

# minutes

Finance Committee

MEETING HELD ON **MONDAY 6 FEBRUARY 2017**

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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 6 FEBRUARY 2017.

#### ATTENDANCE

##### Committee Members

Cr Tom McLean, JP	<i>Presiding Member</i>	
Mayor Troy Pickard		<i>from 5.45pm</i>
Cr Philippa Taylor	<i>Deputy Presiding Member</i>	<i>from 5.47pm</i>
Cr Russell Poliwka		<i>from 5.45pm</i>
Cr Mike Norman		
Cr John Logan		
Cr Sophie Dwyer		

##### Officers

Mr Garry Hunt	Chief Executive Officer	<i>absent from 5.45pm to 5.46pm</i> <i>absent from 5.50pm to 5.51pm</i>
Mr Mike Tidy	Director Corporate Services	
Mr Nico Claassen	Director Infrastructure Services	<i>from 5.51pm</i>
Mr Blignault Olivier	Manager City Projects	
Mr Brad Sillence	Manager Governance	<i>absent from 5.49pm to 5.52pm</i>
Mr Alan Ellingham	Senior Financial Analyst	<i>to 6.41pm</i>
Mr John Byrne	Governance Coordinator	
Mrs Deborah Gouges	Governance Officer	

#### DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

*The Chief Executive Officer left the Room at 5.45pm.*

*Mayor Pickard and Cr Poliwka entered the Room at 5.45pm.*

#### DECLARATIONS OF INTEREST

Nil.

**APOLOGIES/LEAVE OF ABSENCE****Leave of Absence previously approved**

Cr Russ Fishwick, JP	21 February to 24 February 2017 inclusive;
Cr Mike Norman	21 February to 24 February 2017 inclusive;
Cr Sophie Dwyer	1 March to 4 March 2017 inclusive;
Cr Mike Norman	2 March to 11 March 2017 inclusive;
Cr Russ Fishwick, JP	2 March to 16 March 2017 inclusive;
Cr Nige Jones	27 March to 31 March 2017 inclusive;
Cr Nige Jones	2 April to 7 April 2017 inclusive;
Cr Nige Jones	4 May to 13 May 2017 inclusive.

**CONFIRMATION OF MINUTES****MINUTES OF THE FINANCE COMMITTEE HELD ON 7 DECEMBER 2016**

**MOVED Cr Dwyer SECONDED Cr Norman that the minutes of the meeting of the Finance Committee held on 7 December 2016 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.

*The Chief Executive Officer entered the Room at 5.46pm.*

**REPORTS****ITEM 1                      SETTING OF MEETING DATES - FINANCE COMMITTEE**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Jamie Parry Governance and Strategy
<b>FILE NUMBER</b>	02153, 105564, 101515
<b>ATTACHMENTS</b>	Nil
<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 the Finance Committee to consider the proposed schedule of committee meeting dates for 2017.

**EXECUTIVE SUMMARY**

In order to assist with forward planning for all Elected Members, management and staff, a schedule of meeting dates has been prepared for the Finance Committee, ensuring synergy between meeting dates and the flow of information and decision-making.

It is recommended the Finance Committee adopts the meeting dates and times for the Finance Committee of the City of Joondalup to be held at the Joondalup Civic Centre, Boas Avenue, Joondalup.

**BACKGROUND**

The Finance Committee was established at the Special Council meeting held on 3 November 2015 (JSC02-11/15 refers). The role of the Finance Committee is to:

- oversee the progress of the City's annual capital works program and review of the *City's Five Year Capital Works Program*
- make recommendations to Council on modifications of capital works projects outside those projects of the Major Projects Committee
- 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
- oversee the City's financial management activities, funding proposals and long term strategic financial planning
- make recommendations to Council on reviews and impacts on the City's *20 Year Strategic Financial Plan*.

The proposed 2017 schedule of Council meeting dates is based on the format used in recent years. That is, a monthly meeting format with Strategy Sessions held on the first Tuesday of each month, Briefing Sessions held on the second Tuesday and Council meetings on the third Tuesday.

This enables committee meetings to be scheduled on the Monday, Tuesday or Wednesday of weeks one, two and three so as to minimise potential conflicts with other Council activities and provide a 'meeting-free' week in the fourth week of each month.

It is preferable to hold committee meetings in the first week of the month, thereby enabling committee recommendations to be listed in the Briefing Session agenda and subsequently the Council meeting agenda, however this may not always be possible due to other scheduled meetings.

## **DETAILS**

The Finance Committee was established to oversee and make recommendations to Council on the City's financial management activities, funding proposals and long term strategic financial planning.

To ensure regular consideration and monitoring of these matters it is suggested the Finance Committee meets bi-monthly on the proposed meeting day / date / times as follows:

- Tuesday 4 April 2017, commencing at 5.45pm.
- Monday 12 June 2017, commencing at 5.45pm.
- Monday 7 August 2017, commencing at 7.00pm.
- Monday 2 October 2017, commencing at 5.45pm.

Dates for committee meetings have not been set beyond 2 October 2017 in view of the fact that the local government elections will be held on 21 October 2017. At that time all committees will disband and be re-established, if appropriate, following the holding of the elections.

## **Issues and options considered**

The Finance Committee can either:

- adopt the meeting dates as proposed in this report
- or
- amend the meeting dates.

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

**Legislation** *Local Government Act 1995.  
Local Government (Administration) Regulations 1996.  
City of Joondalup Meeting Procedures Local Law 2013.*

## **Strategic Community Plan**

**Key theme** Governance and Leadership.

**Objective** Corporate capacity.

**Strategic initiative** Not applicable.

**Policy** Not applicable.

**Risk management considerations**

Should forward planning of committee meetings not be identified, then there is a risk for meetings to be held on an ad-hoc basis; lacking coordination with other key meetings and corporate planning processes.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The proposed dates ensure a bi-monthly meeting frequency while being cognisant of the broader Council monthly meeting cycle and other committee meeting dates.

