

minutes

Finance Committee

MEETING HELD ON **MONDAY 7 AUGUST 2017**

TABLE OF CONTENTS

Item No.	Title	Page No.
	Declaration of Opening	3
	Declarations of Interest	4
	Apologies/Leave of absence	4
	Confirmation of Minutes	4
	Announcements by the Presiding Member without discussion	4
	Identification of matters for which the meeting may be closed to the public	4
	Petitions and deputations	4
	Reports	5
1	Update on the 2016-17 Capital Works Program	5
2	Bi-monthly Capital Works Project Reports	8
3	Capital Works Project Reporting for 2017-18	12
4	Prince Regent Park, Heathridge – Proposed Redevelopment	16
5	2018-19 Community Facility Refurbishment Project – Windermere Park Clubroom	28
6	2018-19 Community Facility Refurbishment Projects	36
7	Implications of the McKell Institute Report “Giving Local Governments the Reboot”	47
8	Impact on 20 Year Strategic Financial Plan of Reports to Council – April 2017 to June 2017	57
9	Draft 20 Year Strategic Financial Plan 2017 (2016-17 to 2035-36)	62
10	Status Report on City Freehold Properties Proposed for Disposal and a Proposed Crown Land Acquisition	85
11	Burns Beach Café / Restaurant – Project Status	93
	Urgent Business	104
	Motions of which previous notice has been given	104
	Requests for Reports for future consideration	104
	Closure	104

CITY OF JOONDALUP

MINUTES OF THE FINANCE COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 7 AUGUST 2017.

ATTENDANCE

Committee Members

Cr Tom McLean, JP	<i>Presiding Member</i>	
Cr Philippa Taylor	<i>Deputy Presiding Member</i>	
Cr Russell Poliwka		<i>Absent from 7.55pm to 7.58pm</i>
Cr Mike Norman		
Cr John Chester	<i>Deputising for Cr Logan</i>	<i>Absent from 8.23pm to 8.25pm</i>
Cr Sophie Dwyer		<i>Absent from 8.05pm to 8.08pm</i>

Officers

Mr Garry Hunt	Chief Executive Officer	
Mr Mike Tidy	Director Corporate Services	
Mr Nico Claassen	Director Infrastructure Services	
Mr Brad Sillence	Manager Governance	
Mr Roney Oommen	Manager Financial Services	<i>to 9.12pm</i>
Mr Blignault Olivier	Manager City Projects	
Mr Mike Smith	Manager Leisure and Cultural Services	<i>to 8.05pm</i>
Mr Alan Ellingham	Senior Financial Analyst	<i>to 9.12pm</i>
Mr John Byrne	Governance Coordinator	
Mrs Lesley Taylor	Governance Officer	

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 7.00pm.

DECLARATIONS OF INTEREST

Nil.

APOLOGIES/LEAVE OF ABSENCE**Apologies:**

Mayor Troy Pickard.
Cr John Logan.

Leave of Absence Previously Approved:

Cr Christine Hamilton-Prime	14 July to 21 August 2017 inclusive;
Cr John Logan	10 September to 17 September inclusive;
Cr Mike Norman	10 September to 22 September inclusive;
Cr Sophie Dwyer	23 September to 8 October 2017 inclusive.

CONFIRMATION OF MINUTES**MINUTES OF THE FINANCE COMMITTEE HELD ON 12 JUNE 2017**

MOVED Cr Norman, SECONDED Cr Poliwka that the minutes of the meeting of the Finance Committee held on 12 June 2017 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (6/0)

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

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 UPDATE ON THE 2016-17 CAPITAL WORKS PROGRAM**

WARD	All
RESPONSIBLE DIRECTOR	Mr Nico Claassen Infrastructure Services
FILE NUMBER	105564, 101515
ATTACHMENTS	Attachment 1 Capital Works Project Report 2016-17
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 the Finance Committee to note the update on the *2016-17 Capital Works Program*.

EXECUTIVE SUMMARY

The Capital Works Project Report for the 2016-17 program as at 30 June 2017 is attached (Attachment 1 refers).

It is therefore recommended that the Finance Committee NOTES the report on the Capital Works Projects for 2016-17 as at 30 June 2017 forming Attachment 1 to this Report.

BACKGROUND

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

“2 *ESTABLISH a Finance Committee to:*

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

DETAILS

The Capital Works Project Report for the 2016-17 program as at 30 June 2017 is provided at Attachment 1.

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

Capital Works Projects			
Year	Total number of projects	Actual carried forward projects	% carried forward
2010–11	359	56	16%
2011–12	352	46	13%
2012–13	331	36	11%
2013–14	292	23	8%
2014–15	256	11	4%
2015–16	277	16	6%
2016–17	274	14	5%

Issues and options considered

Not applicable.

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

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

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

Strategic Community Plan**Key theme**

Financial Sustainability.

Objective

Major project delivery.

Strategic initiative

Not applicable.

Policy

Not applicable.

Risk management considerations

Not applicable.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

The Capital Works Project Report for the 2016-17 program provides an update on the capital works activities undertaken as at 30 June 2017.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Poliwka, **SECONDED** Cr Dwyer that the Finance Committee **NOTES** the report on the Capital Works Projects for 2016-17 as at 30 June 2017 forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (6/0)

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

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnFIN170807.pdf](#)

ITEM 2 BI-MONTHLY CAPITAL WORKS PROJECT REPORTS

WARD	All
RESPONSIBLE DIRECTOR	Mr Nico Claassen Infrastructure Services
FILE NUMBER	105564, 101515
ATTACHMENTS	Attachment 1 <i>MacDonald Park Landscape Master Plan</i> Attachment 2 Ocean Reef Road – Marmion Avenue to Oceanside Promenade Dualling Attachment 3 <i>Leafy City Program</i> Attachment 4 Joondalup City Centre Lighting Attachment 5 Penistone Park Facility Refurbishment Attachment 6 Grove Child Care / Dorchester Hall / Warwick Hall Attachment 7 Warwick Hockey Centre Project
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

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

EXECUTIVE SUMMARY

At the Finance Committee meeting held on 10 August 2016 the committee determined which capital works project reports were required and the frequency of reporting. The bi-monthly project reports are attached (Attachments 1-7 refer).

It is therefore recommended that the Finance Committee NOTES the bi-monthly capital works project reports forming Attachments 1 to 7 to this Report.

BACKGROUND

At its meeting held on 10 August 2016 the Finance Committee requested that the following project reports from the *2016-17 Capital Works Program* be provided on a bi-monthly basis:

- Timberlane Park Hall Upgrade.
- Kingsley Clubrooms.
- SES Winton Road.
- *MacDonald Park Landscape Master Plan.*
- Ocean Reef Road – Marmion Avenue to Oceanside Promenade Dualling.
- Ocean Reef Road / Joondalup Drive Intersection Upgrade.
- *Leafy City Program.*

- Joondalup City Centre Lighting.
- Admiral Park Flood Lighting Upgrade.
- Penistone Park Facility Refurbishment.
- Grove Child Care / Dorchester Hall / Warwick Hall.
- Sorrento Beach Enclosure.
- Warwick Hockey Centre Project.
- Percy Doyle – Undercroft Extension.

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

- Timberlane Park Hall Upgrade.

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

- Kingsley Clubrooms.

The following project which required bi-monthly project reports was completed and the final report was presented to the Finance Committee held on 6 February 2017:

- Sorrento Beach Enclosure.

The following projects which required a bi-monthly project report were completed and the final report was presented to the Finance Committee held on 12 June 2017:

- SES Winton Road.
- Admiral Park Flood Lighting Upgrade.
- Percy Doyle – Undercroft Extension.
- Ocean Reef Road/Joondalup Drive Intersection Upgrade

DETAILS

A summary of the projects and their current status is detailed in the bi-monthly project reports forming Attachments 1-7 to this Report.

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

- Warwick Hockey Centre Project.
- Ocean Reef Road – Marmion Avenue to Oceanside Promenade Dualling.

Issues and options considered

Not applicable.

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

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

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

Strategic Community Plan**Key theme**

Financial Sustainability.

Objective

Major project delivery.

Strategic initiative

Not applicable.

Policy

Not applicable.

Risk management considerations

Not applicable.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

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

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Chester, SECONDED Cr Taylor that the Finance Committee NOTES the bi-monthly capital works project reports forming Attachments 1 to 7 to this Report.

The Motion was Put and

CARRIED (6/0)

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

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agnFIN170807.pdf](#)

ITEM 3 CAPITAL WORKS PROJECT REPORTING FOR 2017-18

WARD	All
RESPONSIBLE DIRECTOR	Mr Nico Claassen Infrastructure Services
FILE NUMBER	105564, 101515
ATTACHMENTS	Attachment 1 <i>2017-18 Capital Works Program</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.

PURPOSE

For the Finance Committee to determine which projects in the *2017-18 Capital Works Program* require separate reports to be submitted to the committee on a bi-monthly basis.

EXECUTIVE SUMMARY

At its meeting held on 27 June 2017 Council adopted the *2017-18 Capital Works Program* (CJ084-06/17 refers). To assist the committee in determining which projects they may require project reports for, a copy of the *2017-18 Capital Works Program* is provided as Attachment 1 to this Report. In addition, this report proposes projects for which the committee may require project reports.

BACKGROUND

At its meeting held on 26 June 2012 (CJ121-06/12 refers), Council resolved that:

“a report be submitted to the August meeting of the Capital Works Committee to determine which projects in the 2012-13 Capital Works Program require separate reports to be submitted to the Committee in more detail;”.

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

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

1.3 *Capital Works Committee;*

2 *ESTABLISH a Finance Committee to:*

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

- 2.2 *make recommendations to Council on modifications of capital works projects outside those projects of the Major Projects Committee;*
- 2.3 *make recommendations to Council on the services to be provided by the City and the standards of service delivery being cognisant of industry best practice;”*

DETAILS

At its meeting held on 27 June 2017 Council adopted the *2017-18 Capital Works Program* (CJ084-06/17 refers). To assist the committee in determining which projects it may require project reports for, a copy of the *2017-18 Capital Works Program* is provided at Attachment 1 to this Report. This Report also suggests projects which the committee may wish to consider for project reporting.

Based upon the high profile, impact on the community and the scale of the budget it is proposed that project reports be provided on a bi-monthly basis for the following projects:

Project Code	Project Description
FNM2054	Whitfords Nodes Hillarys Lookout Stairway
MPP2047	Penistone Park Facility Redevelopment
MPP2063	Percy Doyle Tennis Clubrooms Refurbishment
MPP2064	Percy Doyle Soccer Clubrooms Refurbishment
PDP2256	MacDonald Park LMP
PDP2272	Parin Pioneer Park Development
RDC2018	Whitfords Avenue Upgrades
RDC2019	Burns Beach Road/Joondalup Drive Roundabout
SSE2057	Leafy City Program
STL2003	Joondalup City Centre Lighting
STL2048	Warrandyte Park Flood Lighting Upgrade

Issues and options considered:

The options available to Council are:

- accept the proposed projects for project reporting
- not accept the proposed projects for project reporting
or
- vary the proposed projects for project reporting.

Legislation / Strategic Community Plan / policy implications

Legislation

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

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

Strategic Community Plan

Key theme Financial Sustainability.

Objective Major project delivery.

Strategic initiative Not applicable.

Policy Not applicable.

Risk management considerations

Not applicable.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

An update on capital works activities will be submitted to the Finance Committee on a bi-monthly basis.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Norman, SECONDED Cr Poliwka that the Finance Committee REQUESTS that detailed reports on the following Capital Works Projects are provided on a bi-monthly basis:

- 1 Whitfords Nodes Hillarys Lookout Stairway;**
- 2 Penistone Park Facility Redevelopment;**
- 3 Percy Doyle Tennis Clubrooms Refurbishment;**
- 4 Percy Doyle Soccer Clubrooms Refurbishment;**
- 5 MacDonald Park LMP;**
- 6 Parin Pioneer Park Development;**
- 7 Whitfords Avenue Upgrades;**
- 8 Burns Beach Road/Joondalup Drive Roundabout;**
- 9 *Leafy City Program;***
- 10 Joondalup City Centre Lighting;**
- 11 Warrandyte Park Flood Lighting Upgrade.**

The Motion was Put and

CARRIED (6/0)

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

Appendix 3 refers

To access this attachment on electronic document, click here: [Attach3agnFIN170807.pdf](#)

Concept plans were developed for Littorina Park and Prince Regent Park and cost estimates were obtained from an external Quantity Surveyor.

The proposed site plans indicate the layout of two soccer playing fields, new community sporting facility, car park extension, relocation of cricket infrastructure and service access to the new facility. The existing cricket training nets and cricket wicket at Prince Regent Park are proposed to be relocated on the site to accommodate the summer user groups.

The proposed facility design is the same for both sites and is based on the City's standard small sporting facility specifications. Two options have been developed for the new facility (with two or four unisex change rooms) to allow both female and male teams to utilise the change rooms at the same time. Four change rooms are not included in the City's standard specifications currently, however have been included as an option to support the future growth of female soccer.

The facility floorplans for both sites include a meeting room of approximately 130m² overlooking the oval, change rooms, umpire room, toilets, kitchen, associated storage, CCTV room and covered spectator verandah area. They also include a unisex 'park toilet' designed to include the automatic timed door lock system and be accessible without compromising the security of the remainder of the facility.

Following discussion with JUFC it was agreed that Prince Regent Park, Heathridge was the preferred location. The estimated project cost for the option with two change rooms is \$2,617,000 and \$3,070,000 for the option with four change rooms.

It has been identified that this project would be suitable for consideration as part of the Department of Local Government, Sport and Cultural Industries' (formerly the Department of Sport and Recreation) Community Sporting and Recreation Facilities Fund (CSRFF) program. To meet the program deadlines, an application would need to be made to the next Forward Planning Grant funding round which closes in September 2017. Alternatively, an application could be submitted for the September 2018 round.

Currently there is \$1,600,000 listed in the City's *Five Year Capital Works Program* across 2017-18 and 2018-19 for the redevelopment of a clubroom facility for JUFC at a site to be determined. It is important to note that this project budget was not based on any project scoping, concept plans or cost estimates. The funds listed also did not include any allocation for professional fees, site works or contingency.

As part of the project budget, a club contribution of \$200,000 was previously included based on a commitment from the club to contribute to the proposed Forrest Park improvement project (CJ122-08/16 refers) which did not proceed. Recent discussions with JUFC have indicated that the club is no longer in a position to contribute financially to the project due to continued growth in club membership; the requirement to operate across multiple grounds with limited capacity to generate income and an increase in club expenses following their promotion into Football West's National Premier League competition.

It is recommended that the Prince Regent Park redevelopment project progresses to the next stage - community consultation, on the preferred site concept plan (two change rooms). This option meets the needs of JUFC and provides the best outcome for the existing user groups of the park and the community.

It is recommended that Council:

- 1 *NOTES the following amounts are currently listed within the City's Five Year Capital Works Program for the development of a clubroom facility for Joondalup United Football Club:*
 - 1.1 *\$100,000 (municipal funds) in 2017-18 for detailed design of the redevelopment project;*
 - 1.2 *\$1,500,000 (\$200,000 club contribution; \$300,000 CSRFF; \$500,000 reserve funds; \$500,000 loan funds) in 2018-19 for construction of the redevelopment project;*
- 2 *APPROVES the proposed redevelopment project including demolition and site works, construction of a new community sporting facility, floodlighting upgrade, relocation of cricket infrastructure and car park extension at Prince Regent Park, Heathridge as included in option two (two change rooms) and detailed in this Report at a project cost estimate of \$2,617,000;*
- 3 *Subject to approval of Part 2 above, NOTES that \$2,100,000 which is currently listed in the City's 20 Year Strategic Financial Plan in 2031-32 for a facility redevelopment at Prince Regent Park, Heathridge will be removed as part of the next annual 20 Year Strategic Financial Plan review in 2018;*
- 4 *LISTS FOR CONSIDERATION a revised budget of \$2,517,000 (\$300,000 CSRFF; \$500,000 reserve funds; \$1,717,000 loan funds) in 2018-19 for construction within the City's Five Year Capital Works Program for the development of a clubroom facility for Joondalup United Football Club (removal of \$200,000 club contribution; addition of \$1,217,000 City contribution);*
- 5 *NOTES the Prince Regent Park redevelopment project will be listed as part of the City's CSRFF project submission report to be considered by Council at the 19 September 2017 Council meeting;*
- 6 *REQUESTS the Chief Executive Officer to arrange community consultation on the site concept plan (two change rooms) as detailed in this Report for the Prince Regent Park redevelopment project with a further report to be presented to Council on the outcome in late 2017.*

BACKGROUND

At its meeting held on 13 December 2016 (CJ236-12/16 refers), Council considered several possible home grounds for JUFC and identified the following active reserves as potential locations, subject to refurbishment or redevelopment of a clubroom facility:

- Beldon Park, Beldon.
- Caledonia Park, Currambine.
- Christchurch Park, Currambine.
- Hawker Park, Warwick.
- Littorina Park, Heathridge.
- Prince Regent Park, Heathridge.
- Warrandyte Park, Craigie.
- Santiago Park, Ocean Reef.

At its meeting held on 21 March 2017 (CJ034-03/17 refers), Council considered a possible redevelopment of Beldon Park however did not agree to proceed and requested that the Chief Executive Officer continue to work with the club to find a suitable location to accommodate its National Premier League (NPL) and community-based fixtures.

The City has engaged an external consultant to undertake a feasibility study on Percy Doyle Reserve being upgraded to a regional NPL stadium site that JUFC and other City of Joondalup soccer clubs could use for NPL matches.

Investigation was undertaken on potential locations in order to accommodate the club's community-based fixtures with three reserves further explored for redevelopment based on the existing usage by sporting clubs, existing site infrastructure (including sports floodlighting) and size. These reserves were:

- Littorina Park, Heathridge
- Prince Regent Park, Heathridge
- Santiago Park, Ocean Reef.

Santiago Park is bound by Santiago Parkway, Ocean Reef, Beaumaris Primary School, St Simon Peter Catholic Primary School and Beaumaris shopping centre (Attachment 1 refers) and is classified as a 'Local Park' within the City's existing *Parks and Public Open Spaces Classification Framework*. It comprises an active reserve (one full size AFL pitch) and a toilet facility including storage. The park is subject to a shared-use agreement with the Department of Education and Catholic Education Office which provides Beaumaris Primary School and St Simon Peter Catholic Primary School with priority use of the reserve during school hours (8.00am to 4.00pm). The park is used primarily as an overflow venue by Joondalup City Football Club for training and matches during the winter season and by the Joondalup Kinross junior and senior cricket clubs during the summer season.

Santiago Park is currently a secondary venue for winter or summer sporting clubs and is heavily utilised during school hours by the two adjacent schools. For these reasons, and the likelihood that a new clubroom facility would have a significant impact on the local community, it was determined not to progress with Santiago Park as a possible location option.

Littorina Park is bound by Ocean Reef Road and Eddystone Avenue, Heathridge (Attachment 2 refers) and is classified as a 'Neighbourhood Park' within the City's existing *Parks and Public Open Spaces Classification Framework*. It is also adjacent to Eddystone Primary School and Littorina Park natural area. It comprises an active reserve (one full size AFL pitch), cricket training nets, cricket wicket and approximately 44 car parking bays. The park is subject to a shared-use agreement with the Department of Education which provides Eddystone Primary School with priority use of the reserve during school hours (8.00am to 4.00pm). Outside of these hours, it is used primarily as an overflow venue for training and games for the Edgewater Senior Cricket Club during the summer season and the Ocean Ridge Junior Football (AFL) Club during the winter season.

Prince Regent Park is bound by Marmion Avenue and Prince Regent Drive, Heathridge, (Attachment 3 refers) and is classified as a 'Local Park' within the City's existing *Parks and Public Open Spaces Classification Framework*. It comprises an active reserve (one full size AFL pitch), sports floodlights, cricket training nets, cricket wicket, toilet facility and approximately 35 car parking bays. In 2013-14 the sports floodlighting infrastructure was upgraded to provide levels of 50 lux (Australian Standard large ball sports training). The park is used primarily by JUFC for training and junior matches during the winter season and by the Ocean Ridge junior and senior cricket clubs during the summer season. The existing playground at Prince Regent Park is scheduled to be replaced in 2018.

