

### 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.

**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](#)*

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**

<b>Legislation</b>	The City is governed by the <i>Local Government Act 1995</i> , and if any new activities were taken on by the City it would need to consider reviewing the provisions of the Act.
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### **Strategic Community Plan**

<b>Key theme</b>	Financial Sustainability.
<b>Objective</b>	Financial diversity.
<b>Strategic initiative</b>	Identify opportunities for new income streams that are financial sound and equitable.
<b>Policy</b>	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.



**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**

**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 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 7                    IMPLICATIONS OF THE MCKELL INSTITUTE  
REPORT "GIVING LOCAL GOVERNMENTS THE  
REBOOT"**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	102400, 101515
<b>ATTACHMENTS</b>	Attachment 1    McKell Institute Report Attachment 2    Analysis
<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 implications of the recommendations contained in the *"Giving Local Governments the Reboot"* report on local government financial sustainability published by the McKell Institute.

**EXECUTIVE SUMMARY**

The *"Giving Local Governments the Reboot"* report was released in September 2016 by the McKell Institute to address the pressing issue of local government financial sustainability. The report looks at the position of local government in Australian society, the nature of revenue and expenditure and makes 18 recommendations to improve the financial sustainability of the local government sector in Australia.

While the report looks at several aspects of local government finances, some of which do not currently apply in Western Australia, these are all of relevance to the concept of financially sustainable local government, particularly where politically popular initiatives such as rate capping are being considered anew in jurisdictions like Western Australia.

**BACKGROUND**

The McKell Institute is described as "...an independent, not-for-profit, public policy institute dedicated to developing practical policy ideas and contributing to public debate". It has leveraged its collaboration with the University of Technology Sydney's Centre for Local Government to consider financial sustainability in the Australian local government sector in the *"Giving Local Governments the Reboot"* report and produced a series of recommendations that invite serious consideration by all local governments in Australia.

Financial sustainability is a cornerstone of the City of Joondalup's *Strategic Community Plan 2012-2022* as well as an ongoing strategic and operational challenge. The *20 Year Strategic Financial Plan 2015-16 to 2034-35* projects the City's annual budget running an operating deficit for at least the next six years. While this includes non-cash costs, such as depreciation and the City generates significant cash operating surpluses, operating deficits highlight the

reality that the City either has insufficient revenues or excessive costs, in comparison with overall infrastructure and scope of operations. In the long term, this is not financially sustainable.

### **Key themes**

A number of key principles underpin the report and its recommendations. These principles can be summarised as follows:

- 1      There must be a clear link between local government expenditure and local government revenue, in other words local government expenditure in any area of operation must be clearly matched to an appropriate and sufficient source of revenue.
- 2      The continued abatement of this link is the primary driver behind the financial sustainability problems in the local government sector.
- 3      There has been significant cost shifting to local government from other tiers of government without corresponding revenue streams to fully fund these costs.
- 4      Local government revenues must be set on the basis of goods or services provided and the nature of the benefit realised by beneficiaries of these goods and services.
- 5      Local government rates are a form of taxation, they are not a fee for service.
- 6      Local government taxation is disproportionately applied to fund goods or services to individuals or small groups at the expense of the wider community.
- 7      Rate capping is highly detrimental and should be eliminated.
- 8      Subsidies in local government goods and services are not sustainable.
- 9      There must be re-assertion of the link between demand for goods or services, and willingness to pay.
- 10     Debt is not a source of revenue.

### **DETAILS**

The “*Giving the Local Governments the Reboot*” report addresses the fundamental question of funding for goods and services typically provided by local government, which are classified into the following categories (hereafter referred to as the McKell matrix):

<b>The McKell Matrix</b>		
<b>Type of Goods / Services</b>	<b>Nature</b>	<b>Beneficiary</b>
Public Goods / Services	Those which cannot be provided by anyone else, including the private sector, for example roads, parks, street lighting, rangers, etc.	General public / community as a whole.
Merit Goods / Services	Intrinsic internalised value to customer, for example libraries, swimming pools	Services are available to all but benefit is derived primarily by active users / consumers.
Goods / Services with positive externalities	Benefits beyond internalised value, for example waste disposal	Significantly benefits the wider community beyond the immediate consumer of these goods.
Private goods / services	Services that can be also provided by the private sector, for example leisure centre / gym, green waste compost and the like.	User / consumer of the service to the exclusion of others in the community.

Among the key recommendations of the report is the central theme that local government rates constitute a tax that should be used to fund only public goods and to subsidise some portion of merit goods and goods with positive externalities. All other goods and services ought to be paid for by those who benefit directly from them, particularly where the beneficiaries are a very small subset of the wider community. While the application of this in practice can vary significantly from the broader principle, the thrust of the report is that long-term financial sustainability of local governments cannot be based on rates endlessly subsidising goods and services that are not strictly of a public nature.

The following actions were identified for further consideration by the City in light of the report's recommendations:

- (a) *Analyse all current goods and services with a view to categorisation in the terms defined in the report (public goods and the like) or similar.*
- (b) *Match these expenditure categories to revenue streams and identify the extent to which the expenditure-revenue link does or does not exist.*
- (c) *Use these results to identify the extent to which goods or services are subsidised by taxation (rates) and extrapolate on a per capita basis.*
- (d) *Review the setting of fees and charges and the appropriateness of using demand-side fee setting instead of supply-side (cost recovery).*
- (e) *Use these results to inform both budget and long term financial plans.*

This report addresses actions (a) through (c). Action (d) is partly addressed from a conceptual perspective. More detailed consideration of the setting of fees and charges would be appropriate during the next budget preparation cycle. Action (e) may be considered to be an outflow of actions of (a) to (d).

The classification matrix, as shown above, has been applied to the City of Joondalup's suite of goods and services to analyse the operating cost vs revenue structure and how various operations within the City are funded. For ease of reference, all figures used in this analysis are from the City's 2016-17 Revised Budget.

#### Assumptions and exclusions

The following non-current income and expenditure items have been excluded from the analysis:

- Profit on Disposal of Assets.
- Loss on Disposal of Assets.
- Depreciation and Amortisation.

These are currently excluded from the rate setting process as non-cash items, even though they are part of operating revenues and costs. On this basis, it is considered consistent to exclude them from this analysis which is primarily about funding of goods / services and / or revenue sources.

In addition, general rates levied are not included as revenue in order to facilitate analysis of the extent to which goods and services are not funded by specific revenue streams.

Within the City's financial system, activities are grouped by cost code (akin to cost centre in other organisations) describing the type of operation and the attached expenditure and revenue, as applicable. Cost codes are grouped by cost code type (for example A – administration, B – buildings, P – parks.) that allow for better analysis and reporting. The City uses the following cost code types, which may be considered within the context of the McKell matrix:

<b>Cost Code Type</b>	<b>Classification of Goods / Services</b>
A – Administration	Multiple categories apply to cost codes.
B – Buildings	Multiple categories apply to cost codes.
E – Elected Members	Public goods.
F – Fleet and Plant	Multiple categories apply to fleet costs (single cost code).
L – Litter Collection	Goods with positive externalities.
N – Natural Areas	Public goods.
P – Parks	Public goods.

Cost code types where cost codes do not all fall within a single classification require further analysis to determine the categories that apply to different cost codes within the group.

#### **“A” Administration cost code type**

They are classified as public goods on the basis that these are services indispensable to the City's efficient operation in compliance with a wide range of legislative imperatives and that are provided for the benefit of the community as a whole rather than a specific section of the community.



However, the following cost codes classified as “A” are not necessarily public goods and have been classified differently:

Cost Code	Classification of Goods/Services	Reason for Classification
A4202 - Building Services	Goods with positive externalities	Provided to a specific subset of the community but with significant and definite wider benefit to the whole
A4203 - Urban Design and Policy	Goods with positive externalities	
A4204 - Planning Approvals	Goods with positive externalities	
A4205 - Environmental Health Services	Goods with positive externalities	
A4206 - Immunisation	Goods with positive externalities	
A4302 - Administration Library Operations	Merit Goods	Provided to the community as a whole but benefit enjoyed mainly by users/consumers
A4303 - Joondalup Library	Merit Goods	
A4304 - Duncraig Library	Merit Goods	
A4305 - Whitford Library	Merit Goods	
A4306 - Woodvale Library	Merit Goods	
A4307 - Collection Management	Merit Goods	
A4308 - Administration Library Services	Merit Goods	
A4309 - Learning Programs	Merit Goods	
A4310 - Community Education	Merit Goods	
A4311 - References & Local History	Merit Goods	
A4312 - Administration Community Development	Merit Goods	
A4401 - Manager Leisure and Culture Services	Public Goods except for portion classified as Goods with Positive Externalities (cost of contribution to HBF Arena development – non recurring)	Provided to users/consumers of the service to the exclusion of others in the community
A4409 - Recreation Services-Club Development and Events	Private Goods	
A4410 - Leisure Services Administration	Private Goods	
A4411 - Craigie Leisure Centre	Private Goods	
A4412 - Duncraig Leisure Centre	Private Goods	
A4413 - Heathridge Leisure Centre	Private Goods	
A4414 - Warwick Leisure Centre	Private Goods	

Cost Code	Classification of Goods/Services	Reason for Classification
A5302 - Economic Development	Goods with positive externalities	Provided to a specific subset of the community but with significant and definite wider benefit to the whole
A5303 - Environmental Development	Goods with positive externalities	
A5304 - Policy and Planning	Goods with positive externalities	
A6205 - Waste Management Services	Goods with positive externalities	
A6206 - Building Management Services	Merit Goods	Provided to the community as a whole but benefit enjoyed mainly by users/consumers
A6207 - Litter Collection	Goods with positive externalities	Provided to a specific subset of the community but with significant and definite wider benefit to the whole
A6405 – Cleaning	Goods with positive externalities	

#### **“B” Buildings cost code type**

Buildings cost codes are several and are classified across the four different categories. The City's Chart of Accounts (COA) structure was utilised to assist with this exercise.

