

minutes

Strategic Financial Management Committee

MEETING HELD ON **WEDNESDAY 11 JUNE 2014**

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CITY OF JOONDALUP

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON WEDNESDAY 11 JUNE 2014.

ATTENDANCE

Committee Members

Cr Geoff Amphlett, JP *Presiding Member*
Mayor Troy Pickard
Cr Brian Corr
Cr Russ Fishwick, JP
Cr Mike Norman *Deputising for Cr Christine Hamilton-Prime*
Cr Tom McLean, JP
Cr Sam Thomas *Deputy Presiding Member*

Observer

Cr John Chester *to 7.46pm*

Officers

Mr Garry Hunt	Chief Executive Officer	
Mr Mike Tidy	Director Corporate Services	<i>Absent from 6.20pm to 6.21pm</i>
Ms Dale Page	Director Planning and Community Development	
Mr Blignault Olivier	Manager City Projects	
Mr Alan Ellingham	Senior Financial Analyst	<i>to 6.20pm</i>
Mr John Byrne	Governance Coordinator	
Mrs Gwen Boswell	Senior Projects Officer	
Mrs Lesley Taylor	Governance Officer	

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 6.00pm.

DECLARATIONS OF INTEREST

Disclosures of Financial / Proximity Interest

Nil.

Disclosures of interest affecting impartiality

Elected Members (in accordance with Regulation 11 of the *Local Government [Rules of Conduct] Regulations 2007*) and employees (in accordance with the Code of Conduct) are required to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected Member/employee is also encouraged to disclose the nature of the interest.

Name/Position	Mayor Troy Pickard.
Item No./Subject	Item 2 – Confidential – Status Report on City Freehold Properties Proposed for Disposal.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The owner and tenant of Lot 972 Creaney Drive, Kingsley (Kingsley Tavern) are known to Mayor Pickard.

Name/Position	Cr John Chester.
Item No./Subject	Item 2 – Confidential – Status Report on City Freehold Properties Proposed for Disposal.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	Cr Chester has done a flora survey for vegetation on Lot 971 (52) Creaney Drive, Kingsley.

Name/Position	Mayor Troy Pickard.
Item No./Subject	Item 5 – Confidential – Proposed Disposal of Lot 971 (52) Creaney Drive, Kingsley.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The owner and tenant of Lot 972 Creaney Drive, Kingsley (Kingsley Tavern) are known to Mayor Pickard.

Name/Position	Mayor Troy Pickard.
Item No./Subject	Item 7 – Confidential – City Proposed Acquisition of Vacant Crown Land Community Purpose Site – Lot 12223 (12) Blackwattle Parade, Padbury (Reserve 43717).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	Mayor Pickard's children attend St Stephens School, Duncraig which abuts Fernwood Park, Padbury.

APOLOGIES/LEAVE OF ABSENCE

Leave of Absence Previously Approved:

Cr Christine Hamilton-Prime	1 June to 20 June 2014 inclusive;
Cr Russ Fishwick, JP	4 August to 23 September 2014 inclusive;
Cr Philippa Taylor	20 August to 12 September 2014 inclusive.

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANANCIAL MANAGEMENT COMMITTEE HELD 2 DECEMBER 2013

MOVED Cr McLean, SECONDED Mayor Pickard that the minutes of the meeting of the Strategic Financial Management Committee held on 2 December 2013 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Corr, Fishwick, McLean, Norman and Thomas.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

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

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

PETITIONS AND DEPUTATIONS

Nil.

REPORTS

ITEM 1 DRAFT 20 YEAR STRATEGIC FINANCIAL PLAN 2013-14 TO 2032-33

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	103243
ATTACHMENT	Attachment 1 Draft 20 Year Strategic Financial Plan Attachment 2 Guiding Principles 2014 Attachment 3.1 to 3.7 Explanatory Schedules
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to adopt the draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33 and *Guiding Principles 2014*.

EXECUTIVE SUMMARY

The *20 Year Strategic Financial Plan* is prepared using a set of Guiding Principles. The Guiding Principles were last adopted in July 2013; this included a simplification of the ratios used. The Guiding Principles have been revised although there are minimal changes compared to the large number of changes undertaken in 2013.

The Guiding Principles include five key ratios which form the foundation of the plan. There is a maximum possible achievement of 100 ratios over the 20 years of the plan (five per year x 20 years). The projections for the updated draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33 are that 74 key ratios out of 100 would be achieved; this is one less than the 75 ratios achieved within the current adopted plan.

The *20 Year Strategic Financial Plan* for the period 2011-12 to 2030-31 was adopted by Council at its meeting held on 22 November 2012 (CJ244-11/12 refers). The key changes in the current update are as follows:

- Analysis of ratios is simplified, following the Guiding Principles adopted in 2013.
- Impacts of recent State and Federal Budget impacts are included, the majority of which are detrimental, in particular a 36.8% increase in street lighting tariff from 2015-16.

- Rates volume growth has higher projections than the previously adopted plan. A more detailed analysis has been undertaken, for example, an estimated 8,000 additional dwellings.
- Major Projects – updates to projects where there have been revisions available, most notably:
 - Joondalup Performing Arts and Cultural Facility/Jinan Gardens (JPACF) – estimated cost revised to \$94 million and assumed no external grants available.
 - Edgewater Quarry - lower cost of \$26 million now included. This is still based on the full development of the quarry, with both residential and commercial development and an amphitheatre.
 - Percy Doyle Master Plan - updated costs based on feasibility study.
- Financing – updates to financing assumptions where available, most notably:
 - JPACF - the plan has assumed that all of the \$94.2 million cost will be financed by the City using reserves and short-term borrowings. This includes \$63 million of the proceeds from sale of land at Tamala Park (Catalina estate), and ensures that the City will use these funds in a clear and highlighted purpose.
 - Community Sporting and Recreation Facilities Fund (CSRFF) outcomes were announced earlier this year and approved funding was less than requested for Bramston Park; only partial funding for the Hockey Project and no funding for Hawker Park. Council has now resolved to proceed with both the Bramston Park and Hockey Projects, making up the shortfall from the CSRFF approved funding and in the case of the latter also reducing the scope.

There have been some challenges in the update of the projections. The draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33 was initially presented to the Strategic Financial Management Committee (SFMC) on 2 December 2013. Some issues were identified with the affordability of the *Capital Works Program* for 2014-15 and 2015-16 and these have now been addressed as part of the updated *Capital Works Program*.

There have been numerous changes since the version presented in December 2013. Additionally, feedback has been provided from Elected Members at a recent budget workshop. These changes have been built into the projections, with Option 1 being the summary of all these changes. Two of the key assumptions for Option 1 from the Elected Member budget workshop were:

- A lower rate increase of 4.0% for 2015-16, 2016-17 and 2017-18 followed by three subsequent increases of 5.0% from 2018-19 to 2020-21 and then increases of 4.5% or 4.0% thereafter.
- A reduction in employee cost increases from 4.0% to 3.0% for 2015-16, 2016-17 and 2017-18, from 4.4% to 3.4% for 2018-19 to 2022-23, from 4.0% to 3.0% for 2023-24 and 2024-25 and from 4.0% to 3.5% thereafter.

