

# minutes

## Major Projects and Finance Committee

MEETING HELD ON **MONDAY 16 JULY 2018**

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## CITY OF JOONDALUP

### MINUTES OF THE MAJOR PROJECTS AND FINANCE COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 16 JULY 2018.

#### ATTENDANCE

##### Committee Members

|                             |                                    |   |
|-----------------------------|------------------------------------|---|
| Mayor Hon. Albert Jacob, JP | <i>Presiding Member</i>            |   |
| Cr Kerry Hollywood          |                                    | <i>absent from 6.11pm to 6.14pm<br/>absent 7.40pm to 7.44pm</i> |
| Cr Philippa Taylor          |                                    | <i>absent from 7.35pm to 7.37pm</i>                             |
| Cr Russell Poliwka          |                                    | <i>to 8.05pm</i>  |
| Cr Christine Hamilton-Prime |                                    |   |
| Cr John Logan               |                                    | <i>absent from 7.20pm to 7.25pm</i>                             |
| Cr Russ Fishwick, JP        |                                    |   |
| Cr Tom McLean, JP           | <i>Deputising for Cr Hollywood</i> | <i>from 7.40pm to 7.44pm</i>                                    |
| Cr Christopher May          | <i>Deputising for Cr Poliwka</i>   | <i>from 8.05pm</i>  |

##### Observers

|                    |   |
|--------------------|---|
| Cr John Chester    | <i>absent from 6.36pm to 6.38pm<br/>to 8.19pm</i> |
| Cr Tom McLean, JP  | <i>to 7.40pm; and from 7.44pm</i>                 |
| Cr Christopher May | <i>to 8.05pm</i>                                  |

##### Officers

|                      |  |                  |
|----------------------|--|------------------|
| Mr Garry Hunt        | Chief Executive Officer                    |                  |
| Mr Mike Tidy         | Director Corporate Services                |                  |
| Mr Brad Sillence     | Manager Governance                         |                  |
| Mr Blignault Olivier | Manager City Projects                      |                  |
| Ms Ruth March        | Manager Infrastructure Management Services | <i>to 6.44pm</i> |
| Mr Alan Ellingham    | Senior Financial Analyst                   | <i>to 7.33pm</i> |
| Ms Genevieve Hunter  | Senior Project Officer                     |                  |
| Mr John Byrne        | Governance Coordinator                     |                  |
| Mrs Wendy Cowley     | Governance Officer                         |                  |

##### Guest

|   |                              |
|---|------------------------------|
| Mr Matt Read, Manager Metro South, LandCorp | <i>from 5.50pm to 6.31pm</i> |
|---|------------------------------|

#### DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.47pm.

**DECLARATIONS OF INTEREST****Disclosures of Financial / Proximity Interest**

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration. An employee is required to disclose their financial interest and if required to do so by the Council must disclose the extent of the interest. Employees are required to disclose their financial interests where they are required to present verbal or written reports to the Council. Employees are able to continue to provide advice to the Council in the decision making process if they have disclosed their interest.

|                           |   |
|---------------------------|---|
| <b>Name/Position</b>      | <b>Cr Kerry Hollywood.</b>  |
| <b>Item No./Subject</b>   | Item 5 - Burns Beach Café/Restaurant - Project Status.  |
| <b>Nature of interest</b> | Proximity Interest.   |
| <b>Extent of Interest</b> | Cr Hollywood is a resident of Burns Beach and lives close to the proposed Burns Beach / Café restaurant project area. |

|                           |   |
|---------------------------|---|
| <b>Name/Position</b>      | <b>Cr Russell Poliwka.</b>  |
| <b>Item No./Subject</b>   | Item 9 - Confidential – Joondalup City Centre Development – Project Status.         |
| <b>Nature of interest</b> | Proximity Interest.   |
| <b>Extent of Interest</b> | Cr Poliwka owns property at 53 Davidson Terrace, across the road from Lots C and A. |

**Disclosure of interest affecting impartiality**

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

|                           |   |
|---------------------------|---|
| <b>Name/Position</b>      | <b>Cr Philippa Taylor.</b>                                      |
| <b>Item No./Subject</b>   | Item 6 - Ocean Reef Marina – Project Status.                    |
| <b>Nature of interest</b> | Interest that may affect impartiality.                          |
| <b>Extent of Interest</b> | Cr Taylor is a social member of the Ocean Reef Sea Sports Club. |

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

|                    |                                      |
|--------------------|--------------------------------------|
| Cr Mike Norman     | 22 July to 4 August 2018 inclusive;  |
| Cr Russell Poliwka | 26 July to 28 August 2018 inclusive. |

## **CONFIRMATION OF MINUTES**

### **MINUTES OF THE MAJOR PROJECTS AND FINANCE COMMITTEE HELD ON 7 MAY 2018**

**MOVED** Cr Fishwick **SECONDED** Cr Hollywood that the minutes of the meeting of the Major Projects Committee held on 7 May 2018 be confirmed as a true and correct record.

**The Motion was Put and**

**CARRIED (7/0)**

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

|                           |   |
|---------------------------|---|
| <b>Name/Position</b>      | <b>Cr Philippa Taylor.</b>                                      |
| <b>Item No./Subject</b>   | Item 6 - Ocean Reef Marina – Project Status.                    |
| <b>Nature of interest</b> | Interest that may affect impartiality.                          |
| <b>Extent of Interest</b> | Cr Taylor is a social member of the Ocean Reef Sea Sports Club. |

*Mr Matt Read entered the room at 5.50pm.*

## ITEM 6 OCEAN REEF MARINA – PROJECT STATUS

|                               |  |
|-------------------------------|--|
| <b>WARD</b>                   | North-Central  |
| <b>RESPONSIBLE DIRECTOR</b>   | Mr Garry Hunt<br>Office of the CEO   |
| <b>FILE NUMBER</b>            | 04171, 101515  |
| <b>ATTACHMENT</b>             | Attachment 1 Ocean Reef Marina Indicative Timeline<br>Attachment 2 Ocean Reef Marina Governance Structure  |
| <b>AUTHORITY / DISCRETION</b> | Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting'). |

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## PURPOSE

For the Major Projects and Finance Committee to note the progress of the Ocean Reef Marina development.

## EXECUTIVE SUMMARY

To progress the implementation of the Ocean Reef Marina development, the following activities and tasks were undertaken since the previous project status report was considered by the Major Projects and Finance Committee at its meeting held on 7 May 2018 (Item 1 refers):

- 1 Liaison and engagement with the State Government through LandCorp.
- 2 Progression of the environmental and planning approval processes.
- 3 Continuation of the concept plan design review by the Project Steering Group.
- 4 Stakeholder engagement.

Details of the above are provided in this report.

The project is progressing in accordance with the amended Ocean Reef Marina Indicative Timeline as at 30 June 2018 (Attachment 1 refers).

*It is therefore recommended that the Major Projects and Finance Committee NOTES the Ocean Reef Marina Project Status Report.*

## **BACKGROUND**

### **1 State Government / LandCorp**

In September 2017, Premier Mark McGowan together with Hon. Rita Saffioti (Minister for Transport; Planning; Lands) announced that LandCorp, working with the City, would lead the implementation of the Ocean Reef Marina. The announcement also included advice of a funding commitment of \$120 million to the project.

The 2018-2019 State Budget includes an amount of \$95.737 million over a five-year period for the Western Australian Land Authority (LandCorp) to implement the Ocean Reef Marina development through the State Government's Metropolitan Program.<sup>1</sup>

The City's on-going involvement in the project is the subject of a Memorandum of Understanding (MOU) between the City and LandCorp, endorsed by Council at its meeting held on 20 February 2018 (CJ031-02/18 refers). The MOU was signed by the Chief Executive Officers of the City and LandCorp in March 2018.

At its meeting held on 11 September 2017 (Item 1 refers) the former Major Projects Committee noted issues requiring negotiation with the State Government as the project progresses to construction. Of the identified issues, the following were captured in the MOU:

- The City's involvement in the LandCorp project team.
- Acknowledgement and recognition of the City's financial contribution to the project thus far.
- Management of the community's expectations.
- Marina management post-construction.

Not captured in the MOU, the following matters will be the subject of on-going negotiation and/ or resolution:

- Regular project updates for the City's Elected Members.
- Ocean Reef Marina Business Plan.
- The City's land contribution to the project.
- Management of the public spaces and car parking.

It was also noted by the former Major Projects Committee at its meeting held on 11 September 2017 that the outcome of the negotiations would be provided to Council through the committee.

### **2 Planning and Environmental Approvals**

#### **Metropolitan Region Scheme Amendment 1270/41**

The City lodged the Ocean Reef Marina Metropolitan Region Scheme (MRS) Amendment request with the Western Australian Planning Commission (WAPC) in April 2014. The WAPC subsequently initiated MRS Amendment 1270/41 in June 2014.

Following public advertising of MRS Amendment 1270/41 from November 2016 to February 2017, responses to submissions (prepared collaboratively by the City and LandCorp) were provided to the Department of Planning, Lands and Heritage (DPLH) in February 2018.

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<sup>1</sup> 2018-19 Budget, Budget Statements, Budget Paper No 2, Volume 2, Part 11, Western Australian Land Authority, pg 621 and 622

### Negotiated Planning Outcome for Bush Forever Site 325

To manage the potential impacts of the MRS Amendment on Bush Forever Site 325 the WAPC requires finalisation and agreement of a Negotiated Planning Outcome (NPO) prior to approving the MRS Amendment.

Following public advertising concurrently with MRS Amendment 1270/41, finalisation of the draft NPO and the required legal agreement has commenced. The finalisation of the NPO will take into consideration the suggestions/comments received from the community during the public advertising period.

### Public Environmental Review

Occurring in parallel with the MRS Amendment, the marine based components of the Ocean Reef Marina project are being assessment by the Environmental Protection Authority (EPA) under the *Environmental Protection Act 1986* via a Public Environmental Review (PER) – the highest level of assessment.

Public advertising of the PER documents occurred from November 2016 to February 2017. Responses to submissions received, prepared collaboratively by the City and LandCorp following extensive engagement with the relevant agencies, were provided to EPA Services (formerly Office of the EPA) in February 2018.

### Draft Preliminary Ocean Reef Marina Structure Plan

The draft preliminary *Ocean Reef Marina Structure Plan* was provided for community comment concurrently with the MRS Amendment and PER. As previously noted by the former Major Projects Committee in July 2017, responses to comments received were published on the City's website.

Formal consideration by Council of the final *Ocean Reef Marina Structure Plan* can only occur following finalisation of the MRS Amendment process and the amendment of the City's district boundary.

## **3 Concept Plan Design Review**

The aim of the review is to identify the concept plan “non-negotiables”, consider the land use to identify better outcomes in line with the project vision and identify cost savings.

The review was facilitated by the LandCorp Project Team through the Ocean Reef Marina Project Steering Group (which includes a City representative) and representatives from DPLH, Department of Transport (DoT) and the Metropolitan Redevelopment Authority. Three workshops, resulting in the development of three draft design ‘scenarios’ that were evaluated against criteria identified in the following areas:

- Community wellbeing.
- Environmental leadership.
- Economic health.
- Design excellence.
- Governance.

A preferred option was identified for presentation to and consideration by the Government Steering Committee.

## **DETAILS**

### **1 State Government / LandCorp**

The City continues to provide project support to LandCorp including, but not limited to, the provision of background and historical project information as well as identification of and guidance on matters which may have an impact on community perceptions or expectations.

