site evaluations
- Lot 1001 (14) Camberwarra Drive, Craigie – progress detailed below.
- Lots 642/643 (57/59) Marri Road, Duncraig – progress detailed below.
- Lot 971 (52) Creaney Drive, Kingsley – withdrawn from sale (CJ103-06/14 refers).
- Lot 549 (11) Moolanda Boulevard, Kingsley – sold by private treaty with settlement taking place on 21 August 2015.

Reporting on the status of the City's proposed acquisition of the State Government owned Lot 12223 (12) Blackwattle Parade, Padbury has been included in this report and should the acquisition be successful, the City proposes to rezone the site and then dispose of the land.

## DETAILS

**Table 1**

	Property Address	Current Status
1	<p>Lot 200 (24), Lot 201 (22) and 202 (20) Kanangra Crescent, Greenwood</p> <p>Attachment 1</p> <p>Land Area: 3,005m<sup>2</sup>*</p> <p>*Approximate land area, once the three lots are amalgamated</p>	<p>At its meeting held on 31 March 2015 (CJ046-03/15 refers), Council supported the amalgamation of all three lots and requested the initiation of an amendment to DPS2 to recode the land from R20 to R40 and to restrict the use to Aged or Dependent Persons' Dwellings. At its meeting held on 28 July 2015 (CJ109-07/15 refers), Council resolved to proceed with the public advertising of Amendment No. 78.</p> <p>The 42-day public advertising period commenced on 22 October 2015 and closes on 4 December 2015.</p> <p>As the application for the amalgamation of the three lots is a relatively simple process, a decision was made to await the Western Australian Planning Commission's feedback on its level of support for the amendment before making this application.</p>
2	<p>Lot 23 (77) Gibson Avenue, Padbury –</p> <p>Attachment 1</p> <p>Land Area: 5,159m<sup>2</sup></p>	<p>A public tender process was conducted with regard to this site with the tenders that were received being rejected by Council. This resulted in Council, at its meeting held on 18 November 2014 (CJ223-11/14 refers) providing its support to the sale of the site by public auction, or private treaty.</p>

	Property Address	Current Status
		<p>The Stephens Group provided an acceptable offer for this site which was submitted to Council at its meeting held on 15 September 2015 (CJ163-09/15 refers). Council authorised the Chief Executive Officer to execute the Option to Purchase associated with the contract for a sum of \$2,146,500 inclusive of GST.</p> <p>One of the contract conditions with regard to the proposed purchase is a period of up to 150 days for The Stephens Group to undertake its due diligence and site evaluations. This work is continuing.</p>
3	<p>Lot 803 (15) Burlos Court, Joondalup –</p> <p>Attachment 2</p> <p>Land Area: 4,410m<sup>2</sup></p>	<p>The main actions to facilitate the sale of the portion of this site zoned for aged or dependent persons' dwelling, or over 55's, were two subdivisions and a rezoning amendment, all of which were finalised. Newly created Lot 803 is the site to be sold for over 55's, with Lot 804 remaining in the City's ownership. Lot 804 is land the City leases to telecommunication carriers for mobile communications infrastructure.</p> <p>Lot 803 can now be disposed of in accordance with the relevant section of the <i>Local Government Act 1995</i>.</p>
4	<p>Lot 1001 (14) Camberwarra Drive, Craigie</p> <p>Attachment 2</p> <p>Land Area: 2,055m<sup>2</sup></p> <p>Valuation required.</p>	<p>In order for Lot 1001 to be available for sale, the relocation of the Craigie Child Health Centre (CHC) service based at this site to the Padbury CHC located at Lot 699 (2) Caley Road, Padbury was necessary and has been completed. Renovation works to the Padbury CHC were a requirement for this relocation with the costs of approximately \$212,000 (exclusive of GST) being recovered from the eventual sale proceeds of Lot 1001.</p> <p>To facilitate the future disposal of the site, at its meeting held on 21 October 2014 (CJ203-10/14 refers), Council requested the initiation of an amendment for the purpose of public advertising to recode this site to R40. At its meeting held on 17 February 2015, Council adopted proposed Amendment No. 80 for the purposes of public advertising to recode the site from R20 to R40 and restrict the use to aged or dependent persons' dwellings. Amendment No. 80 was advertised from 23 April to 3 June 2015 and no objections were raised by residents.</p> <p>Council adopted the amendment at its meeting of 17 August 2015 and the documents have been forwarded to the WAPC.</p>
5	<p>Lots 642/643 (57/59) Marri Road, Duncraig –</p> <p>Attachment 3</p> <p>Land Area: 1,366m<sup>2</sup> when amalgamated</p>	<p>The main area of the facility on Lots 642/643 (57/59) Marri Road, Duncraig is leased to the Department of Education (DoE). An area of approximately 58m<sup>2</sup> of the facility is being utilised by the Department of Health's Duncraig CHC.</p> <p>The intent is to dispose of this property once the DoE has vacated the premises. To facilitate this disposal, the Department of Health has agreed to the relocation of the Duncraig CHC service to the Carine CHC at Lot 159 (487L) Beach Road, Duncraig once the facility at Lot 159 had been refurbished at the City's cost. The DoE exercised a one-year option under its lease, which will take the lease expiry date to 31 October 2016.</p>