As the changes to rate increases is off a much larger base, the changes to employee cost increases offset just over 60% of the rate reduction. In the absence of any other significant changes the remaining reduction in rates would have been able to be absorbed with relatively minor impacts for the draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33. Unfortunately in the recent State Budget a forecast 36.8% increase in the Street Lighting Tariff in 2015-16 was announced. This increase alone adds \$1.2 million to costs in 2015-16 and compounded in subsequent years, and has been factored into the draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33.

As a result the modelling for Option 1 indicates that:

- loans would be required to finance some of the standard *Capital Works Program* of \$2 million in 2018-19 and 2019-20. Although this is a relatively small amount in the overall plan, this is an indication of how marginal the operating cashflows are in being able to support day-to-day capital expenditure. This is caused mostly by the tariff increase to street lighting as well as the reduced rates increases for 2014-15 to 2016-17.
- Seventy four key ratios only are achieved (one fewer than previous).
- Reserves are depleted to \$10 million by the end of 2017-18.
- Operating Surplus Ratio would remain negative in both 2014-15 and 2015-16. The Operating Surplus Ratio is the most important financial indicator as it takes account of all other ratios (liquidity, asset management, operations), and it is not generally considered financially sustainable in the long run or indeed medium term, for it to be negative.
- Operating Surplus target (Five Year Average) is not achieved until 2023-24.
- Asset Sustainability Ratio is not achieved until 2025-26.

As a result two other options have been prepared for consideration. The other options have the majority of the same assumptions as Option 1, with changes only to the projected rate increases. Option 2 proposes that the rate increase for 2015-16 be 5.0% and then all other assumptions remain the same. Option 3 has smoothed out the rate increases in the next six years, with 5.0% projected for 2015-16, 2017-18 and 2019-20 and 4.0% for 2016-17, 2018-19 and 2020-21. The plan as at Attachment 1 has been prepared on the basis of Option 1.

Option 3 still has some issues with some of the ratios. Managing the City's long-term financial projections using ratios is not a perfect science, and it is not necessarily expected that the City can achieve the ratios in every year. The key issue is that the reasons why the target is not achieved are understood, and to ensure that it is not an ongoing issue. The draft *20 Year Strategic Financial Plan* provides detailed commentary on the ratios and provides sufficient explanation for those years that fall outside the thresholds.

The previous report to the SFMC in December 2013 highlighted (in yellow in the plan document itself) the changes that had been made from the plan adopted by Council in November 2012. The new version of the plan at Attachment 1 now only shows track changes to text from the version considered by the SFMC in December 2013. It should be noted that all of the charts and tables have been updated.

It is therefore recommended that the Strategic Financial Management Committee:

- 1 *CONSIDERS the draft 20 Year Strategic Financial Plan 2013-14 to 2032-33 as at Attachment 1 to this Report for a recommendation to Council;*
- 2 *RECOMMENDS Council ADOPTS the Guiding Principles 2014 as at Attachment 2 to this Report.*

BACKGROUND

Draft 20 Year Strategic Financial Plan 2013-14 to 2032-33 (Attachment 1)

The proposed plan is shown as Attachment 1, and is referred to as the draft *20 Year Strategic Financial Plan* (Draft SFP). The changes between the proposed plan and the Adopted Plan are highlighted in yellow.

Adopted Plan 2011-12 to 2030-31

The Adopted Plan covers the years 2011-12 to 2030-31 and was adopted by Council at its meeting held on 22 November 2012 (CJ244-11/12 refers).

Previous Draft Plan 2013-14 to 2032-33

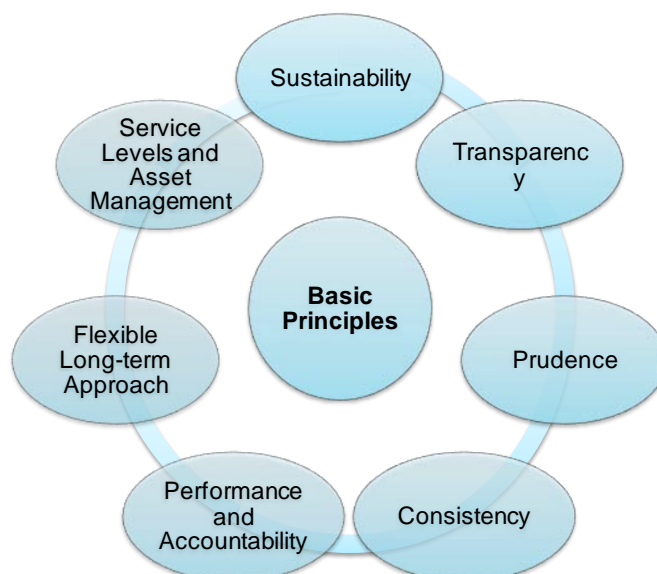
A previous version of the draft *Strategic Financial Plan* for the period 2013-14 to 2032-33 was presented to the SFMC meeting held on 2 December 2013. The plan presented in December 2013 will be referred to in this document as the “*previous plan*”. The *previous plan* was not endorsed. The resolution of the SFMC at its meeting of 2 December 2013 was that it:

- 1 *NOTES the 20 Year Strategic Financial Plan 2013-14 to 2032-33 as at Attachment 1 to this Report;*
- 2 *REQUESTS a further report be prepared for the Strategic Financial Management Committee in relation to options for the 20 Year Strategic Financial Plan, 2013-14 to 2032-33 including the principle drivers and philosophies of the plan and funding models for projects and services.*

This Report and the attachments address the actions above.

Drivers and Philosophies

The 20 Year SFP has been developed using a set of Guiding Principles. These are reviewed annually and were last adopted by Council at its meeting held on 16 July 2013 (CJ141-07/13 refers). There are seven basic principles which form the foundation of the overall Guiding Principles:



The core of the guiding principles are the key ratios.

Key Ratios

There are five guiding principles that the Draft SFP aims to achieve, these are referred to throughout the Report. The five key ratios are as follows:

Table 1 – Key Ratios

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

Ref	Key Ratios	Details
		to avoid having a ratio of less than five for five years in a row.