Cost codes are assigned specific activity types within the COA that are linked to program classification in accordance with the *Local Government Accounting Manual* published by the former Department of Local Government and Communities. These activity descriptions were then linked to services classifications in the McKell matrix and the cost codes classified accordingly. Where it appeared that this exercise yielded a classification that did not quite fit the known purpose / function of the building a more appropriate McKell matrix classification was assigned.

Some assumptions applied in the classification exercise are as follows:

- Toilets without change rooms attached were considered to be provided to the community as a whole and were therefore classified as Public Goods.
- Toilets / change rooms are more difficult to gauge and availability of the toilet facilities may vary from building to building. For ease of analysis, such facilities are classified as Merit Goods.
- Clubrooms have been classified as Private Goods on the basis that while there is some general community use they are primarily used by a specific subset of the community, namely the club(s) that use / lease / licence these facilities. A few exceptions do exist.

#### **“F” Fleet cost code type**

Due to the structure of the City's financial systems and COA, a single cost code is used to capture all vehicle running costs, with the detail of these held against individual assets in the Fleet asset sub-system. Fleet costs reflected in the Revised Budget are also net of fleet / plant recoveries allocated to various other cost code types, including Parks and Litter Collection.

Analysis of fleet costs therefore involved consideration of vehicle running costs and fleet / plant utilisation charges before application of recoveries to ascertain how costs have been incurred across different parts of the organisation. On this basis, fleet costs have been spread across the four categories.

#### **Actions taken**

- (a) **Analyse all current goods and services with a view to categorisation in the terms defined in the report (public goods and the like) or similar.**
- (b) **Match these expenditure categories to revenue streams and identify the extent to which the expenditure-revenue link does or does not exist.**

Once net costs are allocated across the various categories, the results are summarised below. A negative net cost indicates that a surplus has been generated from goods / services in that particular category (Refer Attachment 2 for further details).

<b>Category</b>	<b>Costs</b>	<b>Revenues</b>	<b>Net Cost</b>	<b>Net Cost %</b>
Public Goods / Services	70,206,147	(12,083,750)	\$58,122,397	83%
Merit Goods / Services	11,543,655	(999,995)	\$10,543,660	91%
Goods / Services with Positive Externalities	30,561,703	(22,725,120)	\$7,843,418	26%
Private Goods and Services	12,581,977	(12,944,049)	(\$368,907)	(3%)
<b>Total</b>	<b>\$124,893,482</b>	<b>(\$48,752,914)</b>	<b>\$76,140,568</b>	

The results above show the following:

- Private goods and services provided by the City are overall funded by external revenue sources, however Attachment 2 also shows that some areas are underfunded and compensated for by surplus revenue from other private goods / services.
- Approximately 17% of public goods and services are funded by other revenue sources, leaving 83% to be paid for by taxation (general rates).
- Only 9% of merit goods and services have alternative funding sources. The remaining balance of 91% is dependent entirely on rates levied. The net unfunded value of merit goods mainly comprises the following:
  - Libraries and Community Development \$5,913,600
  - Cultural Services \$2,539,239
- 74% of goods / services with positive externalities are funded by alternative revenue sources, including waste management which comprises the major part of such costs. This leaves 26% funded from rates. The net unfunded value of such goods / services mainly includes:
  - Community and Youth Services \$1,679,950
  - Strategic and Economic Development \$2,348,019
  - Compliance and Planning \$2,305,911
  - Contribution to HBF Arena Development \$3,750,000 \*

\* The \$3,750,000 contribution to the HBF Arena redevelopment is a one-off that will not be repeated in future years. Additionally, funding for this purpose in 2016-17 has been drawn from reserves; however, the amount has been included in the overall unfunded component of \$18,018,171.

The above analysis indicates that subsidisation of merit goods / services and goods and services with positive externalities imposes an additional tax burden on ratepayers of \$18,018,171.

**(c) *Use these results to identify the extent to which goods or services are subsidised by taxation (rates) and extrapolate on a per capita basis***

Applying the premises in the McKell Institute report, the results of analysis on the City's operations indicate a significant tax burden on ratepayers arising from activities such as libraries and cultural services, among others. A major principle outlined by the McKell Institute is the need to clearly establish the link between expenditure and appropriate sources of revenue. Tax revenue, such as general rates, should ideally only need to fund public goods and services. All other categories of expenditure should have non-tax sources of revenue, including sufficient user fees and charges, to limit the burden on the ratepayer community.

In the above analysis, public goods and services require tax funding (general rates) to the extent of \$58,122,397 which is considered an appropriate source of revenue. The subsidisation burden of \$18,018,171 arising from non-public goods and services increases the tax burden on ratepayers by approximately 31%, nearly a third more than required for the provision of public goods and services.

To put this into perspective, the average rate burden per residential improved property in 2016-17 to meet the requirement of public goods and services is approximately \$750.84. A 31% additional burden to subsidise merit and other goods and services causes this to rise to \$983.60. Arguably, alternative sources of revenue to fund these categories of goods and services would considerably reduce the tax burden on the ratepayer.

**d) *Review the setting of fees and charges and the appropriateness of using demand-side fee setting instead of supply-side (cost recovery)***

A significant recommendation of the McKell Institute report is the need for setting of fees and charges to be driven by demand for services rather than purely a focus on cost recovery. This carries the risk, acknowledged in the report, that demand-side fee setting may not result in recovery of costs in all cases. However, it is considered more appropriate to fee setting in a contemporary local government context, particularly where there is significant demand for a product/service.

A review of the approach to setting of fees and charges is most appropriately addressed in the period preceding and including the annual budget process. An assessment of the merits of demand-side fees setting would be best considered over the next few months leading up to and into the annual budget process for 2018-19.

One of the key recommendations of the report is the need to clearly communicate to users of services the extent to these may be subsidised by taxation (rates). This is an additional aspect to be considered when reviewing the setting of fees and charges.

**(e) *Use these results to inform both budget and long term financial plans.***

The extent to which application of the principles in the "Giving Local Government the Reboot" report is incorporated into long-term financial planning and budgeting must be considered in conjunction with overall organisational strategy.

Classification of operating costs and revenues using the McKell matrix involves a certain level of subjectivity. If the recommendations and principles in the McKell Institute report are applied without significant amendment, it highlights again the extent to which a number of goods and services provided by the City are subsidised by taxpayers (ratepayers). This is financially unsustainable. Changing this approach to require that all goods and services other than public goods and services be fully funded by appropriate revenue streams may need an overhaul of the current policies underpinning the setting of fees and charges. If goods and services not truly public in character are no longer to be subsidised in this manner, fees charged to beneficiaries of these services may need to be drastically reviewed. Some goods and services are, of course, restricted by statutory limitations imposed on the City, such as dog and cat registrations. Others, however, are a matter of policy, such as facility hire subsidies.

As part of the annual budget process, the City has developed a "Budget Principles" document. It may be worthwhile incorporating the results of the McKell Report analysis into a future review of the Budget Principles document to improve awareness for Elected Members and help inform the budget process.

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

**Legislation** Not applicable.

### **Strategic Community Plan**

**Key theme** Financial Sustainability.

**Objective** Effective management.

**Strategic initiative** Manage assets and liabilities through a planned, long-term approach.

### **Risk management considerations**

Financial sustainability is a core objective of the City's *Strategic Community Plan* and a fundamental principle of efficient operation. Ongoing subsidisation of non-public goods and services has been identified by the McKell Institute in the "Giving Local Governments the Reboot" report as a serious threat to long-term financial sustainability of local governments. Due consideration of the implications of this report is necessary to mitigate this risk.

### **Consultation**

The authors of the McKell Institute report have been consulted briefly to expand on certain aspects of the report but this has taken the form, mainly, of clarification of existing content rather than additional inputs.

### **COMMENT**

The classification of operations according to the McKell matrix involves a certain level of subjectivity when applied to the City's context. Further, some anomalies exist such as the contribution to the HBF Arena redevelopment in 2016-17 included in the analysis and the cost of the Kaleidoscope event incorporated into public goods / services (by virtue of allocation of this cost within such a cost centre) instead of merit goods as other cultural services are, including the Joondalup Festival. Figures have not been adjusted for these as

the overall impact is not considered material enough to make a significant difference to the conclusions of the analysis.

Despite these weaknesses, the analysis may be considered robust, supplementing existing understanding of subsidisation levels and inviting more comprehensive review of the policy and process underpinning the setting of fees and charges.

One of the key themes of the McKell report is the need to identify rates as a form of taxation, instead of the erroneous view of rates as a fee for service. This is presently absent from the normal rates narrative across the local government industry. The true nature of rates may be considered fundamental to the whole question of local government operations.

## **VOTING REQUIREMENTS**

Simple Majority.

*Manager Leisure and Cultural Services left the room at 8.05pm.*

*Cr Dwyer left the room at 8.05pm and returned at 8.08pm.*

*Cr Chester left the room at 8.23pm.*

**MOVED Cr Poliwka, SECONDED Cr Norman that the Finance Committee NOTES the analysis of the City's operations in light of the recommendations of the "Giving Local Governments the Reboot" report published by the McKell Institute.**

**The Motion was Put and**

**CARRIED (5/0)**

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

*Appendix 7 refers*

*To access this attachment on electronic document, click here: [Attach7agnFIN1070807.pdf](#)*

**ITEM 8                      IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN  
OF REPORTS TO COUNCIL – APRIL 2017 TO JUNE  
2017**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	105350
<b>ATTACHMENTS</b>	Attachment 1      Impact on <i>20 Year Strategic Financial Plan</i> of Reports to Council – July 2016 to June 2017
<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 impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period April 2017 to June 2017.