	Property Address	Current Status
		<p>In order to be prepared for the eventual vacation of the facility by both parties and therefore disposal of the site, Council at its meeting held on 31 March 2015 (CJ047-03/15 refers) requested the initiation of an amendment to recode this site from R20 to R40. At its meeting held on 28 July 2015 (CJ110-07/15 refers) Council adopted proposed Amendment No. 82 for the purposes of public advertising to recode the site from R20 to R40 and restrict the use to aged or dependent persons' dwellings.</p> <p>The 42-day public advertising period commenced on 22 October 2015 and closes on 4 December 2015.</p>
		<b>Properties – Sold</b>
6	<p>Lot 745 (103) Caridean Street, Heathridge –</p> <p>Attachment 3</p> <p>Land Area: 2,500m<sup>2</sup></p>	<p>Following an unsuccessful public tender process, at its meeting held on 18 November 2015 (CJ223-11/14 refers); Council provided its support to the sale of this site by public auction, or private treaty.</p> <p>Conway Projects indicated an interest in the purchase of this site by private treaty and at its meeting held on 28 July 2015 (CJ123-07/15 refers); Council supported the public advertising of the proposal.</p> <p>At its meeting held on 15 September 2015 (CJ162-09/15 refers), Council authorised the Chief Executive Officer to execute the contract of sale for this property to Family Holdings Pty Ltd and A J H Projects Pty Ltd trading as Conway Projects for the sum of \$920,000 inclusive of GST. The contract allowed Conway Projects a short period for a site assessment.</p> <p>At the end of the site evaluation period, Conway Projects provided notice to the City that it wished to continue with the purchase; settlement is now progressing.</p>
7	<p>Lot 549 (11) Moolanda Boulevard, Kingsley –</p> <p>Attachment 4</p> <p>Land Area: 4,052m<sup>2</sup></p>	<p>To facilitate the sale of 4,052m<sup>2</sup> of this site to the adjoining property owner Masonic Care WA, a number of legal and planning matters needed completion. Additionally, the reconstruction of a car park at this location for use by two City lessees was also required. These matters were all completed in accordance with the timelines in the contract of sale and settlement of the disposition took place on 21 August 2015.</p> <p>The balance area left in the City's ownership that accommodates the two leased facilities and a car park is now described as Lot 702 (11) Moolanda Boulevard, Kingsley.</p>
		<b>Acquisition</b>
1	<p>Lot 12223 (12) Blackwattle Parade, Padbury</p> <p>Attachment 4</p> <p>Land Area: 3,332m<sup>2</sup></p>	<p>With regard to the City's proposed acquisition of this site from State Government, at its meeting held on 24 June 2014 (CJ104-06/14 refers) Council accepted in principle the Department of Land's (DoL) concessional purchase price of \$88,000 (exclusive of GST) subject to the outcome of a 30-day public advertising period.</p> <p>As part of the offer to the City, the DoL advised that the Department of Planning's (DoP) support was required and the DoP's conditional support was provided to the City.</p>