As part of the City's Active Reserve and Community Facility Review that was undertaken in 2014, Prince Regent Park was identified for a facility redevelopment and as a result \$2,100,000 was included in the City's *20 Year Strategic Financial Plan* in 2031-32.

Currently there is \$1,600,000 listed in the City's *Five Year Capital Works Program* across 2017-18 and 2018-19 for the redevelopment of a clubroom facility for JUFC at a site to be determined. It is important to note that this project budget was not based on any project scoping, concept plans or cost estimates. It also did not include any allocation for professional fees, site works or contingency.

DETAILS

In order to accommodate the club's community-based teams, a scope of works was developed based on the City's standard specifications, feedback from JUFC and addressing the challenges identified for each site. Concept plans were developed for Littorina Park and Prince Regent Park based on the scope of works and cost estimates were obtained from an external Quantity Surveyor.

Stakeholder consultation

As part of the needs analysis stage of the project, stakeholder consultation was undertaken with JUFC. The three proposed locations were discussed with JUFC and based on their existing usage at Prince Regent Park, the existing site infrastructure (including sports floodlighting) and size, the club's preference was this location.

Concept plans

The proposed site plans (Attachments 4 and 5 refer) indicate the layout of two soccer playing fields, new community sporting facility, car park extension, relocation of cricket infrastructure and service access to the new facility. The existing cricket training nets and cricket wicket at Prince Regent Park are proposed to be relocated on the site to accommodate the summer user groups.

There are approximately eight mature Casuarina trees that would need to be removed at Littorina Park to allow for the proposed car park extension. At Prince Regent Park approximately four eucalyptus trees (Utilis) and one mature eucalyptus tree (Tuart) would need to be removed to allow for the new clubroom facility (Attachment 6 refers). To compensate for the loss of these trees, new trees are proposed to be planted on the sites in various locations.

The proposed facility design is the same for both sites and is based on the City's standard small sporting facility specifications (for example Bramston Park Community Sporting Facility, Burns Beach and Seacrest Park Community Sporting Facility, Sorrento). Two options have been developed for the new facility, with two or four unisex change rooms, to allow both female and male teams to utilise the change rooms at the same time. Four change rooms are not included in the City's standard specifications currently however have been included as an option to support the future growth of female soccer.

The facility floorplans for both sites (Attachment 7 refers) include a meeting room of approximately 130m² overlooking the oval, change rooms, umpire room, toilets, kitchen, associated storage, CCTV room and covered spectator verandah area. They also include a unisex 'park toilet' designed to include the automatic timed door lock system and be accessible without compromising the security of the remainder of the facility.

The facility has been designed to cater for sporting groups using the ovals and be available to the wider local community for community based meetings and activities.

Estimated capital costs

Following discussion with JUFC it was agreed that Prince Regent Park, Heathridge was the preferred location.

The cost estimates were developed by an external quantity surveyor and are based on high level concept plans and tender prices may differ following the detailed design stage (if the project proceeds).

The construction cost for the project (Attachment 8 refers) has been broken down into the following components:

Item	Cost (\$)
Clubroom facility – two change rooms (including demolition of the existing toilets)	1,979,000
Car park extension including lighting (39 bays)	265,000
Cricket infrastructure relocation works allowance	141,000
Sports floodlighting upgrade allowance	162,000
Temporary facilities (toilets)	29,000
Photovoltaic (PV) panels allowance	28,000
Artwork	13,000
TOTAL PROJECT	2,617,000

The cost estimate summary table includes preliminaries and small works margin (approximately 10%), professional fees (12%), contingencies (12.5%) and escalation to June 2018 (2.12%). The cost estimate is comparable to other recent facility redevelopment projects and is estimated at an average of \$3,500/m² for the clubroom facility component (approximately 500m²).

The capital cost to construct the facility with four change rooms is estimated at an additional \$453,000 taking the estimated total project cost to \$3,070,000.

The existing sump in the north-west corner at Prince Regent Park was investigated for beautification to provide additional passive recreation space on the reserve. Based on the City's other recent sump beautification projects this is estimated to cost an additional \$800,000.

The City's *Art and Memorabilia Collections Policy* states that the State Government's 'Percent for Art Scheme' will be utilised when developing proposals for new public buildings and extensions over the value of \$100,000. This scheme uses an allocation of up to one percent of the estimated total cost of the building project. The City's policy states that developers of public facilities will be encouraged to adopt this policy with projects being implemented according to the Public Art Implementation Process as determined by the Chief Executive Officer. Based on this, one percent of the estimated total cost of the building has been included.

External grant funding

It has been identified that this project would be suitable for consideration as part of the Department of Local Government, Sport and Cultural Industries' (formerly the Department of Sport and Recreation) Community Sporting and Recreation Facilities Fund (CSRFF) program. The CSRFF program considers a contribution of up to one third (for applicable components) for projects that demonstrate an increase in sport participation as a result of the development. To meet CSRFF application deadlines, an application would need to be made to the next Forward Planning Grant funding round which closes in September 2017. If the City was successful in receiving grant funding, notification would be provided around March 2018. Alternatively, an application could be submitted for the September 2018 round.

Issues and options considered

A number of options are possible for the project. These include the following:

- 1 Do not proceed with the project at either site and identify the \$1,600,000 budget as savings.
- 2 Proceed with the redevelopment project at Prince Regent Park with two change rooms provided in the clubroom facility. This would require the City to allocate approximately \$1,017,000 of additional funds to the project (or reduce the scope of the design), and would provide JUFC with a suitable location.
- 3 Proceed with the redevelopment project at Prince Regent Park with four change rooms provided in the clubroom facility. This would require the City to allocate approximately \$1,470,000 of additional funds to the project (or reduce the scope of the design), and would provide JUFC with a suitable location.

It is recommended that the Prince Regent Park redevelopment project progresses to community consultation on the preferred site concept plan – two change rooms, as it provides the best outcome for existing user groups of the park and the community.

Legislation / Strategic Community Plan / policy implications

Legislation Not applicable.

Strategic Community Plan

Key theme Community Wellbeing.

Objective Quality facilities.

Strategic initiative

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

Policy Not applicable.

Risk management considerations

Any capital project brings risks in relation to contingencies and over runs against original design. The capital cost estimate is based on concept designs and may differ once further detailed designs are undertaken for the project.

Financial / budget implications

The following amounts are currently listed in the City's *Five Year Capital Works Program* for the redevelopment of a clubroom facility for JUFC at a site to be determined:

- \$100,000 (municipal funds) in 2017-18 for detailed design of the redevelopment project.
- \$1,500,000 (\$200,000 club contribution; \$300,000 CSRFF; \$500,000 reserve funds; \$500,000 loan funds) in 2018-19 for construction of the redevelopment project.

It is important to note that this project budget was not based on any project scoping, concept plans or cost estimates. It also did not include any allocation for professional fees, site works or contingency.

As part of the project budget, a club contribution of \$200,000 was previously included based on a commitment from the club to contribute to the proposed Forrest Park improvement project (CJ122-08/16 refers) which did not proceed. Recent discussions with JUFC have indicated that the club is no longer in a position to contribute financially to the project due to continued growth in club membership; the requirement to operate across multiple grounds with limited capacity to generate income and an increase in club expenses following their promotion into Football West's National Premier League competition.

As part of the City's Active Reserve and Community Facility Review that was undertaken in 2014, Prince Regent Park was identified for a facility redevelopment and as a result \$2,100,000 was included in the City's *20 Year Strategic Financial Plan* in 2031-32.

Future financial year impact

Annual operating cost

The ongoing annual operating expenditure based on similar City facilities is approximately \$44,000. This is the incremental impact of the estimated new operating expenses of \$54,000 less the existing operating expenses at Prince Regent Park of \$10,000.

Estimated annual income

The ongoing annual income based on similar City facilities is approximately \$10,000. The net operating deficit of the new facility is therefore estimated as \$34,000 (\$44,000 operating expenses less \$10,000 operating income).

Capital replacement

Based on the City's *Building Asset Management Plan* it is estimated that 4% of the capital costs would require replacement after 16 years, at a cost of approximately \$100,000.

20 Year Strategic Financial Plan impact

The City's *Five Year Capital Works Program* and draft *20 Year Strategic Financial Plan* currently have listed \$1,600,000 (including a \$500,000 external contribution) across 2017-18 and 2018-19 for the project. The estimated cost of the project is \$2,617,000 and the

external contribution has reduced to an estimated \$300,000. If approved, the City's proposed cost of \$2,317,000 (increase of \$1,217,000) will be funded either using reserve, municipal or loan funds.

The *20 Year Strategic Financial Plan* also lists \$2,100,000 for a facility redevelopment at Prince Regent Park which would no longer be required, although that is in the outer year of 2031-32. The overall net impact in capital costs of the proposal by 2031-32 would therefore be a benefit of \$883,000, which comprises the saving of \$2,100,000 in 2031-32 less the increased costs in 2018-19 of \$1,217,000.

The *20 Year Strategic Financial Plan* does not have any impact included for the increased operating costs and therefore the operating deficit of \$44,000 per year would be an additional cost.

The total impact of the recommendation on the *20 Year Strategic Financial Plan*, including capital costs, funding and operating costs are a cost of \$100,000.

Impact year

For the purposes of calculating the impact on the *20 Year Strategic Financial Plan*, an assumption has been made that the construction costs would be incurred in 2018-19, and the increase in operating expenses from 2019-20. This is a modelling assumption only and the detailed project timeline and consideration of other project timelines will be subject to further review.

All amounts quoted in this report are exclusive of GST.

Regional significance

Not applicable.

Sustainability implications

Environmental

Any development of City land will consider and minimise impact to important flora and fauna in the area. Facilities will be planned to reduce the impact of the carbon footprint and consider environmental sustainability design features.

Social

Redevelopment works will consider access and inclusion principles with the aim to enhance the amenity of the public space.

Economic

Not applicable.

Consultation

Consultation was undertaken with JUFC during the site and needs analysis and concept design stages of the project. Information on the consultation has been included in the details and issues/options sections of this report. As part of the next stage of the project, community consultation will be undertaken to seek comment on the development from local residents. Following consultation, a further report will be presented to Council outlining the results and seeking feedback on progressing the project in late 2017.

COMMENT

The three proposed locations were discussed with JUFC and based on their existing usage at Prince Regent Park, the existing site infrastructure (including sports floodlighting) and size, the club's preference was to proceed with this location.

The proposed facility has been designed to cater for sporting groups using the ovals and be available to the wider local community for community based meetings and activities. Based on two change rooms being the City's standard design and the estimated additional cost to provide four change rooms in the new clubroom facility, it is recommended that only two change rooms are provided.

If the project proceeds, a CSRFF application will be made to the next Forward Planning Grant funding round which closes in September 2017.

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That Council:

- 1 NOTES the following amounts are currently listed within the City's *Five Year Capital Works Program* for the development of a clubroom facility for Joondalup United Football Club:
 - 1.1 \$100,000 (municipal funds) in 2017-18 for detailed design of the redevelopment project;
 - 1.2 \$1,500,000 (\$200,000 club contribution; \$300,000 CSRFF; \$500,000 reserve funds; \$500,000 loan funds) in 2018-19 for construction of the redevelopment project;
- 2 APPROVES the proposed redevelopment project including demolition and site works, construction of a new community sporting facility, floodlighting upgrade, relocation of cricket infrastructure and car park extension at Prince Regent Park, Heathridge as included in option two (two change rooms) and detailed in this Report at a project cost estimate of \$2,617,000;
- 3 Subject to approval of Part 2 above, NOTES that \$2,100,000 which is currently listed in the City's *20 Year Strategic Financial Plan* in 2031-32 for a facility redevelopment at Prince Regent Park, Heathridge will be removed as part of the next annual *20 Year Strategic Financial Plan* review in 2018;

- 4 LISTS FOR CONSIDERATION a revised budget of \$2,517,000 (\$300,000 CSRFF; \$500,000 reserve funds; \$1,717,000 loan funds) in 2018-19 for construction within the City's *Five Year Capital Works Program* for the development of a clubroom facility for Joondalup United Football Club (removal of \$200,000 club contribution; addition of \$1,217,000 City contribution);
- 5 NOTES the Prince Regent Park redevelopment project will be listed as part of the City's CSRFF project submission report to be considered by Council at the 19 September 2017 Council meeting;
- 6 REQUESTS the Chief Executive Officer to arrange community consultation on the site concept plan (two change rooms) as detailed in this Report for the Prince Regent Park redevelopment project with a further report to be presented to Council on the outcome in late 2017.

MOVED Cr Poliwka, SECONDED Cr Taylor that Council:

- 1 **NOTES the following amounts are currently listed within the City's *Five Year Capital Works Program* for the development of a clubroom facility for Joondalup United Football Club:**
 - 1.1 **\$100,000 (municipal funds) in 2017-18 for detailed design of the redevelopment project;**
 - 1.2 **\$1,500,000 (\$200,000 club contribution; \$300,000 CSRFF; \$500,000 reserve funds; \$500,000 loan funds) in 2018-19 for construction of the redevelopment project;**
- 2 **APPROVES the proposed redevelopment project including demolition and site works, construction of a new community sporting facility, floodlighting upgrade, relocation of cricket infrastructure and car park extension at Prince Regent Park, Heathridge as included in option two (two change rooms) and detailed in this Report at a project cost estimate of \$2,617,000, conditional upon the facility not being used for senior NPL games;**
- 3 **Subject to approval of Part 2 above, NOTES that \$2,100,000 which is currently listed in the City's *20 Year Strategic Financial Plan* in 2031-32 for a facility redevelopment at Prince Regent Park, Heathridge will be removed as part of the next annual *20 Year Strategic Financial Plan* review in 2018;**
- 4 **LISTS FOR CONSIDERATION a revised budget of \$2,517,000 (\$300,000 CSRFF; \$500,000 reserve funds; \$1,617,000 loan funds) in 2018-19 for construction within the City's *Five Year Capital Works Program* for the development of a clubroom facility for Joondalup United Football Club (\$100,000 club contribution; addition of \$1,117,000 City contribution);**
- 5 **NOTES the Prince Regent Park redevelopment project will be listed as part of the City's CSRFF project submission report to be considered by Council at the 19 September 2017 Council meeting;**

- 6 REQUESTS the Chief Executive Officer to arrange community consultation on the site concept plan (two change rooms) as detailed in this Report for the Prince Regent Park redevelopment project with a further report to be presented to Council on the outcome in late 2017;**

The Motion was Put and

CARRIED (6/0)

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

Appendix 4 refers

To access this attachment on electronic document, click here: [Attach4agnFIN170807.pdf](#)

ITEM 5 2018-19 COMMUNITY FACILITY REFURBISHMENT PROJECT - WINDERMERE PARK CLUBROOM

WARD	North
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	07096, 25191, 105503, 66559
ATTACHMENTS	Attachment 1 Aerial map of Windermere Park Clubroom Attachment 2 Windermere Park Clubroom floorplan (existing) Attachment 3 Windermere Park Clubroom concept plan Attachment 4 Windermere Park terraced seating site plan Attachment 5 Windermere Park Clubrooms cost estimate
AUTHORITY / DISCRETION	Executive – The substantial direction setting and oversight role of Council, such as adopting plans, reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to consider the concept plans, estimated capital costs and recommendations for the 2018-19 community facility refurbishment project at Windermere Park Clubroom.

EXECUTIVE SUMMARY

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

The Windermere Park Clubroom is located on Candlewood Boulevard, Joondalup. The facility was constructed in 1995 and consists of a meeting area, kitchen, storage areas, changerooms and toilets. The facility is leased to Joondalup Kinross Cricket Club (JKCC) and Joondalup Kinross Football Club (JKJFC).

At its meeting held on 21 April 2015 (CJ061-04/15 refers), Council agreed to list the refurbishment of Windermere Park Clubroom at a cost estimate of \$250,000 in 2018-19 (amount does not include an allowance for cost escalation to June 2018).

Following a meeting with representatives of the JKJFC in May 2016, it was requested the City consider a small extension to accommodate a furniture store at the facility as part of the works proposed in 2018-19.

At its meeting held on 18 October 2016 (CJ176-10/16 refers), Council requested a report detailing concept design options and estimated costings to undertake a refurbishment and potential expansion of the clubroom following engagement with key stakeholders of the facility.

As part of the needs analysis stage of the project, stakeholder consultation was undertaken with JKCC and JKJFC. The clubs requested that the City consider the addition of terraced seating at the front of the clubroom and a floodlighting upgrade if there were sufficient funds.

Currently listed in 2018-19 in the City's *Capital Works Program* is \$250,000 for the Windermere Park Clubroom for a new heating / cooling system and power upgrade (if required). Since the budget was set, the power to the site has been upgraded therefore this will not be required as part of the new heating / cooling system works.

Recently the State Government as part of its '*Local Projects, Local Jobs*' program, has also allocated \$60,000 towards the refurbishment project, for the new heating / cooling system and additional storage, giving a new project budget of \$310,000.

Based on the original concept plans (which did not include the terraced seating or floodlighting upgrade) the initial cost estimate for the project was \$175,900 which is within the existing budget allocation. Based on the potential funds remaining for the project, revised cost estimates were sought for the terraced seating and floodlighting upgrade as requested by the clubs during stakeholder consultation.

The additional cost to include the terraced seating is \$80,660, bringing the total project estimate to \$256,560 (\$53,440 under the new \$310,000 budget). The additional cost to include the floodlighting upgrade is \$141,000 bringing the total project estimate to \$316,900 (\$6,900 over budget). The JKJFC is prepared to contribute \$25,000 to the project if the floodlight upgrade is included in the works, therefore taking the project to an estimated \$18,100 under budget.

It is recommended to include the floodlighting upgrade works to the project at an estimated total cost of \$316,900, with a \$25,000 contribution from the JKJFC towards the works.

It is therefore recommended that Council:

- 1 *NOTES that \$22,000 (municipal funds) is listed in 2017-18 for detailed design and \$228,000 (municipal funds) is listed in 2018-19 for construction within the City's Five Year Capital Works Program for the refurbishment of Windermere Park Clubroom;*
- 2 *NOTES that the State Government (through the 'Local Projects, Local Jobs' program) is contributing \$60,000 for the refurbishment of Windermere Park Clubroom;*
- 3 *APPROVES the proposed refurbishment works and floodlighting upgrade at the Windermere Park Clubroom as detailed in Option 3 of this Report to proceed to the detailed design and tender stage;*
- 4 *NOTES that Joondalup Kinross Junior Football Club agrees to contribute \$25,000 to the floodlighting upgrade works as part of the refurbishment of Windermere Park Clubroom.*

BACKGROUND

Suburb/Location	Windermere Park 100 Candlewood Boulevard, Joondalup WA 6027.
Applicant	City of Joondalup.
Owner	Crown Land – City of Joondalup Management Order.
Zoning	DPS Parks and Recreation.
	MRS Urban.
Site area	46,443m ² .
Structure plan	Not applicable.

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

- Painting.
- Replacing fixtures and fittings.
- Upgrading external environments – for example building pathways, landscaping around the building, signage.
- Kitchen facilities.
- Floor coverings.
- Toilets and changerooms (including refurbishment or new extensions).
- Storage facilities (extensions to the facility).
- Heating / cooling systems.
- Window treatments.

The Windermere Park Clubroom is located on Candlewood Boulevard, Joondalup (Attachment 1 refers). The facility was constructed in 1995 and consists of a meeting room, kitchen, storage areas, changerooms and toilets (Attachment 2 refers). The facility is leased to JKCC, who have approximately 430 members and JKJFC who have approximately 880 members.