Guiding Principles 2014

The Guiding Principles that were adopted in 2013 included many changes to the previous version. The City reviews and updates the Guiding Principles on an annual basis. Some minor changes are proposed and shown at Attachment 2. The changes are minimal, and are indicated on Attachment 2 as tracked changes. The reasons for the proposed changes are as follows:

Table 2 – Proposed Changes to Guiding Principles

No	Page	Change	Details
1	1	Header to show Year	<ul style="list-style-type: none"> It is proposed to show the year in which the Guiding Principles relate to. This will be 3rd update to the Guiding Principles within the last few years, and it will be helpful to those who refer to the Guiding Principles to be clear as to the version and year.
2	2	Operating Surplus Target removed reference to the Strategic Community Plan.	<ul style="list-style-type: none"> The <i>Strategic Community Plan</i> currently includes a target for the Operating Surplus Ratio to be above zero, while the Guiding Principles have a target of between 2% and 8%. It is proposed that the City has one target in this area, and it is between 2% and 8%. A review is currently being undertaken of the <i>Strategic Community Plan</i> and this will recommend alignment with the Guiding Principles for the Operating Surplus Target.
3	3	Funding removal comment of	<ul style="list-style-type: none"> The comment which states that “<i>if the cost of borrowing is cheaper than earnings on cash reserves, then the City may seek to use loans...</i>” is a speculative comment. The City will determine borrowings required each year as part of the budget process and will not speculate on financing matters.
4	3	Process in line with annual budget process now with	<ul style="list-style-type: none"> The previous guiding principles outlined the need for the <i>Strategic Financial Plan</i> to be updated on an annual basis and in the second quarter (between October and December) of each year. The previous plan was updated in 2013 to those timescales; however it was not endorsed and was combined into the annual budget process. This included a separate workshop that reviewed the Draft SFP. It is recommended that the process recently undertaken, where the draft SFP was reviewed as part of the budget process now becomes the norm. The next update of the draft SFP will be in early 2015, as part of the annual budget process.

No	Page	Change	Details
5	3/4	Scenario Analysis	<ul style="list-style-type: none">○ The previous guiding principles were very prescriptive regarding scenarios that should be evaluated.○ Scenario and Risk Analysis is a vital part of the process, and during the development of this current plan there have been many different scenarios prepared.○ The removal of the comments is not intended to undermine the importance of scenario analysis, but to be less prescriptive.

DETAILS

Disclaimer

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

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

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

How the 20 Year Strategic Financial Plan is produced

There are five sets of assumptions used to build up the draft SFP, as summarised below. These assumptions are explained in more detail in Section 6 of the plan itself (Attachment 1).

1 External Environment

- Demographics.
- Economic indicators.

2 Operating Income and Expenses

- Baseline analysis. Budget 2014-15 is used as the baseline.
- Escalation factors (that is % increases) are then applied to each item from a variety of sources.
- Volume changes based on approved projects and planned projects. Where information is available from a feasibility study (for example, Joondalup Performing Arts and Cultural Facility) or a decision by Council, then this information is used.

3 Capital Expenditure

- Five Year Capital Works Program 2014-15 to 2018-19 is embedded into the draft *20 Year Strategic Financial Plan*.
- Forecast for each of the programs from 2019-20 to 2032-33 have been made.
- Other 'business as usual' capital programs (I.T., Fleet, and Parking) have been forecast.
- Major Projects – based on feasibility studies or council papers.

4 Capital Disposals

- Sale of land such as Tamala Park.

5 Financing. Each program or project has been separately assessed, to identify whether the project is funded by either:

- municipal funds
- specific Reserves
- strategic Asset Management Reserve
- Disposal proceeds (for example Grove Child Care / Dorchester Hall)
- borrowings.

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

Explanation of the Content

The table below provides a summary view of the content:

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

Summary	Reference	Pages	Details
Introduction	Sections 1 to 3	3 to 8	Introductory sections, explaining the purpose of the draft <i>20 Year Strategic Financial Plan</i> , executive summary and description of the City of Joondalup.
Strategy	Sections 4 to 5	9 to 11	These two sections explain the strategy used to prepare the projections. Includes: <ul style="list-style-type: none"> • Summary of the guiding principles, adopted by Council at its meeting held on 16 July 2013 with minor changes now proposed. • <i>Asset Management Policy and Five Year Capital Works Program</i>.
Assumptions	Section 6	12 to 17	This section provides details of the five sets of assumptions used to build up the projections <ul style="list-style-type: none"> • External environment. • Operating income and expenses. • Capital Expenditure. • Capital Proceeds. • Funding.
Impacts Key Ratios & Financing	Sections 7 to 9	18 to 35	These three sections explain the ratio projections and the supporting schedules.
Risk and Sensitivity	Sections 10 to 11	36 to 40	Analysis of risk and scenario analysis.
Guiding Principles	Appendix 1	41 to 43	<i>20 Year Strategic Financial Plan - Guiding Principles Statement</i> as adopted by Council at its meeting held on 16 July 2013.
Capital Projects	Appendix 2	44 to 45	List of all capital projects, and associated operating impacts.
Financial Statements	Appendix 3 and Financial Statements FS1 to FS4	46 to 55	The supporting Financial Statements to the draft <i>20 Year Strategic Financial Plan</i> . The Financial Statements are: <ul style="list-style-type: none"> • As per the DLG LTFP Framework and Guidelines (note Statement of Financial Position and Equity Statement have been combined as a single statement). • Similar statements required for the Budget and Annual Financial Statements, but in an abridged format. • Each followed by a table that explains each line.
Supporting Schedules	Supporting Schedules SS1 to SS6	56 to 66	Six supporting schedules provide additional detail on calculations and projections.

Issues and options considered

Five Year Capital Works Program (CWP)

One of the issues in the *previous plan* was the affordability for the CWP for 2014-15 and 2015-16. The projections of the *previous plan* were unable to meet the proposed financing required from municipal funds, and arbitrary reductions were proposed to ensure the books could be balanced. These issues have now been addressed as part of the updated Five Year CWP 2014-15 to 2018-19 and the annual budget process. Specific projects have been identified for removal or deferral, while the use of the Strategic Asset Management Reserve has also been reviewed to assist with major replacement projects.

The proposed draft *20 Year Strategic Financial Plan* is fully aligned with the proposed Five Year CWP 2014-15 to 2018-19. However as a result of the increase to the street lighting tariff as well as reduced rates % increases the model has identified that approx \$2 million in 2018-19 and 2019-20 of the CWP would need to be financed using borrowings. The City's adopted borrowing strategy does allow borrowings for this if necessary, but it is not normal practice. The City would normally seek to ensure that there are sufficient operating surpluses generated as well as sufficient funds available in the Strategic Asset Management Reserve to ensure that the CWP need not borrow. This is in indication of how marginal the operating cashflows are in being able to support day to day capital expenditure.