It should be noted that as identified in the MOU, LandCorp is the project manager for progressing the Ocean Reef Marina to construction and is responsible for coordinating and facilitating all aspects of the project.

The City's role is to engage with and assist LandCorp (as requested and required) to ensure the project progresses in accordance with State Government and community expectations.

The City is represented at all levels of the project governance structure (Attachment 2 refers) and as a member of both the Project Steering Group and Technical Officer's Group regularly attends and contributes to meetings with government agencies, stakeholders and technical consultants.

The City and LandCorp have developed a collaborative and mutually beneficial working relationship which will greatly assist the implementation of the Ocean Reef Marina.

#### State Government Ocean Reef Marina Steering Committee

The City is represented on the State Government Ocean Reef Marina Steering Committee by His Worship the Mayor and Chief Executive Officer. Other agencies represented are LandCorp, DPLH and Department of Transport; Emily Hamilton MLA (Member for Joondalup) is also on the committee.

A meeting of the State Government Ocean Reef Marina Steering Committee was held on 11 July 2018. Further details on the issues discussed and outcomes of the meeting will be provided by LandCorp representatives and the Chief Executive Officer to the Major Projects and Finance Committee meeting on 16 July 2018.

### **2 Environmental and Planning Approvals**

#### Metropolitan Region Scheme Amendment

As outlined in previous project status reports, MRS Amendment 1270/41 requires the following outcomes prior its final approval and gazettal:

- Identification of the waterways manager: LandCorp has sought in principle agreement that DoT will assume the role of waterways manager.
- Finalisation of NPO (including the required legal agreement): Finalisation of the NPO has commenced in collaboration with the relevant agencies.
- Approval of the Coastal Hazard Risk Management and Adaptation Plan (CHRMAP): LandCorp has sought comment and advice from DPLH regarding the actions needed to obtain approval for the CHRMAP.
- Approval of the Bushfire Management Plan.
- Decision on the PER: refer below.

Given the timeframes that LandCorp is working to (construction start in 2020), an alternative planning framework is being investigated and discussed with DPLH. Details of the potential alternative frameworks were presented to the Government Steering Committee at its meeting held on 11 July 2018.

### Public Environmental Review

Following receipt of agency comments on the response to submissions (prepared by the City in collaboration with LandCorp), the document is currently being updated to address the issues raised by the agencies.

In July 2018, EPA Services advised that the EPA Board had been provided with an overview of the proposal and the status of assessment at its June 2018 meeting.

In consultation with EPA Services, it has been recommended that the City and LandCorp will make a presentation on the proposal to the September 2018 meeting of the EPA Board. This timeframe allows for EPA Services to review the updated response to submissions and for the City and LandCorp to present to the Conservation and Parks Commission regarding the boundary for the proposed excision from the Marmion Marine Park and options for environmental offsets (refer below).

### Marmion Marine Park

The actual impacts of the Ocean Reef Marina on the Marmion Marine Park habitat are considered through the PER process as are any offset requirements. However, separate to that process, the development requires excision from the Marmion Marine Park which is a complex process managed by the Department of Biodiversity, Conservation and Attractions (DBCA) on behalf of the Conservation and Parks Commission.

The City, and more recently LandCorp, has liaised extensively with DBCA over a number of years on the excision process and the pathway for excision has been confirmed.

A draft excision boundary has been prepared, in consultation with DoT (as the likely managers of the marina) and a presentation will be made to the Conservation and Parks Commission at its August 2018 meeting. The presentation and accompanying briefing paper will cover the following:

- Introduction and purpose of the presentation (including what is being sought from the Commission).
- Project update, State Government commitment and status.
- Justification for the excision.
- Marmion Marine Park habitat values and proposed impacts.
- Mitigation and management of impacts.

### Draft preliminary Ocean Reef Marina Structure Plan

Further development of the structure plan cannot be progressed until the outcome of the PER, MRS Amendment and concept plan design review is known as these processes will impact the structure plan.

## **3 Concept Plan Design Review**

The amended concept plan was presented to the Government Steering Committee at its meeting held on 11 July 2018.

The plan was amended following an extensive review process undertaken by the Project Steering Group.

It is considered that the amended plan is consistent with the City's vision to create a world class recreational, residential, boating and tourist marina. The amended plan retains public amenities such as public open space, an internal beach, festival retail and food and beverage offerings and aligns with stakeholder expectations.

## 4 Stakeholder Engagement

Of considerable importance to the success of the implementation of the project is timely and appropriate stakeholder engagement. An extensive stakeholder list has been prepared as well as a stakeholder engagement and communication program.

Following approval of the amended concept plan by the Government Steering Committee, engagement with key stakeholders (including the Ocean Reef Sea Sports Club, Whitfords Volunteer Sea Rescue Group and government agencies) will be undertaken.

It is proposed that presentation of an amended concept plan will be the next key engagement phase. It is anticipated that this engagement will include engagement with the community through an exhibition type format. Attendees will be able to compare the amended plan with the current plan and provide feedback on the day. This is likely to be centred around the public realm areas and what the community would like these areas to look like and include.

Other community engagement activities planned for the coming months include quarterly newspaper columns and monthly electronic direct mailouts (eDMs).

Feedback and comment from key stakeholders and the community will enable the plan to be finalised then endorsed by the Government Steering Committee to progress to the detailed design phase.

### Issues and Options considered

Not applicable.

### Legislation / Strategic Community Plan / policy implications

#### Legislation

The City is governed by the requirements of the *Local Government Act 1995* in relation to dealings involving commercial undertakings and land development.

Other applicable legislation includes:

- *Planning and Development Act 2005.*
- *Environmental Protection Act 1986.*
- *Environmental Protection, Biodiversity and Conservation Act 1999 (Cwlth).*

The approvals for the development are influenced by State Planning and Development Control policies:

- *2.6: State Coastal Planning Policy.*
- *2.8: Bushland Policy for the Perth Metropolitan Region.*
- *3.7: Planning in Bushfire Prone Areas.*
- *1.8: Canal Estates and Artificial Water Developments.*

#### Strategic Community Plan

##### Key theme

Economic Prosperity, Vibrancy and Growth.

##### Objective

Destination City.

##### Strategic initiative

- Facilitate the establishment of major tourism infrastructure.
- Encourage diverse accommodation options.

**Policy** Not applicable.

### **Risk management considerations**

Early engagement with the State Government / LandCorp on the City's on-going role and responsibilities as the project progresses was previously identified as a risk management consideration.

The execution of the MOU ensures that the City's interests in the project are acknowledged and protected. Further it allows the City to negotiate with the State Government on matters such as land tenure, on-going management responsibilities of a constructed marina and the City's contribution to the construction of community infrastructure.

### **Financial / budget implications**

#### Current financial year impact

|                             |                    |
|-----------------------------|--------------------|
| <b>Account no.</b>          | C1001              |
| <b>Budget Item</b>          | Ocean Reef Marina. |
| <b>Budget amount</b>        | \$ 158,747         |
| <b>Amount spent to date</b> | \$ 0               |
| <b>Balance</b>              | \$ 158,747         |

#### Total Project Expenditure (as at 30 June 2018 including internal staff costs)

|                               |                      |
|-------------------------------|----------------------|
| 2007-08                       | \$ 133,241           |
| 2008-09                       | \$ 968,284           |
| 2009-10                       | \$ 266,604           |
| 2010-11                       | \$ 325,046           |
| 2011-12                       | \$ 388,552           |
| 2012-13                       | \$ 376,393           |
| 2013-14                       | \$ 838,371           |
| 2014-15                       | \$ 1,314,917         |
| 2015-16                       | \$ 1,163,151         |
| 2016-17                       | \$ 575,906           |
| 2017-18                       | \$ 174,832           |
| LESS Grants Received          | <u>\$(1,285,500)</u> |
| <b>Total City Expenditure</b> | <b>\$ 5,064,997</b>  |

#### 2018-19 Budget

The 2018-19 project budget is \$158,747 which covers staff costs, communications and marketing (independent of LandCorp's stakeholder engagement strategy) as well as an allocation for the City to undertake financial / economic investigations on the on-going financial impacts (both income and expenditure) of the project. LandCorp is responsible for all costs related to the project (not directly attributable to the City).

Following the endorsement of the amendment concept plan the City will be in a position to investigate the on-going financial impacts (both income and expenditure).

The results of these investigations will contribute to the City's negotiations with LandCorp on the matters identified in this report enabling a more accurate determination on whole of life impacts.

All amounts quoted in this report are exclusive of GST.

## **Regional significance**

The Ocean Reef Marina development will become a significant tourist / visitor destination and a key focal point within the northern Perth corridor.

## **Sustainability implications**

Progression of the Ocean Reef Marina planning process required a number of studies / reports addressing key issues pertaining to sustainability (such as social and economic impact and environmental sustainability). Various management plans were required to be prepared as part of the MRS amendment, NPO, PER and structure plan processes and it is highly likely that further management plans will be required as conditions of any environmental and planning approvals.

Endorsed by Council in 2009 (JSC5-05/09 refers), the Ocean Reef Marina Philosophy and Parameters articulated the City's vision for the project and acknowledged the City's commitment to achieving a sustainable green development.

At its meeting held on 20 February 2018 (CJ031-02/18 refers) it was agreed that Council, among other things:

*"3 REQUESTS the City to liaise with and request LandCorp to pursue development parameters which will deliver world class sustainable built form at the Ocean Reef Marina."*

As part of its commitment to deliver a leading/world-class sustainable marina development, LandCorp has engaged a sustainability consultant for the project and recently held a sustainability workshop to capture ideas, opportunities and initiatives that fell broadly into the following categories:

- Resources (water, energy, waste and materials).
- Environment.
- People and place.
- General.

LandCorp will continue to work with the consultant team and key stakeholders to identify and implement sustainability initiatives.

## **Consultation**

LandCorp's stakeholder engagement strategy identifies His Worship the Mayor, Elected Members and the City as well as Ministers, State Government Agencies and special interest groups such as abalone industry representatives as key stakeholders in the project.

Regular engagement with these, and other stakeholders, occurs as and when required and will continue throughout the life of the project.

The strategy also complements and builds on the community engagement undertaken by the City throughout the life of the project. The City has provided LandCorp with extensive information on the outcomes of past engagement with the community as well as other key stakeholders (including Government agencies).

## COMMENT

Since the previous meeting of the Major Projects and Finance Committee in May 2018, the Ocean Reef Marina project has progressed in accordance with the program prepared by LandCorp.

With a construction start date of 2020, there are some challenges to be resolved and LandCorp has identified a number of issues that could potentially delay this date. However, LandCorp is confident that through careful management of these issues, the start date of 2020 can be realised.

The City continues to be involved at all levels of the project and is committed to supporting LandCorp and the project team to realise the City's vision for the Ocean Reef Marina.

## VOTING REQUIREMENTS

Simple Majority.