The facility design and layout meets the needs of the clubs well, however the clubroom has no separate furniture store. The addition of a furniture store will enable the clubs to better manage game day and function needs. Also required to ensure the facility will continue to meet the needs of the clubs is the installation of a heating / cooling system, stove range hood, solar hot water system, modification of storage areas and refurbishment of the toilets.

At its meeting held on 21 April 2015 (CJ061-04/15 refers), as a result of adding the facilities at Percy Doyle Reserve into the facility refurbishment list of future works, priorities were reviewed. Council agreed to the \$250,000 recommended for Windermere Park Clubroom being rescheduled to 2018-19 to include a new heating / cooling system and a power upgrade.

The budget figures for the project were developed by a desktop review and were not based on any project scoping, concept plans or cost estimates and did not include an allowance for cost escalation.

At its meeting held on 18 October 2016 (CJ176-10/16 refers), Council requested a report detailing concept design options and estimated costings to undertake a refurbishment and potential expansion of the clubroom following engagement with key stakeholders of the facility.

Currently listed in 2018-19 in the City's *Capital Works Program* is \$250,000 for the Windermere Park Clubroom for a new heating / cooling system and power upgrade (if required). Since the budget was set, the power to the site has been upgraded therefore this will not be required as part of the new heating/cooling system works.

In addition to the City's capital contribution, the State Government has recently committed a further \$60,000 towards additional storage and new heating / cooling system for the facility. This funding is through the '*Local Projects, Local Jobs*' program. There is no direction if these funds need to be added to the City's contribution or can form part of the overall existing budget. It is recommended that the funds be added to the existing project budget taking the total to \$310,000.

DETAILS

Stakeholder consultation

As part of the needs analysis stage of the project, stakeholder consultation was undertaken with JKCC and JKJFC. The clubs requested that the City consider the addition of terraced seating at the front of the clubroom and a floodlighting upgrade if there were sufficient funds. JKJFC also indicated they are prepared to contribute \$25,000 to the project if the floodlighting upgrade is included in the works.

Concept plans and capital cost estimates

A scope of works was developed based on addressing the challenges identified during stakeholder consultation. Facility concept plans were developed based on the scope of works and cost estimates were obtained. Community facility refurbishment projects do not normally include works such as terraced seating or floodlighting upgrades therefore these items were not included in the original concept plans.

The proposed facility concept plans (Attachment 3 refers) includes the heating / cooling system, storage extension, toilet refurbishment, stove range hood, solar hot water system, changeroom, duct and utility works, modification of storage areas and rekeying.

During construction, the clubs will still be able to utilise part of the meeting room, kitchen and changerooms, however there will be times that these areas will be unavailable. Temporary storage containers have been included in the cost estimate to accommodate the clubs storage requirements during construction.

Based on the original concept plans the initial cost estimate for the project was \$175,900 which is within the existing budget allocation. Below is a summary of the cost estimate.

Item	Cost (\$)
Heating and cooling system	30,600
Storage extension works	49,400
Toilet refurbishment	23,200
Kitchen works (stove range hood)	5,100
Solar hot water system	18,500
Changeroom works	3,500
Duct works	1,900
Utility works	3,100
Storage works	9,100
Rekeying	7,800
Temporary facilities	23,700
TOTAL	\$175,900

The cost estimate summary table includes preliminaries and small works margin (25%), professional fees in order to undertake detailed design (12%), design contingencies (5%), building contingencies (5%) and cost escalation to June 2018 (2.92%).

Based on the potential funds remaining for the project, revised cost estimates were sought for the terraced seating and floodlighting upgrade as requested by the clubs during stakeholder consultation. The proposed terraced seating includes four tiers of seating (Attachment 4 refers). Currently the floodlighting at Windermere Park is proposed to be upgraded in the next 10 years, however this project provides an opportunity to undertake these works sooner.

Details of the cost estimates including the terraced seating works are detailed in Attachment 5. The floodlighting upgrade estimate of \$141,000 includes, supply and installation of floodlights, fittings and poles, light pole footings including circuit cabling, access equipment, removal of redundant poles, testing and commissioning, as constructed drawings, maintenance handbooks and 10% contingency.

Below is a summary of the possible additional project works and impact on the budget.

Additional works	Cost (\$)	Total project	Additional funds required (based on (\$310,000 budget)	Additional funds required (based on \$310,000 budget and \$25,000 contribution from club for floodlighting)
Terraced seating	\$80,660	\$256,560	(-\$53,440)	(-\$53,440)
Upgrade to floodlighting	\$141,000	\$316,900	\$ 6,900	(-\$18,100)
Terraced seating and upgrade to floodlighting	\$221,660	\$397,560	\$87,560	\$62,560

All amounts quoted in this report are exclusive of GST.

Issues and options considered

Currently, there is \$250,000 listed in 2018-19 for construction in the City's *Five Year Capital Works Program* plus an additional \$60,000 provided by the State Government for the Windermere Park Clubroom refurbishment project bringing the total budget to \$310,000.

It is important to note that the budget amount within the City's *Five Year Capital Works Program* was indicative and the figure was not based on any project scoping, concept plans or cost estimates and did not include an allowance for cost escalation.

Due to the initial cost estimate of \$175,900 being under budget, cost estimates were sought for additional items requested by the clubs, therefore there are four options for the project:

- 1 Proceed with the original project scope only at a cost estimate of \$175,900 and declare any unspent project funds as a saving.
- 2 Include the terraced seating in the project at a cost estimate of \$256,560 and declare any unspent project funds as a saving.
- 3 Include the floodlighting upgrade in the project at a cost estimate of \$316,900. With a \$25,000 contribution from JKJFC, this option would be approximately \$18,000 under budget and any unspent funds could be declared as a saving.
- 4 Include both the terraced seating and the floodlighting upgrade in the project at a cost estimate of \$397,560. With a \$25,000 contribution from JKJFC, this option would require an additional \$62,560 be added to the project.

The recommendation is to proceed with Option 3 which is to include the floodlighting upgrade in the project at an estimated total of \$316,900. An upgrade to the floodlighting at Windermere Park will maximise participation and the use of the oval to meet the growing needs of the club.

Legislation / Strategic Community Plan / policy implications

Legislation Not applicable.

Strategic Community Plan

Key theme Community Wellbeing.

Objective Quality facilities.

Strategic initiative

- Support a long-term approach to significant facility upgrades and improvements.
- Understand the demographic context of local communities
- to support effective facility planning.

Policy *Requests for New or Capital Upgrades to Existing Community Buildings Policy.*

Risk management considerations

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

Financial / budget implications

The following is currently listed within the City's 2018-19 *Capital Works Program* for the project. There is also a further \$60,000 for the project through a grant contribution by the State Government giving a total project budget of \$310,000.

Account no.	BCW2552.
Budget Item	Windermere Park Clubroom refurbishment.
Budget amount	\$250,000 (\$22,000 2017-18 and \$228,000 2018-19).
Amount spent to date	Nil.
Proposed cost	Nil.
Balance	\$250,000.

Future financial year impact

Annual operating cost The existing operating expenses of the Windermere Park Clubroom is \$21,903; this is based on 2015-16 actual costs. It is anticipated that only the extension of the facility and provision of a heating / cooling system would increase operating expenses to \$26,285 (an increase of \$4,382).

Estimated annual income The operating income for 2015-16 was \$4,528 relating to the utility reimbursements from the clubs. In accordance with the lease that the City has with the clubs and standard arrangements within the *Property Management Framework*, it is assumed that the additional operating expenses of \$4,382 will be recovered from the clubs.

Capital Replacement It is assumed that the heating / cooling system would need to be replaced after 15 years, at a cost (excluding escalation) of \$20,000.

20 Year Strategic Financial Plan impact The adopted *20 Year Strategic Financial Plan* already has \$250,000 refurbishment costs included together with the costs of funding (municipal funds) and the existing operating expenses and operating income. The *20 Year Strategic Financial Plan* does not have the capital replacement costs included, and it is therefore proposed to include the \$20,000 cost at the next update of the *Strategic Financial Plan*. The *20 Year Strategic Financial Plan* does not have the increased expenses or income included, although these are cost-neutral, these can also be added at the next update of the *Strategic Financial Plan*.

All amounts quoted in this report are exclusive of GST.

Regional significance

Not applicable.

Sustainability implications

Environmental

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

Social

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

Economic

Not applicable.

Consultation

Consultation was undertaken with the JKCC and JKJFC during the site and needs analysis and concept design stages. Information on the consultation has been highlighted in the details and issues / options section of this Report.

COMMENT

Currently listed in 2018-19 in the City's *Capital Works Program* is \$250,000 for the Windermere Park Clubroom for a new heating / cooling system and power upgrade (if required). Since the budget was set, the power to the site has been upgraded therefore this will not be required as part of the new heating / cooling system works. The State Government has also allocated an amount of \$60,000 for the project.

Based on the original concept plans (which did not include the terraced seating or floodlighting upgrade), the initial cost estimate for the project was \$175,900 which is within the existing budget allocation. Based on the potential funds remaining for the project, revised cost estimates were sought for the terraced seating and floodlighting upgrade as requested by the clubs during stakeholder consultation. JKJFC also agreed to contribute \$25,000 to the project, if an upgrade to the floodlighting is included in the works.

The recommendation is to proceed with Option 3 which is to include the floodlighting upgrade in the project at an estimated total of \$316,900. An upgrade to the floodlighting at Windermere Park will maximise participation and the use of the oval to meet the growing needs of the club.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Chester, SECONDED Cr Norman that Council:

- 1** NOTES that \$22,000 (municipal funds) is listed in 2017-18 for detailed design and \$228,000 (municipal funds) is listed in 2018-19 for construction within the City's *Five Year Capital Works Program* for the refurbishment of Windermere Park Clubroom;
- 2** NOTES that the State Government (through the '*Local Projects, Local Jobs' program*) is contributing \$60,000 for the refurbishment of Windermere Park Clubroom;
- 3** APPROVES the proposed refurbishment works and floodlighting upgrade at the Windermere Park Clubroom as detailed in Option 3 of this Report to proceed to the detailed design and tender stage;
- 4** NOTES that Joondalup Kinross Junior Football Club agrees to contribute \$25,000 to the floodlighting upgrade works as part of the refurbishment of Windermere Park Clubroom.

The Motion was Put and

CARRIED (6/0)

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

Appendix 5 refers

To access this attachment on electronic document, click here: [Attach5agnFIN170807.pdf](#)

ITEM 6 2018-19 COMMUNITY FACILITY REFURBISHMENT PROJECTS

WARD	South
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	03078, 04185, 101515
ATTACHMENTS	Attachment 1 Aerial map of Sorrento Bowling Clubrooms Attachment 2 Sorrento Bowling Clubrooms floorplan (existing) Attachment 3 Sorrento Bowling Clubrooms concept plan Attachment 4 Sorrento Bowling Clubrooms cost estimate Attachment 5 Aerial map of Duncraig Leisure Centre Attachment 6 Duncraig Leisure Centre floorplan (existing) Attachment 7 Duncraig Leisure Centre concept plan Attachment 8 Duncraig Leisure Centre cost estimate
AUTHORITY / DISCRETION	Executive – The substantial direction setting and oversight role of Council, such as adopting plans, reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to consider the concept plans, estimated capital costs and recommendations for the 2018-19 community facility refurbishment projects (Sorrento Bowling Clubrooms and Duncraig Leisure Centre).

EXECUTIVE SUMMARY

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

The Sorrento Bowling Clubrooms (SBC) is located on Warwick Road, Duncraig. The facility was constructed in 1976 and consists of a hall, two offices, kitchen, bar, toilets, change rooms and storerooms. In 2009-10 the roof was replaced and the kitchen had some equipment replaced. In 2010-11 the heating / cooling system was upgraded and in 2013 the toilets were refurbished and the club funded a patio area. In 2015 the club funded a minor kitchen refurbishment.

The facility and adjacent four bowling greens and croquet court are leased to the SBC.

The Duncraig Leisure Centre (DLC) is located on Warwick Road, Duncraig. The facility was constructed in 1976 and consists of a sports hall, two meeting rooms, crèche, office, gym, dance studio, workshop (pottery room), kiosk, toilets, playgroup room and storerooms. In 2011-12 the toilets, sports hall and gym were refurbished.

The leisure centre conducts 16 fitness and leisure sessions a week and hires rooms to commercial organisations, community clubs and groups on a regular basis. Hirers include four commercial organisations, out of school care provider, playgroup, sporting clubs (eight badminton, three basketball and two calisthenics) and two community groups (sewing and art activities). In 2016-17 60,440 visitors attended the DLC.

At its meeting held on 21 April 2015 (CJ061-04/15 refers), Council agreed to list the refurbishment of SBC at a cost estimate of \$184,000 and the refurbishment of the DLC at a cost estimate of \$822,000 in 2018-19.

At its meeting held on 27 June 2017 (CJ084-06/17 refers), Council agreed to increase the budget for SBC to \$195,100 and DLC to \$853,000 to allow for power upgrades as part of the refurbishment projects.

As part of the needs analysis stage of the project, stakeholder consultation was undertaken with SBC. Considering the feedback and priorities identified, a scope of works was developed in order to complete concept plans and a cost estimate for each project.

Currently, there is \$195,100 listed for the SBC extension project. There is an additional \$10,000 listed to install a grease trap during the extension project. Based on the agreed concept plan, the cost estimate for the project is \$306,000. The cost estimate exceeds the current amount listed by \$100,900. The additional costs are in part due to additional requests made by the club that were not in the original project scope such as verandah extension (\$42,300) and security system upgrade (\$17,100). It is recommended to include all the works as part of the tender for the project, given the current building industry climate. If the construction tender price is over budget, the verandah extension could be removed from the project.

Currently, there is \$853,000 listed for the DLC refurbishment project. Based on the concept plan, the cost estimate for the project is \$232,200 which is within the existing budget allocation.

It is therefore recommended that Council:

- 1 *NOTES that \$23,400 (reserve funds) is listed in 2017-18 for detailed design and \$171,700 (reserve funds) and \$10,000 (municipal funds) is listed in 2018-19 for construction within the City's Five Year Capital Works Program for the refurbishment of Sorrento Bowling Clubrooms;*
- 2 *NOTES that \$102,400 (reserve funds) is listed in 2017-18 for detailed design and \$750,600 (reserve funds) is listed in 2018-19 for construction within the City's Five Year Capital Works Program for the refurbishment of Duncraig Leisure Centre;*
- 3 *APPROVES the proposed refurbishment works at the Sorrento Bowling Clubrooms as detailed in this Report to proceed to the detailed design and tender stage;*
- 4 *APPROVES the proposed refurbishment works at the Duncraig Leisure Centre as detailed in this Report to proceed to the detailed design and tender stage;*
- 5 *NOTES a budget saving of \$553,000 (reserve funds) and LISTS FOR CONSIDERATION a revised budget of \$300,000 (reserve funds) in 2018-19 for construction within the City's Five Year Capital Works Program for the refurbishment of Duncraig Leisure Centre.*

BACKGROUND

Suburb/Location		Percy Doyle Reserve 46 Warwick Road Duncraig WA 6023.
Applicant		City of Joondalup.
Owner		Crown Land – City of Joondalup Management Order.
Zoning	DPS	Parks and Recreation.
	MRS	Urban.
Site area		190,209m ² .
Structure plan		Not applicable.
Suburb/Location		Duncraig Leisure Centre 2/40 Warwick Road Duncraig WA 6023.
Applicant		City of Joondalup.
Owner		Crown Land – City of Joondalup Management Order.
Zoning	DPS	Parks and Recreation.
	MRS	Urban.
Site area		3,070.98m ² .
Structure plan		Not applicable.

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

- Painting.
- Replacing fixtures and fittings.
- Upgrading external environments – for example building pathways, landscaping around the building, signage.
- Kitchen facilities.
- Floor coverings.
- Toilets and change rooms (including refurbishment or new extensions).
- Storage facilities (extensions to the facility).
- Heating / cooling systems.
- Window treatments.

Due to the delay of the *Percy Doyle Reserve Masterplan* project it was determined to undertake a refurbishment at SBC and DLC to extend the life of the facilities. The budget figures for the project were developed by a desktop review and were not based on any project scoping, concept plans or cost estimates and did not include an allowance for cost escalation.

Sorrento Bowling Clubrooms

The SBC is located within the Percy Doyle Reserve on 46 Warwick Road, Duncraig (Attachment 1 refers). The facility was constructed in 1976 and consists of a hall, two offices, kitchen, bar, toilets, change rooms and storerooms (Attachment 2 refers). In 2009-10 the roof was replaced and the kitchen had some equipment replaced. In 2010-11 the heating / cooling system was upgraded and in 2013 the toilets were refurbished and the club funded a new patio area. In 2015 the club funded a minor kitchen refurbishment.

The facility and adjacent four bowling greens and croquet court are leased to the SBC who has approximately 550 members.

The facility design and layout meets the needs of the user groups well, however the clubroom has no separate meeting space and the club requested a larger office space. Major structural changes or modifications to a facility that include major extensions and / or reconfigurations of areas are normally classified as a redevelopment project. However, due to the delay in the *Percy Doyle Reserve Masterplan* project, the SBC project is proposed to include a building extension to include an office and meeting room. Due to the age of existing electrical infrastructure, a power upgrade will be required for the proposed refurbishment works.

At its meeting held on 21 April 2015 (CJ061-04/15 refers), Council agreed to list the extension of SBC at a cost estimate of \$184,000 in 2018-19 (amount did not include an allowance for cost escalation).

At its meeting held on 27 June 2017 (CJ084-0617 refers), Council agreed to increase the budget for SBC to \$195,100 to allow for a power upgrade as part of the refurbishment project.

Duncraig Leisure Centre

The DLC is located on Warwick Road, Duncraig (Attachment 5 refers). The facility was constructed in 1976 and consists of a sports hall, two meeting rooms, crèche, office, gym, dance studio, workshop (pottery room), kiosk, toilets, playgroup room and storerooms (Attachment 6 refers). In 2011-12 the toilets, sports hall and gym were refurbished.

The leisure centre conducts 16 fitness and leisure sessions a week and hires rooms to commercial organisations, community clubs and groups on a regular basis. Hirers include four commercial organisations, out of school care provider, playgroup, sporting clubs (eight badminton, three basketball and two calisthenics) and two community groups (sewing and art activities). In 2016-17 60,440 visitors attended the DLC.

The facility design and layout meets the needs of the user groups well, however critical works are required to ensure the centre will continue to meet the needs of user groups and centre members. These works include roof repairs, toilet and change room refurbishment, replacement of existing heating / cooling systems, installation of fans in the sports hall and external main entrance works. Due to the age of existing electrical infrastructure, a power upgrade will be required for the proposed refurbishment works.

At its meeting held on 21 April 2015 (CJ061-04/15 refers), Council agreed to list the refurbishment of the DLC at a cost estimate of \$822,000 in 2018-19 (amount did not include an allowance for cost escalation).

At its meeting held on 27 June 2017 (CJ084-0617 refers), Council agreed to increase the budget for DLC to \$853,000 to allow for a power upgrade as part of the refurbishment project.

DETAILS

Stakeholder consultation

As part of the needs analysis stage of the project, stakeholder consultation was undertaken with the SBC. The club signed the draft concept plan agreeing with all the proposed works to be considered as part of the project.

The following additional items were identified during consultation with SBC.

- Security system upgrade.
- Verandah extension.
- Re-keying of the facility.

Concept plans and capital cost estimates

Sorrento Bowling Clubrooms

A scope of works was developed based on addressing the challenges identified for the facility and stakeholder consultation with the SBC. A concept plan was developed based on the scope of works and a cost estimate was obtained from an external quantity surveyor.

The proposed facility concept plan (Attachment 3 refers) includes the office and meeting room extension, the removal of the internal office space in the lounge and sports area and a verandah extension to cover the main entrance.

During construction of the extension, the club will still be able to utilise the majority of the clubroom, however there will be times that the change rooms will be unavailable. A temporary storage container has been included in the cost estimate to accommodate the club's storage requirements during construction.