**VOTING REQUIREMENTS**

Simple Majority.

*Cr Taylor entered the Room at 5.47pm.*

**MOVED Mayor Pickard, SECONDED Cr Norman that the Finance Committee ADOPTS the following meeting dates and times for the Finance Committee of the City of Joondalup to be held at the Joondalup Civic Centre, Boas Avenue, Joondalup:**

<b>Finance Committee to be held in Conference Room 2</b>
<b>Tuesday 4 April 2017, commencing at 5.45pm.</b>
<b>Monday 12 June 2017, commencing at 5.45pm.</b>
<b>Monday 7 August 2017, commencing at 7.00pm.</b>
<b>Monday 2 October 2017, commencing at 5.45pm.</b>

**The Motion was Put and**

**CARRIED (7/0)**

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

**ITEM 2                    20 YEAR STRATEGIC FINANCIAL PLAN 2016-17 TO  
2035-36 REVIEW OF MAJOR PROJECTS AND  
GENERAL RATES INCREASE**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	106126, 101515
<b>ATTACHMENTS</b>	Attachment 1    Major Projects Capital Expenditure by Year
<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 the Finance Committee (the Committee) to review the major projects and working assumptions for increase in general rates included within the forthcoming update of the *20 Year Strategic Financial Plan (20 Year SFP)*.

**EXECUTIVE SUMMARY**

The *20 Year Strategic Financial Plan 2015-16 to 2034-35* was adopted by Council at its meeting held on 28 June 2016 (CJ103-06/16 refers). The City is required to update the 20 Year SFP annually. This report is the beginning of the process for the 2017 update. It is proposed that the 20 Year SFP be reviewed at the fifth Budget Workshop in 2017 and with the Finance Committee in June 2017, prior to its consideration by Council.

This report provides the committee with an early opportunity to review the major projects that are included in the forthcoming update of the *20 Year Strategic Financial Plan 2016-17 to 2035-36* for feedback into the review process. Additionally, the committee is requested to review the working assumptions for general rates increases 2017-18 to 2020-21.

*It is therefore recommended that the Finance Committee ENDORSES the:*

- 1        major projects listed in Attachment 1 to this Report for review within the 2017 update of the 20 Year Strategic Financial Plan;*
- 2        working assumption for general rates increase of 3.4% from 2017-18 to 2020-21 and 4.4% for 2019-20.*



## BACKGROUND

The *20 Year Strategic Financial Plan 2015-16 to 2034-35* was adopted by Council at its meeting held on 28 June 2016 (CJ103-06/16 refers). The 20 Year SFP is updated annually and completed at the same time as the annual budget review, between February and June of each year. It is vital to build into the process an opportunity to review the scheduling / priority of major projects, which this report addresses. It is also important for the SFP to have reasonable working assumptions for increases in income and expenditure so that the plan can be stress-tested before it is presented for review and adoption in June.

The Finance Committee is therefore invited to review the working assumptions for major projects within the SFP and to consider the working assumptions for rates increases.

## DETAILS

### Scheduling for Major Projects (Attachment 1)

As part of the annual update of the draft *Capital Works Program*, the City has reviewed the capacity and scheduling of major projects. Attachment 1 provides details of the review.

Attachment 1 provides the details of the timing of major projects by year. Three tables are shown, the first table lists the expenditure and timings as included within the adopted 20 Year SFP, the second table is the proposed timings based on internal reviews and the third table shows the difference between the adopted plan and the proposed timing.

There are two new projects added to the schedule, highlighted in red, these are:

- Beldon Park Development – as per the outcome from the review of Warrandyte Park by Council at its meeting held on 13 December 2016 (CJ236-12/16 refers), a new project is added. No values are yet available for this. This will be updated after the report to Council in March 2017. The City may propose that other projects are deferred or reduced in scope to afford the cost of this new project, but this has not yet been evaluated.
- Percy Doyle Phase 2 added to 2035-36. This is not a new project, but is added to the schedule because this is now year 20 of the plan. During the update of the SFP in 2014, the *Percy Doyle Master Plan* project was split into two stages. Firstly, the leisure and library centres were to be the first priority and included in 2030-31, and secondly the remaining development was to be five years later. The remaining development relates to the retail / commercial component, multi-sport precinct and the soccer stadium. The values included for both Phase 1 and Phase 2 relate to a feasibility study that the City completed in 2014. The inclusion of the *Percy Doyle Master Plan* within the SFP does not mean that the City has agreed to these projects, but just includes these projects as potential costs.

The items highlighted in yellow are the proposed changes to the capital expenditure for major projects, these are:

- Penistone Park – overall project costs are not proposed to change. The reduction in expenditure in 2017-18 relates to increased expenditure proposed for 2016-17.
- Joondalup Library – major refurbishment. The adopted SFP had proposed expenditure of \$1,250,000 within 2017-18 and 2018-19, although these amounts were indicative high level estimates only. Before proceeding with this project, the City needs to consider feasibility in detail and prepare a business case. It is therefore proposed to move this expenditure to 2019-20 and 2020-21.

- Craigie Leisure Centre Upgrades. Increase of \$132,000 expenditure in 2018-19. The adopted *Capital Works Program* included a project for \$132,000 upgrade to air-conditioning within the Building Construction Works (BCW) program. An internal review has confirmed that the air-conditioning should be considered within the overall review of the Craigie Leisure Centre which is currently underway, rather than a separate project within the BCW program. It is therefore proposed to move the \$132,000 from the BCW program and add it to the major projects values.
- Cafés - Kiosks - Restaurants. There is no change to overall capital expenditure. The proposal is to defer \$90,000 expenditure from 2016-17 to 2017-18 to take account of the implementation of Pinnaroo Point café.