*Cr Hamilton-Prime left the room at 6.11pm and entered the room at 6.14pm.*

**MOVED Cr Hamilton-Prime SECONDED Cr Taylor that the Major Projects and Finance Committee NOTES the Ocean Reef Marina Project Status report.**

**The Motion was Put and**

**CARRIED (7/0)**

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

*Mr Matt Read left the room at 6.31pm.*

*Appendix 5 refers*

*To access this attachment on electronic document, click here: [Attach5agnMPF180716.pdf](#)*

## ITEM 1                      BI-MONTHLY                      CAPITAL                      WORKS                      PROJECT REPORTS

|                               |   |
|-------------------------------|---|
| <b>WARD</b>                   | All   |
| <b>RESPONSIBLE DIRECTOR</b>   | Mr Nico Claassen<br>Infrastructure Services   |
| <b>FILE NUMBER</b>            | 105564, 101515  |
| <b>ATTACHMENT</b>             | Attachment 1    Whitfords Nodes Hillarys Lookout Stairway<br>Attachment 2    Penistone Park Facility Redevelopment<br>Attachment 3    Percy Doyle Tennis Clubrooms Refurbishment<br>Attachment 4    Burns Beach Road/Joondalup Drive Roundabout<br>Attachment 5    Leafy City Program<br>Attachment 6    Joondalup City Centre Lighting<br>Attachment 7    Warrandyte Park Flood Lighting Upgrade |
| <b>AUTHORITY / DISCRETION</b> | Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').  |

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### PURPOSE

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

### EXECUTIVE SUMMARY

At the former Finance Committee meeting held on 7 August 2017 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 Major Projects and Finance Committee NOTES the bi-monthly capital works project reports forming Attachments 1 to 7 to this Report.*

### BACKGROUND

At its meeting held on 7 August 2017 the former Finance Committee requested that the following project reports from the *2017-18 Capital Works Program* be provided on a bi-monthly basis:

| Project Code | Project Description                         |
|--------------|---|
| FN2054       | 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 Landscape Master Plan        |
| PDP2272      | Parin Pioneer Park Development              |
| RDC2018      | Whitfords Avenue Upgrades                   |
| RDC2019      | Burns Beach Road/Joondalup Drive Roundabout |
| SSE2057      | Leafy City Program                          |

| Project Code | Project Description                    |
|--------------|--|
| STL2003      | Joondalup City Centre Lighting         |
| STL2048      | Warrandyte Park Flood Lighting Upgrade |

The following project which required a bi-monthly project report is currently in the development phase and a status report is not available at this time:

- Parin Pioneer Park Development.

The following projects which required a bi-monthly project report were completed and the final report was presented to the Major Projects and Finance Committee held on 7 May 2018:

- *MacDonald Park Landscape Master Plan.*
- Whitfords Avenue Upgrades.
- Percy Doyle Soccer Clubrooms Refurbishment.

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

- Penistone Park Facility Redevelopment.
- Warrandyte Park Flood Lighting Upgrade.

The bi-monthly project report to be presented to the next meeting of the Major Projects and Finance Committee for the Whitfords Nodes Hillarys Lookout Stairway will be amended to the Whitfords Nodes Health and Wellbeing Hub which will incorporate multiple infrastructure upgrades scheduled for Whitfords Nodes inclusive of the stairway.

## 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 Major Projects and 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.

**VOTING REQUIREMENTS**

Simple Majority.

*Cr Chester left the room at 6.36pm and entered the room at 6.38pm.*

**MOVED** Cr Hamilton-Prime **SECONDED** Cr Hollywood that the Major Projects and Finance Committee **NOTES** the bi-monthly capital works project reports forming Attachments 1 to 7 to this Report.

**The Motion was Put and**

**CARRIED (7/0)**

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

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1agnMPF180716.pdf](#)*

## **ITEM 2                      UPDATE ON THE 2017-18 CAPITAL WORKS PROGRAM**

---

|                               |  |
|-------------------------------|--|
| <b>WARD</b>                   | All  |
| <b>RESPONSIBLE DIRECTOR</b>   | Mr Nico Claassen<br>Infrastructure Services  |
| <b>FILE NUMBER</b>            | 105564, 101515   |
| <b>ATTACHMENT</b>             | Attachment 1      Capital Works Project Report 2017-18   |
| <b>AUTHORITY / DISCRETION</b> | Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting'). |

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### **PURPOSE**

For the Major Projects and Finance Committee to note the update on the *2017-18 Capital Works Program*.

### **EXECUTIVE SUMMARY**

The Capital Works Project Report for the 2017-18 program as at 31 May 2018 is attached (Attachment 1 refers).

*It is therefore recommended that the Major Projects and Finance Committee NOTES the report on the Capital Works Projects for 2017-18 as at 31 May 2018 forming Attachment 1 to this Report.*

### **BACKGROUND**

At its meeting held on 6 November 2017 (JSC03-11/17 refers), Council resolved, in part as follows:

*“That Council:*

- 2      *ESTABLISHES a new Major Projects and Finance Committee, with the role of the new committee being 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 and major strategic capital projects;”*

### **DETAILS**

The Capital Works Project Report for the 2017-18 program as at 31 May 2018 is provided at Attachment 1 to this Report.

**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 Major Projects and 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 2017-18 program provides an update on the capital works activities undertaken as at 31 May 2018.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Fishwick **SECONDED** Cr Hamilton-Prime that the Major Projects and Finance Committee **NOTES** the report on the Capital Works Projects for 2017-18 as at 31 May 2018 forming Attachment 1 to this Report.

**The Motion was Put and**

**CARRIED (7/0)**

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

*Manager Infrastructure Management Services left the room at 6.44pm.*

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2agnMPF180716.pdf](#)*

### **ITEM 3                      DRAFT 20 YEAR STRATEGIC FINANCIAL PLAN 2018 (2017-18 TO 2036-37)**

|                               |   |
|-------------------------------|---|
| <b>WARD</b>                   | All   |
| <b>RESPONSIBLE DIRECTOR</b>   | Mr Mike Tidy<br>Corporate Services  |
| <b>FILE NUMBER</b>            | 106126, 101515  |
| <b>ATTACHMENTS</b>            | Attachment 1     Schedules<br>Attachment 2     Draft 20 Year Strategic Financial Plan<br>2018 (2017-18 to 2036-37)  |
| <b>AUTHORITY / DISCRETION</b> | Executive – The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets. |

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#### **PURPOSE**

For Council to adopt the draft *20 Year Strategic Financial Plan* (20 Year SFP) for the period 2017-18 to 2036-37 and *Guiding Principles 2018*.

#### **EXECUTIVE SUMMARY**

The new plan included in this document covers the years 2017-18 to 2036-37 and is referred to as the draft 20 Year SFP. The previous plan covered the years 2016-17 to 2035-36 and was presented to the Finance Committee in August 2017 but was not adopted by Council.

Some of the key assumptions of the updated plan are as follows:

- Rate Increases: Average increase of 3.56% from 2018-19 to 2021-22 instead of 3.9% in the previous plan.
- Employment Costs: Average increase of 2% from 2018-19 to 2021-22 instead of 2.7% in the previous plan.
- Investment: Capital Expenditure of \$1.3 billion, comprising of \$0.8 billion on renewal of existing infrastructure and \$0.5 billion on upgrade/new Infrastructure.

The key outcomes of the draft 20 year SFP are:

- Borrowings: New borrowings of \$25 million, which is \$69 million less than the \$94 million new borrowings projected in the previous plan.
- Financial Sustainability: 46 out of 60 key ratios are achieved, five more than the previous plan, the improvement is mostly due to the operating projections.
- Operating Surplus: Surplus is now expected to be achieved in 2020-21, this is two years earlier than the previous plan.

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 Operating Surplus/(Deficit) is projected to improve from \$6.1 million deficit in 2018-19 to a surplus of \$8.4 million by 2023-24. A surplus of \$8.4 million in 2023-24 would still be slightly less (\$0.9 million) than the target from the Department of Local Government, Sport and Cultural Industries.

While the plan has many positive aspects, the City still has a high operating deficit and is approximately \$13 million lower than the recommended target. The City has taken positive steps to help address the operating deficit, with \$0.4 million changes to services and fees in 2018-19 but it needs to continue the momentum.

*It is therefore recommended that Council:*

- 1 *ADOPTS the draft 20 Year Strategic Financial Plan 2018 (2017-18 to 2036-37) as at Attachment 2 to this Report;*
- 2 *ADOPTS the Guiding Principles 2018 as included in Appendix 1 of Attachment 2 to this Report.*

## **BACKGROUND**

The new plan included in this document covers the years 2017-18 to 2036-37 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 2016-17 to 2035-36 and was presented to the Finance Committee on 07 August 2017. The previous plan was not adopted but is the most relevant plan for comparison purposes. The last plan to be adopted was in 2016.

### 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.

### 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 2018-19 is used as the baseline.
- Escalation factors (such as % increases) are then applied to each individual service item.
- Volume changes based on changes to services, 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 2018-19 to 2022-23* is embedded into the draft 20 Year SFP.
- Forecast for the outer years (2023-24 to 2036-37) 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 critical 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.

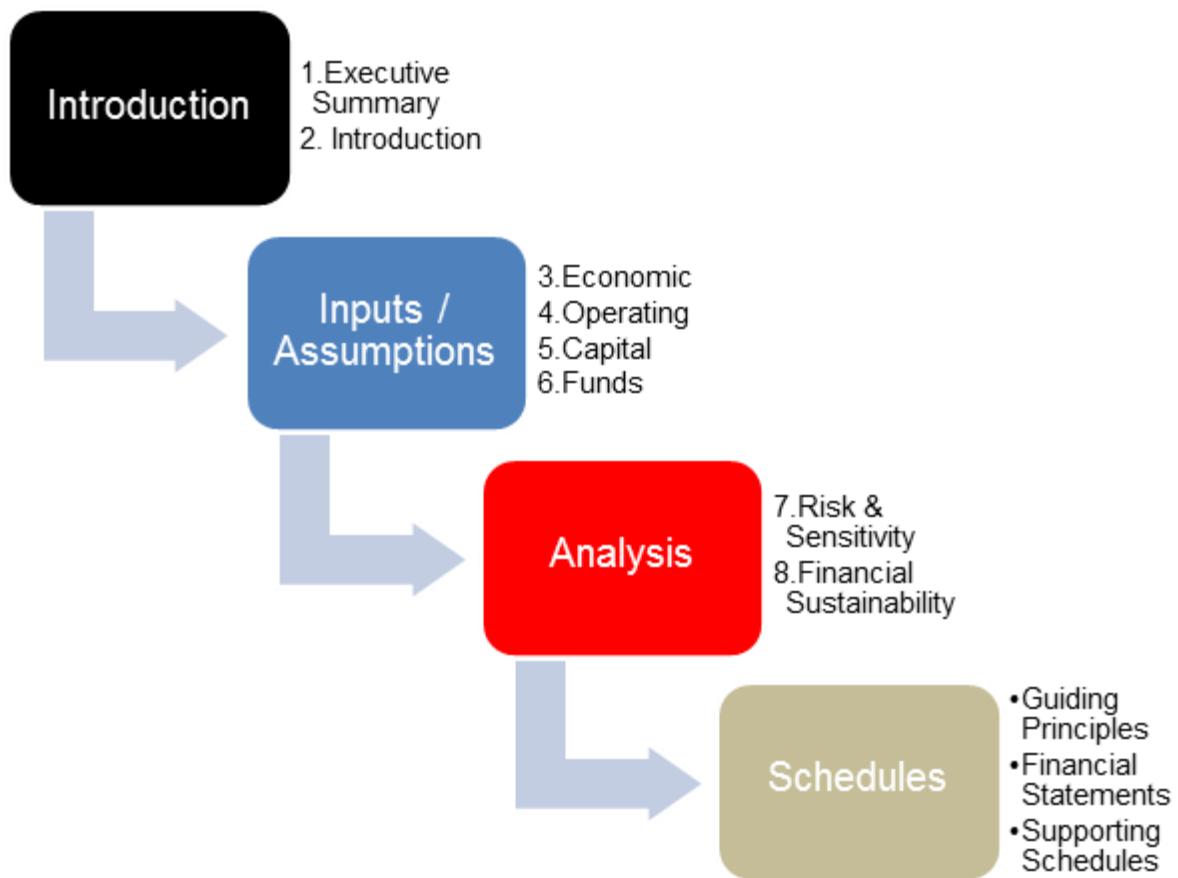
Table 1 – Attachments 1.1 to 1.8 – Detailed Schedules

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

Format and Content of the Plan (Attachment 2)

The plan follows similar format to the plan presented in August 2017. Further refinement has been made with several new charts added to the body of the report and all detailed 20-year schedules moved to the end of the report. The plan complies with the Department of Local Government, Sport and Cultural Industries' Integrated Planning Framework. The plan is split into eight sections with financial statements and supporting schedules, the chart below summarises the contents of the plan:

Chart 1 – Contents of the Draft 20 Year SFP



### Guiding Principles 2018

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 2018 are shown with tracked changes at Appendix 1 of Attachment 2. The changes are intended to refine the Key Ratios and to also ensure that the plan reflects current circumstances.