	Property Address	Current Status
		<p>One of the DoP's conditions was that the proceeds of the proposed future sale of the site are spent on community projects in line with the definition of "Community Purposes" under DPS2. The DoP advised that projects connected with parking, traffic and pedestrian issues were not considered to fall within the above definition.</p> <p>Public consultation was undertaken, closing on 26 March 2015. The consultation not only dealt with the proposed acquisition, but on three capital improvement options for the area, including the installation of traffic lights at the intersection of Walter Padbury Boulevard and Hepburn Avenue, Padbury which was a Council preferred project. Main Roads WA does not support the installation of traffic lights at this location.</p> <p>A report was submitted to Council at its meeting held on 19 May 2015 (CJ082-05/15 refers) concerning the outcome of the community consultation. The community supported the acquisition and the three community projects, including Council's preferred project of the installation of traffic lights.</p> <p>The outcome of the community consultation that demonstrated the level of community support for the acquisition has been forwarded to the DoL; the Minister for Lands response is awaited.</p>

### Issues and options considered

As detailed in Table 1.

### Multiple Dwellings

It is noted that currently where land is coded R30 or higher, there is the potential for multiple dwellings to be developed in accordance with the provisions of the *Residential Design Codes* (R-Codes). A multiple dwelling is basically defined as one dwelling vertically placed above another dwelling. It is not possible to determine the potential number of multiple dwellings that could be achieved on sites coded R30 or higher.

### Legislation/Strategic Community Plan/Policy Implications

#### Legislation

Sections 3.58 and 3.59 of the *Local Government Act 1995*, together with the *Local Government (Functions and General) Regulations 1996* determine how a local government may dispose of property.

#### Strategic Community Plan

#### Key theme

Quality Urban Environment.

#### Objective

Quality Built outcomes.

#### Strategic initiative

Buildings and landscaping is suitable for the immediate environment and reflect community values.

<b>Key theme</b>	Financial Sustainability.
<b>Objective</b>	Financial Diversity.
<b>Strategic initiative</b>	Identify opportunities for new income streams that are financially sound and equitable.
<b>Policy</b>	<i>Asset Management Policy.</i>  <i>Sustainability Policy.</i>

### **Risk management considerations**

Disposal of property needs to comply with the requirements of sections 3.58 and 3.59 of the *Local Government Act 1995*, which are designed to ensure openness and accountability in the disposal process.

It is possible that the reserve price as per the market valuations obtained may not be realised and the City needs to determine reserve prices below which it will not sell.

The recommendations for disposal are based on a combination of the best financial return, planning outcomes and community benefit.

The proposed changes to the land use for some of the lots being considered for disposal may result in resident dissatisfaction.

Based on the conditions and comments provided by State Government departments to-date with regard to the City's acquisition of Lot 12223 (12) Blackwattle Parade, Padbury, this proposal may not proceed in accordance with Council's and the community's preference.

### **Financial / budget implications**

Table 2 below provides valuation information on the five remaining sites to be sold. Market valuation information is used to set the reserve price on land being disposed of.

The associated main expenditure costs to the City's disposal of freehold land are legal and settlement fees, advertising costs, land surveying and amalgamation costs and real estate fees and commissions.

**Table 2**

<b><i>Property Address - Disposals</i></b>	<b><i>Approximate Overall Value</i></b>
Lots 200(24), 201(22) and 202(20) Kanangra Crescent, Greenwood (amalgamated site)	\$9,000,000
Lot 23 (77) Gibson Avenue, Padbury	
Lot 701 (15) Burlos Court, Joondalup	
Lots 642/643 (57/59) Marri Road, Duncraig	
Lot 1001 (14) Camberwarra Drive, Craigie	

**Regional significance**

Not applicable.