While many of the projects are not proposed to be amended, it is worth commenting further on some of them:

- Joondalup City Centre Development – the financial impacts of the City taking on the role of precinct developer are yet to be considered by the Major Projects Committee. Depending on the outcome changes may be proposed to the SFP.
- Ocean Reef Marina - at this point in time the City remains the proponent for the current Ocean Reef Marina approvals process. It is however assumed that the State Government, through LandCorp, will take on the lead role at some stage during the 2017-2018 financial year. Potential future City expenditure will be dependent on the City's on-going involvement in the project and will be further reviewed at the appropriate time.
- Whitfords Library and Senior Citizens Centre – the \$3 million estimate is a high level estimate based only on the refurbishment of existing buildings. The City has a wide number of issues that may impact the project and options to consider for the project including:
  - outcomes of a visioning and strategic review of the City's library services proposed for 2017
  - potential service level changes driven by state government
  - evolving community expectations
  - significant industry changes
  - community engagement outcomes
  - uncertain external influencing factors from third parties.

The \$3 million estimate is insufficient if some other options were considered, for example, if the City were to redevelop rather than refurbish.

All of the changes above are consistent with the draft *Five Year Capital Works Program* that will be presented at the Budget Workshops in March 2017.

### Capacity

The review of major projects has considered the capacity of the City to implement the project within the timescale specified, and it is believed that the scheduling is achievable notwithstanding any changes that arise as a result of other factors such as further consideration of the Joondalup Performing Arts and Cultural Facility (JPACF).

Most of the 18 projects are due to be completed within the next few years, and this may appear too much for the City to be able to manage. However, the projects are spread across different Directorates as indicated on Attachment 1 (column headed "Director"). This shows that there is a reasonable spread of resources between different Directorates to manage the projects.

### Feedback on Major Projects

Feedback is sought on the list of major projects and any matters that need to be taken into consideration in regard to:

- timing
- priority
- projects included or not included.

### Increases in General Rates 2017-18 to 2020-21

The City currently has an operating deficit of about \$9 million. The adopted SFP has projected that the deficit will be reduced and would provide an operating surplus by 2020-21. The single largest factor that influences the SFP projections are the increases in general rates income, and it is therefore vital to consider whether the working assumptions are reasonable and the plan to address the gap is prudent.

Over the past three years the SFP projected increases that were higher than the actual increases implemented, as shown in Table 1 below. The total difference over the three years is 2.7% which results in about \$110 million less income after 20 years. The adopted SFP in 2014-15 projected that the City would return to an operating surplus in 2017-18, but as the increases in rates have been lower than planned the SFP now forecasts that it will take until 2020-21 to have an operating surplus.

Table 1 – SFP Planned Rates Increase vs. Actual Increase

	2014-15	2015-16	2016-17	Total
SFP Planned Increase	5.0%	4.0%	4.0%	13.0%
Actual Increase	3.9%	3.9%	2.5%	10.3%
Difference	(1.1%)	(1.1%)	(1.5%)	(2.7%)

The adopted 20 Year SFP assumes an increase in general rates of 4.0% to 5.0% for the next four years, as listed in Table 2 below. The next four years only are considered as they are the most important within the SFP. The average increase in the next four years is 4.8%.

Table 2 – General Rates Increases within Adopted SFP

Adopted SFP	Increases per Year				Average
	2017-18	2018-19	2019-20	2020-21	
Rate % Increase	4.0%	5.0%	5.0%	5.0%	4.8%

It is preferable to have working assumptions for the next four years that are more aligned with the current economic environment and the 2016-17 actual outcome. Rather than wait until the SFP is presented for approval at the June 2017 Finance Committee meeting, this report proposes alternative assumptions for general rates increases for working purposes only in the current review of the SFP. This will provide a more realistic base model for review at the Budget Workshop with Elected Members and with the Finance Committee in June.

Table 3 below provides some options for different working assumptions for the next four years. The JPACF is projected to require an operating subsidy of between \$800,000 to \$900,000 from 2019-20 onwards, which roughly equates to a 1% increase in general rates revenue. Each scenario would propose having an additional 1% increase in 2019-20 to cover the cost of the JPACF operating subsidy.

It is not intended to use this report to evaluate the overall impact on the key ratios and cash projections within the SFP. This can only be done when all of the working assumptions (such as cost increases) are updated within the SFP during March-April.

Table 3 – Working Assumptions within SFP

Scenario	Working Assumption	Comments
1 Average of last three years 3.4%.	Apply a 3.4% increase for three of the next four years, but 4.4% in 2019-20.	Applying an increase of 3.4% would be 1.4% less than the 4.8% average currently within the adopted SFP.
2 3% Increase.	Apply a 3% increase for three of the next four years, but a 4% increase in 2019-20.	This would result in an increase which is 1.8% less than the average within the adopted SFP.
3 2.5% increase.	Apply a 2.5% increase for three of the next four years, but 3.5% in 2019-20.	This would be the same increase as applied in 2016-17 and would be 2.3% less than the 4.8% average within the adopted SFP.

Scenario 3 is not recommended because the increase of 2.5% is only slightly higher than the increases assumed for operating expenses of 2.0%. Scenario 2 is not recommended either because it is much lower than the averages of the past three years. Scenario 1 is a declining average of the past three years and more realistic than Scenario 2 or 3. It is recommended to use Scenario 1 as the working assumption for general rates increases in the 20 Year SFP from 2017-18 to 2020-21, with a 3.4% increase for three of the next four years except 2019-20 when a 4.4% increase would be used.