Table 2 – Proposed Changes to Guiding Principles

| Page | Change   | Details   |
|------|--|---|
| 25   | Header   | 2018 referred to instead of 2016  |
| 26   | <u>Targets/Ratios</u><br><br><b><i>Number of ratios reduced from five ratios to three ratios</i></b> | Previous Guiding Principles used five key ratios to evaluate the plan. There are two ratios which must be achieved every year of the plan and should therefore be regarded as core assumptions rather than ratios (rates increase 5% or less and balanced cash budget). |

| Page    | Change   | Details   |
|---------|--|---|
| 26      | <u>Targets/Ratios</u><br><br><b><i>Operating Results and Operating Surplus Ratio</i></b>   | There are two changes to this section as follows: <ul style="list-style-type: none"> <li>○ Statement added that the operating results are the most important indicator of long-term financial sustainability.</li> <li>○ Statement removed about the need for the “Projections will be based on the notion that each year in the SFP should be as close as possible be balanced (closing Municipal cash balance)”. This statement means the same as the core assumption “balanced cash budget” and is therefore duplicated.</li> </ul>  |
| 27      | <u>Targets/Ratios</u><br><br><b><i>Asset Management and Asset Sustainability Ratio</i></b> | A new bullet point added to state that the City needs to consider asset renewal requirements in a longer time frame than the 20 years of the SFP. This is necessary because there are many long-life assets (such as Drainage) that will not require renewal for a long time but the City will need to consider funding strategies well in advance.   |
| 27      | <u>Targets/Ratios</u><br><br><b><i>Treasury Management</i></b>                             | Heading slightly amended. The fourth bullet point has then been simplified. 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 previous three SFPs, 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.  |
| 27 / 28 | <u>New Expenditure</u><br><br><b><i>Various enhancements</i></b>                           | There are four changes proposed to this section as follows: <ul style="list-style-type: none"> <li>○ Statement added that the adoption of the 20 Year SFP does not constitute a commitment to projects.</li> <li>○ Whole of Life costs – original bullet point simply mentioned that these should be identified for new expenditure. This is still valid but it has always been the case within the 20 Year SFP that projects that are not yet sufficiently scoped do not yet have Whole of Costs included and it is worth stating this otherwise the Guiding Principles sets unrealistic expectations in the SFP.</li> <li>○ New bullet point added (second) which requires the SFP to include potential impairment costs if assets are replaced before the end of their useful life.</li> <li>○ New bullet point (third) which requires major projects to investigate fully whether they can have a neutral or positive impact on operating results.</li> </ul> |

## **DETAILS**

### Economic Environment and City Indicators

The Federal Budget (May 2018) showed an improved budget position compared to previous budget, and achieving a surplus one year earlier in 2019-20 (albeit a very small surplus) than previously projected. Nevertheless the current economic position both federally and at state level is still fragile, with a current budget deficit, sluggish wages growth and sluggish growth in household consumption. Indeed the fragility of the economy is demonstrated with the lack of movement of the RBA cash rate at 1.50%, and it appears increasingly unlikely that this will increase any time soon due to the concerns that increases may have on consumption, housing investment and the overall economy.

The forecasts at both Federal and State level indicate higher wages growth in the next couple of years, but these appear optimistic. The West Australian economy contracted in 2016-17 but is showing more positive signs as it is in a period of transition from the resources construction boom. Unemployment remains high but is forecast to reduce to levels which are considered more acceptable.

### Capital Expenditure and Major Projects

A large component of the 20 year SFP are the capital expenditure projections. The draft 20 year SFP assumes Capital Expenditure of \$1.3 billion, comprising of \$0.8 billion on renewal of existing infrastructure and \$0.5 billion on upgrade/new Infrastructure. The estimates are prepared with reference to the Capital Works Program, Fleet, IT and Major Projects. There are 22 major projects included and the plan includes details of the source, funding, phasing and impacts on operating deficit. The assumptions for Major Projects align with the presentation to Elected Members at Budget Workshop 4. Some of the key issues for major projects are as follows:

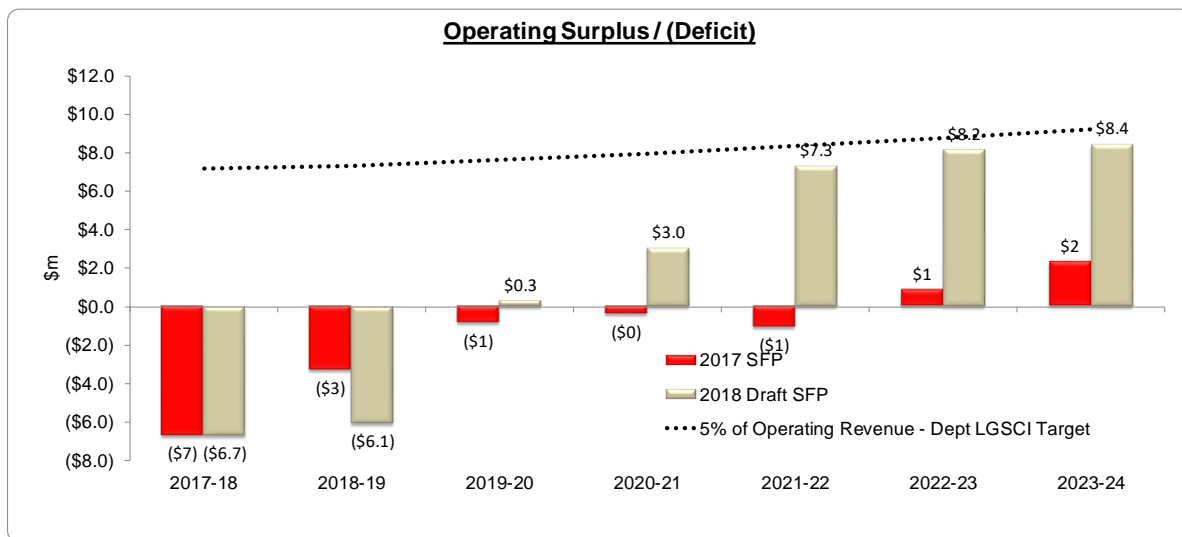
- Joondalup Performing Arts and Cultural Facility – the draft 20 Year SFP has been prepared on the basis that the project moves out two years (completed 2022-23), and the City contribution is reduced. It may be reasonable for the project to move out a further five years (completed 2027-28), and this possibility has been included in the scenario analysis within the draft 20 year SFP.
- Ocean Reef Marina Business Case and Structure Plan – at present the draft 20 Year SFP includes estimated expenditure to assist with the business case, there are no other capital projections. It is expected that the City's capital contribution will only be the land it owns. This is subject to future detailed evaluation and only after they have been considered by Council can they be included in the 20 Year SFP.

### Operating Projections

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 City has a large operating deficit and has had for several years. A deficit 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 key issue for the City is to ensure that there is a long-term plan to improve the ratio which this plan addresses

The chart below summarises the operating projections up to 2023-24 and indicates that the Operating Surplus/(Deficit) is projected to improve from (\$6.1 million) deficit in 2018-19 to a surplus of \$8.4 million by 2023-24. The updated plan estimates that an operating surplus will be achieved in 2020-21 which is two years earlier than the previous plan. The chart also shows the target from the Department of Local Government, Sport and Cultural Industries which is a surplus of 5% of Operating Revenue. The projected surplus at 2023-24 will still fall short of that.

Chart 2 – Operating Projections 2017-18 to 2023-24



Section 4 of the 20 Year SFP (Attachment 2) provides detailed explanation for the movements between 2018-19 and 2023-24, the key issues are:

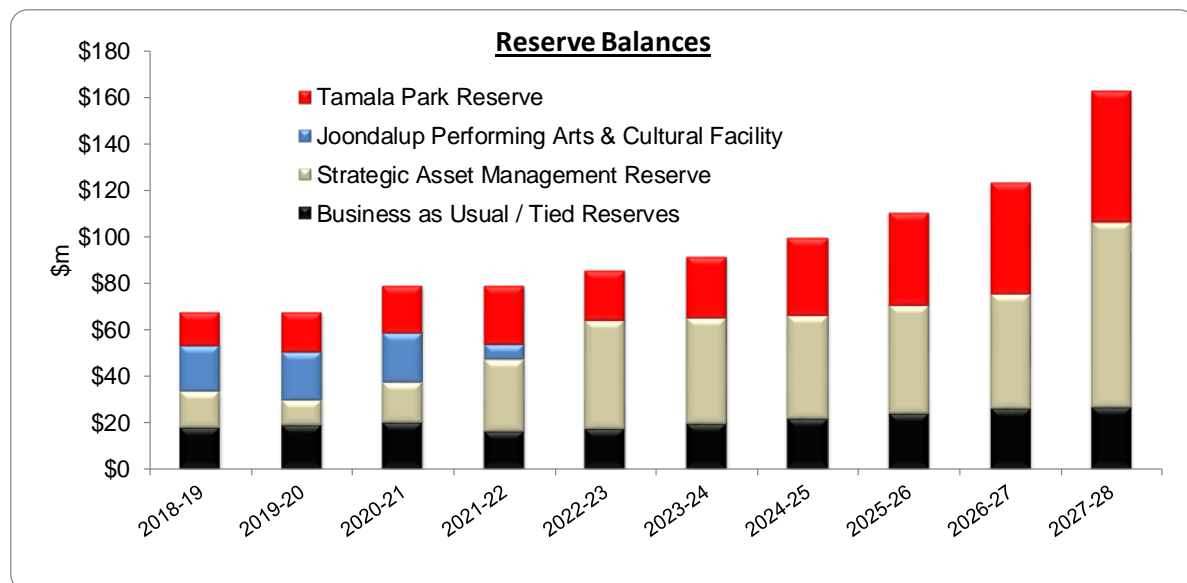
- Critical assumptions – the most important assumptions in the 20 Year SFP, and those which contribute most to improving the operating results, are the assumed increases to existing income (most importantly rates) being higher than the increases in existing expenses. The key assumptions in the draft 20 Year SFP are:
  - Rate Increases: Average increase of 3.56% from 2018-19 to 2021-22 instead of 3.9% in the previous plan.
  - Employment Costs: Average increase of 2% from 2018-19 to 2021-22 instead of 2.7% in the previous plan.
- Rates Growth (Commercial and Residential) is expected to be minimal in the next couple of years but by 2023-24 additional rates income of \$3.6 million.
- Joondalup Performing Arts and Cultural Facility – the project has been moved on two years and assumed completed by 2022-23. The first year of service is 2023-24 and estimated to impact the operating results by \$2.3 million (\$1.4 million Depreciation and \$0.9 million operating subsidy). The revised assumptions now assume no borrowings and therefore the operating impacts of \$2.3 million at 2023-24 are approximately \$2 million less than the previous plan.
- New Depreciation caused by upgrade and new capital investment. The 20 Year SFP includes \$1.3 billion of capital expenditure, but 37% of this is classed as upgrade/new which results in new depreciation, as well as other operating expenses.