**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 final 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 4 (April 2017 to June 2017). There are two reports that have an impact:

- Report CJ076-05/17 - Bulk Green Waste Collection Services, that has an estimated benefit of \$21.9 million.
- Report CJ077-05/17 - Fenced Dog Exercise Parks that has a cost of (\$600,000).

The overall benefits for quarter 4 are \$21.3 million.

The first quarterly report for 2016-17 covering July 2016 to September 2016 reported benefits of \$41.3 million, the second quarterly report covering October 2016 to December 2016 reported costs of (\$400,000) and there were no reports in quarter 3 with an impact to report. The cumulative impacts for the full year 2016-17, including quarter 4 are \$62.2 million.

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

- 1 *two reports were considered by Council in the period April 2017 to June 2017 that had an estimated net cost over the life of the 20 Year Strategic Financial Plan of \$21.3 million;*
- 2 *the estimated net cumulative benefit over the life of the 20 Year Strategic Financial Plan of decisions by Council July 2016 to June 2017 is \$62.2 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 last 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 regard to the tables in Attachment 1, it should be noted 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 April 2017 to June 2017, all 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 are two reports that have an impact in quarter four:

- Report CJ076-05/17 - Bulk Green Waste Collection Services, that has an estimated benefit of \$21.9 million.
- Report CJ077-05/17 - Fenced Dog Exercise Parks that has a cost of (\$600,000).

The overall benefits for quarter 4 are \$21.3 million.

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 presented to the Finance Committee in August 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**

**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 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 April 2017 and June 2017 is estimated to be a benefit of \$21.3 million. 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, the second quarterly report covering October 2016 to December 2016 reported costs of (\$400,000) and there were no reports in quarter 3 with an impact to report. The cumulative impacts for the full year 2016-17, including quarter 4 are \$62.2 million.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

There are two items where benefits are included in this year's report, but have also been reported in previous years:

- Tender 025/16 - Bulk Hard Waste Collection Services.
- Tender 009/17 - Bulk Green Collection Services.

The two items in 2016-17 relate to the tender for services, but in March 2016 the strategy for changing of bulk collection services was approved by Council and the potential savings were noted in last year's report. The strategy for change reported in March 2016 indicated potential savings of \$50.5 million for changing both the bulk hard waste and bulk green waste. The actual savings because of the tenders and included in the 2016-17 report are \$63.3 million (\$41.4 million for bulk hard waste and \$21.9 million for bulk green waste). The revised savings of \$63.3 million are therefore \$11.8 million more than the strategy report presented in March 2016.

**VOTING REQUIREMENTS**

Simple Majority.

*Cr Chester entered the room at 8.25pm.*

**MOVED Cr Poliwka, SECONDED Cr Norman that the Finance Committee NOTES:**

- 1** two reports were considered by Council in the period April 2017 to June 2017 that had an estimated net cost over the life of the *20 Year Strategic Financial Plan* of \$21.3 million;
- 2** the estimated net cumulative benefit over the life of the *20 Year Strategic Financial Plan* of decisions by Council July 2016 to June 2017 is \$62.2 million.

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs McLean, Chester, Dwyer, Norman, Poliwka and Taylor.

*Appendix 8 refers*

*To access this attachment on electronic document, click here: [Attach8agnFIN170807.pdf](#)*



**ITEM 3                    IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN  
OF REPORTS TO COUNCIL – JULY 2017 TO  
SEPTEMBER 2017**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	106869
<b>ATTACHMENT</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – July 2017 to September 2017</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 July 2017 to September 2017.

**EXECUTIVE SUMMARY**

A new quarterly report was introduced in July 2014 as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is first quarterly report for 2017-18. 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 1 (July 2017 to September 2017). There are four reports: Prince Regent Park proposed redevelopment (CJ140-08/17 refers), Sorrento Bowling Club / Duncraig Leisure Centre refurbishments (CJ142-08/17 refers), Tender for refurbishment of Sorrento Soccer Clubroom (CJ152-09/17 refers) and floodlighting upgrade to Kingsley Park (CJ156-08/17 refers) that overall have a benefit of \$1.8 million.

*It is therefore recommended that the Finance Committee NOTES four reports were considered by Council in the period July 2017 to September 2017 that had an estimated net benefit over the life of the 20 Year Strategic Financial Plan of \$1.8 million.*

**BACKGROUND**

A new quarterly report was introduced in July 2014 as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is the first quarterly report for 2017-18. 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 four reports between July 2017 and September 2017 that have an overall benefit of \$1.8 million as follows:

- Prince Regent Park proposed redevelopment (CJ140-08/17 refers), an overall benefit of \$0.8 million;
- Community Facility Refurbishment Projects (Sorrento Bowling Club and Duncraig Leisure Centre) benefit of \$1.1 million (CJ142-08/17 refers);
- Tender for Refurbishment of Sorrento Soccer Clubroom (CJ152-09/17 refers) a cost of (\$0.2 million);
- Community Sporting and Recreation Facilities Fund application for floodlighting upgrade to Kingsley Park (CJ156-08/17 refers) a benefit of \$0.1 million.

With regards the table in Attachment 1, please note that the impacts have been categorised as follows:

- \$1.8 million commitments made by Council.
- \$0.0 million 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.
- The 20 Year SFP Impact is based on the following:
  - Total estimated cash flows up to 2035-36.
  - 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 2035-36 for total cash, the impact for each report is higher than the initial impact.

## **Issues and options considered**

The 20 Year SFP was last adopted by Council in June 2016 for the years 2015-16 to 2034-35, however most of the assumptions have been updated and the plan is mostly obsolete. The draft 20 Year SFP 2016-17 to 2035-36 was presented to the Finance Committee in August 2017, but was not endorsed at the time pending a review of the funding of major projects and a review of the operating deficit. Although the draft 20 Year SFP 2016-17 was not endorsed it remains the most up-to-date plan for reference purposes as it includes the most up-to-date economic assumptions, and includes the adopted 2017-18 budget and adopted five-year capital works program 2017-18 to 2021-22. For the purposes of assessing the impact on the 20 Year SFP of reports approved by Council it is therefore necessary to refer to the draft 20 Year SFP 2016-17 to 2035-36, rather than the Adopted SFP 2015-16 to 2034-35.

When the 20 Year SFP is next updated the decisions by Council as listed in Attachment 1 will be used to update the plan.

**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 impact to the City up to 2035-36 of the reports approved between July 2017 and September 2017 is estimated to be a benefit of \$1.8 million. This impact is the total change in cash at the end of 2035-36.

**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.

*The Chief Executive Officer entered the room at 5.53pm.*

**MOVED** Cr Taylor, **SECONDED** Cr Norman that the Finance Committee **NOTES** four reports were considered by Council in the period July 2017 to September 2017 that had an estimated net benefit over the life of the *20 Year Strategic Financial Plan* of \$1.8 million.

**The Motion was Put and**

**CARRIED (5/0)**

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

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnFIN171002.pdf](#)*



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**ITEM 4                      IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN  
OF REPORTS TO COUNCIL – OCTOBER 2017 TO  
DECEMBER 2017**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	106869
<b>ATTACHMENTS</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – October 2017 to December 2017</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 Major Projects and Finance Committee to note the impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period October 2017 to December 2017.

**EXECUTIVE SUMMARY**

A new quarterly report was introduced in July 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is the second quarterly report for 2017-18. 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 2017 to December 2017). There are two reports not proceeding: Joondalup Eisteddfod (CJ203-12/17 refers) and Prince Regent Park Heathridge – Community Sporting Facility (CJ206-12/17 refers), that overall have a benefit of \$7.6 million.

The first quarterly report for 2017-18 covering July 2017 to September 2017 reported benefits of \$1.8 million and therefore the cumulative impacts for the year 2017-18, including the quarter 2 report, are \$9.4 million.

*It is therefore recommended that the Major Projects and Finance Committee NOTES:*

- 1        two reports were considered by Council in the period October 2017 to December 2017 that had an estimated net benefit over the life of the 20 Year Strategic Financial Plan of \$7.6 million;*
- 2        the estimated net cumulative benefit over the life of the 20 Year Strategic Financial Plan of decisions by Council July 2017 to December 2017 is \$9.4 million.*

## BACKGROUND

A new quarterly report was introduced in July 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is the first quarterly report for 2017-18. 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 four reports between October 2017 and December 2017 that have an overall benefit of \$1.8 million as follows:

- Joondalup Eisteddfod (CJ203-12/17 refers) to not proceed, an overall benefit of \$1.5 million.
- Prince Regent Park, Heathridge – Community Sporting Facility (CJ206-12/17 refers) to not proceed, an overall benefit of \$6.1 million.

The table in Attachment 1 notes the impacts have been categorised as follows:

- \$7.6 million commitments made by Council.
- \$0.0 million 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.
- The 20 Year SFP Impact is based on the following:
  - Total estimated cash flows up to 2035-36.
  - 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 2035-36 for total cash, the impact for each report is higher than the initial impact.