The following is a summary of the items and cost estimates (Attachment 4 refers):

Item	Cost (\$)
New office and meeting room	185,200
Lounge and sports area works (removing of existing office space)	29,300
Rekeying of facility	1,100
Security upgrade	17,100
Verandah extension	42,300
External works	7,100
Temporary facilities (required during construction)	2,900
Power upgrade	11,000
Grease trap	10,000
TOTAL	306,000

The cost estimate summary table includes preliminaries and small works margin (15%), professional fees in order to undertake detailed design (12%), design contingencies (5%), building contingencies (5%) and cost escalation to June 2018 (3.05%).

All amounts quoted in this report are exclusive of GST.

Duncraig Leisure Centre

The proposed facility concept plan (Attachment 7 refers) includes the refurbishment of the existing toilets and change rooms, upgrade of heating / cooling systems (sports court, gym, office reception and dance studio) roof repairs, installation of ramp to the main entry and power upgrade.

Due to the amount of work proposed at the DLC, operations will be disrupted during the refurbishment works. Temporary facilities (toilets and change rooms) have been included in the cost estimate to accommodate user groups and centre patrons during the works.

The following is a summary of the items and cost estimates (Attachment 8 refers):

Item	Cost (\$)
Toilets / change rooms refurbishment	12,500
Office / foyer – replacement heating / cooling	11,800
Gym – replacement heating/cooling	7,600
Dance – replacement heating/cooling	7,600
Sports hall – installation of fans	61,150
Roof repairs	60,450
External main entrance ramp	35,100
Temporary facilities	5,000
Power upgrade	31,000
TOTAL	232,200

The cost estimate summary table includes preliminaries and small works margin (20%), professional fees in order to undertake detailed design (12%), design contingencies (5%), building contingencies (5%) and cost escalation to June 2018 (2.94%).

All amounts quoted in this report are exclusive of GST.

Issues and options considered

Sorrento Bowling Clubrooms

Based on the agreed concept plan, the estimated capital cost is \$306,000. The cost estimate exceeds the current amount listed by \$100,900. The additional costs are in part due to additional requests made by the club that were not in the original project scope such as verandah extension (\$42,300) and security system upgrade (\$17,100), therefore there are three options for the project as follows:

- 1 Leave budget at \$205,100 and tender for all items with the option to remove the verandah (\$42,300) if necessary.
- 2 Add \$100,900 additional funds to the project so that all works can be undertaken.
- 3 Remove the verandah works from the project now and add \$58,600 additional funds to the project to undertake the remainder of the works.

Legislation Not applicable.

Strategic Community Plan

Key theme Community Wellbeing.

Objective Quality facilities.

Strategic initiative

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

Policy

Requests for New or Capital Upgrades to Existing Community Buildings Policy.

It is recommended to include all the works as part of the tender for the project, given the current building industry climate (Option 1). If the construction tender price is over budget, the verandah extension could be removed from the project.

Duncraig Leisure Centre

Based on the concept plan, the estimated capital cost is \$232,200, which is within the current budget allocation. It is recommended to progress to tender and if the construction tender price remains under budget, these funds be declared as a project saving.

Legislation / Strategic Community Plan / policy implications**Risk management considerations**

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

Financial / budget implicationsSorrento Bowling Clubrooms

At its meeting held on 27 June 2017 (CJ084-0617 refers), Council agreed to increase the budget for SBC to \$195,100 to allow for a power upgrade.

The following is listed within the City's 2017-18 and 2018-19 *Capital Works Program* for SBC.

Account no.	MPP2065.
Budget Item	Percy Doyle – Sorrento Bowling Clubroom extension.
Budget amount	\$195,100 (\$23,400 2017-18 and \$171,700 2018-19).
Amount spent to date	Nil.
Proposed cost	Nil.
Balance	\$195,100.

Account no.	BCW2560.
Budget Item	Percy Doyle – Sorrento Bowling Clubroom (grease trap).
Budget amount	\$10,000 (2018-19).
Amount spent to date	Nil.
Proposed cost	Nil.
Balance	\$10,000.

The estimated capital cost as provided by the external quantity surveyor for the project is \$306,000 (\$100,900 over budget).

Future financial year impact

Annual operating cost The proposed works at SBC include an extension of 96m², which will result in additional utility costs for some of the extension. The club currently pays for the utility costs and therefore there is no net impact to the City for increased utility costs.

The City's average operating expenses for 2011-12 to 2015-16 for the building was \$20,847 per year. This equates to an average of \$33m². Most of the \$20,847 costs relate to reactive maintenance (electrical, plumbing, air conditioning) therefore it is reasonable to assume that the cost of \$33m² would not apply to the proposed extension. A cost of \$16m² is more reasonable, which may result in additional costs of \$1,536 per year.

The security upgrades would result in additional scheduled maintenance costs of at least \$500 per year, so the total increase in operating expenses is estimated at \$2,000 per year.

Estimated annual income The capital costs will increase the replacement cost of the building and should therefore result in a revised lease to the club, equivalent to 0.1% of the works. This should result in increased income from the club of \$194 per year.

Capital replacement Not applicable.

**20 Year Strategic
Financial Plan impact**

The adopted *Five Year Capital Works Program (2017-18 to 2021-22)* includes \$205,100 spread between 2017-18 and 2018-19 and funded from the Strategic Asset Management Reserve. If the costs are higher than the budget there is unlikely to be funds available within the timescales required. Any additional funds would therefore have to be met from municipal funds.

The anticipated increase in operating costs are estimated at \$1,806 per year (\$2,000 additional expenses less \$194 additional income). The additional costs would result in a total impact over the 20 years of approximately \$100,000.

All amounts quoted in this report are exclusive of GST.

Duncraig Leisure Centre

At its meeting held on 27 June 2017 (CJ084-0617 refers), Council agreed to increase the budget for DLC to \$853,000 to allow for a power upgrade.

The following is listed within the City's 2017-18 and 2018-19 *Capital Works Program* for DLC.

Account no.	MPP2066.
Budget Item	Percy Doyle – Duncraig Leisure Centre refurbishment.
Budget amount	\$853,000 (\$102,400 2017-18 and \$750,000 2018-19).
Amount spent to date	Nil.
Proposed cost	Nil.
Balance	\$853,000.

The estimated capital cost as provided by the external quantity surveyor for the project is \$232,200 (\$620,800 under budget). The original project budget was developed through a high-level desktop review in 2014 and was not based on any project scoping or concept plans. As part of developing the scope of works for the project, a further assessment was made on what works were considered critical to ensure the centre would continue to meet the needs of user groups and centre members. Based on this assessment, some works that were originally considered have been removed from the project - for example gym and activity

room extension and roof replacement (roof repairs have been determined to be all that is required in the short-medium term).

Future financial year impact

Annual operating cost The operating costs for the DLC (excluding leisure operations) is approximately \$40,000 per year (average of 2012-13 to 2015-16). 2016-17 is forecast to be \$48,662.

The proposed works have the potential to impact operating costs as follows:

- Sports hall fans: Additional utility costs of 16 to 20 cents per hour per fan which may be required for five hours per day during the summer months. A total estimated impact of \$420 per year.
- Replacement heating / cooling systems: Potential reduction in utility costs by having a more efficient system.
- Roof repairs: There has been over \$5,000 spent on roof patch up works in the past four years. Once the proposed roof repairs are undertaken, the ongoing maintenance costs should reduce.

In summary, there is no increase for operating costs projected. There will be increased costs as a result of the fans but these may be offset with reduced expenditure associated with other works.

Estimated annual income There is not expected to be any impacts on operating income as a result of the works.

Capital replacement The fans are short-life assets and are likely to require replacement within 20 years at a cost of approximately \$40,000.

20 Year Strategic Financial Plan impact If the project proceeds at a cost of \$232,200, together with replacement fans of \$40,000, the 20-year impact of these costs are \$600,000.

The adopted *Five Year Capital Works Program* includes \$853,000 as an estimated capital cost for the works at DLC, to be funded by the Strategic Asset Management Reserve. The costs are spread between 2017-18 and 2018-19. If the project proceeds at a cost of \$232,200 this would provide a saving of \$620,800 which would free up the Strategic Asset Management Reserve to be used in other capital projects and would ultimately reduce the need for borrowings for other projects.

The overall impact over a 20 year period of the reduced capital costs and the replacement of the fans is estimated at a saving of \$1.3 million compared to the values currently held in the adopted *20 Year Strategic Financial Plan*.

All amounts quoted in this report are exclusive of GST.

Regional significance

Not applicable.

Sustainability implications

Environmental

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

Social

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

Economic

Not applicable.

Consultation

Consultation was undertaken with the SBC during the site and needs analysis and concept design stages. Information on the consultation has been highlighted in the details and issues / options section of this Report.

COMMENT

Currently, there is \$205,100 listed in the City's *Five Year Capital Works Program* for the SBC extension project. Based on the agreed concept plan, the cost estimate for the project is \$306,000. The cost estimate exceeds the current amount listed by \$100,900. The additional costs are in part due to additional requests made by the club that were not in the original project scope for example verandah extension (\$42,300) and security system upgrade (\$17,100). It is recommended to include all the works as part of the tender for the project, given the current building industry climate. If the construction tender price is over budget, the verandah extension could be removed from the project.

Currently, there is \$853,000 listed in the City's *Five Year Capital Works Program* for the DLC refurbishment project. Based on the concept plan the cost estimate is \$232,200 which is within the existing budget allocation.

The cost estimates for both projects are based on high level concept plans and tender prices may differ following the detailed design stage.

In order to complete construction on these projects in 2018-19, detailed design will need to occur in 2017-18. Currently, there is \$23,400 for the SBC refurbishment project and \$102,400 for the DLC refurbishment project listed in 2017-18 for detailed design in the City's *Five Year Capital Works Program*.

VOTING REQUIREMENTS

Simple Majority.

Cr Poliwka left the room at 7.55pm and returned at 7.58pm.

MOVED Cr Dwyer, SECONDED Cr Poliwka that Council:

- 1** NOTES that \$23,400 (reserve funds) is listed in 2017-18 for detailed design and \$171,700 (reserve funds) and \$10,000 (municipal funds) is listed in 2018-19 for construction within the City's *Five Year Capital Works Program* for the refurbishment of Sorrento Bowling Clubrooms;
- 2** NOTES that \$102,400 (reserve funds) is listed in 2017-18 for detailed design and \$750,600 (reserve funds) is listed in 2018-19 for construction within the City's *Five Year Capital Works Program* for the refurbishment of Duncraig Leisure Centre;
- 3** APPROVES the proposed refurbishment works at the Sorrento Bowling Clubrooms as detailed in this Report to proceed to the detailed design and tender stage;
- 4** APPROVES the proposed refurbishment works at the Duncraig Leisure Centre as detailed in this Report to proceed to the detailed design and tender stage;
- 5** NOTES a budget saving of \$553,000 (reserve funds) and LISTS FOR CONSIDERATION a revised budget of \$300,000 (reserve funds) in 2018-19 for construction within the City's *Five Year Capital Works Program* for the refurbishment of Duncraig Leisure Centre.

The Motion was Put and

CARRIED (6/0)

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

Appendix 6 refers

To access this attachment on electronic document, click here: [Attach6agnFIN170807.pdf](#)

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

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	102400, 101515
ATTACHMENTS	Attachment 1 McKell Institute Report Attachment 2 Analysis
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Finance Committee to note the 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):

The McKell Matrix		
Type of Goods / Services	Nature	Beneficiary
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:

Cost Code Type	Classification of Goods / Services
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)	
A4409 - Recreation Services-Club Development and Events	Private Goods	Provided to users/consumers of the service to the exclusion of others in the community
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).

Category	Costs	Revenues	Net Cost	Net Cost %
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%)
Total	\$124,893,482	(\$48,752,914)	\$76,140,568	

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 which 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**

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	105350
ATTACHMENTS	Attachment 1 <i>Impact on 20 Year Strategic Financial Plan of Reports to Council – July 2016 to June 2017</i>
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Finance Committee to note the 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](#)

Five scenarios have been prepared, each of them with a different treatment or funding assumption of the Joondalup Performing Arts and Cultural Facility. The plan as at Attachment 2 has been prepared based on Scenario 2, which assumes that the timescales for the project are moved on one year and a \$10 million grant is received.

The most important projections from the draft 20 Year SFP are the operating projections; these provide the best indication of long-term healthy financial sustainability. The draft 20 Year SFP estimates that the Operating Surplus / (Deficit) is projected to improve from (\$8 million) deficit in 2016-17 to a surplus of \$1 million by 2022-23. The improvement is dependent on having increases in base income which are higher than increases in base expenses. The projections demonstrate that even with large additional operating expenses through new projects the City can absorb the impacts, as long as the increases in base income are higher than base expenses.

The draft 20 Year SFP projects \$94.4 million borrowings; this is \$10 million more than the previous plan. Borrowings are proposed in the draft 20 Year SFP when there are no available reserves or surplus municipal funds. The Joondalup Performing Arts and Cultural Facility has estimated borrowings which are repaid using a combination of Tamala Park proceeds and municipal funds as summarised in the table below:

Table 1 – Loan Repayments of Joondalup Performing Arts and Cultural Facility

Borrowings required	\$47.2m
Interest Costs	\$17.5m
Total Repayments	\$64.7m
Repaid by:	
Tamala Park Proceeds	\$36.0m
Municipal Funds	\$28.7m

Of the five key ratios identified within the *Guiding Principles*, 81 out of 100 are achieved, which is four less than the previous plan. Of the 81 ratios within tolerance, there are only 31 out of the 50 achieved in the first 10 years. It is far from ideal to only achieve 81 ratios because the City should achieve at least 90 of the key ratios. Indeed, the operating surplus ratio, which is the most important ratio, is below the threshold for the first eight years and only comes within tolerance from 2026-27. For those ratios that are not achieved (operating surplus ratio and asset sustainability ratio), there is at least a positive trend.

While the plan has many positive aspects, there are also issues of concern. The current operating deficit of \$8.2 million (2016-17) will take several years to become positive and the improvement is predicated on increases to income (mostly rates income) rising more than operating expenses. Meanwhile the continued addition of new infrastructure drags down the operating deficit because most new infrastructure does not have an income stream large enough to match the maintenance costs and the burden of depreciation / capital replacement.

It is therefore recommended that Council:

- 1 *NOTES that the draft 20 Year Strategic Financial Plan for the period 2016-17 to 2035-36 as at Attachment 2 to this Report is based on Scenario 2;*
- 2 *ADOPTS the draft 20 Year Strategic Financial Plan 2017 (2016-17 to 2035-36) as at Attachment 2 to this Report;*
- 3 *ADOPTS the Guiding Principles 2017 as included in Appendix 1 of Attachment 2 to this Report.*

BACKGROUND

The new plan included in this document covers the years 2016-17 to 2035-36 and is referred to as the draft 20 Year SFP. The previous plan will also be referred to throughout this document. The previous plan covered the years 2015-16 to 2034-35 and was adopted by Council at its meeting held on 28 June 2016 (CJ103-06/16 refers).

DETAILS

Disclaimer

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

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

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

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

Guiding Principles 2017

The draft 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 28 June 2016 (CJ103-06/16 refers). The proposed Guiding Principles 2017 are shown with tracked changes at Appendix 1 of Attachment 2. There is only one minor change proposed in the Guiding Principles 2017.

The change relates to bullet point 3 of the Funding / Treasury / Reserves section. The previous bullet point stated that the Strategic Asset Management Reserve would be applied to fund projects using an internal payback mechanism, and that municipal funds should pay back to the Strategic Asset Management Reserve over a 10 year period (including interest), but only if there were surplus municipal funds available to do so. The mechanism had been in operation during the last three years, but had no overall bearing on the projections of the plan or the ratios because the payback mechanism only operated where there were surplus municipal funds available to do so and any other remaining surplus funds were transferred to the Strategic Asset Management Reserve anyway.

A review of the model used for the 20 Year SFP was completed in 2016 by Deloitte and while the outcome of the review was the model was robust and accurate there were several improvements identified. One of the improvements was to review the calculations used for the funding and reduce the complexity if possible. The City has completed all improvement actions and identified that the payback calculations to the Strategic Asset Management Reserve were unnecessary as the same overall outcome was achieved by just transferring all surplus municipal funds into the Strategic Asset Management Reserve.

Key Ratios

There are five key ratios that the 20 Year SFP aims to achieve. These are referred to throughout the report. The five key ratios are listed in the table below. Ideally the City should achieve at least 90 of the key ratios, because there are three ratios (Rates Increase, Balanced Cash Budget and Debt Service Coverage Ratio) where the City should be achieving the ratio in every year, while the other two ratios (Operating Surplus Ratio and Asset Sustainability Ratio) should be achieved in most years.

Table 2 – Key Ratios

Ref	Key Ratios	Details
1	Rates Increase	% <ul style="list-style-type: none"> • Rates % increases capped at no more than 5% of the overall rates revenue.
2	Balanced Cash Budget	<ul style="list-style-type: none"> • Balanced cash budget (net municipal funds) for each year of the plan is 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.
3	Operating Surplus Ratio	<ul style="list-style-type: none"> • Ratio compares the amount of operating surplus versus own source revenue. • Ratio is the most important indicator of long term financial sustainability because it takes account of all key financial aspects of the City: <ul style="list-style-type: none"> • Community (rates, fees and charges) • Asset management (depreciation) • Operating expenses • Liquidity (interest payments). • A desired ratio for operating surplus is between 2% and 8%, as a five year average. • The ratio is currently negative for the City. • As this ratio is the most important indicator and it is currently negative the next section provides more details of this.
4	Asset Sustainability Ratio	<ul style="list-style-type: none"> • Evaluates asset management. • Asset sustainability compares the amount of expenditure on capital replacements versus depreciation. • The ratio is an indicator of whether the City is spending adequate amounts on its replacement program in comparison to the consumption (depreciation) of its assets. • The target for asset sustainability ratio, as per the Department Local Government, Sport and Cultural Industries' 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.

Ref	Key Ratios	Details
5	Debt Service Coverage Ratio	<ul style="list-style-type: none"> This is the key ratio to evaluate treasury management. Used by West Australian Treasury Corporation to evaluate requests for loans. The ratio is the calculation of how much operating surpluses (before interest and depreciation) covers the amount of loan repayments (principal and interest) each year. The target for debt service coverage ratio is that the ratio does not fall less than five that is that the City should have surpluses that are at least five times greater than the loan repayments. Where there are higher levels of borrowings it may be acceptable to go below five but no less than three, which is regarded by the West Australian Treasury Corporation as the minimum. However, the ratio should not fall below five for five years in a row. The City has also determined that some years legitimately fail the minimum of three, if the City were repaying a lot of debt based on one-off proceeds. Ratio for 2016-17 is high as there are \$21.5 million of operating surpluses (before interest and depreciation) which is 7.9 times the loan repayments of \$2.7 million.

Ratios are not merely figures that are calculated for the purpose of complying with a reporting requirement. The ratios provide an assessment of the current and future financial sustainability of the City, and can provide an important indication of the City's ability to fund projects and borrow where necessary.

Operating Surplus Ratio 2016-17

The Operating Surplus Ratio is the best indicator of long-term financial sustainability and is explained in more detail as the ratio is currently (and has been for several years) significantly below the required threshold. The projected ratio for 2016-17 is negative (5.8%) and is calculated as follows:

Table 3 – Operating Surplus Ratio 2016-17

Item	Budget	Estimate	Description
Operating income	\$144.2m	\$145.0m	Rates, fees, operating grants, interest.
Less operating expenses	\$153.3m	\$153.2m	Employee costs, materials and depreciation.
Equal operating deficit	(\$9.1m)	(\$8.2m)	Operating income less expenses.
Divided by own source income	\$140.0m	\$140.9m	Income excluding grants and contributions.
Equal operating surplus ratio	(6.5%)	(5.8%)	Operating deficit divided by own source income.