- Waste Expenditure and Refuse Charge Income. The draft 20 Year SFP includes the impacts of the Better Bins Business Case, as reflected in the Adopted Budget 2018-19. There is likely to be further volatility to refuse services/expenditure in the next few years such as potential increase in recycling costs, MRC Gate Fee changes, Waste to Energy. Indicative estimates have been prepared by the City for the impact of these changes, and while there may be some cost increases these may be offset with reductions. The draft 20 Year SFP has assumed a prudent increase of CPI only each year to Waste Expenditure, and that is matched by increases to Refuse Charge Income, these assumptions will be reviewed as part of the annual update and more information is known on changes to services or costs.
- Utility costs is another volatile area of expenditure. The increase in Western Power Street Lighting to 2021-22 is based on the State Budget May 2018, and the remaining electricity costs are assumed to increase by 5% each year.

### Reserves

The graph below summarises the projected balances in reserves, the reserves grouped into four overall categories. The 20 Year SFP includes an explanation of the key assumptions for the reserves and a schedule showing the movements of each individual reserve.

Chart 3 – Reserve Balances



### Borrowings

The previous 20 Year SFP assumed a high level of new borrowings (\$94 million), the updated plan now assumes a much lower level of new borrowings (\$25 million), because it is no longer assumed that the City will require borrowings for the Joondalup Performing Arts and Cultural Facility.

## Issues and Scenarios considered

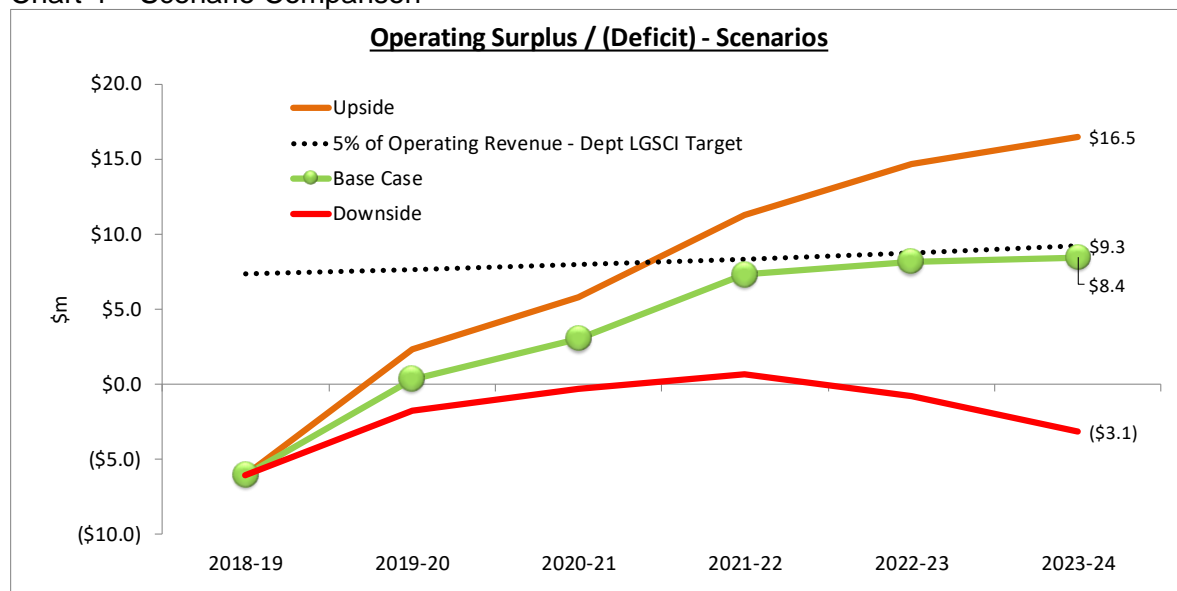
### Scenarios

Three scenarios have been used to evaluate the 20 Year SFP:

- Base Case – this is based on the previous plan combined with other known changes arising from the draft budget or as advised by internal and external parties
- Downside – pessimistic change compared to base case
- Upside – optimistic change compared to base case.

Key Risks and Opportunities have been evaluated against each of the scenarios, the impacts on the Operating Results are shown in the Graph below. Additionally, the target by the Department of Local Government, Sport and Cultural Industries to deliver a 5% operating surplus is shown on the chart. The Upside and Downside scenarios are extreme because it would require all key risks and opportunities to be worst case or best case, in reality it is much more likely for the actual impacts to be somewhere in-between which the 20 Year SFP achieves.

Chart 4 – Scenario Comparison



## Options

The options are:

- adopt the 2018 draft 20 Year SFP, without any further changes
- adopt the 2018 draft 20 Year SFP with changes
- or
- do not adopt the 2018 draft 20 Year SFP at this stage, pending further changes.

The previous plan (2017) was not adopted by Council, the last plan to be adopted by Council was in 2016. If the 2018 plan is not adopted it will therefore be more than two years since the City has had an adopted 20 Year SFP – while it is reasonable to refer to the 2017 plan (albeit not adopted) as a comparative tool, it is far from ideal for the City not to have a recent adopted plan.

### 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.

|                             |  |
|-----------------------------|--|
| <b>Strategic initiative</b> | 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.

### 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. This will be presented to Elected Members in the near future and direction will be sought regarding the status of the project.
- 2 Joondalup City Centre Development. The project costs are included, 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 but no other capital costs or financial impacts are included at this stage until the business case for the City impacts has been developed.

### **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 is used as a reference point 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 2017-18 to 2036-37 (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 2018 (2017-18 to 2036-37) replaces the previous plan adopted in 2016.





A timeframe of 20 years for financial projections may appear to be too long to prepare financial projections. Within the next one to five years, the projections have a high level of confidence, within years six to 10 a medium level of confidence and beyond year 10 a low level of confidence. It is worthwhile for the City to plan for the 20 year period, even though there is a low level of confidence with the outer years because it provides the opportunity to identify potential increases in expenditure, particularly capital renewals. Indeed it will be important for the City to consider projections beyond the 20 years because of much higher renewals in later years.

### **Ratios**

The financial sustainability of the City is measured by its ability to be financially viable whilst meeting community expectations. There are three key ratios that the 20 Year SFP aims to achieve each year, so the maximum achievement is 60 ratios within tolerance (20 years x three key ratios). The draft *20 Year Strategic Financial Plan* is projecting a total of 46 out of 60, this is five more than the previous plan as summarised in the table below.

The last 10 years of the plan are all within tolerance (30 out of 30), but the first 10 years are 16 out of 30. Although it is far from ideal to only achieve 16 ratios out of 30 in the first 10-year years, the Asset Sustainability Ratio would not expect to be within tolerance due to the young age profile of the City's assets while the Operating Surplus Ratio is showing a positive upwards trend. Most importantly the Operating Surplus Ratio is now projected to be within tolerance by 2023-24 which is three years earlier than the previous plan.

Table 3 – Ratios

| KEY RATIOS   |                              | Target Range |        | Updated SFP                      |   | Previous  |                   |
|--------------|------------------------------|--------------|--------|----------------------------------|---|-----------|-------------------|
|              |                              | Low          | High   | Number of Years within Tolerance | Number of Years Outside Tolerance   | Aug 17    | Draft versus Prev |
| 1            | Operating Surplus Ratio %    | 2.0%         | 8.0%   | 14                               | 6          | 10        | 4                 |
| 2            | Asset Sustainability Ratio % | 90.0%        | 110.0% | 12                               | 8          | 11        | 1                 |
| 3            | Debt Service Coverage Ratio  | 3.0          | >5     | 20                               | 0          | 20        | 0                 |
| <b>Total</b> |                              |              |        | <b>46</b>                        | <b>14</b>  | <b>41</b> | <b>5</b>          |

*Out of a maximum of 20 for each Ratio, Red is indicated if the Ratios achieved is 15 or less, Amber is shown if 16 or 17 is achieved and Green is shown if 18 or more*

### Comparison to Other Local Governments

The tables below compare some key financial measures for the City versus other Perth metropolitan local governments. The key points from the comparison are as follows:

- Operating Surplus / (Deficit) for 2016-17. The results are varied. Both the City of Joondalup and City of Gosnells recorded a deficit, the Cities of Wanneroo, Stirling and Perth recorded a reasonable operating surplus but the City of Swan recorded a very large operating surplus.
- Financial Health Indicator - is published by The Department of Local Government, Sport and Cultural Industries based on published accounts. The score is marked out of a maximum of 100 with a score of 70 or more designated as sound. The Indicator is based on seven ratios, including the Operating Surplus Ratio. The Cities of Joondalup, Wanneroo and Gosnells are below the threshold of 70 and designated as "not sound". If the City of Joondalup had an Operating Surplus similar to the City of Wanneroo's \$7.9 million the Financial Health Indicator for the City of Joondalup would be 66 instead of 50.

Depreciation as % of Written Down Value – this is a crude comparison but is useful to identify whether the City's Depreciation values are comparable with other local governments. The most noticeable comparison is with the City of Stirling who have infrastructure almost twice as much as City of Joondalup but the annual Depreciation expense is slightly less than the City.

Table 4 – Comparison to Other Metropolitan Local Governments

| Comparisons | Operating Surplus / (Deficit) | Financial Health Indicator  | Depn as % of Written Down Value |
|-------------|-------------------------------|-----------------------------|---------------------------------|
|             | 2016-17<br>\$ms               | 2016-17<br>Score out of 100 | 2016-17<br>%                    |
| Joondalup   | (\$7.1)                       | 50                          | 2.29%                           |
| Wanneroo    | \$7.9                         | 69                          | 1.63%                           |
| Stirling    | \$2.0                         | 96                          | 0.92%                           |
| Swan        | \$37.6                        | 99                          | 2.09%                           |
| Gosnells    | (\$2.0)                       | 52                          | 1.78%                           |
| Perth       | \$3.7                         | 86                          | 2.75%                           |

Continuing to Address the Operating Deficit

The City still has a high operating deficit and is approximately \$13 million lower than the recommended target. Council has taken positive steps to address the operating deficit, with \$0.4 million changes to services and fees in 2018-19 but it needs to continue the momentum. As part of the annual budget process there will be a review of services and fees and further consideration of changes which can help to address the operating deficit. There are a wide range of opportunities which the City can review such as cultural events, subsidies and asset rationalisation.

The most critical issue for the City to implement to address the operating deficit is applying increases in existing income which is more than increases in expenses – this does not necessarily mean that the increases to income should be excessive but they should ensure that the City is generating sufficient income to pay for the services it delivers. The proposed increases set out within the 2018 20 Year SFP are considered necessary to achieve further improvements to the operating results and improve long-term financial sustainability.

The actual increase in rates that the Council implements is determined as part of the annual budget, the assumptions from the *20 Year Strategic Financial Plan (20 Year SFP)* provide a guide, but an important guide. Council can choose to implement as part of the annual budget an increase that is higher or lower but it is vital that the increase applied is greater than the increase estimated for expenses. If the City implements lower rate increases than indicated by the 20 Year SFP then this leads to a shortfall which has to be met from other sources if the City wants to overcome the operating deficit as shown in this plan.