Changes made to the Previous Plan since December 2013

Attachments 3.5 and 3.6 provide a summary of the main changes to the *previous plan* since it was presented to the SFMC meeting held on 2 December 2013. This includes changes that were requested by Elected Members at a recent budget workshop as listed below:

Table 4 – Changes to the plan requested at Budget Workshop

Ref	Key Ratios	Details and Impacts
1	Financial Assistance Grants (FAGs) paused for 3 years	<ul style="list-style-type: none"> ○ FAGs were normally increased each year in line with CPI. The allocation to States and to the City is based on a range of factors. Within the previous plan the grants income had been assumed to increase in line with CPI each year. ○ The projections have now been amended so that indexation only applies from 2017-18. ○ Over a 20 year period this has an overall impact of approximately \$8 million.
2	Rates Increases Amended	<ul style="list-style-type: none"> ○ The projections had assumed a 5% increase from 2014-15 to 2020-21, and 3.5% increases in the later years of the plan. ○ Draft <i>20 Year Strategic Financial Plan</i> has been amended with a 4% increase in 2015-16, 2016-17 and 2017-18. ○ From 2025-26 to 2032-33 the increases are 4.5% every second year and 4% every other year. ○ The changes in the earlier years are significant, but have to be considered alongside other changes, particularly change 3 below.

Ref	Key Ratios	Details and Impacts
3	Employee Cost Increases reduced	<ul style="list-style-type: none"> ○ Previous plan had a 4% increase for salary costs each year of the plan. There were also separate increases for Superannuation Guarantee and additional staff from 2015-16 onwards for the <i>Workforce Plan</i>. ○ 3% Increase to employee costs from 2015-16 to 2017-18, 3.4% from 2018-19 to 2022-23, 3.0% for 2023-24 and 2024-25 and then a 3.5% increase thereafter. ○ Additional costs arising from the <i>Workforce Plan</i> (approximately \$0.5 million per year have been removed). ○ Superannuation Guarantee remains unaffected and outside the scope of these changes. The Superannuation Guarantee has a gradual increase in costs from 2018-29 to 2022-23, in line with the federal budget.
4	Multi Storey Car Park (2) – Financing	<ul style="list-style-type: none"> ○ The plan presented last week indicated that the second multi-storey car park was financed from reserves, including Tamala Park. ○ The financing has now been amended so that the majority of the financing is from external borrowings. ○ Note however that there is still approximately \$5 million financed by Reserves, because the City Parking Reserve is projected to have \$5 million available as a result of surpluses generated from various parking activities including the first multi-storey car park. It is the City's strategy that the Parking Reserve is used to help finance other parking facilities. ○ The impacts of this change are minimal.
5	Percy Doyle Master Plan split into two.	<ul style="list-style-type: none"> ○ The draft <i>20 Year Strategic Financial Plan</i> has now been amended with the Master Plan split into two as follows: <ul style="list-style-type: none"> - Leisure Services and Library remains in 2030-31. - Remaining Master Plan is five years from then (2035-36), and is therefore outside the scope of the 20 year plan which goes up to 2032-33. ○ The overall cash position of this change, within the scope of the 20 years of the plan, is large but the impacts on ratios are negligible because the later years of the plan were comfortably achieving the ratios anyway. ○ The costs of 'mini-refurbishments' remain in the plan, with costs in three separate years (2016-17, 2020-21, 2024-25). To help avoid confusion between the mini refurbishments and the master plan, the costs of the mini-refurbishments have been set up as a separate project line in the plan.

Ref	Key Ratios	Details and Impacts
6	<p>Joondalup Performing Arts & Cultural Facility (JPACF) - Financing</p>	<ul style="list-style-type: none"> ○ The City was aiming to secure external grant funding of \$30 million, with the remainder of the cost financed by the City using reserves and borrowings. ○ While it is still hoped that the City can attract some external funding, it is now deemed prudent to remove the \$30 million grant assumption. ○ Where Reserves are available at the time of construction, they continue to be used. This allows \$56 million of Reserve Funds to be made directly available at the point of construction. ○ Borrowings of \$38 million are then assumed to be required in 2018-19. These borrowings are paid back as quickly as possible using Tamala Park proceeds, between 2019-20 and 2024-25. Additionally the Tamala Park proceeds for those years are set aside solely for the repayment of the Arts Facility loan. ○ While the repayment of the \$38 million is reasonably quick, the borrowings attract a cost of \$8 million. ○ The changes above have an overall financial cost to the City of over \$40 million. However the changes now ensure the draft SFP is based on a more prudent set of assumptions than the aspiration of a grant of \$30 million. Additionally, it is useful to have the proceeds from Tamala Park separately identified for this project as opposed to spread over various other projects. ○ The issue with these changes is the impact on the Debt Service Coverage Ratio (DSCR). This ratio measures the amount of operating surpluses (before interest and depreciation) compared to loan repayments. The increased borrowings significantly increases loan repayments but the Tamala Park proceeds that are used to repay them are not operating revenues and are not included in the DSCR calculation. As a result the projections in Option 1 now fall below the DSCR target in eight consecutive years, and it is the City's target not to fall below the target in five consecutive years. ○ Unfortunately the problems here are due to the ratio itself rather than poor financial management. It is sound financial management by the City to repay borrowings as quickly as possible, particularly with one-off proceeds such as Tamala Park proceeds. The DSCR fails to recognise the benefit of the Tamala Park proceeds and only takes account of Operating surpluses. The DSCR is normally a useful barometer of liquidity, but in this instance it is not the most ideal ratio. Other states in Australia are measuring their financial liquidity using a better measure called Net Financial Assets Liabilities ratio. When the DLGC have a review of ratios, it is vital that the DSCR is replaced with an improved measure.

Ref	Key Ratios	Details and Impacts
7	City Centre Street Lighting Electricity Savings	<ul style="list-style-type: none"> ○ The plan presented previously included approximately \$13 million cost for replacing the City Centre street lights with LED lighting. The replacements will reduce electricity consumption and costs. The estimated savings are approximately \$108,000 per year, once all street lights are replaced which had not been taken into account. ○ The savings are now included in the updated plan, which provides an overall benefit of \$3.3 million over 20 years.
8	Street Lighting Western Power Tariff Increase	<ul style="list-style-type: none"> ○ The State budget recently announced that the costs of the street lights were not fully reflected in the tariffs charged to local governments, and some large increases were required to the tariff, most notably a 36.8% increase in 2015-16. ○ The City is estimated to spend \$3.2 million in Western Power street lights in 2014-15, and a 36.8% increase is an additional cost of \$1.2 million each year. ○ The overall financial impact over 20 years, including lost earnings on interest, additional costs of borrowing to finance capital projects is \$46 million. ○ This change, combined with the lower rates % increases partly offset by lower employee cost increases, is the main reason why Option 1 fails to balance the books and is not recommended.
9	Capital Works Program aligned	<ul style="list-style-type: none"> ○ The budget workshops had resulted in some minor changes to the draft CWP that had been presented. The draft SFP is now fully aligned with the proposed CWP. ○ There are no material impacts from the changes.
10	Budget 2014-15 revised baseline, including 3.9% Rate Increase	<ul style="list-style-type: none"> ○ The plan presented to the last budget workshop was based on a 5% increase in rates revenue for 2014-15. A 3.9% increase is now being proposed. ○ The 2014-15 estimates have now been updated in accordance with budget workshop outcomes. This has now been used in the draft SFP model as the revised baseline. ○ The impact of this change, combined with changes 2, 3 and 8 cause issues for the draft SFP.