### Issues and options considered

#### Council to Set Increases in General Rates

Council sets the increase in general rates as part of the annual budget process. This follows deliberations in a series of Budget Workshops. The proposed changes to the SFP for 2017-18 to 2020-21 are only working assumptions for the purposes of modelling, and do not represent agreed rate increases. The SFP needs to have reasonable working assumptions to enable effective consideration of long-term financial sustainability.

#### Projects not currently included in the 20 Year SFP

There are a number of projects which have been subject to some discussion, but not included in the 20 Year SFP as they have not yet sufficiently been clarified. This could be due to a requirement for a Council decision, the need to determine some financial basis for how it may happen, unresolved external factors such as State Government participation or some combination of these.

Projects discussed but not included are:

- 1 Digital Hub.
- 2 Lotteries House extension – the City is currently developing a position statement on affordable accommodation for not-for-profit organisations.
- 3 Ocean Reef Marina – project costs only are included. No other costs for the development of the project or on-going costs and income are included.

- 4 Redevelopment of Sorrento Surf Life Saving Club – the need to redevelop this in later years was identified in the Active Reserve Review (noted by Council in July 2014). No costs have yet been included in the 20 Year SFP. These will be subject to further review as part of a future update to the Active Reserve Review.
- 5 Office Development - the project costs for Office Development and additional income from rates income are included, but there are no other costs or income assumed yet for the project.

### **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 20 Year SFP is based on many assumptions. There is a risk that those assumptions 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 proposed changes to the scheduling of the major projects have no impact on the projected ratios within the 20 Year SFP. The reductions in the working assumptions for general rates increases for 2017-18 to 2020-21 may have an impact on the overall ratios, but this can only be fully considered when all other working assumptions are updated in the model.

#### **Regional significance**

Not applicable.

#### **Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The SFP is updated using a set of basic principles, one of which is prudence, and it would be more useful for the SFP to have a set of working assumptions which were aligned with recent increases.

The direction provided at this stage in the process does not fix the assumptions used in the 20 Year SFP, but provides direction for the update of the model. The Elected Members and the Finance Committee have further opportunities to review all the assumptions when the 20 Year SFP is presented at the fifth Budget Workshop in May, and again at the Finance Committee meeting in June 2017.

**VOTING REQUIREMENTS**

Simple Majority.

*The Manager Governance left the Room at 5.49pm.*

*The Chief Executive Officer left the Room at 5.50pm and entered at 5.51pm.*

*The Director Infrastructure Services entered the Room at 5.51pm.*

*The Manager Governance entered the Room at 5.52pm.*

**MOVED Mayor Pickard, SECONDED Cr Dwyer that the Finance Committee ENDORSES the:**

- 1 major projects listed in Attachment 1 to this Report for review within the 2017 update of the *20 Year Strategic Financial Plan*;**
- 2 working assumption for general rates increase of 3.4% from 2017-18 to 2020-21 and 4.4% for 2019-20.**

**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: [Attach1agnFIN170206.pdf](#)*

## ITEM 3 INCOME PRODUCING ASSETS

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	102400, 101515
<b>ATTACHMENTS</b>	Attachment 1 Existing and Planned Income Producing Activities Attachment 2 Opportunities for New Income Producing Streams
<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 (the committee) to note the review of income producing assets and alternative opportunities.

### EXECUTIVE SUMMARY

The City continues to implement a wide number of new projects and services, many of which will require some form of subsidy. Meanwhile there are several other major transformational projects which will reshape the City and also provide the City with a profitable income stream. This report lists the current / planned income generating assets and considers whether there are other opportunities the City should consider.

This report does not recommend that any of the other opportunities are implemented. The City already has a large number of projects / activities to transform the City and generate additional income streams. Additionally, the City owns / operates a large existing infrastructure (about \$1.3 billion of assets). Local government is not a commercial undertaking with expected shareholder returns, but exists to serve the community in a financially sustainable manner. The City is guided by the *Strategic Community Plan* and should continue with the implementation of the new activities and projects that align with the *Strategic Community Plan*.

*It is therefore recommended that the Finance Committee NOTES the review of income producing assets.*

### BACKGROUND

During a recent meeting of the Finance Committee, there was a discussion regarding income producing assets, and whether the City should be investing in different opportunities rather than the projects that are listed in the *20 Year Strategic Financial Plan* and *Joondalup 2022*. This report reviews the current or planned projects that the City has regarding income producing assets, and also provides a separate table of other potential opportunities.

### Property Management Framework

The City has adopted a *Property Management Framework* which has classified properties into three types:

- 1 Community Purposes.
- 2 Capital Appreciation.
- 3 Income Generation.

The vast majority of properties are held for community purposes. There are currently 23 properties classed as capital appreciation, which relate to unique requirements such as Ocean Reef Marina. Only nine properties are classed as income generation, eight of those being car parks, the other is a child health and education site.

### Financial Sustainability

The City is in a relatively strong cash position, with low levels of debt (\$15 million owing as at June 2016), and reasonable level of cash reserves (about \$65 million).

However, the City has a large operating deficit of \$9.1 million per year, which means that for every \$1.00 spent operating the City there is only \$0.935 received with a shortfall of \$0.065.

The City's *20 Year Strategic Financial Plan* has established a plan to address the gap, although this is mostly based on the increase of rates income being much higher than the increase in expenses and much higher than the increase in other household expenses.

In recent years the City's business operating model has been intensively reviewed. Cost reductions of over \$6 million have been realised. This includes \$2 million in waste expenditure and \$4 million in other operational activities (such as building maintenance, fleet and plumbing). The next phase of expenditure reduction will require capital investment to drive efficiencies in back-of-house processes which are labour intensive. In recent years, expenditure reduction savings have been assigned to new community initiatives that bring with them on-going operational expenditure costs.