## Issues and options considered

The 20 Year SFP was last adopted by Council in June 2016 for the years 2015-16 to 2034-35, however most of the assumptions have been updated and the plan is mostly obsolete. The Draft 20 Year SFP 2016-17 to 2035-36 was presented to the former Finance Committee in August 2017, but was not endorsed at the time pending a review of the funding of major projects and a review of the operating deficit. Although the Draft 20 Year SFP 2016-17 was not endorsed it remains the most up-to-date plan for reference purposes as it includes the most up-to-date economic assumptions and includes the adopted 2017-18 budget and adopted *Five-Year Capital Works Program 2017-18 To 2021-22*. For the purposes of assessing the impact on the 20 Year SFP of reports approved by Council it is therefore necessary to refer to the draft 20 Year SFP 2016-17 to 2035-36, rather than the Adopted SFP 2015-16 to 2034-35.

When the 20 Year SFP is next updated the decisions by Council as listed in Attachment 1 will be used to update the plan.

### **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 impact to the City up to 2035-36 of the reports approved between October 2017 and December 2017 is estimated to be a benefit of \$7.6 million. This impact is the total change in cash at the end of 2035-36.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

Not applicable.

## **COMMENT**

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

## **VOTING REQUIREMENTS**

Simple Majority.

*Cr Hamilton-Prime left the room at 7.21pm and returned at 7.23pm.*

**MOVED Cr Poliwka, SECONDED Cr Hamilton-Prime that the Major Projects and Finance Committee NOTES:**

- 1 two reports were considered by Council in the period October 2017 to December 2017 that had an estimated net benefit over the life of the 20 Year Strategic Financial Plan of \$7.6 million;**
- 2 the estimated net cumulative benefit over the life of the 20 Year Strategic Financial Plan of decisions by Council July 2017 to December 2017 is \$9.4 million.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Chester, Fishwick, Hamilton-Prime, Hollywood, Poliwka and Taylor.

*Appendix 4 refers*

*To access this attachment on electronic document, click here:*[Attach4aqnMPF180312.pdf](#)

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**ITEM 3                      IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN  
OF REPORTS TO COUNCIL – JANUARY TO MARCH  
2018**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	106869
<b>ATTACHMENT</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – January 2018 to March 2018</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 Major Projects and Finance Committee to note the impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period January 2018 to March 2018.

**EXECUTIVE SUMMARY**

A new quarterly report was introduced in July 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is the third quarterly report for 2017-18. 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 3 (January 2018 to March 2018). There are four reports: Implementation of a three-bin system (CJ047-03/18 refers), refurbishment of Mildenhall and Duncraig Leisure Centres (CJ050-03/18 refers), Craigie Leisure Centre Refurbishment Project (CJ051-03/18 refers) and Kaleidoscope 2018 (CJ054-03/18 refers), that overall have a benefit of \$41.0 million.

The first two quarterly reports for 2017-18 covering July 2017 to December 2017 reported benefits of \$9.4 million and therefore the cumulative impacts for the year 2017-18, including the Quarter 3 report, are \$50.4 million.

*It is therefore recommended that the Major Projects and Finance Committee NOTES:*

- 1 *four reports were considered by Council in the period January 2018 to March 2018 that had an estimated net benefit over the life of the 20 Year Strategic Financial Plan of \$41.0 million;*
- 2 *the estimated net cumulative benefit over the life of the 20 Year Strategic Financial Plan of decisions by Council July 2017 to March 2018 is \$50.4 million.*

## **BACKGROUND**

A new quarterly report was introduced in July 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. This report is the first quarterly report for 2017-18. 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 four reports between January 2018 and March 2018 that have an overall benefit of \$41.0 million as follows:

- Implementation of three-bin system (CJ047-03/18 refers) to proceed, an overall benefit of \$28.5 million.
- Refurbishment of Mildenhall and Duncraig Community Centres (CJ050-03/18 refers) to proceed, provides a benefit compared to previous 20 year SFP of \$150,000;
- Craigie Leisure Centre Refurbishment Project (CJ051-03/18) – Phase 1 to proceed a benefit of \$12.9 million;
- Kaleidoscope 2018 (CJ054-03/18) budget to be increased by \$300,000 causing an overall cost in the 20 year SFP of (\$0.6 million).

The table in Attachment 1 notes the impacts have been categorised as follows:

- \$41.0 million commitments made by Council.
- \$0.0 million 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.
- The 20 Year SFP Impact is based on the following:
  - Total estimated cash flows up to 2035-36.
  - 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 2035-36 for total cash, the impact for each report is higher than the initial impact.

**Issues and options considered**

The 20 Year SFP was last adopted by Council in June 2016 for the years 2015-16 to 2034-35, however most of the assumptions have been updated and the plan is mostly obsolete. The draft 20 Year SFP 2016-17 to 2035-36 was presented to the former Finance Committee in August 2017, but was not endorsed at the time pending a review of the funding of major projects and a review of the operating deficit. Although the draft 20 Year SFP 2016-17 was not endorsed, it remains the most up-to-date plan for reference purposes as it includes the most up-to-date economic assumptions and includes the adopted 2017-18 budget and adopted *Five Year Capital Works Program 2017-18 To 2021-22*. For the purposes of assessing the impact on the 20 Year SFP of reports approved by Council it is therefore necessary to refer to the draft 20 Year SFP 2016-17 to 2035-36, rather than the Adopted SFP 2015-16 to 2034-35.

When the 20 Year SFP is next updated the decisions by Council as listed in Attachment 1 will be used to update the plan.

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

**Legislation** *Local Government Act 1995.*

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

*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 impact to the City up to 2035-36 of the reports approved between January 2018 and March 2018 is estimated to be a benefit of \$41.0 million. This impact is the total change in cash at the end of 2035-36.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

This report provides a further enhancement to the long-term financial sustainability of 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 Logan that the Major Projects and Finance Committee NOTES:**

- 1 four reports were considered by Council in the period January 2018 to March 2018 that had an estimated net benefit over the life of the 20 Year Strategic Financial Plan of \$41.0 million;**
- 2 the estimated net cumulative benefit over the life of the 20 Year Strategic Financial Plan of decisions by Council July 2017 to March 2018 is \$50.4 million.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hollywood, Fishwick, Logan, Norman, Poliwka and Taylor.

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2agmMPF180507.pdf](#)*



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**ITEM 11                      EXPRESSION OF INTEREST 017/18 - RESIDENTIAL DEVELOPMENT AND LEASING OF AIRSPACE ABOVE AN OPERATIONAL DRAINAGE SUMP**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Chief Executive Officer
<b>FILE NUMBER</b>	107402, 105202, 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 Major Projects and Finance Committee to note the evaluation results of Expression of Interest 017/18 – Residential Development and Leasing of Airspace Above an Operation Drainage Sump.

**EXECUTIVE SUMMARY**

At its meeting held on 27 June 2017, (CJ103-06/17 refers) part of Council's resolution authorised the Chief Executive Officer (CEO) to initiate an Expression of Interest (EOI) process for the leasing of air space over sumps for potential development opportunities. On undertaking the EOI process, the CEO was requested to report to the Major Projects and Finance Committee on the progress of the EOI investigations and how the private sector may be engaged in a potential pilot project.

Statewide advertising of an EOI commenced on 11 August 2018 closing on 28 August 2018 for the residential development and leasing of airspace above an operational drainage sump. The EOI was to determine if there was market interest from suitably qualified companies for this potential development opportunity and whether the models submitted were feasible. Equal weighting was given to the following selection criteria:

- Financial.
- Methodology and Risks.
- Technical.
- Demonstrated Previous Experience.
- Capacity of Respondent.

Submissions were received from:

- ParkD Ltd
- Spanditch Pty Ltd.

The submissions did not provide a sufficient level of detail to demonstrate the necessary methodology, technical expertise, experience and capacity to conduct a pilot project which was reported to the CEO. A decision was made by the CEO under his delegated authority not to continue with this EOI.

*It is therefore recommended that the Major Projects and Finance Committee NOTES that the Chief Executive Officer DOES NOT list any respondents as acceptable tenderers for EOI 017/18 - Residential Development and Leasing of Airspace Above an Operational Drainage Sump.*

## BACKGROUND

A report was submitted to Council at its meeting held on 13 December 2016 (C80-12/16 refers) based on the City receiving enquiries on potential development opportunities over operational drainage sites owned or managed by the City. It was proposed to the City that a selected development site could be on a leased "air space" basis using an engineered platform over an operational sump.

Council requested the CEO to submit a report on the leasing the air space over sumps to enable residential, and where appropriate commercial development, to be undertaken. Certain factors needed to be taken into consideration, such as the use of substructure support and engaging with the private sector to undertake a pilot project.

At its meeting held on 27 June 2017 (CJ103-06/17 refers), Council decided on a further report on the subject, the resolution being that Council:

- "1 NOTES the content of Report CJ103-06/17 on the nature of investigation the Chief Executive Officer will undertake to explore the possibilities of leasing air space over sumps to enable various development opportunities;*
- 2 AUTHORISES the Chief Executive Officer to initiate and Expression of Interest process for the leasing of air space over sumps to enable various development opportunities;*
- 3 REQUESTS the Chief Executive Officer to report to the Finance Committee on the progress with the above investigations and how the private sector may be engaged in a potential pilot project;*
- 4 NOTES the Expression of Interest process is to be considered and progressed relative to the City's existing major project priorities."*

In line with Item 2 above, an EOI was advertised from 11 August 2018 to 28 August 2018 for the residential development and leasing of airspace above an operational drainage sump.

## DETAILS

During the advertising period, submissions were received from:

- ParkD Ltd
- Spanditch Pty Ltd.

**Evaluation of the Expression of Interest**

Four panel members evaluated the submissions, one with tender and contract preparation skills and three with appropriate and various technical expertise.