Option 1 (Attachment 3.2 to 3.5)

Option 1 includes all of the changes summarised in Attachment 3.5 together with the list of changes in the table above. These changes have been built into the projections.

Two of the key assumptions for Option 1 from the Elected Members budget workshop were as follows:

- A lower rate increase of 4.0% for 2015-16, 2016-17 and 2017-18, followed by three subsequent increases of 5.0% from 2018-19 to 2020-21.

- A reduction in employee cost increases from 4.0% to 3.0% for 2015-16, 2016-17 and 2017-18, from 4.4% to 3.4% for 2018-19 to 2022-23, from 4.0% to 3.0% for 2023-24 and 2024-025 and from 4.0% to 3.5% thereafter.

Because the changes to rate increases is of a much larger base, the changes to employee cost increases offset just over 60% of the rate reduction. In the absence of any other significant changes the remaining reduction in rates would have been able to be absorbed with relatively minor impacts for the draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33. Unfortunately in the recent State Budget a forecast 36.8% increase in the street lighting tariff in 2015-16 was announced. This increase alone adds \$1.2 million to costs and has been factored into the draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33.

As a result the modelling for Option 1 indicates that:

- Loans would be required to finance some of the standard *Capital Works Program* of \$2 million in 2018-19 and 2019-20. Although this is a relatively small amount in the overall plan, this is an indication of how marginal the operating cashflows are in being able to support day-to-day capital expenditure. This is caused mostly by the tariff increase to street lighting, as well as the reduced rates increases for 2014-15 to 2016-17.
- Seventy four key ratios only are achieved (one fewer than previous).
- Reserves are depleted to \$10 million by the end of 2017-18.
- Operating Surplus Ratio would remain negative in both 2014-15 and 2015-16. The Operating Surplus Ratio is the most important financial indicator as it takes account of all other ratios (liquidity, asset management, operations), and it is not generally considered financially sustainable in the long run or indeed medium term, for it to be negative.
- Operating Surplus target (Five Year Average) is not achieved until 2023-24.
- Asset Sustainability Ratio is not achieved until 2025-26.

As a result other options have been prepared.

Options 2 and 3 (Attachment 3.7)

Options 2 and 3 have the majority of the same assumptions as Option 1, with changes only to rate increases to help achieve a balanced budget. Table 5 below explains the options that have been modelled and Table 6 underneath then summarises the outcomes of the options across a number of factors.

Table 5 – Options Defined

Option 1	Base Option	4% Rate Increase 2015-16, 2016-17, 2018-19, then 5% Rate Increase in next 3 years, and then followed by increases of 4.5% or 4%
Option 2	Rate Increase 2015-16 5%	Rate Increase 2015-16 5%, all other assumptions as per Option 1
Option 3	Rate Increases next 6 years spread more evenly	5% 2015-16, 4% 2016-17, 5% 2017-18, 4% 2018-19, 5% 2019-20, 4% 2020-21

Table 6 – Options Summary

			Option 1	Option 2	Option 3
			Base Option	Rate Increase 2015-16 5%	Rate Increases next 6 years spread more evenly
	Criteria	Measure			
1	Balanced Books:	Number of Years within Tolerance	20 ✓	20 ✓	20 ✓
2	Cash Held less Borrowings Owing:	Lowest Value during the 20 years	(\$54.1) ✓	(\$45.6) ✓	(\$45.9) ✓
3	Total Cash	Yr 20 (2032-2033)	\$190.5 ✓	\$225.1 ✓	\$204.2 ✓
4	Borrowings	20 Year Total (\$m)	\$121.8 ✓	\$110.7 ✓	\$111.4 ✓
5	Debt Service Coverage Ratio	Number of Years within Tolerance	17 ✓	17 ✓	17 ✓
6	Rates % Increase:	Average Increase Years 1 to 10	4.6% ✓	4.7% ✓	4.5% ✓
7	Operating Surplus Ratio:	What Year does SFP first achieve target?	2023-24 ✗	2022-23 ✗	2022-23 ✗
8	Operating Surplus Ratio:	Number of Years within Tolerance	10 ✗	11 ✗	11 ✗
9	Operating Surplus Ratio:	Average Performance Years 1 to 10	0.7% ✗	1.3% ✗	1.2% ✗
10	Asset Sustainability Ratio	Number of Years within Tolerance	8 ✗	8 ✗	8 ✗
11	Overall Key Ratios	% Within Tolerance	74 ✗	75 ✗	75 ✗
Overall Assessment			✗	○	✓

Tick = Good or Acceptable / Cross = Not Good / Circle = Neutral, improvement required

Option 1 has been used as the basis of the draft *20 Year Strategic Financial Plan* within Attachment 1.

Legislation / Strategic Community Plan / policy implications

Legislation

Section 5.56(1) of the *Local Government Act 1995* provides that “A local government is to plan for the future of the district.”

Strategic Community Plan

Key theme

Financial Sustainability.

Objective

Effective management.

Strategic initiative

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

Policy

20 Year Strategic Financial Plan – Guiding Principles.

Risk management considerations

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

Financial / budget implications

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

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

Regional significance

Not applicable.

Sustainability implications

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

Consultation:

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

COMMENT

The draft *20 Year Strategic Financial Plan 2013-14 to 2032-33*, as at Attachment 1, sets out a significant program of works and projects for the City of Joondalup over the next 20 years. These are in keeping with and represent the Joondalup 2022 vision for the City: "*A global City: bold, creative and prosperous*".

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

The draft *20 Year Strategic Financial Plan 2013-14 to 2032-33* replaces the previous plan adopted in 2012.

Of the five key ratios identified within the Guiding Principles, 74 out of 100 are achieved; this is the same as the previous plan. The ratios are explored in great detail within the plan at Attachment 1, some summary comments to note include the following:

- Ratios are not merely figures that are calculated for the purpose of complying with a reporting requirement. The ratios provide an excellent assessment of the current and future financial sustainability of the City. While some of the ratios are far from ideal in their calculation (for example, the Debt Service Coverage Ratio), they provide a useful overall barometer of the City's financial management.
- Operating Surplus Ratio is the most important indicator out of all the ratios, as it has a mix of all the other ratios combined (liquidity, asset management, operating performance). The City currently has an Operating Surplus Ratio that is below the target, however there are projected to be steady improvements.
- Balance the Books is a ratio that must be achieved every year, and the recommended option achieves that.
- Debt Service Coverage Ratio is normally a useful measure to evaluate whether a City has overstretched their borrowings in comparison to day to day operating performance. The failure of the DSCR in eight years is disappointing, but is a symptom of the measure itself rather than poor liquidity or financial management. The DSCR is used by the WATC to assess borrowings capacity and therefore the City cannot take the failure of this ratio lightly. The City will therefore discuss the long term financial projections with the WATC, and ensure that the assumptions made by the City in terms of the borrowings are reasonable.
- Asset Sustainability Ratio is a concern in several aspects. The ratio indicates that:
 - the Ratio falls below target in the first 12 years, it is only the last eight years that are estimated to be within tolerance
 - the city is not spending enough capital expenditure on replacement of existing assets and possibly spending too much expenditure on new assets in comparison
 - that there is a backlog building up for replacement expenditure
 - the backlog may indicate that there is higher maintenance costs required to keep the assets in working order.