For example if Council chooses to implement a 2% increase in 2019-20 instead of the 3% increase assumed in the 20 Year SFP, then this would result in a shortfall of approximately \$1 million in 2019-20 and every year thereafter. The gap can either be met from increased fees or a reduction in services which can reduce employment costs and/or materials and contracts. \$1 million per year is roughly equal to the net operating impacts caused by one of the following:

- One suburban library.
- 80% of the Toilets and Changerooms.
- 33% of the Cultural Events per year.
- 40% reduction of Contributions and Donations.
- 80% of the subsidies currently provided by the City to sporting groups and not-for-profit.
- 5% less expenditure on maintaining Parks and Natural areas.

### Joondalup Performing Arts and Cultural Facility Reserve

As a result of the changing scope and funding model for the project, the following is provided by way of context for the current status of the reserve:

- The reserve was first created in August 2000 and named the Performance Arts Facility Reserve (JSC29-08/00 refers). It was renamed the Cultural Facility Reserve in July 2005 (JSC4-07/05 refers) and subsequently renamed as the Joondalup Performing Arts and Cultural Facility Reserve in June 2006 (CJ103-06/10 refers).
- The current balance of the reserve is made up of transfers of general accumulated surpluses from operations and capital, land sales of City of Joondalup land in various locations in the City and interest earned from the investment of funds. No funds from the sale of land at Tamala Park have been transferred to the Joondalup Performing Arts and Cultural Facility Reserve.
- Project origin. The need for a facility for the Joondalup region was first identified and defined in the 1992 Joondalup Cultural Plan. The Philosophy and Parameters were adopted by Council in 2010 (CJ103-06/10 refers) and provided the basis of the various works undertaken since then which culminated in the business case presented to Council in June 2017.
- Decision Making Program. The project has been part of a transparent and documented governance regime, with minutes of all key decisions/reports recorded and reported to Council. The governance regime has been amended over time due to changes in Committee structure and terms of reference. At present the project will provide reports in the first instance to the Major Projects and Finance Committee, which was established in November 2017. Between 2015 and 2017 the project reported to the Major Projects Committee, which was established in 2015. For a number of years prior to 2015 the project had its own steering group, the Joondalup Performing Arts and Cultural Facility Steering Committee. Where necessary Council are requested to endorse decisions which the Committee is not empowered to make.
- It is possible for the purpose of the Joondalup Performing Arts and Cultural Facility Reserve to be changed and the funds in the reserve applied for a different purpose. There is a statutory process for this which varies on whether it is done as part of the annual budget or separately. In either case it requires an Absolute Majority decision of Council.

### **VOTING REQUIREMENTS**

Simple Majority.

*Cr Logan left the room at 7.20pm and entered the room at 7.25pm.*

**MOVED Cr Hamilton-Prime SECONDED Cr Hollywood that Council:**

- 1 ADOPTS the draft *20 Year Strategic Financial Plan* for the period 2017-18 to 2036-37 as at Attachment 2 to this Report;**
- 2 ADOPTS the *Guiding Principles 2018* as included at Appendix 1 of Attachment 2 to this Report.**

**The Motion was Put and**

**CARRIED (6/1)**

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

**Against the Motion:** Cr Poliwka.

*Senior Financial Analyst left the room at 7.33pm.*

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnMPF180716.pdf](#)*

## **ITEM 4                      STATUS      REPORT      ON      CITY      FREEHOLD PROPERTIES PROPOSED FOR DISPOSAL AND A PROPOSED CROWN LAND ACQUISITION**

|                                 |  |   |
|---------------------------------|--|---|
| <b>WARD</b>                     | All  |   |
| <b>RESPONSIBLE<br/>DIRECTOR</b> | Mr Garry Hunt<br>Chief Executive Officer   |   |
| <b>FILE NUMBER</b>              | 63627, 101515  |   |
| <b>ATTACHMENT</b>               | Attachment 1   | Lot 2 (20) Kanangra Crescent, Greenwood       |
|                                 | Attachment 2   | Lot 803 (15) Burlos Court, Joondalup          |
|                                 | Attachment 3   | Lot 12223 (12) Blackwattle Parade,<br>Padbury |
| <b>AUTHORITY / DISCRETION</b>   | Information - includes items provided to Council for<br>information purposes only that do not require a decision of<br>Council (that is for 'noting'). |   |

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### **PURPOSE**

For the Major Projects and 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. Ten sites have now been sold with Table 1 below indicating the sales proceeds achieved to-date.

Concerning the two remaining sites to be sold, Lot 2 (20) Kanangra Crescent, Greenwood (Attachment 1 refers) and Lot 803 (15) Burlos Court, Joondalup (Attachment 2 refers), the City selected real estate agents Ray White Commercial (WA) to conduct the marketing of these sites towards their auction on 13 June 2018. The properties did not sell at auction and though each property received a firm post-auction offer, they were short of the reserves set by approximately 9.6% for Lot 2 (20) Kanangra Crescent, Greenwood and 34.6% for Lot 803 (15) Burlos Court, Joondalup.

Ray White's representatives followed up with the parties that had shown an interest in the properties during the marketing and auction process to ascertain if they had a continued interest and for their feedback. The two offers were confirmed, in addition to providing feedback which included the restricted zoning of over 55s reduces the market; the City's price expectations were unrealistic and an R60 density code in the case of Burlos Court, Joondalup is considered too high for this location.

Additional recent advice from Ray White's representative is that two other developers have indicated interest in Lot 2 (20) Kanangra Crescent, Greenwood suggesting a similar price range to the offers already received by Ray White. These developers also provided the feedback that if the zoning was unrestricted for this property, it is possible a slight increase in the price they would pay could be considered.

Concerning Lot 12223 (12) Blackwattle Parade, Padbury (Attachment 3 refers) the Department of Planning, Lands and Heritage (DPLH) advised that prior to providing a sales contract to the City, the required access easement on Lot 12223 needs to be registered on the certificate of title. The proposed access easement will ensure that the adjoining shopping centre retains legal access to its services area over Lot 12223.

The City met with representatives of the shopping centre's strata company and the DPLH in April 2018 which assisted with clarifying some of the strata company's concerns. The main outcome from the meeting, was that the City agreed to investigate the queries raised by the strata company related to the easement matter. These investigations were completed and responded to by the City.

In the interim, and as requested by the City, a revised easement condition was received from the DPLH concerning maintenance of the easement land and on its review, was considered to be unsuitable. This prompted an alternative solution being submitted to the DPLH and the strata representatives by the City in order to finalise the City's acquisition of Lot 12223 and still protect the strata company's access rights. The DPLH has agreed to this in-principle, and the City is awaiting a response to this option from the strata company.

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 Major Projects and Finance Committee NOTES:*

- 1 *that Lot 2 (20) Kanangra Crescent, Greenwood and Lot 803 (15) Burlos Court, Joondalup did not sell at the auction on 13 June 2018;*
- 2 *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 Major Projects and Finance Committee meeting to be held on 10 September 2018.*

## **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 these two properties being in the vicinity of \$4.5 million.

Table 1 indicates the 10 sites that have sold to-date and their sales price.

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 and Dependent Persons' Dwellings' – or unit developments for people over 55 years of age.

**Table 1 (GST exclusive)**

| <b>Property</b>                                 | <b>Date Sold</b> | <b>Sale Price</b>   |
|---|------------------|---------------------|
| Lot 200 (18) Quilter Drive, Duncraig.           | March 2013       | \$ 1,350,000        |
| Lot 766 (167) Dampier Avenue, Kallaroo.         | March 2013       | \$ 1,055,000        |
| Lot 147 (25) Millport Drive, Warwick.           | March 2013       | \$ 1,340,000        |
| Lot 613 (11) Pacific Way, Beldon.               | March 2013       | \$ 700,000          |
| Lot 671 (178) Camberwarra Drive, Craigie.       | March 2013       | \$ 828,000          |
| Part Lot 702 (11) Moolanda Boulevard, Kingsley. | August 2015      | \$ 1,050,000        |
| Lot 745 (103) Caridean Street, Heathridge.      | December 2015    | \$ 874,000          |
| Lot 23 (77) Gibson Avenue, Padbury              | December 2016    | \$ 1,800,000        |
| Lot 900 (57) Marri Road, Duncraig               | July 2017        | \$ 1,030,000        |
| Lot 1001 (14) Camberwarra Drive, Craigie        | December 2017    | \$ 990,000          |
|   | <b>TOTAL</b>     | <b>\$11,017,000</b> |

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

- “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.”*

Lot 1001 (14) Camberwarra Drive, Craigie sold at auction for \$990,000 exclusive of GST under the margin scheme on 29 November 2017 and settled on 29 January 2018.

Lot 803 (15) Burlos Court, Joondalup and Lot 2 (20) Kanangra Crescent, Greenwood being the two remaining properties went to auction on 13 June 2018. With both properties, the City recently obtained market valuations from a licensed valuer to guide each reserve.

## DETAILS

Table 2

|   | Property Address   | Land Disposals – Current Status  |
|---|--|--|
| 1 | <p>Lot 2 (20) Kanangra Crescent, Greenwood.</p> <p>Land Area: 3005m<sup>2</sup>.</p> <p>Attachment 1 refers.</p> | <p>This site is zoned Residential with a restricted use to 'Aged or Dependent Persons' Dwellings' and it has a density code of R40.</p> <p>Lot 2 (20) Kanangra Crescent, Greenwood did not sell at auction on 13 June 2018. A firm offer was provided to the City's real estate agent post-auction which did not meet the reserve. Advice is that this offer stands.</p> <p>As requested by the City, the real estate agent contacted parties that had indicated an interest during the marketing and auction process to obtain feedback. Concerning this property, three developers provided feedback advising:</p> <ul style="list-style-type: none"> <li>the market in its current state means the offer made takes account of the development's feasibility, plus extra costs such as GST, land tax and other holding costs;</li> <li>the City's price expectation is too high in view of what the villas would sell for, the fact that there is a restricted zoning reducing the market and retaining costs need to be included; and</li> <li>it is considered that the over 55 restricted zoning is very restrictive for this site and a straight R40 density code is more viable for development.</li> </ul>              |
| 2 | <p>Lot 803 (15) Burlos Court, Joondalup.</p> <p>Land Area: 4,410m<sup>2</sup>.</p> <p>Attachment 2 refers.</p>   | <p>This site is zoned Residential with a restricted use to 'Aged or Dependent Persons' Dwellings' and it has a density code of R60.</p> <p>Council has previously tried to dispose of this land by public tender resulting in all tenders received being declined. At its meeting held on 18 October 2016 (CJ167-10/16 refers) Council authorised the CEO to dispose of the property by public auction, or private treaty.</p> <p>As with the City's Greenwood property, this site also did not sell at auction and the post-auction offer that was below the reserve stands. Feedback from the developer was that:</p> <ul style="list-style-type: none"> <li>the R60 density code suggests that the City sees the potential for apartments to be developed at this location and it is considered there is no market for apartments at this site as research suggests that over 55s apartments need to be in a high-end location to sell; and</li> <li>it is viewed that the potential purchasers of over 55s do want to down-size, but still require a two-car garage, storage and a sizable home for visiting family therefore, the City's price expectation on this site due to its R60 density code is too high.</li> </ul> |

|   |   | <b>Acquisition – Current Status</b>  |
|---|---|--|
| 1 | <p>Lot 12223 (12)<br/>Blackwattle Parade,<br/>Padbury</p> <p>Land Area: 3,332m<sup>2</sup></p> <p>Attachment 4 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>During this acquisition process, on the advice of DPLH – Lands, conditional support was sought and provided by DPLH – Planning. One of the conditions being 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 DPLH 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, Lands and Heritage regarding the conditions provided to the City on how the 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> <p>Ministerial approval was provided to Amendment No. 87 on 21 December 2017 to rezone Lot 12223 from 'Civic and Cultural' to 'Commercial.' The gazettal date being 12 January 2018.</p> <p>Concerning the contract of sale, the DPLH advised on 5 February 2018 that it had been redrafted, condition free pending the registration of the required access easement on Lot 12223 to allow the adjoining shopping centre continued access to its service area.</p> |

|  | <b>Acquisition – Current Status</b>  |
|--|--|
|  | <p>Once the easement is registered on the certificate of title, the DPLH will then proceed with forwarding a sales contract to the City for execution.</p> <p>The City is endeavouring to progress all related matters concerning this acquisition as quickly as possible. It has investigated the concerns raised by the strata company's representatives at an April 2018 meeting and provided a comprehensive response dealing with the matters raised. As an example, matters such as the easement costs, public liability insurance and the proposed maintenance of the easement land.</p> <p>The City requested the DPLH to redraft the easement condition regarding the proposed maintenance arrangements of the easement land which on being received by the City was considered unsuitable. The City provided alternative suggestions to the DPLH and the strata company's representatives on how to finalise this matter and is waiting for a response from the strata company.</p> <p>Remedial works that are required on the easement land (Attachment 4 refers) by the strata owners' chosen contractor require completion and once commenced, will be monitored and approved by City officers.</p> |

### Issues and options considered

As detailed in Table 2.