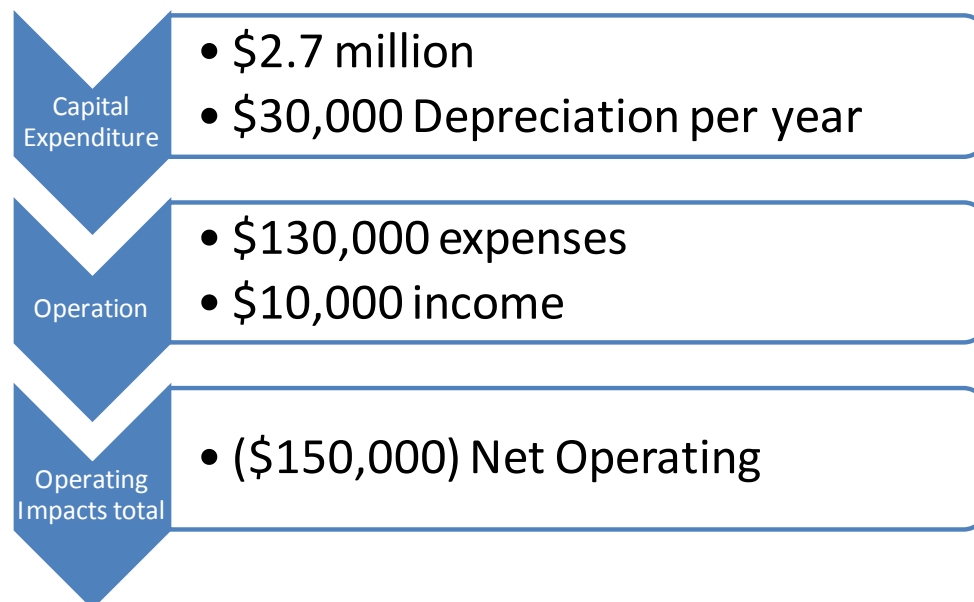
The ratio indicates that the City does not have a balanced operating budget although it does have a balanced cash budget. The key differences between having a balanced cash budget and the operating surplus ratio are as follows:

- Operating surplus ratio does not take account of all cash items (such as capital expenditure and capital grants), many of which can be one-off.
- Operating surplus ratio includes non-cash items such as depreciation. Depreciation is a large expense for the City and it is therefore important for the operating surplus ratio to include it.
- The operating surplus ratio provides a better measure of recurring performance, and although the ratio includes non-cash items (depreciation) the ratio provides a more complete picture of income versus expenditure because it is important for the City to have sufficient income to meet all expenses, including depreciation.

A negative ratio in the long-term is not sustainable because there would come a point when there would be insufficient cash available to meet service levels. The ratio has been depressed for several years, as the City has grown and taken on new services and infrastructure there have been increased operating expenses and depreciation which has not been fully matched in income.

The chart below provides an example of how new infrastructure impacts on the operating results, the example is the new facilities at Bramston Park. This shows that the capital expenditure of \$2.7 million translates into a depreciation expense per year of \$30,000. In addition there are new operating expenses for the building and park of \$130,000 (which are offset with income of \$10,000). The total operating position is \$150,000 per year worse off.

Chart 1 – Impacts on Operating Results of New Community Facility



The key issue for the City is to ensure that there is a long-term plan to improve the ratio which this plan addresses, although there are several risks. Additionally, the City should consider the implications on the Operating Surplus Ratio when updating the annual budget and mid-year budget review.

To achieve a 1% improvement in the operating surplus ratio equates to an increase in income, or reduction in expenses, of approximately \$1.5 million.

How the 20 Year SFP is produced

There are four sets of assumptions used to build up the 20 Year SFP, as summarised below. These assumptions are explained in more detail in the plan itself (Attachment 2 refers):

1 External Environment

- Demographics.
- Economic indicators.
- Housing Strategy.
- Business Growth.

2 Operating Income and Expenses

- Baseline analysis. Budget 2017-18 is used as the baseline.
- Escalation factors (such as % increases) are then applied to each individual service item.
- Volume changes based on approved projects and planned projects. Where information is available from a feasibility study or business case or a decision by Council, then this information is used.

3 Capital Expenditure

- *Five Year Capital Works Program 2017-18 to 2021-22* is embedded into the draft 20 Year SFP.
- Forecast for the outer years (2022-23 to 2035-36) for each of the programs have been made.
- Other 'business as usual' capital programs (Information technology, fleet, and parking) have been forecast.
- Major Projects – based on feasibility studies or Council papers. Projects which have not been subject to any review by Elected Members are excluded.
- Escalation factors (such as % increases) are then applied to each individual project.

4 Funding

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

- municipal funds
- specific reserves
- strategic asset management reserve
- disposal proceeds (for example Grove Child Care / Dorchester Hall)
- borrowings.

The most important set of inputs to the plan are the second group – operating income and expense because they are recurring, and have a bigger on-going impact than one-off capital expenditure. For example, a lower rate increase in one year will affect each year of the plan thereafter.

The plan is prepared in consultation with all Business Units within the City. Additionally, external agencies are involved where necessary.

Attachments 1.1 to 1.8 are the detailed schedules. Each of these attachments is explained in the table below. This relates to Scenario 2 (details of other Scenarios are provided later in the report).

Table 4 – Attachments 1.1 to 1.8 – Detailed Schedules

No	Report	Purpose
1.1	Key Ratios Summary	<ul style="list-style-type: none"> Summary of the Key Ratios achieved versus previous plan. Other key indicators are also summarised. Graphs of key indicators.
1.2	20 Year Financial Projections	<ul style="list-style-type: none"> Operating statement, capital expenditure, funding.
1.3	Assumptions	<ul style="list-style-type: none"> Economic Indicators and external environment. Escalation assumptions applied for operating income and operating expenditure. Also includes other key assumptions, such as costs of borrowing.
1.4	Major Project Assumptions	<ul style="list-style-type: none"> List of major projects. Comparison of updated capital cost versus previous plan, and comparison of timescales for completion.
1.5	Capital Expenditure by Year – excluding escalation	<ul style="list-style-type: none"> Summary of all capital requirements, both for existing programs and new projects.
1.6	Capital Expenditure by Year – including escalation	<ul style="list-style-type: none"> Summary of all capital requirements, both for existing programs and new projects. Projects that are highlighted in yellow are in Attachment 1.7.
1.7	Capital Projects Funding	<ul style="list-style-type: none"> Funding summary to explain how projects are funded.
1.8	Reserves	<ul style="list-style-type: none"> Projected reserve balances and movements.

Format and Content of the Plan (Attachment 2)

It is five years since the Integrated Planning Framework was issued by the Department of Local Government, Sport and Cultural Industries and during that time the City has adopted four 20 Year SFPs in the same format (2012, 2014, 2015 and 2016). The City has reviewed the structure/content/format as there was a concern that the document was too long, not user-friendly and was cumbersome to update on an annual basis. During the past few years the Department of Local Government, Sport and Cultural Industries has been reviewing long-term financial plans prepared by all local governments in Western Australia and provided some suggestions of other documents that they considered being best practice (Broome, Esperance, Irwin and Mundaring). In addition, the City had also reviewed the Cities of Swan, Stirling, Wanneroo and Perth.

As a result of the review the format / content of the plan has been substantially altered. The key issues are as follows:

- Duplication was prevalent, for example commentary on ratios was in five separate sections.
- Operating projections (which are the most important part) were spread across four different sections, so these have been consolidated into one shorter section.
- Number of pages reduced from 64 to 44.
- Financial statements are retained in their original format so as to ensure a level of consistency with previous plans and ability to compare easily.
- Key sections expanded where necessary (such as Major Projects and Capital Works Program).
- Where possible, some of the schedules/charts have only shown the first 10 years rather than 20 years because the last 10 years added little value.

The plan still complies with the Department of Local Government, Sport and Cultural Industries' Integrated Planning Framework.

The table below provides a summary view of the content of the plan (Attachment 2 refers):

Table 5 – Explanation of the Draft 20 Year SFP

No	Section	Page	Details
1	Executive Summary	4	Brief summary of the plan.
2	Introduction	5 to 8	Introductory sections, explaining the purpose of the Draft 20 Year SFP, planning framework and description of the City of Joondalup.
3	Strategy & Economic / Social Indicators	9 to 10	This section includes: <ul style="list-style-type: none"> • Financial strategy of the City, including Guiding principles. • Revised table to summarise key external assumptions (CPI, Population, Interest Rates).
4	Operating Projections	11 to 15	This section consolidates all key factors for the Operating Projections: <ul style="list-style-type: none"> • Assumptions • Operating Projections • Commentary / Analysis This section includes one of the Financial Statements (the Income Statement) which is the most crucial statement and therefore embedded in the body of the report rather than at the end.
5	Capital Expenditure	16 to 19	Assumptions and projections for each area of Capital Expenditure: <ul style="list-style-type: none"> • Capital Works Program • Other Business-as-usual Capital Expenditure (IT, Fleet) • Major Projects.
6	Funding	20 to 23	Explanation of the approach and projections for each source of funding: <ul style="list-style-type: none"> • Reserves • Disposal Proceeds • Grants • Borrowings & Debt Management.

No	Section	Page	Details
7	Financial Sustainability	24 to 26	Commentary on the overall projections and key ratios.
8	Risk and Sensitivity	27 to 28	Analysis of risk and scenario analysis.
Appendices		29 to 33	20 Year SFP – Proposed Guiding Principles 2017. Major Projects impact on Operating Income/Expenses. Major Projects Funding.
Financial Statements 2, 3 & 4		34 to 39	The other supporting Financial Statements to the Draft 20 Year SFP, as per the Department of Local Government, Sport and Cultural Industries' Long Term Financial Plan Framework and Guidelines; <ul style="list-style-type: none"> • 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 SS1 to SS5		40 to 44	Five supporting schedules provide additional detail on projections.

Issues and Scenarios considered

Economic Environment

The Global economy is arguably in a worse position than it was prior to the Global Financial Crisis in 2007. There is a huge amount of uncertainty such as:

- China –uncertain growth
- quantitative easing – financial institutions around the globe (US, Japan, Europe, UK) have printed money with the aim of the keeping their economies afloat
- interest rates are at an unprecedented level, which is a sign of flagging growth. Indeed, in some economies (such as Japan); there are negative rates on government bonds
- inflation remains low in many economies despite the low interest rates.

In Australia the Federal Budget continues to see debt rise, with the most recent budget (May 2017) recommending that the limit on borrowings be increased from \$500 billion to \$600 billion. Previous attempts to rein in spending to deliver budget surpluses and reduce debt have failed to be agreed by Parliament, and therefore the Federal Government has resorted to higher tax revenue to achieve a budget surplus. Major spending programs have been announced and this is likely to increase debt. While the Federal budget has some areas of concern the amount of debt that Australia has compared to GDP is much lower than other western economies. Meanwhile there are other indicators of improved economic confidence in Australia with the NAB Business Confidence index hitting a six year high in April.

The Western Australian economy has also suffered from slower growth in the past couple of years and is in a period of transition from the resources construction boom. Some key impacts have been as follows:

- Property market slowdown with direct consequences for the City with a reduction in the Tamala Park proceeds.
- State Unemployment rate is currently 5.6% (July 2017), much higher than the low of 2.3% in October 2008. Also there is a greater move towards part-time employment when most job seekers are looking for full-time employment. However there are positive signs because the unemployment rate has reduced from a peak of 6.9% in November 2016.
- City of Joondalup unemployment rate is 3.91% (March 2017).
- Wages increases in WA are very low with a forecast of 1.5% in 2016-17. When wage growth is low it stagnates economic growth.
- CPI in WA continues to be very low, 0.7% for 2016-17.
- Closure of some major retail enterprises (such as Masters, Dick Smith). While the business model for these businesses may have had an impact, the slowing economy also contributed.

Key Assumptions

Some of the key assumptions and changes to the previously adopted plan are as follows:

- 1.95% rate increase for 2017-18 instead of 4%. The lower rate increase has an impact in 2017-18 of approximately \$2.1 million, but over a 20 year period reduces cash by \$88 million.
- Rate increases for 2018-19 to 2020-21 reduced from 5% to an average of 3.7%. The lower rate increases has an impact over a 20 year period of \$151 million.
- Employment costs increase for 2016-17 and 2017-18 is 1.5% instead of 2%. These reductions have a total benefit in 20 year cash of \$24.6 million.
- Commercial growth of 28.9% by 2035-36, resulting in additional rates income of \$111 million. This is \$18 million more than the previously adopted plan.
- Residential dwellings increase of 6,811, resulting in additional rates income of \$84 million, which is the same increase as the previously adopted plan.
- Maximum term for repayment of borrowings. 12 years is assumed to be the maximum term for repayment of borrowings, rather than 15 years because this reduces the overall costs of interest. Ideally the City should repay borrowings over no more than 10 years, but 12 years was the lowest term deemed reasonable without breaching the minimum threshold of the Debt Service Coverage Ratio.

Scenario Evaluation

In June 2017 Council resolved NOT to proceed to detailed design for the Joondalup Performing Arts and Cultural Facility. Five scenarios have therefore been prepared as follows:

- 1 Timescales for project remain as is. This includes \$3.7 million expenditure in 2017-18, construction completed by 2020-21 and a \$10 million grant. This scenario is unrealistic as Council decided not to proceed to detailed design and is only included in the analysis as a reference point.
- 2 Delay project by 1 year, \$10 million grant assumed, construction completed by 2021-22.
- 3 Delay project by 1 year, \$20 million grant assumed, construction completed by 2021-22.
- 4 Delay project by 1 year, \$30 million grant assumed, construction completed by 2021-22.
- 5 Project removed.

The outcomes of the scenarios on the 20 Year SFP are summarised in the two tables below:

Table 6 – Scenario Results (1)

SCENARIO SUMMARY			Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Adopted June 2016
			JPACF Moved on 1 Year				JPACF Excluded	
<i>Grant Assumption</i>			<i>\$10m</i>	<i>\$10m</i>	<i>\$20m</i>	<i>\$30m</i>	<i>n/a</i>	
1	Key Ratios	How many achieved (max 100)	80	81	81	82	84	85
2	Financial Health Indicator: Yr 1 to 6	Score out of 100 (70 is Sound)	58	59	59	59	64	68
3	Borrowings	20 Year Total (\$m)	\$101.2	\$94.4	\$73.5	\$63.3	\$35.3	\$84.4
4	Cash Held less Borrowings Owing	at end of 2035-36 \$ms	\$67.7	\$77.3	\$100.2	\$122.3	\$315.8	\$256.8
5	Operating Surplus Ratio:	What Year is target first achieved?	2026-27	2026-27	2026-27	2025-26	2023-24	2023-24
6		Average Years 1 to 10	-1.0%	-0.7%	-0.5%	-0.3%	1.6%	0.4%

Table 7 – Scenario Results (2)

JPACF Borrowings & Repayments			Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Adopted June 2016
			JPACF Moved on 1 Year				JPACF Excluded	
<i>Grant Assumption</i>			<i>\$10m</i>	<i>\$10m</i>	<i>\$20m</i>	<i>\$30m</i>	<i>n/a</i>	
1	Construction	Year of Completion	2020-21	2021-22	2021-22	2021-22	n/a	2018-19
2	Grants	Assumed Year Received	2018-19	2019-20	2019-20	2019-20	n/a	2018-19
3	Borrowings	JPACF Loans Required	\$50.8	\$47.2	\$37.1	\$26.9	\$0.0	\$47.5
4	Interest	Interest on JPACF Borrowings	\$17.2	\$17.5	\$14.0	\$10.2	\$0.0	\$19.3
5	Repayments	Borrowings plus Interest	\$68.0	\$64.7	\$51.1	\$37.1	\$0.0	\$66.8
6	Tamala Reserve	Post Construction Proceeds used	\$41.9	\$36.0	\$37.9	\$37.1	\$0.0	\$46.5
7	Shortfall	Municipal Funds to repay shortfall	\$26.1	\$28.7	\$13.2	\$0.0	\$0.0	\$20.3
8	Tamala Park Reserve	Tamala Reserve at 2035-36	\$0.0	\$0.0	\$0.0	\$5.8	\$114.7	\$0.0

Key issues to note are:

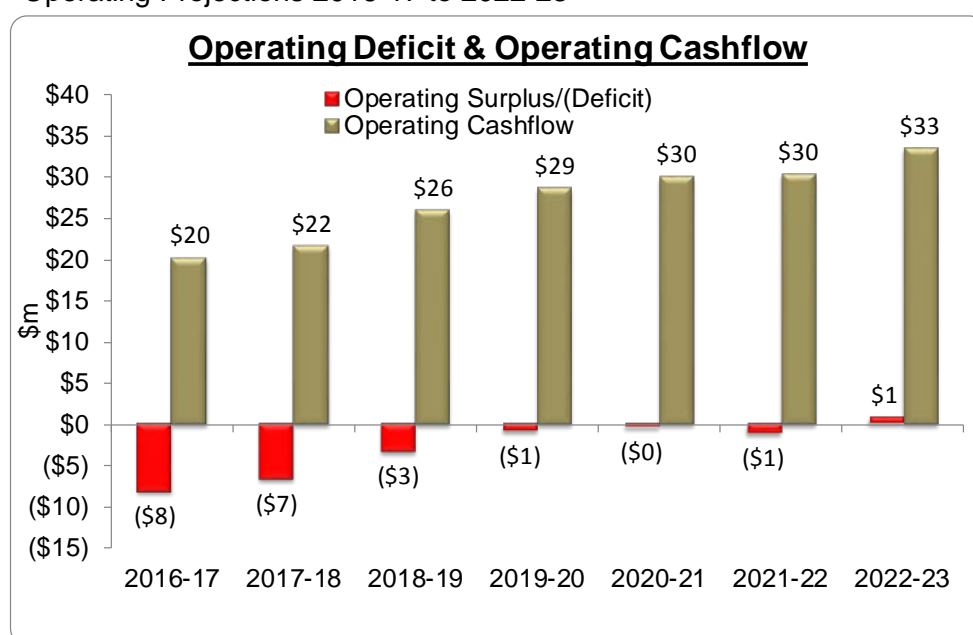
- Table 6 shows that scenarios 2 to 5 would marginally improve the number of key ratios achieved. Under Scenario 5 with the exclusion of the project the number of key ratios achieved is projected to be 84 out of 100. While the exclusion of the project would improve the overall cash position over a 20-year period, the earlier years of the plan would still fail the thresholds for Operating Surplus Ratio and Asset Sustainability Ratio.
- Table 7 - If project is delayed (Scenarios 2, 3 and 4), there are more reserves available at point of construction and therefore less borrowings required. Scenarios 1, 2 and 3 would all require some of the loan repayments to be made from municipal funds because the future proceeds from Tamala Park sales would be insufficient to meet the cost of repayments. Scenario 4 (\$30 million grant), would result in a loan of \$26.9 million, repayments of \$37.1 million and would result in some proceeds still remaining in Tamala Park reserve at 2035-36.

None of the scenarios are presented as the “best” or recommended option but are merely provided for illustration. Scenario 2 is used as the basis of the plan in Attachments 1 and 2 and is used for commentary in the rest of this report.

Operating Surplus/(Deficit) and Operating Cash flow

The most important projections from the 20 Year SFP are the operating projections; these provide the best indication of long-term healthy financial sustainability. The graph below summarises the operating projections up to 2022-23 and indicates that the Operating Surplus/(Deficit) is projected to improve from (\$8 million) deficit in 2016-17 to a surplus of \$1 million by 2022-23. The Operating Cash flow (which excludes the non-cash items such as Depreciation) is projected to improve from \$20 million in 2016-17 to \$33 million by 2022-23.

Chart 2 – Operating Projections 2016-17 to 2022-23



The operating projections are therefore indicating a positive upward trend with a \$9 million increase in operating results from 2016-17 to 2022-23 and this includes the sizeable impacts of the Joondalup Performing Arts and Cultural Facility. It is therefore important to evaluate the reasons for the \$9 million improvement.

The table below summarises the movements in Operating Income and Operating Expenses compared to the previous year. The income and expenses are split into “base” (which means the existing income and services), and “new” which relates to new services or projects.