The panel carried out the assessment of submissions in accordance with the City's evaluation process in a fair and equitable manner.

All submissions were assessed as compliant and remained for further consideration.

The selection criteria and weighting used in evaluating the submissions received were as follows:

Selection Criteria		Weighting
1	Financial	20%
2	Methodology and risks	20%
3	Technical	20%
4	Demonstrated previous experience	20%
5	Capacity of Respondent	20%

**ParkD Ltd**

ParkD Ltd scored 13% and was ranked second in the qualitative assessment.

ParkD Ltd did not demonstrate experience in the design, delivery and management of similar complex multi-disciplinary projects. Its experience is limited to multilevel parking development and therefore not relevant to the EOI details advertised.

There was limited, or no information provided to demonstrate its capacity to manage the design, construction and lease arrangements required. The company provided visual representations of a number of car parking projects that it is currently involved in. The technical information and brief methodology submitted were for the development of multilevel car parking solutions which was not relevant to the scope of the EOI.

A risk assessment was provided. No response was provided to the financial criterion.

**Spanditch**

Spanditch scored 17% and was ranked first in the qualitative assessment.

It was detailed that the company was formed in 2016. No information was provided on the company structure, its employees and resources. Limited information was provided on its project partners in various disciplines and the working relationship of Spanditch with them.

The company did not demonstrate experience in the design, delivery and management of civil / structural / building projects of a complex, multi-disciplinary nature. Information was provided on two residential development projects in Queensland without the company's role in these projects being clear in the submission.

Concerning the financial requirements requested in the EOI, there was insufficient information on return on investment, total expected costs and return, cost/profit distribution between the parties, the financial returns from a selected site, methods and materials of the financial modelling and cash flow requirements. Also, cost estimates for design, project management, construction costs plus any fees, levies or licences, finance costs and legal costs required for the capital and ongoing maintenance of the drainage site to the City were not addressed.

The submission did not adequately demonstrate that Spanditch has the technical expertise in design, construction, building, project management and financial control, nor did the submission clarify its proposed contractual arrangement with various professional consultants required to carry out this multi-disciplinary project.

The proposed solution by Spanditch was considered to have inherent risks related to structural durability that were neither addressed nor recognised in the submission. The submission stated some benefits to City relating to improvement of area, utilising land in an innovative manner, densification and operational savings to the City. No risk management plan was provided though some risks were mentioned in the submission.

### Evaluation Summary

The following table summarises the result of the evaluation as assessed by the evaluation panel.

Respondent	Weighted Percentage Score	Ranking
Spanditch	17%	1
ParkD Ltd	13%	2

Based on the evaluation result, the panel recommended that none of the Respondents should be shortlisted to conduct a pilot project and there is no need to proceed further than this EOI.

### Issues and options considered

An Expression of Interest was sought for the residential development and leasing of airspace above an operational drainage sump. The City does not have the internal expertise or resources to undertake this project and as such, requires an appropriate external contractor.

It could be considered that there is limited market interest with only two submissions being received during the EOI's advertising period. Additionally, evaluation of the submissions that were received, did not demonstrate sufficient capacity and technical expertise specific to the requirements detailed by the City in the EOI.

### Legislation / Strategic Community Plan / policy implications

#### Legislation

A statewide public expression of interest was advertised, opened and evaluated in accordance with Clause 21 of Part 4 of the *Local Government (Functions and General) Regulations 1996*, where a limitation may be placed on who can tender due to the nature of the required goods or services.

*Local Government Act 1995*, Part 5, Division 4.

Section 5.42, - Delegation of some powers and duties to CEO.

A local government may delegate to the CEO the exercise of any of its powers or the discharge of any of its duties under this Act other than those referred to in section 5.43.

A delegation under this section is to be in writing and may be general or as otherwise provided in the instrument of delegation.

The Chief Executive Officer has the delegated authority to select acceptable tenderers from an Expression of Interest.

Economic benefits related to the development over operational drainage sites may be a possibility with the correct development and leasing model.

**Consultation:**

Not applicable.

**COMMENT**

The evaluation of the submissions was carried out by the panel in accordance with the City's evaluation process. The conclusion was that none of the submitted responses provided a sufficient level of detail to demonstrate the necessary methodology, technical expertise, experience and capacities to conduct a pilot project.

Identification and management of technical and financial risks were notably absent from all respondents.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Hollywood, SECONDED Cr Hamilton-Prime that the Major Projects and Finance Committee NOTES that the Chief Executive Officer DOES NOT list any respondents as acceptable tenderers for EO1 017-18 – Residential Development and Leasing of Airspace Above an Operational Drainage Sump.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hamilton-Prime, Hollywood, Logan, Poliwka and Taylor.

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**ITEM 3                      IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN  
OF REPORTS TO COUNCIL – JULY TO DECEMBER  
2018**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	107632, 101515
<b>ATTACHMENTS</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – July to December 2018</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 Major Projects and Finance Committee to note the impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period July to December 2018.

**EXECUTIVE SUMMARY**

A new quarterly report was introduced in July 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. 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 Quarters 1 and 2 (July to December 2018). There are two reports, Chichester Park Redevelopment (CJ208-11/18 refers) and Joondalup Men's Shed (CJ228-12/18 refers) that overall have a cost in the 20 year SFP of \$3.1 million.

*It is therefore recommended that the Major Projects and Finance Committee NOTES the two reports considered by Council for the period July to December 2018 that had an estimated net cost over the life of the 20 Year Strategic Financial Plan of \$3.1 million.*

**BACKGROUND**

A new quarterly report was introduced in July 2014, as part of the CEO's Key Performance Indicators. 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. This report is for the second quarter of 2018-19, there were no impacts listed for the first quarter.

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 two reports between July and December 2018 that have an overall cost of \$3.1 million as follows:

- Chichester Park Redevelopment (CJ208-11/18 refers) to proceed, an overall cost of \$2.4 million compared to previous 20 Year SFP.
- Joondalup Men's Shed to be located at 17 Winton Road, Joondalup and construction works at the City's Works Operations Centre (CJ228-12/18 refers) to proceed at a cost of \$0.7 million compared to previous 20 year SFP.

The table in Attachment 1 notes the impacts have been categorised as follows:

- \$3.1 million commitments made by Council.
- \$0.0 million 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.
- The 20 Year SFP impact is based on the following:
  - Total estimated cash flows up to 2036-37.
  - 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 2036-37 for total cash, the impact for each report is higher than the initial impact.

## Issues and options considered

When the 20 Year SFP is next updated the decisions by Council as listed in Attachment 1 will be used to update the plan.

## 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 impact to the City up to 2036-37 of the reports approved between July and December 2018 is estimated to be a cost of \$3.1 million. This impact is the total change in cash at the end of 2036-37.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

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

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Poliwka, **SECONDED** Cr McLean that the Major Projects and Finance Committee **NOTES** the two reports considered by Council for the period July to December 2018 that had an estimated net cost over the life of the *20 Year Strategic Financial Plan* of \$3.1 million.

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Logan, McLean, Poliwka and Taylor.

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnMPF190311.pdf](#)*

### ITEM 3                      **IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN OF REPORTS TO COUNCIL – JANUARY TO MARCH 2019**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	107632, 101515
<b>ATTACHMENT</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – January 2019 to March 2019</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').

#### **PURPOSE**

For the Major Projects and Finance Committee to note the impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period January to March 2019.

#### **EXECUTIVE SUMMARY**

A new quarterly report was introduced in January 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. 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 3 (January to March 2019). There is one report, Installation of Toilet Facility at Shepherds, Kingsley (CJ028-03/19 refers) that have a cost in the 20 Year SFP of \$0.5 million.

The previous report covering July 2018 to December 2018 reported costs of \$3.1 million and therefore the cumulative impacts for the year 2018-19, including the Quarter 3 report, are \$3.6 million.

*It is therefore recommended that the Major Projects and Finance Committee NOTES:*

- 1      *one report considered by Council for the period January to March 2019 that had an estimated net cost over the life of the 20 Year Strategic Financial Plan of \$0.5 million;*
- 2      *the estimated net cumulative cost over the life of the 20 Year Strategic Financial Plan of decisions by Council July 2018 to March 2019 is \$3.6 million.*

#### **BACKGROUND**

A new quarterly report was introduced in January 2014, as part of the CEOs Key Performance Indicators. 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. This report is for the second quarter of 2018-19, there were no impacts listed for the first quarter.

The 20 Year 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 one report between January and March 2019 that has an overall cost of \$0.5 million as follows:

- Installation of Toilet Facility at Shepherds Bush Park, Kingsley at a cost of approximately \$120,000 with annual operating costs of \$11,500.

The table in Attachment 1 notes the impacts have been categorised as follows:

- \$0.5 million commitments made by Council.
- \$0.0 million 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.

The 20 Year SFP impact is based on the following:

- Total estimated cash flows up to 2037-38.
- 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 2037-38 for total cash, the impact for each report is higher than the initial impact.

## Issues and options considered

When the 20 Year SFP is next updated the decisions by Council as listed in Attachment 1 will be used to update the plan.

## 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 2037-38 of the reports approved between January and March 2019 is estimated to be a cost of \$0.5 million. This impact is the total change in cash at the end of 2037-38.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

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

### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Hollywood, **SECONDED** Mayor Jacob that the Major Projects and Finance Committee **NOTES:**

- 1** one report considered by Council for the period January to March 2019 that had an estimated net cost over the life of the *20 Year Strategic Financial Plan* of \$0.5 million;
- 2** the estimated net cumulative cost over the life of the *20 Year Strategic Financial Plan* of decisions by Council July 2018 to March 2019 is \$3.6 million.