There is more to do in this area in terms of the calculation itself and the impacts. Each asset class will be separately calculated as part of revaluations that are currently underway to ensure that the City complies with Accounting Standards. The revaluations will result in different impacts for each asset class and indicate different levels of replacement expenditure than is currently included in the Draft SFP. The results of the revaluations for infrastructure assets are expected to be available in time for the next update of the Draft SFP in 2015.

Net Assets / Utilisation / Rationalisation

It is estimated that the net assets of the City would increase from \$844 million at June 2013 to \$1,288 million at June 2033, an increase of 53%. Although some of this increase is due to inflation, a large part of this is due to the increase in new infrastructure, expenditure of \$546 million, which far outstrips the reduction in assets of just \$49 million. The City should

continue to evaluate the utilisation of assets and consider whether assets or infrastructure with low utilisation could be removed. There are some projects which reduce the number of buildings and consolidate the services into one building, for example Grove Child Care / Dorchester Hall / Warwick Hall. The City should continue to explore further opportunities to consolidate services from several locations into one or more locations, and to also consider whether other assets should be reduced.

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee:

- 1 **CONSIDERS** the draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33 as at Attachment 1 to this Report for a recommendation to Council;
- 2 **RECOMMENDS** Council **ADOPT** the Guiding Principles 2014 as at Attachment 2 to this Report.

MOVED Cr Fishwick, SECONDED Cr McLean that Council:

- 1 **ADOPTS** the draft *20 Year Strategic Financial Plan* for the period 2013-14 to 2032-33 as at Attachment 1 to this Report;
- 2 **ADOPTS** the Guiding Principles 2014 as at Attachment 2 to this Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Corr, Fishwick, McLean, Norman and Thomas.

The Senior Financial Analyst left the room at 6.20pm.

The Director Corporate Services left the room at 6.20pm and returned at 6.21pm.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnSFMC110614.pdf](#)

Disclosures of interest affecting impartiality

Name/Position	Mayor Troy Pickard.
Item No./Subject	Item 2 – Confidential – Status Report on City Freehold Properties Proposed for Disposal.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The owner and tenant of Lot 972 Creaney Drive, Kingsley (Kingsley Tavern) are known to Mayor Pickard.

Name/Position	Cr John Chester.
Item No./Subject	Item 2 – Confidential – Status Report on City Freehold Properties Proposed for Disposal.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	Cr Chester has done a flora survey for vegetation on Lot 971 (52) Creaney Drive, Kingsley.

**ITEM 2 CONFIDENTIAL - STATUS REPORT ON CITY
FREEHOLD PROPERTIES PROPOSED FOR
DISPOSAL**

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	63627, 101515
ATTACHMENTS	Attachment 1 Location Plans - Lot 202 (20) Kanangra Crescent, Greenwood and Lot 745 (103) Caridean Street, Heathridge Attachment 2 Location Plans - Lot 701 (15) Burlos Court, Joondalup and Lot 23 (77) Gibson Avenue, Padbury Attachment 3 Location Plans - Lot 1001 (14) Camberwarra Drive, Craigie and Lots 642/643 (57/59) Marri Road, Duncraig Attachment 4 Location Plans - Lot 971 (52) Creaney Drive, Kingsley (Please Note: <i>The Report and Attachment is confidential and will appear in the official Minute Book only</i>)
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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

The determination by the local government of a price for the sale or purchase of property by the local government.

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

MOVED Cr Norman, SECONDED Cr Fishwick that the Strategic Financial Management Committee NOTES:

- 1 the status report on the progress of the City's proposed disposal at eight freehold land sites as at 31 May 2014;**
- 2 a further status report on the progress of the City's proposed disposal of eight freehold land sites will be submitted to the Strategic Financial Management Committee meeting to be held on 13 October 2014.**

The Motion was Put and

CARRIED (6/1)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Fishwick, McLean, Norman and Thomas.

Against the Motion: Cr Corr.

**ITEM 3 CONFIDENTIAL - CITY OF JOONDALUP FREEHOLD
LAND - LOTS 200, 201 AND 202 KANANGRA CRESCENT,
GREENWOOD**

WARD	South-East
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	63627, 101515
ATTACHMENTS	Attachment 1 Location plan of Lots 200, 201 and 202 Kanangra Crescent, Greenwood and surrounding Public Open Space Attachment 2 Photographs of subject lots <i>(Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only)</i>
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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

The determination by the local government of a price for the sale or purchase of property by the local government.

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

OFFICER'S RECOMMENDATION:

That the Strategic Financial Management Committee CONSIDER the information and options to the Strategic Financial Management Committee with regard to the future disposal of Lot 202 (20) Kanagra Crescent, Greenwood and the results of the further investigations on Lot 200 (24) and Lot 201 (22) Kanangra Crescent, Greenwood.

MOVED Mayor Pickard, SECONDED Cr Amphlett that Council:

- 1 SUPPORTS the amalgamation of Lots 200, 201 and 202 Kanangra Crescent, Greenwood;**
- 2 REQUESTS a report on the initiation of an amendment to *District Planning Scheme No. 2* for the purposes of public consultation to rezone Lots 200, 201 and 202 Kanangra Crescent, Greenwood from Residential R20 to Residential R40 be submitted to the Council meeting to be held on 15 July 2014.**

The Motion was Put and

CARRIED (6/1)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Fishwick, McLean, Norman and Thomas.
Against the Motion: Cr Corr.

**ITEM 4 CONFIDENTIAL - PROPOSED DISPOSAL OF LOT
745 (103) CARIDEAN STREET, HEATHRIDGE AND
LOT 23 (77) GIBSON AVENUE, PADBURY**

WARDS	North-Central South-West
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	63627, 101515
ATTACHMENT	Attachment 1 Location Plan Lot 745 (103) Caridean Street, Heathridge Attachment 2 Location Plan – Lot 23 (77) Gibson Avenue, Padbury Attachment 3 Extract from Water Corporation easement B619073 indicating easement on sewerage infrastructure Attachment 4 Deposited Plan 76074 – indicating Water Corporation easement on water main. <i>(Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only)</i>
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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

The determination by the local government of a price for the sale or purchase of property by the local government.