### Legislation / Strategic Community Plan / policy implications

|                                 |   |
|---------------------------------|---|
| <b>Legislation</b>              | Sections 3.58 and 3.59 of the <i>Local Government Act 1995</i> , together with the <i>Local Government (Functions and General) Regulations 1996</i> determine how a local government may dispose of property. |
| <b>Strategic Community Plan</b> |   |
| <b>Key theme</b>                | Quality Urban Environment.  |
| <b>Objective</b>                | Quality built outcomes.   |
|                                 | Buildings and landscaping is suitable for the immediate environment and reflect community values.   |
| <b>Key theme</b>                | Financial Sustainability.   |
| <b>Objective</b>                | Financial diversity.  |
| <b>Strategic initiative</b>     | Identify opportunities for new income streams that are financially sound and equitable.   |
| <b>Policy</b>                   | <i>Asset Management Policy.</i><br><i>Sustainability Policy.</i>  |

### **Risk management considerations**

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

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

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

Regarding the proposed sale of Lot 2 (20) Kanangra Crescent, Greenwood and Lot 803 (15) Burlos Court, Joondalup, the future of these sites may wish to be reconsidered based on the market's response to their proposed sale and the developer's feedback.

### **Financial / budget implications**

Council has agreed that the proceeds from the sale of freehold land are to be transferred to the Joondalup Performing Arts and Cultural Facility Reserve Fund. The Reserve Fund currently holds an amount of \$19,702,939.

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 regarding 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

The conclusion to the auction process could be an indication that current market conditions are not conducive for disposal of the remaining two development sites. The City may wish to wait until it is considered that the market is more receptive. In the meantime, the City can consider private treaty offers for these sites without further advertising for a period of six months from the auction date of 13 June 2018 as outlined under *Regulation 30, (2a)(a) of the Local Government (Functions and General) Regulations 1996*.

Advice from the strata company's representatives of the adjoining shopping centre concerning the required easement over Lot 12223 (12) Blackwattle Parade, Padbury is that they are awaiting advice from their insurers. On receipt of this advice, it will enable a full response to be provided to the City's recent solution to finalise this matter.

## VOTING REQUIREMENTS

Simple Majority.

*Cr Taylor left the room at 7.35pm and entered the room at 7.37pm.*

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

- 1 that Lot 2 (20) Kanangra Crescent, Greenwood and Lot 803 (15) Burlos Court, Joondalup did not sell at the auction on 13 June 2018;**
- 2 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 Major Projects and Finance Committee meeting to be held on 10 September 2018.**

**The Motion was Put and**

**CARRIED (7/0)**

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

*Appendix 4 refers*

*To access this attachment on electronic document, click here: [Attach4agnMPF180716.pdf](#)*

|                           |   |
|---------------------------|---|
| <b>Name/Position</b>      | <b>Cr Kerry Hollywood.</b>  |
| <b>Item No./Subject</b>   | Item 5 - Burns Beach Café/Restaurant - Project Status.  |
| <b>Nature of interest</b> | Proximity Interest.   |
| <b>Extent of Interest</b> | Cr Hollywood is a resident of Burns Beach and lives close to the proposed Burns Beach / Café restaurant project area. |

*Cr Hollywood left the room at 7.40pm.*

*Cr McLean deputised for Cr Hollywood.*

## **ITEM 5                      BURNS BEACH CAFÉ/RESTAURANT - PROJECT STATUS**

|                               |  |
|-------------------------------|--|
| <b>WARD</b>                   | North  |
| <b>RESPONSIBLE DIRECTOR</b>   | Mr Garry Hunt<br>Chief Executive Officer   |
| <b>FILE NUMBER</b>            | 102656, 101515   |
| <b>ATTACHMENT</b>             | Nil  |
| <b>AUTHORITY / DISCRETION</b> | Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting'). |

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### **PURPOSE**

For the Major Projects and Finance Committee to note the progress on the Burns Beach Café/Restaurant project.

### **EXECUTIVE SUMMARY**

At its meeting held on 5 May 2018 (Item 2 refers) the Major Projects and Finance Committee considered a status report on the Burns Beach Café/Restaurant project.

The City has since undertaken the following tasks:

- Commencement of a Request for Tender process to invite submissions from suitably qualified consultants for the provision of architectural and associated services for the design of the new facility.
- Engaged a consultant to provide advice on the most appropriate land tenure arrangement to facilitate the new food and beverage development.

Details of the above are provided in this report.

*It is therefore recommended that the Major Projects and Finance Committee NOTES the report on the status of the Burns Beach café/restaurant project.*

## BACKGROUND

The City owns and manages several 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 18 October 2016 (CJ158-10/16 refers), Council resolved in part to adopt the Burns Beach Master Plan. 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.

A report was presented to the Finance Committee at its meeting held on 7 August 2017 (item 11 refers) outlining various options for the City to deliver a café/restaurant development at Burns Beach. After due consideration it was decided in part that the Finance Committee NOTES:

*“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”.*

At its meeting held on 12 March 2018 (Item 8 refers) the Major Projects and Finance Committee considered a status report on options for the implementation of the Burns Beach café/restaurant project and noted:

- 1 the report on the status of the Burns Beach café/restaurant project;*
- 2 the Chief Executive Officer will invite submissions from suitably qualified consultants for the provision of architectural and associated services for the design of a new food and beverage development as outlined in this report;*
- 3 the Chief Executive Officer will negotiate with the Department of Planning, Lands and Heritage to secure an in-principle agreement on the optimum land tenure arrangement to facilitate the development;*
- 4 the Chief Executive Officer will initiate the process to demolish the Jack Kikeros Hall; and*

- 5      *a further report will be provided to the Major Projects and Finance Committee with details on the progress of the project.*

At its meeting held on 7 May 2018 (Item 2 refers) the Major Projects and Finance Committee noted a status report on the Burns Beach café/restaurant project.

#### **DETAILS**

At its meeting held on 7 May 2018 (Item 2 refers) the Major Projects and Finance Committee noted a status report on the Burns Beach café/restaurant project, including that the City will commence a Request for Tender (RFT) process to invite submissions from suitably qualified consultants for the provision of architectural and associated services for the design of the new food and beverage development.

The City has since undertaken the following tasks associated with progressing the project:

#### Design

An RFT process commenced on 30 May 2018 and closed on 15 June 2018. The City received 18 responses to the RFT and the evaluation panel is currently assessing the submissions. It is envisaged that a decision will be made on a preferred respondent later in July 2018 and that the design process will commence in August 2018. It is intended that the results of the concept design phase of the project will be presented to a future meeting of the Major Projects and Finance Committee.

#### Land Tenure

The City engaged the services of a property consultant to offer advice on the preferred land tenure arrangement to facilitate the development. As part of the scope of works the consultant reviewed the financial evaluation of the land tenure options prepared by the City, details of which have previously been provided to the Major Projects and Finance Committee. The consultant's report also provided the most recently available rental evidence to support the most current rental assessment for the proposed development.

The three options considered for the land tenure arrangements are:

- Option 1 – Ground Lease: annual lease payments to the Crown
- Option 2 – Ground Lease: prepayment of lease to the Crown
- Option 3 – Freehold purchase of land from the Crown.

With regards to the Ground Lease options the consultant remarked that a leasehold interest in land is a diminishing interest which, as the term draws closer to lease end, will result in the value reducing to a \$nil value. The salability of the leasehold interest in the property is therefore directly proportionate to the remaining term of the ground lease. From a financial and legal perspective, under a Crown Land lease situation, the City could only deal with the land within the rights they are afforded under the terms of the lease and with the restrictions that it affords in terms of use and tenure. The consultant suggests that this option is therefore financially and legally restrictive.

Conversely, Freehold Land (or fee simple) provides the most complete form of ownership of land, in perpetuity. It allows the land holder to deal with the land including selling, leasing, licensing or mortgaging the land, subject to compliance with applicable laws. However, it should be noted that this option would result in capital being 'tied-up' in the property, albeit the City may have the ability to undertake dealings with the land at any time.

Therefore, the recommendation from the consultant is that the City should proceed with the freehold purchase option, rather than the lease options. Subject to agreement with the Crown, freehold ownership may have the following benefits:

- Future development opportunities.
- Lease income without future payments to the Crown.
- The property would become a registered City asset.
- The City could dispose of the land and improvements.
- Reduced administrative cost of dealing with a Crown Lease.
- The City could redevelop at any point in time.

It is proposed that once a concept design and location for the facility has been finalised, the financial evaluation for the project will be further reviewed and a business case prepared and provided to the DPLH, detailing the City's intent to purchase the land for the development.

#### Jack Kikeros Hall

The City has taken initial steps to progress the demolition of the Jack Kikeros Hall. The City will soon write to the various user groups that currently have hire arrangements in place for the hall, advising them of relocation options and timelines. It is planned that initial letters will be sent to user groups during July 2018 and that the hall will be vacated by the end of August 2018, soon after which the demolition process would commence.

#### **Issues and options considered**

Not applicable.

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

|                    |   |
|--------------------|---|
| <b>Legislation</b> | Besides the legislation that covers the eventual planning and building requirements, with regard to the land related matters the <i>Land Administration Act 1997</i> and the DPLH relevant policies deal with the administration of Crown land. <i>The Local Government Act 1995</i> and the <i>Local Government (Functions and General) Regulations 1996</i> deal with local governments' dealings with property, which includes purchase and leasing. |
|--------------------|---|

#### **Strategic Community Plan**

|                             |   |
|-----------------------------|---|
| <b>Key theme</b>            | Economic Prosperity, Vibrancy and Growth.                     |
| <b>Objective</b>            | Destination City.   |
| <b>Strategic initiative</b> | Facilitate the establishment of major tourism infrastructure. |
| <b>Policy</b>               | Not applicable.   |

#### **Risk management considerations**

The DPLH's *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.