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnMPF190506.pdf](#)*



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**ITEM 5                      IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN  
OF REPORTS TO COUNCIL – JULY 2019 TO  
JUNE 2020**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Corporate Services
<b>FILE NUMBER</b>	108316
<b>ATTACHMENT</b>	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – July 2019 to June 2020</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 Major Projects and Finance Committee to note the impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period July 2019 to June 2020.

**EXECUTIVE SUMMARY**

A new quarterly report was introduced in January 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. 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 all quarters of 2019-20. There are six reports that have a total net benefit of \$18.6 million.

During 2019-20 it has not been possible to provide quarterly updates for various reasons and as a result this report covers all quarters of 2019-20. It is now proposed that from now on the impacts are just reported on an annual basis.

*It is therefore recommended that the Major Projects and Finance Committee NOTES six reports considered by Council for the period July 2019 to June 2020 that had an estimated net benefit over the life of the 20 Year Strategic Financial Plan of \$18.6 million.*

**BACKGROUND**

A new report was introduced in January 2014, as part of the CEO's Key Performance Indicators. 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. This report is for the whole of 2019-20.

The intent with this report is to provide quarterly updates, however for 2019-20 it has not been possible to provide quarterly updates due to various factors (committee meetings postponed during elections, meetings out of sync with quarterly timescales, urgent budget issues to contend with due to COVID-19). This report summarises all impacts for all quarters of 2019-20.

The 20 Year 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 six reports between July 2019 and June 2020 that have an overall benefit of \$18.6 million as follows:

- Provision of Automatic External Defibrillators in Community Centres. A roll-out of 35 units is proposed at a cost each of \$2,500 so an initial impact is \$87,500. The overall 20 year impact is a cost of \$0.5 million, which includes replacement every eight years and escalation costs.
- Craigie Leisure Centre refurbishment project was approved. This will initially cost \$8.6 million but will provide increased income. The overall benefit in the 20 Year SFP is \$35.7 million.
- Installation of play space at Lacepede Park, Sorrento. Initial cost of \$160,000 with annual maintenance costs of \$2,250 per year. Total cost in the 20 Year SFP is \$0.4 million.
- Refurbishment works for Emerald Park Clubrooms. Additional cost of \$127,310 and increased operating costs of \$18,000 per year. Total cost in the 20 Year SFP is \$0.8 million.
- Penalty interest on unpaid rates not applied for March 2020 to June 2020. Estimated cost of \$79,336, total 20 year cost of \$0.2 million.
- Park Amenity Improvement Program. Additional cost of \$250,000 added each year, plus estimated \$20,000 in maintenance costs. Overall 20 year cost is estimated at \$15.2 million.

The table in Attachment 1 notes the impacts have been categorised as follows:

- \$18.6 million commitments made by Council.
- \$0.0 million 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.

The 20 Year SFP impact is based on the following:

- Total estimated cash flows up to 2038-39.
- 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 2038-39 for total cash, the impact for each report is higher than the initial impact.



**Issues and options considered**

When the 20 Year SFP is next updated the decisions by Council as listed in Attachment 1 will be used to update the plan.

**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 impact to the City up to 2038-39 of the reports approved between July 2019 and June 2020 is estimated to be a benefit of \$18.6 million. This impact is the total change in cash at the end of 2038-39.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

## **COMMENT**

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

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr McLean, **SECONDED** Mayor Jacob that the Major Projects and Finance Committee **NOTES** six reports considered by Council for the period July 2019 to June 2020 that had an estimated net benefit over the life of the *20 Year Strategic Financial Plan* of \$18.6 million.

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr Logan, Mayor Jacob, Crs Jones, McLean, Poliwka and Raftis.

*Appendix 5 refers*

*To access this attachment on electronic document, click here: [Attach5agnMPF200713.pdf](#)*

## **ITEM 5                      OPPORTUNITY FOR REDEVELOPMENT OF THE WOODVALE COMMUNITY HUB – PHILOSOPHY AND PARAMETERS**

<b>WARD</b>	Central
<b>RESPONSIBLE</b>	Mr Garry Hunt Chief Executive Officer
<b>FILE NUMBER</b>	107525, 06524, 05132
<b>ATTACHMENT</b>	Attachment 1              Site Plan of Lot 67 (5) Trappers Drive, Woodvale
<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 endorse the philosophy and key parameters on which the redevelopment opportunity for Woodvale Community Hub will be based. Woodvale Community Hub is identified as the City's freehold Lot 67 (5) Trappers Drive, Woodvale (Lot 67).

### **EXECUTIVE SUMMARY**

Interest has been indicated in the City's Lot 67 (Attachment 1 refers) for commercial development, retaining a "City site" for a multi-purpose community facility. The specific details of the proposal presented to the City requires further exploration.

Lot 67 accommodates Woodvale Library and Woodvale Community Care Centre. The City leases Woodvale Community Care Centre to Community Vision Incorporated.

Subsequent to internal review of the proposal received, it was determined that the outcome of a needs and feasibility study would provide guidance on the City's recommendations to Council and a consultant was engaged to undertake this work.

The City has received the consultant's draft needs and feasibility study report which is now being reviewed by the project team and which includes a review of the commercial party's proposal.

Based on the draft needs and feasibility study report indicating that there would be benefits in redeveloping and rationalising City land at this location, it is timely that Council now considers the philosophy and parameters to underpin the provision of community facilities for the Woodvale Community Hub. This includes consideration of governance, land use and built form, fiscal responsibility and commerciality, sustainability and liaison issues.

*It is therefore recommended that Council ENDORSES the Philosophy and Key Parameters for the redevelopment of the Woodvale Community Hub – Lot 67 (5) Trappers Drive, Woodvale detailed in this Report:*

1. *Philosophy (Project Vision):*

- 1.1 *The provision of community facilities and services is a vital component of the fabric of the City of Joondalup community;*
- 1.2 *The City recognises its continued role in the provision of facilities and services for the community at the Woodvale Community Hub;*
- 1.3 *Residents of the future will be considered in the decisions made concerning community facilities and the City's land portfolio both in terms of service provision and financial impacts;*
- 1.4 *Consideration of the outcome of the needs and feasibility study will allow the City to take into account the continued role of these facilities and ensure that services and any new facility provided is of the highest quality and reflects the needs of the community now and into the future;*

2 *Key Parameters:*

2.1 *Governance:*

- 2.1.1 *Key initiatives or redevelopment proposals will only be instigated following consideration of the options by Council;*
- 2.1.2 *Commercial negotiations to be undertaken with the highest level of probity;*
- 2.1.3 *Legislative requirements and governance processes will be adhered to;*
- 2.1.4 *Consistency with City strategies, plans, and governance protocols;*

2.2 *Land Use and Built Form:*

- 2.2.1 *Optimisation of land use and built form to enhance the amenity for residents and users;*
- 2.2.2 *Maximise usage to allow for a wide variety of activities and services;*
- 2.2.3 *Highly adaptable, incorporating latest relevant design principles;*
- 2.2.4 *Facilities to be multi-purpose and allow for multi-use;*
- 2.2.5 *Aligned with the City's Access and Inclusion Plan 2018-2021;*
- 2.2.6 *Provide equitable access to all residents and users;*

2.3 *Environmental Considerations:*

- 2.3.1 *Consideration of contemporary architectural and construction techniques where cost-effective;*

- 2.3.2 *Commitment to using environmentally sustainable design principles when cost-effective;*
- 2.3.3 *Energy reduction and water consumption efficiencies;*
- 2.4 *Fiscal Responsibility and Commerciality:*
  - 2.4.1 *Maximise the value of the land both in terms of potential commercial return for sale, lease or the optimisation of existing infrastructure;*
  - 2.4.2 *Any redevelopment to include a positive contribution to the current operating costs;*
  - 2.4.3 *Due diligence and financial cost benefit analysis;*
  - 2.4.4 *Financial analysis will be undertaken as part of any recommendations to Council;*
- 2.5 *Sustainability Considerations:*
  - 2.5.1 *Proposed options to employ design principles that will provide for longevity, diversity, accessibility and inclusiveness;*
  - 2.5.2 *Facilities provided should encourage participation, anticipate the needs of the community, be adaptable to community preferences, and support local organisations and community groups in their service delivery;*
- 2.6 *Liaison Protocol:*
  - 2.6.1 *Identification of, and liaison with, key stakeholders;*
  - 2.6.2 *Liaison to be undertaken in accordance with the City's governance processes and a high level of probity;*
  - 2.6.3 *Community consultation in accordance with City's Community Consultation Policy and Protocol.*

## **BACKGROUND**

Lot 67 is 14,650m<sup>2</sup> and is zoned 'Private Community Purposes' under *Local Planning Scheme No. 3*. It is encumbered by a right of carriageway and car parking easement in favour of the adjoining commercial landowners. The site accommodates Woodvale Library, Woodvale Community Care Centre, landscaping and car parking.

The Major Projects and Finance Committee noted the interest in Lot 67 via a confidential report at its meeting held on 15 July 2019 (Item 8 refers).

On 9 March 2020 (Item 15 refers) a status report on the progress of the needs and feasibility study was noted by the Major Projects and Finance Committee. A further status report is on the agenda for the Major Projects and Finance Committee's meeting of 7 September 2020, confirming that the needs and feasibility study is being reviewed by the project team.

### Woodvale Library

Woodvale Library fronts Trappers Drive behind a car parking area. It is a purpose-built facility developed in November 1991. The library area is 978m<sup>2</sup> and there is a separate workroom, a small office, kitchen and toilets. The overall approximate floor area of the facility is 1,246m<sup>2</sup>.