The City has enjoyed significant commercial growth recently:

- Volume growth of over 20% in the past five years, for example Joondalup Square and the Gateway now provide approximately \$1 million more income per year than five years ago.
- Lakeside Shopping Centre now provides rates income of approximately \$4 million per year, but in 2004-05 was approximately \$1 million per year.

Until the next phase of commercial development in the City Centre, rate revenue growth is very modest with just 8% volume growth estimated by 2025-26.

The City is planning to take on additional activities such as the Joondalup Performing Arts and Cultural Facility which will depress the operating deficit by a further \$800,000 to \$900,000 per year, but will provide significant social, economic and cultural benefits. Meanwhile there are other major transformational projects such as the Ocean Reef Marina and City Centre Development which will reshape the City Centre and also provide the City with profitable income streams.



This report will consider the current and planned projects that the City is already implementing, which are guided by the *Strategic Community Plan* ('Joondalup 2022'). It is also worth considering whether there are any other projects that the City should consider as income producing assets which may help reduce the operating deficit.

## DETAILS

### Current or Planned Income Producing Assets

Attachment 1 provides a list of the main projects that the City has already implemented or is planning regarding income producing assets. There are some core activities such as parking and leisure centres that are operated by many local governments which the City has already implemented. The table also lists the key transformation projects.

### Opportunities for New Income Producing Streams

Attachment 2 provides a list of potential opportunities that the City could consider to generate additional income.

### Issues and options considered

The committee is invited to review the opportunities listed above and consider any other income producing assets. However, it should be emphasised that there is little capacity in the *20 Year Strategic Financial Plan* to afford additional investment, without causing a risk to existing activities, for example the City's borrowing capacity could be breached.

### Legislation / Strategic Community Plan / policy implications

**Legislation** The City is governed by the *Local Government Act 1995*, and if any new activities were taken on by the City it would need to consider reviewing the provisions of the Act.

### Strategic Community Plan

**Key theme** Financial Sustainability.

**Objective** Financial diversity.

**Strategic initiative** Identify opportunities for new income streams that are financial sound and equitable.

**Policy** Not applicable.

### Risk management considerations

Any new income producing activity would come with risks, and indeed some of the opportunities listed would present a very high risk. One of the common problems with most new income streams is that the majority of the costs are fixed but the income is uncertain / variable.

Before the City could implement any new activity a comprehensive risk management assessment would need to be developed.

**Financial / budget implications**

The City updates the *20 Year Strategic Financial Plan* on an annual basis and has the opportunity to add new projects or remove as necessary.

**Regional significance**

The region is going through significant population growth and this could provide improved opportunity for new income streams.

**Sustainability implications**

New income streams would have to consider the sustainability impact.

**Consultation**

Any activity which materially changes the direction of the *Strategic Community Plan* would require some level of public consultation.

**COMMENT**

This report does not recommend that any of the other opportunities are implemented. The City already has a large number of projects / activities to transform the City and generate additional income streams. Additionally, the City owns / operates a large existing infrastructure (about \$1.3 billion of assets). Local government is not a commercial undertaking with expected shareholder returns, but is there to serve the community in a financially sustainable manner. The City is guided by the *Strategic Community Plan* and should continue with the implementation of the existing activities.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Logan, SECONDED Cr Dwyer that the Finance Committee NOTES the review of income producing assets.**

**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: [Attach2agnFIN170206.pdf](#)*

**ITEM 4                    IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN  
OF REPORTS TO COUNCIL – OCTOBER TO  
DECEMBER 2016**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	105350
<b>ATTACHMENT</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – July 2016 to December 2016</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**

To advise the Finance Committee on the impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period October to December 2016.

**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 second quarterly report for 2016-17. The intention is to provide progressive updates between annual reviews of the 20 Year SFP by summarising the impacts on the 20 Year SFP of reports presented to Council.

This report covers Quarter 2 (October 2016 to December 2016). There is one report, Tender 035/16 – sale of freehold land Lot 23 (77) Gibson Avenue, Padbury for aged or dependent persons dwellings (CJ172-10/16 refers) that has an estimated cost of (\$400,000).

The first quarterly report for 2016-17 covering July 2016 to September 2016 reported benefits of \$41.3 million and therefore the cumulative impacts for 2016-17 including Quarter 2 are \$40.9 million.

*It is therefore recommended that the Finance Committee NOTES:*

- 1        one report was considered by Council in the period October 2016 to December 2016 that had an estimated net cost over the life of the 20 Year Strategic Financial Plan of (\$400,000);*
- 2        the estimated net cumulative benefit over the life of the 20 Year Strategic Financial Plan of decisions by Council year to date to December 2016 is \$40.9 million.*

## 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 2016-17. The intention is to provide progressive updates between annual reviews of the 20 Year 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 where 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 (for example planning fees) or have no financial impact at all. Consequently, most of the reports presented to Council have no impact on the 20 Year SFP.

## DETAILS

Attachment 1 provides details of all reports for 2016-17 that are included in these quarterly reports. With regards the tables in Attachment 1, please note that the impacts have been categorised into:

- 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 been made yet.

For those reports where there is an impact from October 2016 to December 2016, all of the values are identified as commitments made by Council, there are no other impacts.

- The 20 Year SFP Impact is based on the following:
  - Total estimated cash flows up to 2034-35.
  - Includes inflation.
  - Includes all whole-of-life costs such as capital expenditure, operating expenses, operating income, reserves, borrowings, interest payments and earnings on cash held.

As a result of calculating the impacts up to 2034-35 for total cash, the impact for each report is higher than the initial impact.

## Issues and options considered

There is one report in Quarter 2 that has an estimated cost of (\$400,000). The report is Tender 035/16 – sale of freehold land Lot 23 (77) Gibson Avenue, Padbury for aged or dependent persons dwellings (CJ172-10/16 refers). The impacts of all reports included in Attachment 1 will be updated in the revised *20 Year Strategic Financial Plan 2016-17 to 2035-36* being prepared in early 2017.