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

MOVED Cr Fishwick, SECONDED Cr Norman that Council:

- 1 BY AN ABSOLUTE MAJORITY, REVOKES Part 3.3 of its decision at its meeting held on 15 March 2011 (CJ051-03/11 refers) as follows:**

“3.3 SUPPORTS the disposal under Section 3.59 of the Local Government Act 1995 of Lot 23 (77) Gibson Avenue, Padbury detailed on Attachment 5 to Report CJ051-03/11”;
- 2 ENDORSES the proposed disposal of Lot 745 (103) Caridean Street, Heathridge and Lot 23 (77) Gibson Avenue, Padbury by public tender in accordance with section 3.58 (2) (b) of the *Local Government Act 1995*;**
- 3 AUTHORISES the Chief Executive Officer to conduct a public tender process;**
- 4 REQUESTS the Chief Executive Officer to report back to Council on the results of the public tender to enable Council to decide which is the most acceptable tender;**
- 5 NOTES that the income derived from the proposed sale of Lot 745 (103) Caridean Street, Heathridge and Lot 23 (77) Gibson Avenue, Padbury is to be transferred to the Performing Arts and Cultural Facility Reserve Fund.**

The Motion was Put and

CARRIED (6/1)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Fishwick, McLean, Norman and Thomas.

Against the Motion: Cr Corr.

Disclosure of interest affecting impartiality

Name/Position	Mayor Troy Pickard.
Item No./Subject	Item 5 – Confidential – Proposed Disposal of Lot 971 (52) Creaney Drive, Kingsley.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The owner and tenant of Lot 972 Creaney Drive, Kingsley (Kingsley Tavern) are known to Mayor Pickard.

ITEM 5 CONFIDENTIAL - PROPOSED DISPOSAL OF LOT 971 (52) CREANEY DRIVE, KINGSLEY

WARD South-East

RESPONSIBLE DIRECTOR Mr Garry Hunt
Office of the CEO

FILE NUMBER 63627, 101515

ATTACHMENT Attachment 1 Location Plan
Attachment 2 Concept Plan 1
Attachment 3 Concept Plan 2

(Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only)

AUTHORITY / DISCRETION Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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

The determination by the local government of a price for the sale or purchase of property by the local government.

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

OFFICER'S RECOMMENDATION:

That Council:

- 1 BY AN ABSOLUTE MAJORITY REVOKES Part 3 of its decision (CJ171-09/11) of 20 September 2011 as follows:

- “3 *SUPPORTS the initiation of an Amendment to District Planning Scheme No. 2 to Lot 971 (52) Creaney Drive, Kingsley to rezone the land from ‘Civic and Cultural’ to Commercial and Residential/R40; (Restricted Use – Aged Persons Housing) and where possible existing grass trees be relocated and trees offset to alternative locations throughout the City; and”;*
- 2 BY AN ABSOLUTE MAJORITY REVOKES Part 6.3 of its decision (CJ034-03/12) of 20 March 2012 as follows:
- “6.3 APPROVES:
- 6.3.1 *the excision of a 600m² portion of Lot 971 (52) Creaney Drive, Kingsley to comply with the reciprocal access and car parking agreement dated 4 November 1987 between the City of Joondalup, Ampol Petroleum Ltd, Resolve Nominees Pty Ltd and the owners of Kingsley Village Shopping Centre; and*
- 6.3.2 *the remaining 9,400m² balance of Lot 971 (52) Creaney Drive, Kingsley be considered for sale”;*
- 3 REQUESTS a report on the initiation of an amendment to District Planning Scheme No. 2 to rezone Lot 971 (52) Creaney Drive, Kingsley from ‘Civic and Cultural’ to ‘Mixed Use’ with a density code of R60;
- 4 NOTES that appropriate conditions of sale will require the dwellings to be developed for aged persons’ with regard to the residential component of the proposed development.

MOVED Cr McLean, SECONDED Cr Norman that Council:

- 1 BY AN ABSOLUTE MAJORITY REVOKES Part 3 of its decision (CJ171-09/11) of 20 September 2011 as follows:
- “3 *SUPPORTS the initiation of an Amendment to District Planning Scheme No. 2 to Lot 971 (52) Creaney Drive, Kingsley to rezone the land from ‘Civic and Cultural’ to Commercial and Residential/R40; (Restricted Use – Aged Persons Housing) and where possible existing grass trees be relocated and trees offset to alternative locations throughout the City; and”;*
- 2 BY AN ABSOLUTE MAJORITY REVOKES Part 6.3 of its decision (CJ034-03/12) of 20 March 2012 as follows:
- “6.3 APPROVES:
- 6.3.1 *the excision of a 600m² portion of Lot 971 (52) Creaney Drive, Kingsley to comply with the reciprocal access and car parking agreement dated 4 November 1987 between the City of Joondalup, Ampol Petroleum Ltd, Resolve Nominees Pty Ltd and the owners of Kingsley Village Shopping Centre; and*
- 6.3.2 *the remaining 9,400m² balance of Lot 971 (52) Creaney Drive, Kingsley be considered for sale”;*

- 3 **REQUESTS** a report on the initiation of an amendment to *District Planning Scheme No. 2* for the purposes of public consultation to rezone Lot 971 (52) Creaney Drive, Kingsley from 'Civic and Cultural' to 'Mixed Use' with a density code of R60, and restricting the residential use as "Aged Persons' Dwelling" only, to be submitted to the Council meeting to be held on 15 July 2014 and noting that where possible existing grass trees be relocated to alternative locations throughout the City;
- 4 **NOTES** that the income derived from the proposed sale of Lot 971 (52) Creaney Drive, Kingsley is to be transferred to the Performing Arts and Cultural Facility Reserve Fund.

It was requested that Parts 1 and 2 of the Motion be voted upon together, with Parts 3 and 4 being voted upon individually.

MOVED Cr McLean, SECONDED Cr Norman that Council:

- 1 **BY AN ABSOLUTE MAJORITY REVOKES** Part 3 of its decision (CJ171-09/11) of 20 September 2011 as follows:

"3 SUPPORTS the initiation of an Amendment to *District Planning Scheme No. 2 to Lot 971 (52) Creaney Drive, Kingsley to rezone the land from 'Civic and Cultural' to Commercial and Residential/R40; (Restricted Use – Aged Persons Housing) and where possible existing grass trees be relocated and trees offset to alternative locations throughout the City; and";*

- 2 **BY AN ABSOLUTE MAJORITY REVOKES** Part 6.3 of its decision (CJ034-03/12) of 20 March 2012 as follows:

"6.3 APPROVES:

6.3.1 the excision of a 600m² portion of Lot 971 (52) Creaney Drive, Kingsley to comply with the reciprocal access and car parking agreement dated 4 November 1987 between the City of Joondalup, Ampol Petroleum Ltd, Resolve Nominees Pty Ltd and the owners of Kingsley Village Shopping Centre; and

6.3.2 the remaining 9,400m² balance of Lot 971 (52) Creaney Drive, Kingsley be considered for sale".