An assessment of the current performance of Woodvale Library indicated it plays an important role in providing for an expressed need within a district catchment. Its location ensures that residents within the central east of the City are catered for. It is also evident that the service on offer is both efficient and effective. This is based on its current performance having regard to the efficiency in the service being delivered against limited staffing levels and the cost per head of City of Joondalup population.

Whilst Woodvale Library generally has slightly fewer loans, visitors, active members and event attendance than the other three libraries in Joondalup, in 2017-18 the Woodvale Library was the 44<sup>th</sup> most visited library and the 17<sup>th</sup> busiest library in Western Australia (WA) for the number of loans - out of 231 public libraries in WA. The reason a 2017-18 statistic is used to demonstrate the popularity of the Woodvale Library is because the library was shut for almost eight weeks in 2018-19 for renovation and COVID-19 caused significant disruption to library services in 2019-20. A City and state-wide comparison on the number of loans and library visits is detailed below:

Library	Loans	Visits
Joondalup	435,006 (1 <sup>st</sup> in the State)	199,513 (6 <sup>th</sup> busiest in the State)
Duncraig	296,997 (8 <sup>th</sup> in the State)	115,784 (37 <sup>th</sup> busiest in the State)
Whitford	256,688 (13 <sup>th</sup> in the State)	107,851 (40 <sup>th</sup> busiest in the State)
Woodvale	248,205 (17 <sup>th</sup> in the State)	102,079 (44 <sup>th</sup> busiest in the State)

### Woodvale Community Care Centre

Woodvale Community Care Centre was developed in November 1999. The facility was jointly funded by the City, a Lotteries Commission grant and a Federal Government Home and Community Care Program grant and was purposely built as a specialist facility providing services for aged persons and people with disability. The overall approximate floor area of the facility is 990m<sup>2</sup>, which includes two courtyards. The main rooms are a hall and activity room, with other standard facility spaces such as a kitchen, stores and offices.

Currently the facility is leased by Community Vision Inc (CVI) which is a non-government community services organisation. CVI was formed after investigations during late 2000 when Council endorsed the establishment of a community-based organisation to allow the transfer of a number of City provided community services; CVI commenced operations on 1 July 2001.

### DETAILS

The purpose of the philosophy and parameters is to document Council's intent concerning the objectives and outcomes for the future of the Woodvale Community Hub project. A similar approach was taken with Opportunity for Upgrade of Community Facilities – Warwick Activity Centre project (CJ220-02/14 refers) and due to the benefits of this model for managing these types of projects, is now considered to be standard practice.

## **1      Philosophy/Project Vision**

A well-used library and a community care centre are located within Lot 67, and a potential opportunity has been presented to the City to review these facilities due to commercial interest being shown in the City's land at this location. The progress on the needs and feasibility study has identified that there is a redevelopment and land rationalisation opportunity that should be further explored.

The City considers the provision of facilities and services as highly significant as they contribute to the growth of the local community by providing all its members with the opportunity to participate in cultural, social, and leisure activities. It is considered that the Woodvale Community Hub has a continuing role to play regarding service provision to the local community.

Concurrently with its service provision obligations when considering development or redevelopment of community facilities is the importance of the City's financial responsibilities. As custodians of a substantial land and building portfolio, the City needs to ensure that residents in the future are represented in the important financial decisions made 'today.'

## **2      Key Parameters**

### Governance

The City acknowledges that the needs and feasibility study concerning this project includes a review of the use and benefits of Woodvale Library and the Woodvale Community Care Centre. The proposal received by the City is also part of the consideration, as is valuation advice. The progress of the needs and feasibility study and the review of the proposal received will continue to be reported to the Major Projects and Finance Committee.

Should commercial negotiations for the sale of land at this location be required, they will be undertaken with the highest level of probity. The City's legislative requirements will be adhered to, in addition to its governance processes being followed. The City's strategies, plans, and protocols will be considered and financial analysis of any proposed recommendations to Council will also take place.

To ensure these objectives are achieved, the City will undertake:

- the implementation of sound probity to ensure transparency of process and decision making
- an internal audit review and monitoring
- comprehensive financial analyses to ensure that recommendations to Council are in the City's best financial interests
- an extensive risk management assessment with continued monitoring
- legal and statutory compliance.

### Land Use and Built Form

Should land rationalisation and redevelopment of Lot 67 be an outcome, the City recognises that any redevelopment proposal should optimise the land use and built form in order to enhance the amenity available to residents and facility users. For facilities to have high utilisation for a wide variety of activities and services, they need to be multi-purpose and incorporate the latest relevant design principles.

Should land rationalisation be an outcome concerning Lot 67, investigations of all relevant options, such as location criteria, access, site capability, car parking, complementary services, amenity and aspect will be undertaken. Design will also consider the City's *Access and Inclusion Plan 2018-2021* including but not limited to:

- recognition of the diversity of needs, interests and backgrounds
- the design of facilities to be universally accessible to all people including people with disabilities.

#### Environmental Considerations

The City is committed to the utilisation of contemporary architectural and construction techniques and environmentally sustainable design principles which provide an opportunity to show leadership in sustainable developments including:

- energy reduction, efficiency and supply
- design efficiency to reduce water consumption and utilising alternative courses, for example; rainwater
- minimising environmental impact.

The City will ensure that any proposed redevelopment complies with Council's *Environmentally Sustainable Design for City Buildings Policy*.

#### Fiscal Responsibility and Commerciality

As the owner of Lot 67, the City acknowledges its responsibility to investigate options to maximise the value of the land both in terms of potential commercial viability by way of sale or lease of the property, and the optimisation of infrastructure. Efficiencies in operating costs is also important.

The needs and feasibility study has examined four options including a 'do nothing' option. The redevelopment proposal provided to the City was also assessed with a view to optimise the financial and community benefit of the City's freehold land at this location.

The City also acknowledges the financial cost of providing community facilities and services for its residents and therefore any development or redevelopment of existing facilities requires independent financial feasibility studies, cash flow projections and/or the establishment of commercial venture models.

#### Sustainability Considerations

In considering the redevelopment opportunity for the Woodvale Community Hub, the development of a new community facility will employ design principles that provide for longevity, diversity, accessibility and inclusiveness.

Community facilities should provide the opportunity for community-based events and activities that encourage social interaction between all cohorts of the community. Facilities should also encourage participation, anticipate the needs of the community, be adaptable to community preferences in terms of access to services, and support local organisations and community groups in their service delivery.



### Liaison Protocol

Of key importance to the Woodvale Community Hub project is the identification of, and liaison with, community and City stakeholders. Stakeholder engagement has commenced as part of the needs analysis, however, prior to any proposed changes taking place to a site that incorporates a well-used public library, community consultation is an imperative. This will be undertaken in accordance with City's *Community Consultation Policy*.

Identifying and considering the needs and opinions of stakeholders is necessary to ensure that current and future residents benefit from the facilities and services provided from Lot 67.

Any liaison regarding redevelopment and/or land rationalisation concerning Lot 67 will be undertaken with the highest levels of probity, in accordance with the City's governance processes and at all times in the City's best interests.

### **Issues and options considered**

It is viewed as necessary that the Major Projects and Finance Committee and Council consider and affirms the philosophy and key parameters for the provision of community facilities within the Woodvale Community Hub as the redevelopment of the site may be an outcome.

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

<b>Legislation</b>	<i>Local Government Act 1995.</i> <i>Local Government (Functions and General) Regulations 1996.</i>
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### **Strategic Community Plan**

<b>Key theme</b>	Community Wellbeing.
<b>Objective</b>	To provide facilities of the highest quality which reflect the needs of the community now and into the future.
<b>Strategic initiative</b>	Support a long-term approach to significant facility upgrades and improvements.  Employ facility design principles that will provide for longevity, diversity and inclusiveness and where appropriate, support decentralising the delivery of City services.

<b>Policy</b>	<i>Access and Inclusion Plan 2018 – 2021.</i> <i>Community Consultation Policy.</i> <i>Environmentally Sustainable Design for City Buildings Policy.</i>
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### **Risk management considerations**

The City will undertake extensive risk management assessment and monitoring as part of the key parameters for the project.

### **Financial/budget implications**

The two facilities at Woodvale Community Hub currently cost approximately \$1.1 million per year to operate and maintain, comprising of approximately \$1 million for Woodvale Library and approximately \$0.1 million for Woodvale Community Centre. These operating costs include; depreciation, employment expenses, building maintenance, cleaning and utilities.

The City's key financial target is to improve its operating results and then maintain a moderate operating surplus. A revised operating cost of less than \$1.1 million to enable the project to contribute to an improvement in the city's operating results would be beneficial.

### **Regional significance**

Not applicable.

### **Sustainability implications**

The sustainability considerations are outlined in this report.

### **Consultation**

All community consultation will be in accordance with the City's *Community Consultation Policy*.

### **COMMENT**

The philosophy and key parameters for the potential redevelopment of Lot 67 (5) Trappers Drive, Woodvale identified as the Woodvale Community Hub project have been developed for Council's endorsement.

It is important to note that the City is embarking on a Joondalup Libraries Strategy with the focus on future provision of a modern library service that is efficient and adaptable.

The findings forthcoming from the needs analysis will be incorporated into the above strategy and will be considered during any negotiations regarding the potential redevelopment of the Woodvale Community Hub.

### **VOTING REQUIREMENTS**

Simple Majority.