## 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**

<b>Key theme</b>	Financial Sustainability.
<b>Objective</b>	Effective management.
<b>Strategic initiative</b>	<ul style="list-style-type: none"><li>• Manage liabilities and assets through a planned, long-term approach.</li><li>• Balance service levels for assets against long-term funding capacity.</li></ul>
<b>Policy</b>	Not applicable.

**Risk management considerations**

The 20 Year SFP is based on many assumptions. There is a risk that those assumptions 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 2034-35 of the report approved between October 2016 and December 2016 is estimated to be a cost of (\$400,000). This impact is the total change in cash at the end of 2034-35.

The first quarterly report for 2016-17 covering July 2016 to September 2016 reported benefits of \$41.3 million and therefore the cumulative impacts for 2016-17 including Quarter 2 are \$40.9 million.

**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 Norman, SECONDED Cr Dwyer that the Finance Committee NOTES:**

- 1 one report was considered by Council in the period October 2016 to December 2016 that had an estimated net cost over the life of the *20 Year Strategic Financial Plan* of (\$400,000);**
- 2 the estimated net cumulative benefit over the life of the *20 Year Strategic Financial Plan* of decisions by Council year to date to December 2016 is \$40.9 million.**

**The Motion was Put and**

**CARRIED (7/0)**

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

*The Senior Financial Analyst left the Room at 6.41pm.*

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnFIN170206.pdf](#)*

## **ITEM 5                    UPDATE ON THE 2016-17 CAPITAL WORKS PROGRAM**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Nico Claassen Infrastructure Services
<b>FILE NUMBER</b>	105564, 101515
<b>ATTACHMENTS</b>	Attachment 1    Capital Works Project Report 2016-17
<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 *2016-17 Capital Works Program*.

### **EXECUTIVE SUMMARY**

The Capital Works Project Report for the 2016-17 program as at 23 January 2017 is attached (Attachment 1 refers).

*It is therefore recommended that the Finance Committee NOTES the report on the Capital Works Projects for 2016-17 as at 23 January 2017 forming Attachment 1 to this Report.*

### **BACKGROUND**

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

“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**

The Capital Works Project Report for the 2016-17 program as at 23 January 2017 is provided at Attachment 1.

**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 Finance Committee may only recommend to 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 2016-17 program provides an update on the capital works activities undertaken as at 23 January 2017.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Mayor Pickard, SECONDED Cr Poliwka that the Finance Committee NOTES the report on the Capital Works Projects for 2016-17 as at 23 January 2017 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: [Attach4agnFIN170206.pdf](#)*



- SES Winton Road.
- *MacDonald Park Landscape Master Plan.*
- Ocean Reef Road – Marmion Avenue to Oceanside Promenade Dualling.
- Ocean Reef Road/Joondalup Drive Intersection Upgrade.
- *Leafy City Program.*
- Joondalup City Centre Lighting.
- Admiral Park Flood Lighting Upgrade.
- Penistone Park Facility Refurbishment.
- Grove Child Care / Dorchester Hall / Warwick Hall.
- Sorrento Beach Enclosure.
- Warwick Hockey Centre Project.
- Percy Doyle – Undercroft Extension.

The following project which required bi-monthly project reports was completed and the final report was presented to the Finance Committee held on 3 October 2016:

- Timberlane Park Hall Upgrade.

The following project which required bi-monthly project reports was completed and the final report was presented to the Finance Committee held on 7 December 2016:

- Kingsley Clubrooms.

## DETAILS

A summary of the projects and their current status is detailed in the bi-monthly project reports forming Attachments 1-12 to this report.

The following project which required a bi-monthly project report has now been completed and no further reports will be presented to the Finance Committee:

- Sorrento Beach Enclosure.

## 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 Finance Committee may 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 two months.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Logan, SECONDED Cr Dwyer that the Finance Committee NOTES the bi-monthly capital works project reports forming Attachments 1 to 12 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: [Attach5agnFIN170206.pdf](#)

## **ITEM 7                    STATUS    REPORT    ON    CITY    FREEHOLD PROPERTIES PROPOSED FOR DISPOSAL AND A PROPOSED CROWN LAND ACQUISITION**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	63627, 101515
<b>ATTACHMENTS</b>	Attachment 1    Lot 2 (20) Kanangra Crescent, Greenwood Attachment 2    Lot 803 (15) Burlos Court, Joondalup Attachment 3    Lot 1001 (14) Camberwarra Drive, Craigie Attachment 4    Lot 900 (57) Marri Road, Duncraig Attachment 5    Lot 12223 (12) Blackwattle Parade, Padbury
<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 properties and the proposed 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 and eight sites having now sold, including the recent sale of Lot 23 (77) Gibson Avenue, Padbury. Lot 23 was purchased through a public tender process with settlement taking place in December 2016 (Table 1 below refers).

Of the four sites that remain, three are ready for disposal being Lot 2 (20) Kanangra Crescent, Greenwood, Lot 803 (15) Burlos Court, Joondalup and Lot 1001 (14) Camberwarra Drive, Craigie. Lot 900 (57) Marri Road, Duncraig is unavailable for disposal until the demolition of the building on site which is likely to be during March 2017.

At its meeting held on 13 December 2016 (CJ234-12/16 refers) Council resolved to authorise the Chief Executive Officer (CEO) to take the four remaining properties to public auction. Planning for the auction has commenced to take place potentially at the end of April 2017. Expert real estate advice is currently being sought regarding matters associated with the proposed auction.

With regard to the City's proposed acquisition of Lot 12223 (12) Blackwattle Parade, Padbury, the Department of Lands (DoL) is proposing to send the City a revised contract of sale. On execution of the contract by the City, land transfer actions will commence.