Table 8 – Changes in Operating Projections 2016-17 to 2022-23

Changes in Operating Income/Expenses versus Previous Year	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>22-23</u>	<u>Total</u>
	<i>\$ms</i>	<i>\$ms</i>	<i>\$ms</i>	<i>\$ms</i>	<i>\$ms</i>	<i>\$ms</i>	<i>\$ms</i>
Base Income	2.4	3.7	4.6	6.0	6.1	7.0	29.9
New Income	0.3	1.0	0.8	0.9	2.6	1.6	7.2
Base Expenses	(1.1)	(1.9)	(3.1)	(3.7)	(4.0)	(5.1)	(18.9)
New Expenses		0.5	0.1	(2.8)	(5.4)	(1.5)	(9.1)
Operating Surplus / (Deficit)	1.5	3.4	2.4	0.5	(0.7)	2.0	9.1

Each year, apart from 2021-22 projects that the Operating Surplus will improve compared to the previous year. The key issues are as follows:

- Base income (which predominately includes Rates and Fees/Charges) is projected to improve by more than base expenses each year. The fundamental assumption though is that rate increases are higher than the increases in expenses.
- New income mostly relates to additional rates income from commercial growth and new dwellings. New income also includes income from new projects such as the Joondalup Performing Arts and Cultural Facility-
- 2018-19 shows a \$3.4 million improvement in operating deficit forecast compared to 2017-18, this is mostly based on the factors explained above with base income increasing by \$1.8 million more than base expenses and new income mostly relating to rates growth of \$1.0 million. In addition, there is also a \$600,000 adjustment because 2017-18 includes several one-off operating expenses not repeated in future years.
- 2020-21 includes the first year of the Joondalup Performing Arts and Cultural Facility, and the new expenses grow by approximately \$6 million compared to 2019-20. This includes the impact of depreciation, interest on borrowings and the operating expenses of the facility.

The table above demonstrates that the assumptions for base income and base expenses have a much more significant impact on the changes in the plan than the impact of new services, and that even with large additional operating expenses through new projects such as the Joondalup Performing Arts and Cultural Facility the City has the ability to absorb the impacts. However, this is dependent on having increases in base income which are higher than base expenses.

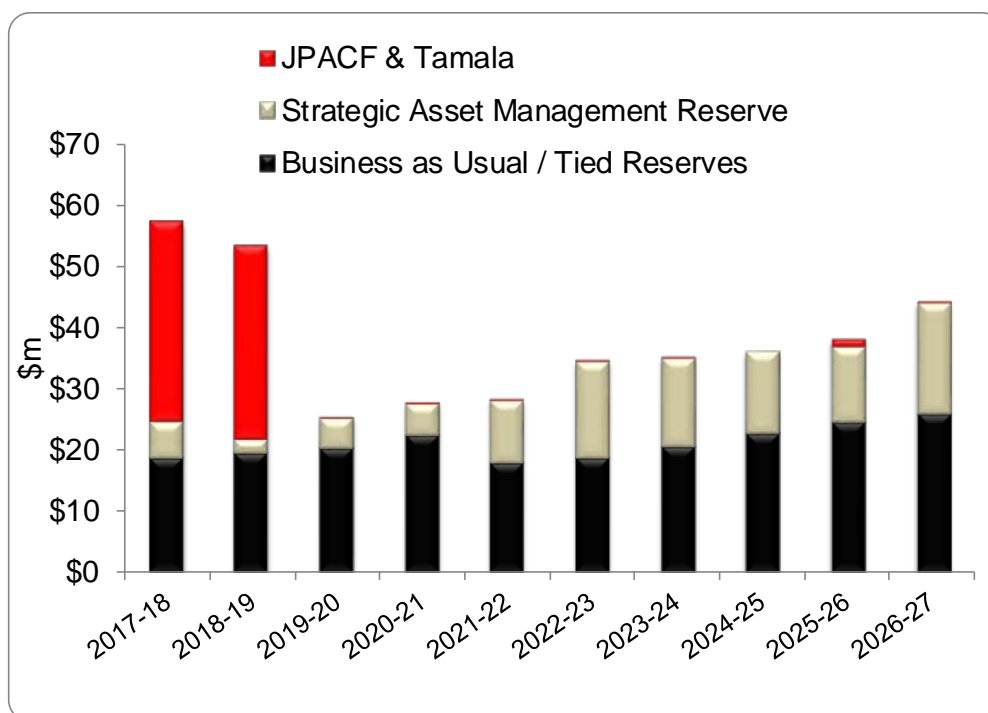
Reserves & Borrowing

The graph below summarises the projected balances in reserves, the reserves grouped into three overall categories. The Joondalup Performing Arts and Cultural Facility project is assumed to use all of the Joondalup Performing Arts and Cultural Facility and Tamala Land Sales Reserve by June 2020 to partially assist with the cost of construction.

The Strategic Asset Management Reserve continues to decline over the next few years due to City Centre Street Lighting review and other building projects, but the reserve is then projected to increase more in later years as surplus operating cash flow increases.

The business as usual tied reserves include Parking Facility Reserve and Waste Management Reserve. The Waste Management Reserve has over \$9 million at present and although there may be opportunities for using this reserve to improve waste services (and reduce waste expenditure) this is not factored into this version of the plan.

Chart 3 – Reserve Balance 30 June



The draft 20 Year SFP projects \$94.4 million borrowings; this is \$10 million more than the previous plan. The projected borrowings are summarised in the table below. Borrowings are proposed in the draft 20 Year SFP when there are no available reserves or surplus municipal funds. The Joondalup Performing Arts and Cultural Facility has estimated borrowings of \$47.2 million which are estimated to cost a total of \$64.7 million, including \$17.5 million interest. The plan has the same assumptions as the previous plan for the Joondalup Performing Arts and Cultural Facility whereby the Tamala Park proceeds are used to partially fund the construction and then proceeds received after construction are used to repay borrowings. The Tamala Park proceeds would be able to repay \$36.0 million of the \$64.7 million of borrowings but the remaining \$28.7 million are assumed to be met from municipal funds.

The second Multi Storey Car Park would use available funds in the Parking Facility Reserve but would still require borrowings of \$11.9 million.

Table 9 - Borrowings

Borrowings Projected \$ms	16-17 \$ms	18-19 \$ms	19-20 \$ms	20-21 \$ms	21-22 \$ms	22-23 \$ms	30-31 \$ms	35-36 \$ms	Total \$ms
Synthetic Hockey Project	\$4.5								\$4.5
Major Building Construction	\$0.7								\$0.7
Joondalup Performing Arts & Culture Facility/Jinan Gardens			\$3.8	\$43.4					\$47.2
Edgewater Quarry Masterplan			\$0.4	\$6.2	\$5.0				\$11.6
Multi Storey Car Park (2)						\$11.9			\$11.9
Joondalup United Football Club		\$0.5							\$0.5
Warwick Sports Centre			\$0.1	\$0.9	\$0.2				\$1.2
Joondalup Administration Building - refurbishment		\$1.9	\$2.1						\$4.0
Percy Doyle - Refurbishment Works			\$0.7						\$0.7
Chichester Park Redevelopment			\$0.7						\$0.7
Joondalup Mens Shed			\$0.5						\$0.5
Percy Doyle Master-Plan Phase 1 & 2							\$8.1	\$2.8	\$10.8
Total	\$5.3	\$2.4	\$8.4	\$50.4	\$5.2	\$11.9	\$8.1	\$2.8	\$94.4

It is acknowledged that the borrowings are high in comparison to the current balance outstanding of approximately \$17 million but the borrowings are within the thresholds recommended by Western Australian Treasury Corporation.

Options

The options for the committee to consider are:

- adopt the draft 20 Year SFP, without any further changes (Scenario 2)
- adopt the draft 20 Year SFP with changes as per Scenarios 1, 3, 4, 5 or any other changes requested
or
- do not adopt the Draft 20 Year SFP at this stage, pending further changes.

Legislation / Strategic Community Plan / policy implications

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

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

Strategic Community Plan

Key theme Financial Sustainability.

Objective Effective management.

Strategic initiative

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

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

Risk management considerations

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

Rates Increases Lower in Future Years than Planned

While the projections appear favourable, the single biggest risk in the projections is the increase in rates. If the City implements lower rate increases in line with the draft 20 Year SFP, and all other assumptions remain constant, then this will have a significant downside impact.

The table below considers other scenarios of rates increases for the years 2018-19 to 2020-21 and their impact on net cash. If the rate increases were 1% less than the current projections the overall reduction in cash at the end of 20 years would be \$148 million. If the rate increases were 2% less there would be \$293 million less cash. The number of key ratios achieved would also reduce significantly in both scenarios. More importantly the achievement of the Debt Service Coverage Ratio would fail in two of the years if the rates

Increases were 1% less than the plan, and would fail in four of the years if the rates increases were 2% less.

These scenarios do not take account of any other changes that could be made to services and financial projections.

Table 10 – Rates Increases Scenario Modelling

Scenario	Rates Increases %				Impact on Cash \$m			Key Ratios Achieved	
	2018-19	2019-20	2020-21	2021-22	1 Year Impact (2018-19)	4 Year Impact (2021-22)	20 Year Impact (2035-36)	Total out of 100	Debt Ratio Failed
Proposed Plan	3.4%	3.4%	4.4%	4.5%				80	1
1% less of an increase	2.4%	2.4%	3.4%	3.5%	-\$1	-\$11	-\$148	77	2
2% less of an increase	1.4%	1.4%	2.4%	2.5%	-\$2	-\$23	-\$293	65	4

Delay of Joondalup Performing Arts and Cultural Facility by more than one year

The plan has been prepared based on Scenario 2 which assumes that the Joondalup Performing Arts and Cultural Facility project is delayed by one year. As explained earlier, when the project is delayed there are more reserves available (Tamala Park Land Sales) to contribute towards the construction and therefore less borrowings. It is therefore worth noting the following impacts if the project is delayed by more than one year:

- Delayed by three years, would result in approximately \$12 million more reserves available which would reduce the borrowings to approximately \$35 million.
- Delayed by five years, would result in approximately \$22 million more reserves available which would reduce the borrowings to approximately \$25 million.

The above scenarios assume the City receives a \$10 million grant.

Projects not included in the 20 Year Strategic Financial Plan

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

Projects discussed but not included are:

- 1 Sorrento Surf Life Saving Club redevelopment – a business case has been submitted by the club and has been reviewed by the City. The City is working with the club to refine the business case.
- 2 Joondalup City Centre development - the project costs are included for 2017-18, but no other capital costs or financial impacts are included at this stage until the project is developed further.
- 3 Ocean Reef Marina - the project costs are included for 2017-18, but no other capital costs or financial impacts are included at this stage until the project is developed further.

Financial / budget implications

The draft 20 Year SFP 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 SFP, 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 SFP.

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

Regional significance

Not applicable.

Sustainability implications

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

COMMENT

The draft 20 Year SFP 2016-17 to 2035-36 (Attachment 2 refers), sets out a significant program of works and projects for the City of Joondalup over the next 20 years. These are in keeping with and represent the *Joondalup 2022* vision for the City: “*A global City: bold, creative and prosperous*”.







Although the program is ambitious, it is achievable with financial discipline and the draft 20 Year SFP maps out how this can be done.

The draft 20 Year SFP 2017 (2016-17 to 2035-36) replaces the previous plan adopted in 2016.

Ratios

The table below summarises the projected achievement of key ratios, and compares to the previous plan (for Scenario 2).

Table 11 – Ratios

	KEY RATIO as per the City's Guiding Principles	Target Range		Updated SFP		Previous (Jun'16)		
		Low	High	Number of Years within Tolerance	Number of Years Outside Tolerance	Number of Years Within Tolerance	vs. Current Proposal	
1	Rate % Increase	0.0%	5.0%	20	0	20	0	
2	Balanced Cash Budget	\$0	\$0	20	0	20	0	
3	Operating Surplus Ratio %	2.0%	8.0%	10	10	12	-2	
4	Asset Sustainability Ratio %	90.0%	110.0%	11	9	13	-2	
5	Debt Service Coverage Ratio	3.0	>5	20	0	20	0	
	Total			81	19	85	-4	

Of the five key ratios identified within the *Guiding Principles*, 81 out of 100 are achieved, which is four less than the previous plan. Of the 81 ratios within tolerance, there are only 31 out of the 50 achieved in the first 10 years. It is far from ideal to only achieve 81 ratios because the City should achieve at least 90 of the key ratios. Indeed, the operating surplus ratio, which is the most important ratio, is below the threshold for the first nine years and only comes within tolerance from 2026-27. For those ratios that are not achieved (operating surplus ratio and asset sustainability ratio), there is at least a positive trend. Some further comments regarding each ratio:

- Rates increases at no more than 5%. This is achieved in 20 of the 20 years.
- Balanced cash budget is a ratio that must be achieved every year, and this is achieved in all 20 years.
- Operating Surplus Ratio. The 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 negative but there are projected to be steady improvements as indicated on the first chart within Attachment 1.1. The target is to have a five-year average between 2% and 8% which is projected to be achieved in 10 of the 20 years. The starting point of the projections of 2016-17 is negative 5.8%. As indicated earlier the increase in base income being higher than increase in base expenses is the biggest factor which contributes to the improvement in the ratio. The Joondalup Performing Arts and Cultural Facility depresses the ratio by 2.8% each year due to the operating subsidy required, interest expense on borrowings and the depreciation. From 2022-23 there is projected to be an Operating Surplus and the target for a five year average of between 2% and 8% is expected to be achieved by 2026-27. Attachment 1.1 also shows that the projections for the Operating Surplus Ratio have worsened as the plan is updated – the 2015 plan projected achievement of the target by 2020-21, the 2016 plan then projected achievement by 2023-24 and the revised plan now forecasts 2026-27. The major cause of the change in this year's plan is the reduction in rates increases.
- Asset Sustainability Ratio measures the rate at which the City spends capital expenditure on replacement versus depreciation. The target is to be between 90% and 110%, the long-term average should be 100%. This ratio fails the target in the first nine years which suggests that there is insufficient expenditure on replacement of existing assets and too much on new assets. The City's assets and infrastructure are relatively young and at this stage in their life cycle it is reasonable for the asset sustainability ratio to be depressed. The City will need to increase expenditure on renewals in later years as the City becomes older; this has been factored into the capital forecast.
- Debt service coverage is a crucial ratio to show achievement in all 20 years as it demonstrates the City's capacity to borrow in line with project funding requirements. The ratio compares the amount of operating cash flow available versus loan repayments. Ideally there should be a surplus from operating cash flow of five times or more of loan repayments. It is intended that the ratio does not fall below the range of three to five, and the target is to avoid this occurring for five years in a row. This target is achieved in all years of the plan. While the ratio is currently projected to be satisfactory, the City would have less capacity to borrow for any other major projects which require a sizeable capital investment.

Financial Health Indicator

The Department of Local Government, Sport and Cultural Industries launched a website in 2016 ('My Council') which provides various information for all Councils in Western Australia. The website includes information that is extracted from annual accounts and other publicly available reports. The data is summarised into a standard platform which then allows users to view Council data consistently for all Councils and to compare Councils to each other. Additionally, the website also includes a financial health indicator for each Council.

The financial health indicator is marked out of a maximum of 100 with a score of 70 or more designated as sound. The results for 2015-16 have now been released with a Financial Health Indicator for 2015-16 of 56, 14 less than sound. The City has also calculated the estimated score for 2016-17 as 62 out of 100 and therefore less than sound. The score for 2014-15 was classed as "sound", but this was an anomaly caused by the timing of a grant payment. The scores for the four years 2013-14 to 2016-17 are summarised below:

Table 12 – Financial Health Indicator

2013-14	2014-15	2015-16	2016-17
60	75	56	61
Not Sound	Sound	Not Sound	Not Sound

The major cause for the score being less than sound in three of the last four years is the negative Operating Surplus Ratio. The draft 20 Year SFP has projected the Financial Health Indicator and the trend is similar to the achievement of the key ratios, with a sound Financial Health Indicator being achieved from 2023-24 when the Operating Surplus Ratio and Asset Sustainability Ratio are improving.

How to Address Operating Deficit

While the plan has many positive aspects, there are also issues of concern. The current operating deficit of \$8.2 million (2016-17) will take several years to become positive and the improvement is predicated on increases to income (mostly rates income) rising more than operating expenses. Meanwhile the continued addition of new infrastructure drags down the operating deficit because most new infrastructure does not have an income stream large enough to match the maintenance costs and the burden of depreciation/capital replacement.

It is therefore worth considering some of the major opportunities that the City could consider to improve the operating deficit that are not included in the plan:

- Employment expenses reduced. There are several opportunities as follows:
 - Volume reduced either through service reduction or alternative delivery models such as technology. Technological advances (such as customer service) may provide opportunities in future although there would need to be upfront investment. There are no examples yet within local government of sufficient advances in technology being able to reduce employment expenses, but this is an area the City will continue to monitor.
 - Workplace agreement increases minimised. The low inflation economy should be used to minimise increases in salaries, however the local government industry is competitive and there is a risk that valued employees seek employment elsewhere.

- Depreciation. The depreciation expense for the City has increased significantly over the past years from approximately \$20 million in 2008-09 to approximately \$30 million in recent years. The City is continuing to update Asset Management Plans and useful lives and will seek opportunities to extend asset lives (and therefore reduce depreciation) if it is plausible to do so without affecting service provision. However, it should be emphasised that the current asset values and useful lives for all asset classes have been subject to revaluations, peer reviewed and accepted by auditors.
- Capital Expenditure. Attachment 1.5 shows that over 40% on average of capital replacement is on new capital expenditure. All new capital expenditure brings with it an additional expense of depreciation and the requirement of future capital replacement. By 2035-36 the updated plan has projected new depreciation expense of \$5.9 million which depresses the operating surplus ratio by over 2%. If the City reduced the amount of expenditure on new infrastructure and prioritised on capital renewal expenditure this would help with the operating deficit.
- Income. New opportunities to increase income could help to address the deficit. In addition, changing the pricing structure of existing services could address the deficit. Most services provided by the City (such as parks hire) are subsidised by general rates income.

Comparison to Other Local Government

The tables below compare the projected Rate Increase, Operating Surplus Ratio and Debt Service Coverage Ratio for other cities in the metropolitan area. The inclusion of City of Stirling is extremely limited because the source of the data is their last publicly available plan which was in 2013, they have been updating their plan since then but it is not publicly available.

The key points from the comparison are as follows:

- Rates Increases projected by the City of Joondalup are mostly higher than City of Wanneroo, City of Swan and City of Perth. The exception to this is the increases planned by Wanneroo from 2017-18 to 2019-20.
- Operating Surplus Ratio. The results are varied. The City of Wanneroo is projecting a negative ratio in 2017-18 but then positive in future years. The City of Stirling has enjoyed a large positive in recent years including 2016-17 but in 2017-18 a large reduction due to an increase in operating expenses (there is insufficient information to know if this is a one-off impact). City of Swan has a high surplus and this excludes the benefit of developer contributions. City of Perth has a moderate surplus. The City of Rockingham has a very high negative surplus which is caused by a high depreciation expense. The City of Joondalup takes several years until it improves.
- Debt Service Coverage Ratio. City of Swan has a low ratio from 2018-19 to 2025-26, but still above the threshold of 3.0. City of Wanneroo ratio is distorted due to the nature of their borrowings; they have a large loan which will be repaid in full in a later year, whereas every other year the ratio is high because the ratio only includes the interest payments. City of Stirling has no borrowings at present and therefore no ratio is calculated. The City of Rockingham ratio is healthy and demonstrates that their cash position is satisfactory even though their operating deficit (including depreciation) is high.