*Cr Raftis left the meeting room at 7.05pm and returned at 7.06pm.*

### **OFFICER'S RECOMMENDATION**

That Council ENDORSES the Philosophy and Key Parameters for the redevelopment of the Woodvale Community Hub – Lot 67 (5) Trappers Drive, Woodvale detailed in this Report:

- 1 Philosophy (Project Vision):
  - 1.1 The provision of community facilities and services is a vital component of the fabric of the City of Joondalup community;
  - 1.2 The City recognises its continued role in the provision of facilities and services for the community at the Woodvale Community Hub;
  - 1.3 Residents of the future will be considered in the decisions made concerning community facilities and the City's land portfolio both in terms of service provision and financial impacts;

- 1.4 Consideration of the outcome of the needs and feasibility study will allow the City to take into account the continued role of these facilities and ensure that services and any new facility provided is of the highest quality and reflects the needs of the community now and into the future;
- 2 Key Parameters:
  - 2.1 Governance:
    - 2.1.1 Key initiatives or redevelopment proposals will only be instigated following consideration of the options by Council;
    - 2.1.2 Commercial negotiations to be undertaken with the highest level of probity;
    - 2.1.3 Legislative requirements and governance processes will be adhered to;
    - 2.1.4 Consistency with City strategies, plans, and governance protocols;
  - 2.2 Land Use and Built Form:
    - 2.2.1 Optimisation of land use and built form to enhance the amenity for residents and users;
    - 2.2.2 Maximise usage to allow for a wide variety of activities and services;
    - 2.2.3 Highly adaptable, incorporating latest relevant design principles;
    - 2.2.4 Facilities to be multi-purpose and allow for multi-use;
    - 2.2.5 Aligned with the City's Access and Inclusion Plan 2018-2021;
    - 2.2.6 Provide equitable access to all residents and users;
  - 2.3 Environmental Considerations:
    - 2.3.1 Consideration of contemporary architectural and construction techniques where cost-effective;
    - 2.3.2 Commitment to using environmentally sustainable design principles when cost-effective;
    - 2.3.3 Energy reduction and water consumption efficiencies;
  - 2.4 Fiscal Responsibility and Commerciality:
    - 2.4.1 Maximise the value of the land both in terms of potential commercial return for sale, lease or the optimisation of existing infrastructure;
    - 2.4.2 Any redevelopment to include a positive contribution to the current operating costs;
    - 2.4.3 Due diligence and financial cost benefit analysis;

- 2.4.4 Financial analysis will be undertaken as part of any recommendations to Council;
- 2.5 Sustainability Considerations:
  - 2.5.1 Proposed options to employ design principles that will provide for longevity, diversity, accessibility and inclusiveness;
  - 2.5.2 Facilities provided should encourage participation, anticipate the needs of the community, be adaptable to community preferences, and support local organisations and community groups in their service delivery;
- 2.6 Liaison Protocol:
  - 2.6.1 Identification of, and liaison with, key stakeholders;
  - 2.6.2 Liaison to be undertaken in accordance with the City's governance processes and a high level of probity;
  - 2.6.3 Community consultation in accordance with City's Community Consultation Policy and Protocol.

**MOVED Mayor Jacob, SECONDED Cr McLean that Council ENDORSES the Philosophy and Key Parameters for the redevelopment of the Woodvale Community Hub – Lot 67 (5) Trappers Drive, Woodvale detailed in this Report:**

- 1 Philosophy (Project Vision):
  - 1.1 The provision of community facilities and services is a vital component of the fabric of the City of Joondalup community;
  - 1.2 The City recognises its continued role in the provision of facilities and services for the community at the Woodvale Community Hub;
  - 1.3 Residents of the future will be considered in the decisions made concerning community facilities and the City's land portfolio both in terms of service provision and financial impacts;
  - 1.4 Consideration of the outcome of the needs and feasibility study will allow the City to take into account the continued role of these facilities and ensure that services and any new facility provided is of the highest quality and reflects the needs of the community now and into the future;
- 2 Key Parameters:
  - 2.1 Governance:
    - 2.1.1 Key initiatives or redevelopment proposals will only be instigated following consideration of the options by Council;
    - 2.1.2 Commercial negotiations to be undertaken with the highest level of probity;
    - 2.1.3 Legislative requirements and governance processes will be adhered to;

**2.1.4 Consistency with City strategies, plans, and governance protocols;**

**2.2 Land Use and Built Form:**

**2.2.1 Optimisation of land use and built form to enhance the amenity for residents and users;**

**2.2.2 Maximise usage to allow for a wide variety of activities and services;**

**2.2.3 Highly adaptable, incorporating latest relevant design principles;**

**2.2.4 Facilities to be multi-purpose and allow for multi-use;**

**2.2.5 Aligned with the City's Access and Inclusion Plan 2018-2021;**

**2.2.6 Provide equitable access to all residents and users;**

**2.3 Environmental Considerations:**

**2.3.1 Consideration of contemporary architectural and construction techniques where cost-effective;**

**2.3.2 Commitment to using environmentally sustainable design principles when cost-effective;**

**2.3.3 Energy reduction and water consumption efficiencies;**

**2.4 Fiscal Responsibility and Commerciality:**

**2.4.1 Maximise the value of the land both in terms of potential commercial return for sale, lease or the optimisation of existing infrastructure;**

**2.4.2 Any redevelopment to include a positive contribution to the current operating costs;**

**2.4.3 Due diligence and financial cost benefit analysis;**

**2.4.4 Financial analysis will be undertaken as part of any recommendations to Council;**

**2.5 Social and Commercial Considerations:**

**2.5.1 Proposed options to employ design principles that will provide for longevity, diversity, accessibility and inclusiveness;**

**2.5.2 Facilities provided should encourage participation, anticipate the needs of the community, be adaptable to community preferences, and support local organisations and community groups in their service delivery;**

**2.6 Liaison Protocol:**

**2.6.1 Identification of, and liaison with, key stakeholders;**

**2.6.2 Liaison to be undertaken in accordance with the City's governance processes and a high level of probity;**

**2.6.3 Community consultation in accordance with City's Community Consultation Policy and Protocol.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr Logan, Mayor Jacob, Crs Jones, McLean, Raftis and Thompson.

*Appendix 5 refers*

*To access this attachment on electronic document, click here: [Attach5agnMPF200907.pdf](#)*

## **ITEM 6                                      IMPACT ON STRATEGIC FINANCIAL PLAN OF REPORTS TO COUNCIL – JULY 2020 TO JUNE 2021**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Director Corporate Services
<b>FILE NUMBERS</b>	108991, 101515
<b>ATTACHMENT</b>	Attachment 1      Impact on Strategic Financial Plan of Reports to Council - July 2020 to June 2021
<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 Major Projects and Finance Committee to note the impacts to the *Strategic Financial Plan* (SFP) of reports approved by Council for the period July 2020 to June 2021.

### **EXECUTIVE SUMMARY**

A new quarterly report was introduced in January 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. 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. In July 2020 the report proposed that the report will revert to an annual update only.

There are nine reports that have a total net benefit of \$26.9 million.

*It is therefore recommended that the Major Projects and Finance Committee NOTES nine reports considered by Council for the period July 2020 to June 2021 that had an estimated net benefit over the life of the Strategic Financial Plan of \$26.9 million.*

### **BACKGROUND**

A new report was introduced in January 2014, as part of the CEO's Key Performance Indicators. 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 is for the whole of 2020-21.

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 SFP.

## DETAILS

Attachment 1 of this report provides details of nine reports between July 2020 and June 2021 that have an overall benefit of \$26.9 million as follows:

- Chichester Park, Woodvale – proposed community sporting facility. Lower grant than forecast, total cost of (\$1 million).
- Duncraig Leisure Centre leased to Churches of Christ Sporting and Recreation Association total benefit of \$5.5 million.
- Whitfords Avenue / Northshore Drive intersection upgrade – increase in budget of \$660,000, the total 20-year impacts are estimated to be (\$1.3 million).
- Petition requesting the installation of lighting at Mirror Skate Park overall cost of (\$1 million).
- Installation of a pedestrian refuge island at the intersection of Garfield Way and Sherrington Road, Greenwood, overall impact of (\$100,000).
- Request for additional subsidies and waivers of fees, total impact of (\$100,000).
- Adoption of the Major Land Transaction Business Plan for Ocean Reef Marina, total cashflow benefit of \$22 million.
- Bring forward a review of the housing component of the Local Housing Strategy. Additional cost for temporary resource and total impact of (\$200,000).
- Transfer of Marmion Avenue to Main Roads WA and Land Tenure adjustments to Ocean Reef Road, total benefit of \$2.2 million.

The table in Attachment 1 of this Report notes the impacts have been categorised as follows:

- \$26.9 million commitments made by Council.
- no other impacts are listed, 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.

The SFP impact is based on the following:

- Total estimated cash flows up to 2039-40.
- 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 2039-40 for total cash, the impact for each report is higher than the initial impact.

## Issues and options considered

The impacts as listed in Attachment 1 to this Report have been used to update the draft SFP 2021.

## 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 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 2039-40 of the reports approved between July 2020 and June 2021 is estimated to be a benefit of \$26.9 million. This impact is the total change in cash at the end of 2038-39.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

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

### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr McLean, SECONDED Cr Logan that the Major Projects and Finance Committee NOTES nine reports considered by Council for the period July 2020 to June 2021 that had an estimated net benefit over the life of the Strategic Financial Plan of \$26.9 million.**

**The Motion was put and**

**TIED (3/3)**

**In favour of the Motion:** Crs Logan, Jones and McLean.

**Against the Motion:** Crs Poliwka, Raftis and Thompson.

There being an equal number of votes, Cr Logan exercised his casting vote and declared the Motion **CARRIED (4/3)**

*Appendix 6 refers*

*To access this attachment on electronic document, click here: [Attach6agnMPFC210712.pdf](#)*