Table 2 of this report provides a summarised account of the progress towards the disposal of the remaining four freehold sites and the acquisition of Lot 12223 (12) Blackwattle Parade, Padbury.

*It is therefore recommended that the Finance Committee:*

- 1 *NOTES the status report on the progress of the City's proposed disposal of four freehold land sites;*
- 2 *NOTES a further status report on the progress of the City's proposed disposal of freehold land and proposed acquisition of a Crown land site will be submitted to the Finance Committee meeting to be held on 4 April 2017.*

## **BACKGROUND**

The City's freehold land disposal project initially included 14 sites. Lot 181 (4) Rowan Place, Mullaloo (CJ096-05/12 refers) and Lot 971 (52) Creaney Drive, Kingsley (CJ103-06/14 refers) were withdrawn from sale. The total value of the two sites was in the vicinity of \$4.5 million.

Settlement on the purchase of the City's Lot 23 (77) Gibson Avenue, Padbury took place on 21 December 2016.

Table 1 indicates the eight sites that have sold to-date.

Except for the site that was sold to Masonic Care WA in Kingsley, Council approved the sale of these properties for the development of 'Aged or Dependent Persons' Dwellings' – or unit developments for people over 55 years of age.

**Table 1 (GST exclusive)**

<b>Property</b>	<b>Date Sold</b>	<b>Sale Price</b>
Lot 200 (18) Quilter Drive, Duncraig.	March 2013	\$1,350,000
Lot 766 (167) Dampier Avenue, Kallaroo.	March 2013	\$1,055,000
Lot 147 (25) Millport Drive, Warwick.	March 2013	\$1,340,000
Lot 613 (11) Pacific Way, Beldon.	March 2013	\$ 700,000
Lot 671 (178) Camberwarra Drive, Craigie.	March 2013	\$ 828,000
Part Lot 702 (11) Moolanda Boulevard, Kingsley.	August 2015	\$1,050,000
Lot 745 (103) Caridean Street, Heathridge.	December 2015	\$ 874,000
Lot 23 (77) Gibson Avenue, Padbury	December 2016	\$1,800,000
	<b>TOTAL</b>	<b>\$8,997,000</b>

At its meeting held on 13 December 2016 (CJ234-12/16 refers) Council resolved the following:

- "1 *NOTES the status report on the progress of the City's proposed disposal of five freehold land sites;*

- 2 *NOTES that Council authorised the Chief Executive Officer to dispose of Lot 803 (15) Burlos Court, Joondalup by public auction or private treaty, at its meeting held on 18 October 2016 (CJ167-10/16 refers);*
- 3 *BY AN ABSOLUTE MAJORITY REVOKES parts 3.2 and 3.3 of its decision of 19 April 2016 (CJ062-04/16 refers) as follows:*
- 3.2 *Lot 1001 (14) Camberwarra Drive, Craigie;*
- 3.3 *Lot 200 (24), Lot 201 (22) and 202 (20) Kanangra Crescent, Greenwood when amalgamated and available for disposal;*
- 4 *AUTHORISES the Chief Executive Officer to dispose of the following sites by public auction:*
- 4.1 *Lot 2 (20) Kanangra Crescent, Greenwood;*
- 4.2 *Lot 900 (57) Marri Road, Duncraig;*
- 4.3 *Lot 1001 (14) Camberwarra Drive, Craigie;*
- 5 *NOTES that a further status report on the progress of the City's proposed disposal of freehold land and proposed acquisition of a Crown land site will be submitted to a Finance Committee meeting in 2017, at a date to be determined."*

## DETAILS

**Table 2**

	<b>Property Address</b>	<b>Land Disposals – Current Status</b>
1	<p>Lot 2 (20) Kanangra Crescent, Greenwood.</p> <p>Land Area: 3005m<sup>2</sup>.</p> <p>Attachment 1 refers.</p>	<p>This site is zoned Residential with a restricted use to 'Aged or Dependent Persons' Dwellings' and it has a density code of R40.</p> <p>This site is ready for disposal and at its meeting held on 13 December 2016, Council authorised the CEO to dispose of this property by public auction (CJ234-12/16 refers).</p> <p>At this stage it is envisaged that a public auction will take place during April 2017.</p>
2	<p>Lot 803 (15) Burlos Court, Joondalup.</p> <p>Land Area: 4,410m<sup>2</sup>.</p> <p>Attachment 2 refers.</p>	<p>This site is zoned Residential with a restricted use to 'Aged or Dependent Persons' Dwellings' and it has a density code of R60.</p> <p>Council declined all tenders received for the sale of Lot 803 (15) Burlos Court, Joondalup (CJ167-10/16 refers) and authorised the CEO to dispose of the property by public auction or private treaty. Under Regulation 30(2)(2a)(b) of the <i>Local Government (Functions and General) Regulations 1996</i>, the City has six months from Council's determination on the tender to dispose of the site by private treaty.</p>

	Property Address	Land Disposals – Current Status
		Unless this site sells prior to 18 April 2017 by private treaty, it will be considered for public auction with the three other sites.
3	Lot 1001 (14) Camberwarra Drive, Craigie.  Land Area: 2,055m <sup>2</sup> .  Attachment 3 refers.	This site is ready for disposal and at its meeting held on 13 December 2016, Council authorised the CEO to dispose of this property by public auction (CJ234-12/16 refers).  At this stage it is envisaged that a public auction will take place during April 2017.
4	Lot 900 (57) Marri Road, Dun Craig.  Land Area: 1,366m <sup>2</sup>  Attachment 4 refers.	The Dun Craig Child Health Centre (CHC) service based at Lot 900 (57) Marri Road, Dun Craig will be relocated to the Carine CHC at Lot 159 (487L) Beach Road, Dun Craig once the Beach Road facility has been refurbished to accommodate the additional clients. Refurbishment plans are on target and the works should be completed by the end of February 2017.  On transfer of the Dun Craig CHC service to the refurbished Beach Road facility, the Marri Road facility can be demolished and the property disposed of by public auction.  Council requested that on disposal of this site, the purchaser be encouraged to retain existing significant trees.