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Corr, Fishwick, McLean, Norman and Thomas.

MOVED Cr McLean, SECONDED Cr Norman that Council:

- 3 **REQUESTS** a report on the initiation of an amendment to *District Planning Scheme No. 2* for the purposes of public consultation to rezone Lot 971 (52) Creaney Drive, Kingsley from 'Civic and Cultural' to 'Mixed Use' with a density code of R60, and restricting the residential use as "Aged Persons' Dwelling" only, to be submitted to the Council meeting to be held on 15 July 2014 and noting that where possible existing grass trees be relocated to alternative locations throughout the City;

The Motion was Put and

CARRIED (6/1)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Fishwick, McLean, Norman and Thomas.

Against the Motion: Cr Corr.

MOVED Cr McLean, SECONDED Cr Norman that Council:

- 4 NOTES that the income derived from the proposed sale of Lot 971 (52) Creaney Drive, Kingsley is to be transferred to the Performing Arts and Cultural Facility Reserve Fund.**

The Motion was Put and

CARRIED (6/1)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Fishwick, McLean, Norman and Thomas.

Against the Motion: Cr Corr.

MOVED Mayor Pickard, SECONDED Cr McLean that the Strategic Financial Management Committee NOTES the confidential Report in relation to the further examination of the City freehold land register and determines that no further investigations be conducted at this point in time in relation to the eight sites mentioned within the Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Corr, Fishwick, McLean, Norman and Thomas.

Disclosure of interest affecting impartiality

Name/Position	Mayor Troy Pickard.
Item No./Subject	Item 7 – Confidential – City Proposed Acquisition of Vacant Crown land Community Purpose Site – Lot 12223 (12) Blackwattle Parade, Padbury (Reserve 43717).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	Mayor Pickard’s children attend St Stephens School, Duncraig which abuts Fernwood Park, Padbury.

ITEM 7 CONFIDENTIAL - CITY PROPOSED ACQUISITION OF VACANT CROWN LAND COMMUNITY PURPOSE SITE – LOT 12223 (12) BLACKWATTLE PARADE, PADBURY (RESERVE 43717)

WARD	South-West
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	07560, 56534, 55022,101515
ATTACHMENT	Attachment 1 Location Plan - Lot 12223, (12) Blackwattle Parade, Padbury (Reserve 43717) Attachment 2 Location Plan - St Stephen’s Early Learning Centre (Please Note: <i>The Report and Attachment is confidential and will appear in the official Minute Book only</i>)
AUTHORITY / DISCRETION	Executive – The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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

The determination by the local government of a price for the sale or purchase of property by the local government.

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

OFFICER'S RECOMMENDATION:

That Council:

- 1 ACCEPTS in principle the Department of Lands offer to cancel Reserve 43717, Lot 12223, (12) Blackwattle Parade, Padbury and dispose of it to the City at a cost of \$88,000 (exclusive of GST) subject to the outcome of a 30-day public advertising period;
- 2 REQUESTS the Chief Executive Officer to pursue clarification from the Minister for Planning and the Minister for Lands regarding the conditions provided to the City on how the proceeds on the proposed disposal of the site should be utilised;
- 3 AUTHORISES the advertising of the proposal to purchase Reserve 43717 for thirty days in accordance with the Department of Lands requirements.

MOVED Cr Thomas, SECONDED Cr Norman that Council:

- 1 **ACCEPTS in principle the Department of Lands offer to cancel Reserve 43717, Lot 12223 (12) Blackwattle Parade, Padbury and dispose of it to the City at a cost of \$88,000 (exclusive of GST) subject to the outcome of a 30-day public advertising period;**
- 2 **REQUESTS the Chief Executive Officer to pursue clarification from the Minister for Planning and the Minister for Lands regarding the conditions provided to the City on how the proceeds on the proposed disposal of the site should be utilised;**
- 3 **AUTHORISES the advertising of the proposal to purchase Reserve 43717 for thirty days in accordance with the Department of Lands requirements;**
- 4 **NOTES the preference for the proceeds of the sale of Lot 12223 (12) Blackwattle Parade, Padbury is to resolve traffic ingress/egress issues to Hepburn Heights by the installation of traffic lights at the junction of Walter Padbury Boulevard and Hepburn Avenue, Padbury.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Corr, Fishwick, McLean, Norman and Thomas.

Cr Chester left the room at 7.46pm.

**ITEM 8 CONFIDENTIAL - PINNAROO POINT CAFÉ/KIOSK -
EXPRESSION OF INTEREST**

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

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

A matter that if disclosed would reveal information about the business, professional, commercial or financial affairs of a person.

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

OFFICER'S RECOMMENDATION:

That Council:

- 1 CONSIDERS the information provided by respondents to the Expression of Interest and the assessment by the Evaluation Panel contained within the report and DETERMINES that The Fig Group is the Stage One preferred respondent for the development of a café/kiosk at Pinnaroo Point ;
- 2 REQUESTS the Chief Executive Officer to invite a Stage Two proposal from The Fig Group;
- 3 REQUESTS the Chief Executive Officer to provide a further report to Council at the conclusion of Stage Two.

MOVED Cr Thomas, SECONDED Cr Norman that Council:

- 1 CONSIDERS the information provided by respondents to the Expression of Interest and the assessment by the Evaluation Panel contained within the Report and DETERMINES that The Fig Group is the Stage One preferred respondent for the development of a café/kiosk at Pinnaroo Point;**
- 2 REQUESTS the Chief Executive Officer to invite a Stage Two proposal from The Fig Group and Rock (WA) Pty Ltd T/as White Salt;**
- 3 REQUESTS the Chief Executive Officer to provide a further report to Council at the conclusion of Stage Two.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Corr, Fishwick, McLean, Norman and Thomas.

**ITEM 9 CONFIDENTIAL - BURNS BEACH
CAFÉ/RESTAURANT EXPRESSIONS OF INTEREST -
INTERIM STATUS REPORT**

WARD	North
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	102656, 101515
ATTACHMENT	Nil.
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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

A matter that if disclosed would reveal information about the business, professional, commercial or financial affairs of a person.

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

MOVED Cr McLean, SECONDED Cr Thomas that the Strategic Financial Management Committee NOTES the Burns Beach Café/Restaurant Expression of Interest – Interim Status Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Amphlett, Mayor Pickard, Crs Corr, Fishwick, McLean, Norman and Thomas.

URGENT BUSINESS

Nil.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 8.06pm; the following Committee Members being present at that time:

Cr Geoff Amphlett, JP
Mayor Troy Pickard
Cr Brian Corr
Cr Russ Fishwick, JP
Cr Tom McLean, JP
Cr Mike Norman
Cr Sam Thomas