Table 13 – Comparison to Other Metropolitan Local Government

Rates % Increase	#1 2016-17	#2 2017-18	#3 2018-19	#3 2019-20	#3 2020-21	#3 2021-22	#3 2022-23	#3 2023-24	#3 2024-25	#3 2025-26
Joondalup	2.50%	1.95%	3.40%	3.40%	4.40%	4.50%	4.50%	4.50%	4.00%	4.50%
Wanneroo	3.50%	2.45%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	2.50%	2.50%
Stirling	1.75%	1.75%								
Swan	3.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Perth	1.60%	1.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rockingham	4.00%	3.00%								

Operating Surplus Ratio #4	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Joondalup	(5.8%)	(4.7%)	(2.2%)	(0.6%)	(0.2%)	(0.7%)	0.5%	1.2%	2.0%	3.7%
Wanneroo	4.0%	(2.0%)	0.8%	1.3%	1.6%	1.7%	1.5%	1.8%	1.3%	(0.3%)
Stirling	11.0%	2.2%								
Swan	13.5%	11.8%	10.3%	7.5%	6.9%	5.6%	5.8%	5.9%	6.6%	6.3%
Perth	4.2%	2.1%	6.0%	7.0%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%
Rockingham	(25.0%)	(26.0%)								

Debt Service Coverage Ratio	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Joondalup	7.9	6.3	7.0	6.7	6.6	3.6	4.2	2.6	2.8	6.1
Wanneroo	14.7	11.8	12.2	13.1	14.1	14.8	15.4	5.0	18.2	18.1
Stirling	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Swan	7.2	6.3	4.4	4.2	3.8	3.2	3.6	3.8	4.1	4.9
Perth	5.0	5.0	Unable to see the numbers as they are only shown on a graph							
Rockingham	10.5	7.5								

#1 2016-17 values are based on Estimated Results for each Local Government

#2 2017-18 based on Adopted budget

#3 2018-19 onwards based on published long-term plans where available. Note:

- City of Joondalup based on Draft 2017 plan

- City of Wanneroo based on LTFP 2016-17 to 2035-36 (published 2016)

- City of Swan based on LTFP 2016-17 to 2025-26 (published 2016)

- City of Perth LTFP 2016 to 2026 (published 2016)

- City of Stirling LTFP was last published in 2013 and not relevant for including in tables

- City of Rockingham LTFP not publicly available.

#4 Operating Surplus Ratio is the annual ratio, not the 5 year average

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That Council NOTES:

- 1 that the draft *20 Year Strategic Financial Plan* for the period 2016-17 to 2035-36 as at Attachment 2 to this Report is based on Scenario 2;
- 2 ADOPTS the draft *20 Year Strategic Financial Plan* for the period 2016-17 to 2035-36 as at Attachment 2 to this Report;
- 3 ADOPTS the *Guiding Principles 2017* as included at Appendix 1 of Attachment 2 to this Report.

PROCEDURAL MOTION – THAT THE ITEM BE REFERRED BACK TO THE CEO

MOVED Cr Taylor, **SECONDED** Cr Dwyer that the item in relation to the adoption of the *20 Year Strategic Financial Plan* for the period 2016-17 to 2035-36 be **REFERRED BACK** to the Chief Executive Officer to allow further investigations into the City's operating deficit ratios, as well as funding of large scale capital projects.

The Procedural Motion was Put and

CARRIED (5/1)

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

Appendix 9 refers

To access this attachment on electronic document, click here: [Attach9agnFIN170807.pdf](#)

ITEM 10 STATUS REPORT ON CITY FREEHOLD PROPERTIES PROPOSED FOR DISPOSAL AND A PROPOSED CROWN LAND ACQUISITION

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	63627, 101515
ATTACHMENTS	Attachment 1 Lot 2 (20) Kanangra Crescent, Greenwood Attachment 2 Lot 803 (15) Burlos Court, Joondalup Attachment 3 Lot 1001 (14) Camberwarra Drive, Craigie Attachment 4 Lot 900 (57) Marri Road, Duncraig Attachment 5 Lot 12223 (12) Blackwattle Parade, Padbury
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

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

EXECUTIVE SUMMARY

The City's freehold land disposal project initially included 14 sites with two sites being withdrawn from consideration. Nine sites have now been sold, eight being detailed in Table 1 below with the ninth site having sold at auction on 19 July 2017.

At its meeting held on 13 December 2016 (CJ234-12/16 refers), Council resolved to authorise the Chief Executive Officer to take the then four remaining properties to public auction which was planned for April 2017. In the interim, based on the prevailing property market conditions, the opinion of a property expert was sought who advised to take one property to auction only. The selected property was Lot 900 (57) Marri Road, Duncraig with the main reason for this decision being Duncraig's high demand market.

Following a four week marketing campaign, Lot 900 (57) Marri Road, Duncraig was sold at auction on 19 July 2017 for \$1,030,000 exclusive of GST. This offer was in excess of a recent market valuation that the City obtained from a licensed valuer which was used to guide the reserve.

The three remaining sites available for disposal are Lot 2 (20) Kanangra Crescent, Greenwood, Lot 803 (15) Burlos Court, Joondalup and Lot 1001 (14) Camberwarra Drive, Craigie and it is now proposed to take Lot 803 (15) Burlos Court, Joondalup and Lot 1001 (14) Camberwarra Drive, Craigie to auction during November 2017.

With regard to the City's acquisition of Lot 12223 (12) Blackwattle Parade, Padbury, the Department of Planning, Lands and Heritage (DPLH) (former Department of Lands) has advised that it will forward the City an unconditional contract of sale once the matter of an access easement required on Lot 12223 has been resolved. On the City's execution of the contract, land transfer actions will commence. Additionally, public advertising of Amendment No. 87 to the City's *District Planning Scheme No. 2* (DPS2) closed on 20 July 2017 which proposes to rezone Lot 12223 from 'Civic and Cultural' to 'Commercial.' A report will now be prepared for Council to consider the submissions received during the 42-day advertising period.

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

It is therefore recommended that the Finance Committee:

- 1 *NOTES that Lot 900 (57) Marri Road, Duncraig was sold at auction on 19 July 2017 for the sum of \$1,030,000 (exclusive of GST) and that three City freehold sites remain for disposal;*
- 2 *NOTES the Chief Executive Officer will commence the necessary actions to take Lot 803 (15) Burlos Court, Joondalup and Lot 1001 (14) Camberwarra Drive, Craigie to auction;*
- 3 *NOTES a further status report on the progress of the City's proposed disposal of freehold land and proposed acquisition of a Crown land site will be submitted to the Finance Committee meeting to be held on 2 October 2017.*

BACKGROUND

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

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

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

Table 1 (GST exclusive)

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

At its meeting held on 13 December 2016 (CJ234-12/16 refers) Council resolved in part, that it:

- “1 *NOTES the status report on the progress of the City’s proposed disposal of five freehold land sites;*
- 2 *NOTES that Council authorised the Chief Executive Officer to dispose of Lot 803 (15) Burlos Court, Joondalup by public auction or private treaty, at its meeting held on 18 October 2016 (CJ167-10/16 refers);*
- 4 *AUTHORISES the Chief Executive Officer to dispose of the following sites by public auction:*
- 4.1 *Lot 2 (20) Kanangra Crescent, Greenwood;*
- 4.2 *Lot 900 (57) Marri Road, Duncraig;*
- 4.3 *Lot 1001 (14) Camberwarra Drive, Craigie;*
- 5 *NOTES that a further status report on the progress of the City’s proposed disposal of freehold land and proposed acquisition of a Crown land site will be submitted to a Finance Committee meeting in 2017, at a date to be determined.”*

DETAILS

Table 2

	Property Address	Land Disposals – Current Status
1	Lot 2 (20) Kanangra Crescent, Greenwood. Land Area: 3005m ² . Attachment 1 refers.	This site is ready for disposal, is zoned Residential with a restricted use to ‘Aged or Dependent Persons’ Dwellings’ and it has a density code of R40. At its meeting held on 13 December 2016, Council authorised the CEO to dispose of this property by public auction (CJ234-12/16 refers). Subsequent to the response to the proposed auction of Lot 900 (57) Marri Road, Duncraig, the City proposes to take two more freehold sites to auction during November 2017 leaving this site to be considered for disposal early in 2018.
2	Lot 803 (15) Burlos Court, Joondalup. Land Area: 4,410m ² . Attachment 2 refers.	This site is zoned Residential with a restricted use to ‘Aged or Dependent Persons’ Dwellings’ and it has a density code of R60. Council declined all tenders received for the sale of Lot 803 (15) Burlos Court, Joondalup at its meeting held on 18 October 2016 (CJ167-10/16 refers) and authorised the CEO to dispose of the property by public auction or private treaty. It is proposed to take this site and Lot 1001 (14) Camberwarra Drive, Craigie to auction during November 2017.

	Property Address	Land Disposals – Current Status
3	<p>Lot 1001 (14) Camberwarra Drive, Craigie.</p> <p>Land Area: 2,055m².</p> <p>Attachment 3 refers.</p>	<p>This site is ready for disposal and at its meeting held on 13 December 2016, Council authorised the CEO to dispose of this property by public auction (CJ234-12/16 refers).</p> <p>It is proposed to take this site and Lot 803 (15) Burlos Court, Joondalup to auction during November 2017.</p>
4	<p>Lot 900 (57) Marri Road, Duncraig.</p> <p>Land Area: 1,366m².</p> <p>Attachment 4 refers.</p>	<p>Lot 900 (57) Marri Road, Duncraig was the selected property to take to auction of the four remaining freehold sites. Marketing strategies and commission rates were sought from real estate agencies via a 'Request for Quotations' exercise. Burgess Rawson was selected to represent the City and conducted a four-week comprehensive marketing campaign and the auction.</p> <p>A licensed valuer provided a market valuation on 7 June 2017 and the Chief Executive Officer based a reserve price on this valuation to guide the bidding process. Lot 900 sold on 19 July 2017 for \$1,030,000 (excl of GST) which was in excess of the reserve.</p> <p>At its meeting held on 16 February 2016, Council considered the results of the public advertising period in connection with the rezoning amendment for this site (CJ003-02/16 refers). Part of Council's resolution was a request that on disposal of this site, the purchaser be encouraged to retain existing significant trees as part of the future development. Taking this into account, a prepared statement was provided to the auctioneer that was read out on behalf of the CEO prior to the bidding process. It requested the new owner of Lot 900 make every endeavour to retain some of the trees on this site as part of the future development design.</p> <p>Settlement is proposed for 18 August 2017.</p>

		Acquisition – Current Status
1	<p>Lot 12223 (12) Blackwattle Parade, Padbury</p> <p>Land Area: 3,332m².</p> <p>Attachment 5 refers.</p>	<p>At its meeting held on 24 June 2014 (CJ104-06/14 refers), Council accepted in-principle the DPLH's concessional purchase price of \$88,000 (exclusive of GST) subject to the outcome of a 30-day public advertising period. The DPLH advised the City during May 2016 that the Minister for Planning, Lands and Heritage (former Minister for Lands) had approved this acquisition.</p> <p>The DPLH has advised that the City will receive an unconditional contract of sale once the access easement matter concerning Lot 12223 has been finalised.</p> <p>An access easement is required over Lot 12223 in favour of the adjoining shopping centre site to allow continued right of carriageway to and from the shopping centre's</p>

		Acquisition – Current Status
		<p>service area. The City is endeavouring to progress this easement with the DPLH and the strata owners of the shopping centre. A land surveyor has now prepared and lodged an Interest Only Deposited Plan denoting the easement land required. To finalise this, the DPLH will also develop the associated easement conditions which will require the strata owners' agreement.</p> <p>Certain remedial works are required on the easement land or "driveway" due to damage caused by delivery trucks to the shopping centre's service area. It is envisaged that the strata owners will pay for these works and quotations have been obtained. An AGM of the Council of Owners is planned to take place during August 2017. The City is endeavouring to finalise the details regarding the proposed remedial works prior to this meeting in order to obtain the strata owners' approval.</p> <p>At its meeting held on 21 March 2017, Council resolved to proceed to advertise Amendment No. 87 to DPS2 to amend the zoning of the site from 'Civic and Cultural' to 'Commercial (CJ021-03/17 refers). The report detailed that to rezone Lot 12223 to 'Commercial' would provide consistency of land uses at this location. Based on the land area being over 1,000m², the density code for the site is proposed to be R80. The public advertising concerning Amendment No. 87 closed on 20 July 2017 and a report will be prepared for Council to consider the submissions received.</p> <p>During this acquisition process, the DPLH advised that the Department of Planning's (DoP) support was required and the DoP's conditional support was provided. One of the DoP's conditions is that the future sale proceeds from this site are spent on community projects in line with the definition of "Community Purposes" under DPS2.</p> <p>The City's community consultation regarding this matter not only dealt with the proposed acquisition of the site, but the consideration of three capital improvement projects for the area. One of these options was Council's preferred project of the installation of traffic lights at the intersection of Walter Padbury Boulevard and Hepburn Avenue, Padbury.</p> <p>Advice from the DoP is that projects connected with parking, traffic and pedestrian issues were not considered to fall within the definition of "Community Purposes" under DPS2.</p> <p>On acquisition of the site and in accordance with Council's resolution at its meeting held on 24 June 2014 (CJ104-06/14 refers), the City will seek clarification from the Minister for Planning and the Minister for Lands regarding the conditions provided to the City on how the</p>

		Acquisition – Current Status
		<p>disposal proceeds should be utilised.</p> <p>At its meeting held on 19 May 2015 (CJ082-05/15 refers), Council requested that an advocacy plan be developed. The purpose of the plan was to gain support from the relevant State Government departments to enable the future sale proceeds for this site be utilised on the community's and Council's preferred project which is to install traffic lights at the intersection of Walter Padbury Boulevard and Hepburn Avenue, Padbury. This advocacy plan has been developed and will be implemented subsequent to the transfer of the site to the City.</p>

Issues and options considered

As detailed in Table 2.

Multiple Dwellings

It is noted that currently where land is coded R40 or higher, there is the potential for multiple dwellings to be developed in accordance with the provisions of the Residential Design Codes (R-Codes). A multiple dwelling is basically defined as one dwelling vertically placed above another dwelling. It is not possible to determine the potential number of multiple dwellings that could be achieved on sites coded R40 or higher. The number of multiple dwellings possible is not directly controlled, rather the total amount of floor space is limited through plot ratio requirements based on the overall size of the lot/s.

Legislation/Strategic Community Plan/Policy Implications

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

Strategic Community Plan

Key theme Quality Urban Environment.

Objective Quality built outcomes.

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

Key theme Financial Sustainability.

Objective Financial diversity.

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

Policy *Asset Management Policy.*
Sustainability Policy.

Risk management considerations

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

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

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

Financial / budget implications

Council has agreed that the proceeds from the sale of freehold land are to be transferred to the Joondalup Performing Arts and Cultural Facility Reserve Fund. On settlement of the sale of Lot 900 (57) Marri road, Duncraig, the funds achieved from the sale - less real estate commission and other related expenses - will be deposited into the Reserve Fund. The Reserve Fund currently holds an amount of \$12,258,984. This balance will be updated through the Mid-Year Budget Review process to include proceeds from the disposal of Lot 23 (77) Gibson Avenue, Padbury and Lot 900 (57) Marri Road, Duncraig.

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

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

Regional significance

Not applicable.

Sustainability implications

The disposal of City freehold land that has been set aside for community use should not be disposed of without there being a nominated purpose addressing a community need.

Concerning the freehold land disposal project to date, Council has supported the restricted use of aged or dependent persons' dwellings providing alternative housing choices for the City's ageing population. The sale proceeds from the eventual disposal of Lot 12223 (12) Blackwattle Parade, Padbury will be used for community projects.

Consultation

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

The statutory public advertising period of 42 days for amendments to DPS2 provides an opportunity for the community to make a submission on the future intent for the site on disposal.

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

COMMENT

Council authorised the Chief Executive Officer to dispose of the four remaining sites by public auction. Expert property advice was that the City should commence by taking one property to auction only to ascertain the level of interest by developers. Lot 900 (57) Marri Road, Duncraig sold at auction in July 2017, in excess of the market valuation/reserve. It is now proposed to continue with the auction process during November 2017 for two of the remaining three lots being Lot 803 (15) Burlos Court, Joondalup and Lot 1001 (14) Camberwarra Drive, Craigie.

Concerning the City's acquisition of Lot 12223 (12) Blackwattle Parade, Padbury once the easement matter has been finalised, the DPLH will provide the City with a contract of sale. The necessary Interest Only Deposited Plan related to the proposed easement land has been lodged and in addition to this, conditions concerning the operation of the easement need to be negotiated. In the interim, the rezoning process is in progress to the point that public advertising of Amendment No. 87 to rezone the site to 'Commercial' closed on 20 July 2017.

VOTING REQUIREMENTS

Simple Majority.

The Manager Financial Services and the Senior Financial Analyst left the room at 9.12pm.

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

- 1 **NOTES that Lot 900 (57) Marri Road, Duncraig was sold at auction on 19 July 2017 for the sum of \$1,030,000 (exclusive of GST) and that three City freehold sites remain for disposal;**
- 2 **NOTES the Chief Executive Officer will commence the necessary actions to take Lot 803 (15) Burlos Court, Joondalup and Lot 1001 (14) Camberwarra Drive, Craigie to auction;**
- 3 **NOTES a further status report on the progress of the City's proposed disposal of freehold land and proposed acquisition of a Crown land site will be submitted to the Finance Committee meeting to be held on 2 October 2017.**

The Motion was Put and

CARRIED (6/0)

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

Appendix 10 refers

To access this attachment on electronic document, click here; [Attach10agnFIN170807.pdf](#)

ITEM 11 BURNS BEACH CAFE / RESTAURANT - PROJECT STATUS

WARD	North
RESPONSIBLE DIRECTOR	Mr Garry Hunt Chief Executive Officer
FILE NUMBER	102656, 101515
ATTACHMENTS	Attachment 1 Burns Beach Master Plan - Coastal Node Concept Plan
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 the Finance Committee to consider options for the Burns Beach Café / Restaurant project.

EXECUTIVE SUMMARY

At its meeting held on 12 June 2017 the Finance Committee considered a status report on the Burns Beach café / restaurant project. The report informed the Finance Committee that the City had recently engaged consultants specialising in hospitality and commercial property development to advise and make recommendations on the proposed Expression of Interest (EOI) process and that a report from the consultants was due in June 2017. Since that meeting the City has now received a report from the consultants.

The consultant's report provided comment and recommendations on the following matters:

- Project delivery options - recommendations on a ground rental arrangement (Ground Rent) versus an option where the City builds and leases the premises (City Build).
- Financial impacts.
- Location of facility and preferred food and beverage mix for the location.
- Estimate of physical size and layout of the facility.
- Feasibility of operations.
- Car parking.

With the advice from the consultants the City has undertaken initial financial analysis of the two project delivery options. The analysis demonstrates that while the City Build option would result in a greater initial capital investment the commercial building lease would provide the City with a significant recurring income. The consultants advised that the City Build option is also a far more effective way for the City to exert some control over design and the quality of construction. It also is far more effective in positioning the City to be able to select from a number of quality operators.

It is therefore recommended that the Finance Committee NOTES:

- 1 *the report on the status of the Burns Beach café / restaurant project;*
- 2 *the Chief Executive Officer will further investigate options for the City to build a café / restaurant facility at Burns Beach, with a view of leasing the facility to a commercial operator and to present options and opportunities to Council for consideration.*

BACKGROUND

The City owns and manages a number of strategically located land parcels that in terms of accommodating cafés, kiosks and restaurants have the potential to increase the enjoyment of popular recreational locations and provide the City with a level of commercial gain.

At its meeting held on 22 June 2010 (CJ103-06/10 refers), Council endorsed the philosophy and parameters for the cafés / kiosks / restaurants project to articulate, for historical purposes, its intent to progress the project and to address the project objectives. The cafés / kiosks / restaurants Project Vision recognises the provision of facilities which will:

- advance the City's ability to attract visitors/tourists for entertainment and socialising
- provide more employment, increase business opportunities, a greater awareness of the City's natural assets and a greater social and economic contribution by tourists
- provide equitable community based facilities that acknowledges and provides for the lifestyle and alfresco culture of Western Australia.