**Sustainability implications**

The disposal of City freehold land that has been set aside for community use should not be disposed of without there being a nominated purpose addressing a community need. Concerning the freehold land disposal project to-date, Council has supported the restricted use of aged or dependent persons' dwellings providing alternative housing choices for the City's ageing population.

Council has agreed that the proceeds from the sale of freehold land are to be transferred to the Joondalup Performing Arts and Cultural Facility Reserve Fund.

**Consultation**

Regarding consultation, public auction, public tender and private treaty methods have been used with regard to the City's land disposal project. Advertising is a requirement with all three methods unless, in respect of private treaty, the disposal is exempt under Regulation 30 of the *Local Government (Functions and General) Regulations 1996*.

The statutory public advertising period of 42 days for amendments to DPS2 is generally when the community was first able to make a submission on proposed land disposals.

The City has the option to consult with residents using the process outlined in its *Community Consultation and Engagement Protocol* which was used for the consultation on the proposed acquisition of Lot 12223 (12) Blackwattle Parade, Padbury.

**COMMENT**

The City's objective with the land disposal project to-date has not only resulted in a community benefit allowing local residents the opportunity to 'age in place,' but also has the effect of generating a rates revenue stream. Land disposal is not an approach that can be continued in the longer term to fund projects. A Property Strategy is being prepared to identify options for optimisation of landholdings for the long term, as well as opportunities to acquire Crown land for improvement and sale.

Concerning the proposed acquisition of Lot 12223 (12) Blackwattle Parade, Padbury, the DoL's advice is that a response will potentially be received by the City late November 2015.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Logan, SECONDED Cr Dwyer that the Finance Committee:**

- 1 NOTES the status report on the progress of the City's proposed disposal of the seven freehold land sites as at 24 November 2015 as detailed in this Report;**
- 2 NOTES the status report on the progress of the City's proposed acquisition of State owned Lot 12223 (12) Blackwattle Parade, Padbury;**
- 3 NOTES a further status report on the progress of the City's proposed disposal of five freehold land sites and the proposed acquisition of Lot 12223 (12) Blackwattle Parade, Padbury will be submitted to the Finance Committee meeting to be held on 3 February 2016.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman, Poliwka and Taylor.

*Appendix 6 refers*

*To access this attachment on electronic document, click here: [Attach6agnFIN151124.pdf](#)*

## ITEM 7 **CONFIDENTIAL - PINNAROO POINT CAFÉ/KIOSK EXPRESSION OF INTEREST - PROGRESS REPORT**

<b>WARD</b>	South West
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Chief Executive Officer
<b>FILE NUMBER</b>	102656, 101515
<b>ATTACHMENT</b>	Attachment 1 Site Location, Photos and Development Plans Attachment 2 Project Program
	<i>(Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only).</i>
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

This report is confidential in accordance with section 5.23(2)(c) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

*a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED Cr Norman SECONDED Cr Logan that Council:**

- 1 NOTES the Pinnaroo Point Café/Kiosk Project - Progress Report;**
- 2 ENDORSES the proposed concept by Rock (WA) Pty Ltd T/as White Salt as shown in Attachment 1 to this Report;**
- 3 REQUESTS the Chief Executive Officer to negotiate a draft land lease agreement with Rock (WA) Pty Ltd T/as White Salt and a draft Crown Land lease agreement with the Department of Lands for the Pinnaroo Point Café/Kiosk Project.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Dwyer, Logan, Norman, Poliwka and Taylor.



**URGENT BUSINESS**

Nil.

**MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

**REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Cr Dwyer requested a report be prepared detailing concept design options and estimated costings to undertake a refurbishment and potential extension of the Warwick Bowling and Greenwood Tennis Clubrooms located within Warwick Open Space, Warwick, following appropriate engagement with key stakeholders of the facility.

**CLOSURE**

There being no further business, the Presiding Member declared the meeting closed at 7.05pm; the following Committee Members being present at that time:

Cr Tom McLean, JP  
Mayor Troy Pickard  
Cr Philippa Taylor  
Cr Russell Poliwka  
Cr Mike Norman  
Cr John Logan  
Cr Sophie Dwyer