		Acquisition – Current Status
1	Lot 12223 (12) Blackwattle Parade, Padbury  Land Area: 3,332m <sup>2</sup> .  Attachment 5 refers.	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. The DoL advised the City on 13 May 2016 that the Minister for Lands had approved this acquisition.  The DoL provided the City with a contract of sale which the DoL has since advised is unsuitable. A new contract will be forwarded to the City once the formalisation of an easement has progressed. An access easement is required over Lot 12223 in favour of the adjoining shopping centre to allow continued right of carriageway to and from the shopping centre's service area.  During this acquisition process, the DoL advised that the Department of Planning's (DoP) support was required and the DoP's conditional support was provided. One of the DoP's conditions is that the future sale proceeds from this site are spent on community projects in line with the definition of "Community Purposes" under DPS2.



		<b>Acquisition – Current Status</b>
		<p>The City's community consultation regarding this matter not only dealt with the proposed acquisition of the site, but the consideration of three capital improvement projects for the area. One of these options was Council's preferred project of the installation of traffic lights at the intersection of Walter Padbury Boulevard and Hepburn Avenue, Padbury.</p> <p>Advice from the DoP is that projects connected with parking, traffic and pedestrian issues were not considered to fall within the definition of "Community Purposes" under DPS2.</p> <p>In accordance with Council's resolution at its meeting held on 24 June 2014 (CJ104-06/14 refers), the City will now seek clarification from the Minister for Planning and the Minister for Lands regarding the conditions provided to the City on how the proceeds on the proposed disposal of the site should be utilised.</p> <p>At its meeting held on 19 May 2015 (CJ082-05/15 refers), Council requested that an advocacy plan be developed to gain support from the relevant State Government departments to enable the future sale proceeds for this site be utilised on the community's and Council's preferred project which is to install traffic lights at the intersection of Walter Padbury Boulevard and Hepburn Avenue, Padbury. This advocacy plan has been developed and will be implemented subsequent to the transfer of the site to the City.</p> <p>As the City's ownership of Lot 12223 (12) Blackwattle Parade, Padbury progresses, Council can be requested to consider a rezoning amendment. A "Commercial" zoning is considered to be the most appropriate for this location.</p>

### **Issues and options considered**

As detailed in Table 2.

### **Multiple Dwellings**

It is noted that currently where land is coded R40 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 R40 or higher. The number of multiple dwellings possible is not directly controlled, rather the total amount of floor space is limited through plot ratio requirements based on the overall size of the lot/s.

## 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.

**Key theme** Financial Sustainability.

**Objective** Financial diversity.

**Strategic initiative** Identify opportunities for new income streams that are financially sound and equitable.

**Policy**

- *Asset Management Policy.*
- *Sustainability Policy.*

### 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.

### Financial / budget implications

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 balance of the reserve fund on 28 November 2016 was \$12,258,984. This balance will be updated through the Mid-Year Review process to include proceeds from the disposal of Lot 23 (77) Gibson Avenue, Padbury.

Proceeds achieved from the future sale of Lot 12223 (12) Blackwattle Parade, Padbury are required to be spent on capital / community projects in line with the definition of "Community Purposes" under DPS2.

The associated main expenditure costs related to the City's disposal of freehold land are legal and settlement fees, advertising costs, valuation costs, land surveying and costs related to subdivision/amalgamations.

### 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. The sale proceeds from the eventual disposal of Lot 12223 (12) Blackwattle Parade, Padbury will be used for community projects.

### **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 provides an opportunity for the community to make a submission on the future intent for the site on disposal.

The method of community consultation followed during the proposed acquisition of Lot 12223 (12) Blackwattle Parade, Padbury, was conducted in accordance with the City's approved *Community Consultation and Engagement Policy* and *Community Engagement Protocol*.

### **COMMENT**

Should the refurbishment works on Lot 159 (487L) Beach Road, Duncraig continue to remain on target, it will allow the Duncraig CHC service based at Lot 900 (57) Marri Road, Duncraig to be relocated to Lot 159 (487L) Beach Road, Duncraig during early March 2017. The vacated facility on Lot 900 (57) Marri Road, Duncraig can then be demolished making the site available for sale.

Council has provided authorisation for the CEO to dispose of the four remaining sites by public auction and in preparation for the auction, advice will be taken from a property consultant on the timing and approach.

Concerning the City's acquisition of Lot 12223 (12) Blackwattle Parade, Padbury the DoL will provide the City with a revised contract of sale once the preparation of the required access easement over the "driveway" on Lot 12223 has been formalised. The City has nominated a land surveyor to produce an Interest Only Deposited Plan related to the easement land and the easement conditions are being considered. Once the easement matter has been finalised, the City will receive a revised contract.

### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Mayor Pickard, SECONDED Cr Poliwka that the Finance Committee:**

- 1 NOTES the status report on the progress of the City’s proposed disposal of four freehold land sites;**
- 2 NOTES a further status report on the progress of the City’s proposed disposal of freehold land and proposed acquisition of a Crown land site will be submitted to the Finance Committee meeting to be held on 4 April 2017.**

**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: [Attach6agnFIN170206.pdf](#)*

**URGENT BUSINESS**

Nil.

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

Nil.

**REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Mayor Pickard requested a report to provide Elected Members further information in relation to the depreciation review program of City assets, including how depreciation is calculated and applied.

**CLOSURE**

There being no further business, the Presiding Member declared the meeting closed at 6.50pm; 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