The fiscal responsibility and commerciality development parameters of the project aim to provide:

- assurance of commercial viability
- due diligence and financial/cost benefit analysis
- future financial and social benefit for City residents and visitors
- high quality, appropriate commercial operations
- consideration of co-location opportunities
- creation of an asset/s that maintains its capital value throughout its economic life cycle.

At its meeting held on 27 May 2013 Council considered a report entitled 'The Provision of Cafés / Kiosks / Restaurants on City Owned or Managed Land – Project Status and Progression Options Report' (CJ069-05/13 refers) and resolved in part as follows:

“That Council AUTHORISES the Chief Executive Officer to initiate an Expression of Interest process for the development of a café / restaurant facility at Burns Beach.”

At its meeting held on 6 October 2014 the former Strategic Financial Management Committee (SFMC) considered a report entitled 'Confidential – Burns Beach Café / Restaurant – Expression of Interest' (Item 3 refers). The report detailed the evaluation results from Stage One of the EOI, including details of the six submissions received. After due consideration of the report the former SFMC resolved the following:

“That the confidential item in relation to the Burns Beach Café / Restaurant – Expression of Interest be DEFERRED pending the adoption of the Burns Beach Master Plan by Council”.

At its meeting held on 18 October 2016 Council resolved in part to adopt the *Burns Beach Master Plan* (CJ158-10/16 refers). The *Burns Beach Master Plan* contains a design for the coastal node precinct of Burns Beach which includes a location for a café / restaurant development.

At its meeting held on 4 April 2017 the Finance Committee considered a status report on the Burns Beach café / restaurant project and resolved that it:

- 1 *NOTES the report on the status of the Burns Beach café / restaurant project;*
- 2 *NOTES that the Chief Executive Officer will undertake further investigations into alternative development models for a café / restaurant at Burns Beach;*
- 3 *AUTHORISES the Chief Executive Officer to initiate an Expression of Interest process for the development of a café / restaurant facility at Burns Beach.*

At its meeting held on 12 June 2017 the Finance Committee considered a status report on the Burns Beach café / restaurant project. The report informed the Finance Committee that the City had recently engaged consultants specialising in hospitality and commercial property development to advise and make recommendations on the proposed EOI process and that a report from the consultants was due in June 2017. After consideration of the status report the Finance Committee resolved that it:

- 1 *NOTES the report on the status of the Burns Beach café / restaurant project;*
- 2 *NOTES that the Chief Executive Officer will initiate an Expression of Interest process for the development of a café / restaurant facility at Burns Beach in July 2017.*

The consultant's report was received in June. The EOI process was developed and documentation prepared however it was considered the information provided in the consultant's report required consideration by Council prior to commencing the EOI.

DETAILS

Since the meeting of the Finance Committee held on 12 June 2017 the City has now received a report from Consultants - Canford Hospitality Consultants Pty Ltd and Herron Todd White (Canford / HTW). Canford / HTW have extensive experience in Perth in the hospitality sector and have skills in food and beverage facility design and operations, land valuation, corporate real estate advisory, development and construction management.

Canford / HTW has recently assisted the Town of Cambridge (ToC) with the redevelopment of the City Beach Surf Life Saving Club and development of food and beverage precinct at City Beach, and the development of new food and beverage facilities at the Wembley Golf Course.

The consultant's report provided comment and recommendations on the following matters as summarised below in this report:

- Project delivery options - recommendations on a ground rental arrangement versus an option where the City builds and leases the premises.
- Financial impacts.
- Location of facility and preferred food and beverage mix for the location.
- Estimate of physical size and layout of the facility.
- Feasibility of operations.
- Car parking.

Project delivery options

Ground Lease versus City Build option

There are two options for the City in delivering this project: where the City leases land from the Crown and then subleases the land to an operator to build the facility themselves (Ground Lease); and where the City leases the land from the Crown and then builds a facility to lease to an operator who will undertake the fit out of the building and operate the business (City Build).

Canford/HTW summarise the relative benefits of the City Build option as being a far more effective way for the City to exert some control over design and the quality of construction. It also is far more effective in positioning the City to be able to select from a number of quality operators. This is because many operators simply do not have the required cash flow resource, skill, time required, to undertake a development on their own and therefore offering the site as a ground lease to be developed by the operator may well preclude a large sector of the hospitality market.

Although the City Build option would result in a significantly greater initial capital investment the commercial building lease would provide the City with a significant ongoing income as outlined in the following section.

The City Build option could also allow the City to potentially receive a share of operating turnover where the lessee exceeds a certain threshold. This may eventually be negotiated into a lease agreement with an operator, as has successfully been achieved by the Town of Cambridge at the City Beach development.

Financial Analysis

In consultation with Canford/HTW the City has undertaken some initial financial modelling of the two options. This preliminary analysis demonstrates that there is potential for the City to receive a significant commercial rent through a building lease arrangement, as opposed to a ground lease where only a ground rent would be received.

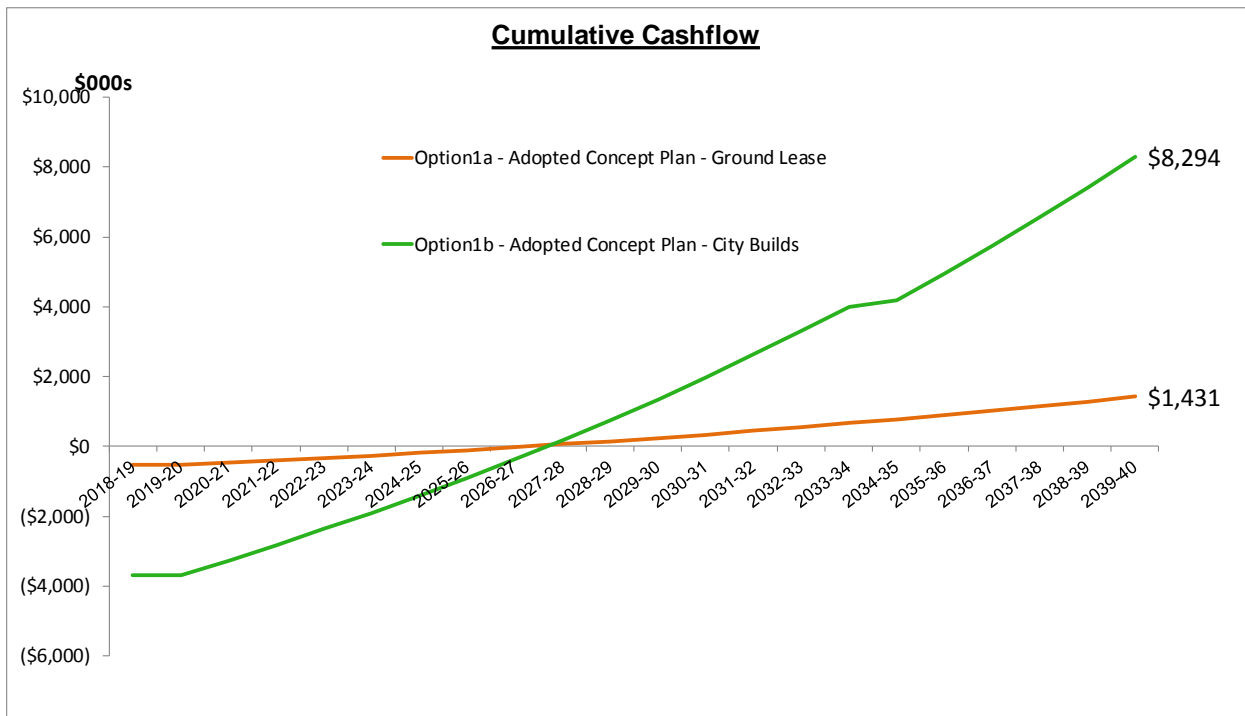
The City's recent experience with the proposed café development at Pinnaroo Point has demonstrated that the State Government require that 25% of the market value of the land is payable to the Crown per annum and that this combined with a relatively low starting ground rent (estimated by Canford/HTW as \$60/sqm for a development at Burns Beach) would result in net income from rent of just \$49,000 per annum.

Canford/HTW has estimated that a building owned by the City at Burns Beach could be leased at a commercial rate of approximately \$500/sqm therefore resulting in net income from rent of \$364,000 per annum.

Estimated cumulative cashflows, based on escalated cashflows for a facility as recommended by Canford/HTW, over a projected 21 year lease period, are shown in the graph below for the City Build and Ground Lease options. The key issues with the graph below are as follows:

- The Ground Lease option has a smaller initial cost and a shallow increase, and breaks even by 2027-28. The total surplus after 21 years is approximately \$1.4 million.
- The City Build option has a large deficit to begin with due to the construction cost, but then has a much steeper increase due to the commercial lease. The break-even is at the same point as the Ground Lease option but has a much sharper increase thereafter. The total surplus after 21 years is approximately \$8.3 million which is

approximately six times that of the Ground Lease option. The key reason for the City Build option being so different to the Ground Lease option is that the annual rent is estimated to be eight times more.



It should be noted that the financial analysis excludes the City potentially receiving a share of operating turnover where the lessee exceeds a certain threshold. The analysis also excludes costs associated with car parking and landscaping as the details of these are yet to be determined and would apply similarly to both options.

Further matters applicable to both project delivery options

Location of the facility

Positive aspects include:

- the absolute and elevated ocean front position of the site
- demographics of the primary (Burns Beach) catchment area has an above average level of discretionary spending power
- seclusion from nearby residences to minimise negative visual and acoustic impacts.

Issues required to be addressed include:

- the distance to the car parking spaces as shown in the Burns Beach Master Plan Coastal Node Concept Plan (Attachment 1 refers)
- the degree of separation from the existing café: a location closer to the existing café may actually help to attract customers by creating a food and beverage precinct providing a range of food and beverage offerings
- the lack of a service access to the site.

Preferred food and beverage mix for the location

Recommended types of hospitality offering that are most likely to succeed are:

- a large family restaurant / bar operation
or
- one family restaurant and a separate small bar.

Canford / HTW suggested the facility should complement the existing café, rather than compete with it.

Estimated size and layout

The assumed size for the facility is approximately 700 to 800sqm of net internal area (excluding alfresco) area.

Car parking and site access

Canford / HTW describes car parking as a critical issue with a food and beverage development with the ultimate success of the venue being greatly impacted by availability or otherwise, of nearby parking. Canford / HTW explain that there is a public expectation to be able to park their cars right outside the front door of a venue and that the further away the car bays are the less certain will be the success of the venture. If patrons find it inconvenient to access the premises then the premise will struggle to attract customers.

Further investigations will suggest the optimum size for the facility which will dictate the amount of car parking required to service the facility. Depending on the eventual size of the facility, car parking will need to be provided in accordance with the requirements in the City's *District Planning Scheme No. 2* and will be considered as part of a traffic impact assessment for the facility.

There are currently approximately 60 car bays located adjacent to the proposed café / restaurant site however the Burns Beach Master Plan Coastal Node Concept Plan shows these bays as being removed and a new car park being constructed further south, with the nearest car bays being approximately 80m away from the proposed café / restaurant site. The concept plan provides 85 new car bays overall, in addition to the bays existing today. The concept plan does not provide detail in respect of the daily servicing of the premises by delivery and refuse collection vehicles. These matters require further investigation.

Feasibility of operations

Initial feasibility assessments predict a turnover of between \$2.5 million and \$3.75 million annually for a facility at Burns Beach.

The facility needs to cater to a wide demographic including:

- early morning customers for coffee and breakfast (weekends and weekdays)
- weekend visitors for lunch in a seaside setting
- weekday business customers for lunch and dinner
- weekday visitors for casual lunches
- evening visitors for early and late dinners
- young casual visitors for quiet drink with specialist food
- beach and park users for cold drinks/convenience food and picnic type pre-packaged food
- tourists looking for a meal /drink with an ocean aspect.

It is important that strict trading conditions be included in planning approvals and / or liquor licence regarding operating hours and noise, so that local residents are not negatively impacted.

Next steps and priorities

In consideration of the feedback received by Canford / HTW several matters should be investigated and progressed prior to proceeding with any EOI process:

- Negotiations with relevant authorities regarding land tenure.
- Refinement of financial assumptions.
- Define concept and agree on scale of development.
- Investigation of options for a design for the facility including potentially an architectural design competition.
- Reconsideration of the Burns Beach Master Plan Coastal Node Concept Design particularly with regard to the location of facility and associated car parking and the access to the site.
- Project plan and risk analysis prepared.

Issues and options considered

Option 1 - Proceed with an Expression of Interest for the Ground Lease option:

Advantages	Disadvantages
The City will receive a net ground rent from a lessee estimated at \$49,000 per annum.	Consultants have advised the City that many operators do not have the required cash flow, skill and time required to undertake a development on their own therefore this option may preclude a large sector of the hospitality sector.
	The City has previously proceeded with this option for the same site and Council decided not to proceed with any of the submissions received from respondents. One of the respondents in particular indicated they “would far prefer to fund the fit out of a building that was built and funded by the City and pay a market rate of rent for the space”.
	The adopted <i>Burns Beach Master Plan – Coastal Node Concept Plan</i> effectively removes the car parking and servicing access which currently exists adjacent to the café / restaurant site, making an EOI less attractive to a potential respondent. These issues should be resolved prior to commencing an EOI.

Option 2 - Proceed with further investigations into a City Build option:

Advantages	Disadvantages
The City would receive a net commercial rent from a lessee estimated at \$364,000 per annum, delivering a significant income stream to the City.	Greater initial capital outlay and initial commercial risk for the City.
As owner of the building the City would be in a position to negotiate a turnover clause into the lease agreement where the City would potentially receive a share of operating turnover where the lessee exceeds an agreed threshold	
This option would potentially result in a greater number and range of operators responding to an EOI because many operators simply do not have the required cash flow resource, skill, time required, to undertake a development on their own.	
The City will retain control of the architectural / design integrity of the building and will mitigate potential impacts on nearby residents such as noise and impact on views.	
The <i>Burns Beach Master Plan – Coastal Node Concept Plan</i> issues relating to car parking and servicing access could be resolved by the City prior to commencement of an EOI process to identify an operator, making the opportunity more attractive to potential respondents.	

Option 3 – Do not proceed with any Expression of Interest.

Advantages	Disadvantages
Potentially less risk to the City as the City would not be exposed to issues arising from development of a facility.	Risk to the reputation of the City if the project does not continue as there is a general community expectation that the project will proceed.

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

Besides the legislation that covers the eventual planning and building requirements, with regard to the land related matters the *Land Administration Act 1997* and the Department of Planning (DOP) and Department of Lands (DoL) relevant policies deal with the administration of Crown land. *The Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996* deal with local governments' disposition of property which includes leasing.

Strategic Community Plan**Key theme**

Economic Prosperity, Vibrancy and Growth.

Objective

Destination City.

Strategic initiative

Facilitate the establishment of major tourism infrastructure.

Policy Not applicable.

Risk management considerations

The Department of Planning's (DoP) *State Coastal Planning Policy No. 2.6* applies to development along the City's coastline, particularly with regard to potential long-term risks from severe storm erosion and sea level rise. The City has undertaken the required *Coastal Hazard Risk Management and Adaptation Plan* for this site, in accordance with this legislation.

DoP's *State Planning Policy No. 3.7: Planning in Bushfire Prone Areas* also applies to this site. The City has undertaken a *Bushfire Attack Level (BAL)* assessment for the proposed site, in accordance with the legislation.

Other potential risks to the successful progression of the project include:

- inability to obtain support from the statutory approval authorities
- negative community reaction
- failure of negotiations on lease agreements
- a proponent, or the City, may opt not to proceed with the development.

Financial / budget implications

Current financial year impact

Account no.	1-220-C1060
Budget Item	Cafés / Kiosks / Restaurants.
Budget amount	\$180,000
Amount spent to date	\$Nil
Proposed cost	\$Nil
Balance	\$180,000

Figures above are current at July 2017.

All figures in this report are exclusive of GST.

Future financial year impact

Annual operating cost	A Crown Land lease from DoL may require the City to pay the Crown 25% of the market rent of the land per annum, for the first 20 years, and then 50% of the market rent for the rest of the lease term. If the City was to construct its own building it will be responsible for external maintenance and insurance of the building. All other annual operating costs including rates and consumption of services would be borne by the operator.
Estimated annual income	The City would receive the market rent negotiated with a developer / operator, less any payments to the Crown. Rates would also be payable by the operator.
Capital replacement	Not applicable

**20 Year Strategic
Financial Plan impact**

\$180,000 is included in the 2017-18 adopted budget which includes project costs for three sites, being Pinnaroo Point, Burns Beach and Neil Hawkins Park.

The capital costs / funding of the City Build option is not factored into the City's *20 year Strategic Financial Plan*. If the City Build option was to be implemented for one or more of the sites it is possible that some or all of the capital cost may have to be funded from borrowings. Therefore the City build option would have an adverse impact on the Debt Ratio, this has been evaluated and there would be a slight worsening of the Debt Ratio but it would not fall below the required thresholds. More importantly the City Build option would generate an income stream which would provide long-term improvements to the operating cash flow and the operating surplus ratio.

Impact year 2017-18.

All amounts quoted in this report are exclusive of GST.

Regional significance

The provision of cafés / kiosks / restaurants on City owned or managed land will provide significant resident / visitor / tourist benefit by enhancing the City's existing natural assets and amenities.

Sustainability implications

The project philosophy and parameters (CJ103-06/10 refers) outlines the intent of Council in progressing the project and addresses the following sustainability implications:

- Project Vision.
- Land Use and Built Form.
- Environmental Strategy.
- Liaison Protocol.
- Fiscal Responsibility and Commerciality.
- Governance.

Consultation

The City may be required to publically advertise the proposed development in accordance with the *Local Government Act 1995*, pending final decisions on the delivery model adopted.

COMMENT

Since the meeting of the Finance Committee held on 12 June 2017 the EOI process has been developed and documentation prepared, however it is considered the information provided in the consultant's report requires consideration by Council prior to commencing the EOI.

The report received from Canford / HTW indicates there is an opportunity for the City to receive a significant commercial rent through a building lease arrangement, as opposed to a ground lease where only a small ground rent would be received.

This will assist in addressing the City's current over-reliance on rates income by providing an additional/alternative income stream, as per the City's Financial Diversity objectives contained within *Joondalup 2022 – Strategic Community Plan 2012-2022*.

The Town of Cambridge has recently experienced financial success through the building and leasing of several food and beverage facilities in City Beach and at the Wembley Golf Course, providing the Town of Cambridge with significant additional revenue streams.

The City Build option will assist the City to attract a greater number of operators interested in operating from the location as it won't preclude a large section of the hospitality market that don't have the required cash flow resource, skill and time required to undertake the development on their own.

There is an opportunity for the City to undertake further planning and investigations into the issues raised by Canford / HTW such as the optimum size and location for the facility, car parking and access and servicing for the site. This will result in greater certainty for the City and for operators interested in trading at this unique location.

The City already has vast experience in the construction of buildings of a scale similar to that being proposed for Burns Beach and experience in the management of commercial buildings and leases. Based on the previous EOI experience at Burns Beach and the current prolonged and complex lease negotiations on a Ground Lease EOI at Pinnaroo Point, it is considered that a City Build option at Burns Beach would lead to more favourable outcome to the City and the broader community.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Chester, SECONDED Cr Dwyer that the Finance Committee NOTES:

- 1 the report on the status of the Burns Beach café / restaurant project;**
- 2 the Chief Executive Officer will further investigate options for the City to build a café / restaurant facility at Burns Beach, with a view of leasing the facility to a commercial operator and to present options and opportunities to Council for consideration.**

The Motion was Put and

CARRIED (6/0)

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

Appendix 11 refers

To access this attachment on electronic document, click here; [Attach11agnFIN170807.pdf](#)

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 9.23pm; the following Committee Members being present at that time:

Cr Tom McLean, JP
Cr Philippa Taylor
Cr Russell Poliwka
Cr Mike Norman
Cr John Chester
Cr Sophie Dwyer