The DPLH'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

|                             |   |
|-----------------------------|---|
| <b>Account no.</b>          | 1-220-C1060                             |
| <b>Budget Item</b>          | Cafés/Kiosks/Restaurants (Burns Beach). |
| <b>Budget amount</b>        | \$169,807                               |
| <b>Amount spent to date</b> | \$ 0                                    |
| <b>Proposed cost</b>        | \$ 0                                    |
| <b>Balance</b>              | \$169,807                               |

Figures above are current at July 2018.

All figures in this report are exclusive of GST.

#### Future financial year impact

|  |  |
|--|--|
| <b>Annual operating cost</b>                   | Operating costs will vary depending on the negotiated land tenure arrangement with the Crown. A purchase of land will result in minimal annual operating costs. A Crown Land lease may require the City to pay the Crown 25% of the market rent of the land per annum. 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. |
| <b>Estimated annual income</b>                 | The City would receive the market rent negotiated with a developer/operator, less any rental payments to the Crown (if a Ground lease arrangement is opted for by the City). Rates would also be payable by the operator.  |
| <b>Capital replacement</b>                     | A capital replacement component has been included in financial evaluations for the project and will be further developed through the design process.   |
| <b>20 Year Strategic Financial Plan impact</b> | The capital costs/funding for the City to build the facility is currently factored into the City's Capital Works Program 2018-19 – 2022-23.  |
| <b>Impact year</b>                             | 2018-19  |

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 publicly advertise the proposed development in accordance with the *Local Government Act 1995*, pending final decisions on progressing the project. During the project the City has liaised with key stakeholders including the Burns Beach Residents Association and the owners of the existing Burns Beach Café. Future consultation regarding the proposal will take place as required in accordance with the City's *Community Consultation and Engagement Policy*.

### **COMMENT**

The project will potentially provide a significant income stream for the City and will assist in addressing the City's current over-reliance on rates income by providing an additional/alternative long-term income stream, as per the City's Financial Diversity objectives contained within *Joondalup 2022 – Strategic Community Plan 2012-2022*.

### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Fishwick SECONDED Cr Logan that the Major Projects and Finance Committee NOTES the report on the status of the Burns Beach café/restaurant project.**

**The Motion was Put and**

**CARRIED (7/0)**

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

## **ITEM 6                      OCEAN REEF MARINA – PROJECT STATUS**

|                                 |  |  |
|---------------------------------|--|--|
| <b>WARD</b>                     | North-Central  |  |
| <b>RESPONSIBLE<br/>DIRECTOR</b> | Mr Garry Hunt<br>Office of the CEO   |  |
| <b>FILE NUMBER</b>              | 04171, 101515  |  |
| <b>ATTACHMENT</b>               | Attachment 1   | Ocean Reef Marina Indicative Timeline  |
|                                 | Attachment 2   | Ocean Reef Marina Governance Structure |
| <b>AUTHORITY / DISCRETION</b>   | Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting'). |  |

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This Item was dealt with earlier in the meeting, prior to Item 1 Bi-Monthly Capital Works Project Reports, page 6 refers.

## **ITEM 7 JOONDALUP PERFORMING ARTS AND CULTURAL FACILITY – PROJECT REVIEW**

|                               |  |
|-------------------------------|--|
| <b>WARD</b>                   | All  |
| <b>RESPONSIBLE DIRECTOR</b>   | Mr Garry Hunt<br>Office of the CEO   |
| <b>FILE NUMBER</b>            | 75577, 101515  |
| <b>ATTACHMENT</b>             | Nil  |
| <b>AUTHORITY / DISCRETION</b> | Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting'). |

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### **PURPOSE**

For the Major Projects and Finance Committee to note the review process initiated for the Joondalup Performing Arts and Cultural Facility (JPACF) project.

### **EXECUTIVE SUMMARY**

A report entitled *Joondalup Performing Arts and Cultural Facility – Business Case Community Consultation Results and Project Progression Options* (CJ101-06/17 refers) was presented to Council on 27 June 2017. The key recommendation in the report was that the project progress to the next stage of the design process, being the design development stage, however Council decided not to proceed with the design development stage, at that time. As detailed in the Council meeting minutes, the reason provided by Council for its decision, which was significantly different to the recommendation from both the City's Administration and the Major Projects Committee, was:

*“to adopt a new vision for an alternative for the performing arts and cultural facility”.*

For a new project vision to be explored it is considered necessary for a detailed design review process to be undertaken. The City recently engaged the services of ARM Architecture and Donald Cant Watts Corke quantity surveyor consultants to produce an alternative design option for the JPACF. It is intended that the details of the review process will be provided to the Major Projects and Finance Committee at a future meeting.

The City has also continued to explore funding opportunities for the project and has continued with benchmark facility investigations.

It is therefore recommended:

*That the Major Projects and Finance Committee NOTES the review process initiated for the JPACF project.*

## BACKGROUND

The need for a performing arts and cultural facility for the Joondalup region was first identified and defined in the 1992 Joondalup Cultural Plan. Throughout the period 1996 – 2006 significant progress was made towards achieving this ambition including the 2006 purchase of the site at Teakle Court, for \$595,000, for the purpose of developing the arts facility.

During this time several studies and reports identified the need for a cultural facility in Joondalup and indicated support from community and other stakeholders for the concept of a centrally-located performing arts centre containing a range of venues and facilities.

At its meeting held on 22 June 2010 (CJ103-06/10 refers), Council endorsed the Project Philosophy and Parameters for the JPACF which articulated the philosophy/project vision for the facility as:

- *“Provide a world class, state of the art facility; incorporating innovative and sustainable design, symbiotic with the existing natural and built environment that is a place for the pursuit of activities such as performing arts, visual arts and crafts, film and media and cultural events for the community of the Perth’s northern corridor.*
- *Provide a facility that can host a mixture of commercial and community activities that creates an inclusive environment that becomes a place to celebrate imagination and creativity, inspiring individuals and the community to take part in culture and the arts and raise the aspirations of all users;*
- *Reinforce the Joondalup City Centre as the creative and educational centre of the northern corridor”.*

At its meeting held on 11 October 2011 (CJ200-10/11 refers), at the recommendation of the then JPACF Steering Committee, Council agreed in part to support the undertaking of a market analysis and feasibility study for the project. In March 2012 consultants were engaged by the City to undertake a market analysis and feasibility study for the JPACF.

At its meeting held on 19 March 2013 (CJ034-03/13 and CJ040-03/13 refers), Council noted the JPACF Market Analysis and Feasibility Study. This study reinforced the notion that there is a significant under provision of performing arts and cultural facilities within the northern corridor of Perth. It was identified that one of the key stages of the JPACF project was the progression of a concept design for the facility based on the “Art Box” model as outlined in the JPACF Market Analysis and Feasibility Study.

It was considered that the Art Box concept responded to the project Philosophy and Parameters by providing a world class, state of the art facility, incorporating innovative design and providing a mix of commercial and community activities. Upon consideration of the two reports it was agreed in part that Council:

- “1 *APPROVES the “Art Box” as the preferred model for the basis of an architectural design competition for the development of a refined conceptual design for the Joondalup Performing Arts and Cultural Facility;*
- 2 *AUTHORISES the Chief Executive Officer to initiate an architectural design competition for the development of a refined conceptual design for the Joondalup Performing Arts and Cultural Facility;”*

A design brief, based on the Art Box concept from the Market Analysis and Feasibility Study, was prepared with the assistance of expert consultants and the City commenced an architectural design competition in April 2013, receiving 21 submissions from local and international architects. As part of the design competition, a community survey was also completed, which indicated strong community support for the project.

At its meeting held on 15 April 2014 (CJ060-04/14 and CJ061-04/14 refer), Council considered two reports relating to the JPACF project progress and the Architectural Design Competition and resolved in part:

*“That Council:*

- *SUPPORTS progressing the Joondalup Performing Arts and Cultural Facility Project in accordance with the project program as detailed in Attachment 2 to Report CJ060-04/14, including the undertaking of a social impact assessment of the Joondalup Performing Arts and Cultural Facility;*

*And:*

*“That Council:*

- *ENDORSES Ashton Raggatt McDougall Pty Ltd T/A ARM Architecture as the winner of the Joondalup Performing Arts and Cultural Facility Architectural Design Competition;*
- *AUTHORISES the Chief Executive Officer to enter into negotiations with Ashton Raggatt McDougall Pty Ltd T/A ARM Architecture to determine the architectural fees and project program to get to a modified conceptual design as required to enable the project to progress.”*

At its meeting held on 15 December 2015 (C77-12/15 refers), Council considered a report entitled *Joondalup Performing Arts and Cultural Facility Business Case and Progression Options*. The report provided a draft Business Case for the JPACF and options to progress the project through a schematic design stage at a cost of approximately \$1.45 million. The report also included details on the capital costs for the project of \$94 million (which was included in the *20 Year Strategic Financial Plan* at the time), plus details of additional costs for the integration of the JPACF with Jinan Gardens, traffic treatments and architectural treatments of the existing services buildings and forecourt area. Upon consideration of the report it was resolved that Council:

- “1 NOTES the Business Case, at this point in time, for the Joondalup Performing Arts and Cultural Facility as detailed in Attachment 1 to Report C77-12/15;*
- 2 REQUESTS the Chief Executive Officer to proceed with the schematic design stage of the Joondalup Performing Arts and Cultural Facility project and NOTES Ashton Raggatt MacDougall Pty Ltd T/A ARM Architecture will undertake the schematic design based on the scope of works and fee proposal as outlined in Report C77-12/15;”*

At its meeting held on 1 August 2016 the then Major Projects Committee considered a report entitled *Joondalup Performing Arts and Cultural Facility Project Status Report* (Item 1 refers). The report provided the results of the schematic design process, including a revised project cost of \$99.7 million and after consideration of this report it was resolved in part that the Major Projects Committee:

- “2     *REQUESTS the Chief Executive Officer to review and refine the Business Case for the Joondalup Performing Arts and Cultural Facility taking into account the outcomes of the schematic design stage and the assessment of social and economic impacts, and a further report be presented to the October meeting of the Major Projects Committee with the intention of making the information available for public comment following Council’s consideration of this item.*”

At its special meeting held on 1 February 2017 (JSC01-02/17 refers), Council considered details of the proposed business case for the JPACF and resolved in part to endorse the business case for the purpose of advertising for public comment.

Following the public comment period, on 27 June 2017 a report entitled *Joondalup Performing Arts and Cultural Facility – Business Case Community Consultation Results and Project Progression Options* (CJ101-06/17 refers) was considered by Council. After due consideration of the report Council resolved in part:

- “2     *DOES NOT initiate the design development phase of the Joondalup Performing Arts and Cultural facility at this time*”.

## **DETAILS**

A report entitled *Joondalup Performing Arts and Cultural Facility – Business Case Community Consultation Results and Project Progression Options* was presented to Council on 27 June 2017 (CJ101-06/17 refers). The key recommendation in the report was that the project progresses to the next stage of design, being the design development stage, however Council decided not to proceed with the design development stage. The reason provided by Council for its decision, which was significantly different to the recommendation from both the City’s Administration and the Major Projects Committee, was:

*“to adopt a new vision for an alternative for the performing arts and cultural facility”.*

Since the decision by Council not to proceed with the design development phase, until recently, progress on the project has been limited to investigations into funding opportunities, research into benchmark facilities, and general project management and administrative tasks.

One of the Chief Executive Officer’s Key Performance Indicators requires a comprehensive review of the JPACF concept plan to be undertaken, addressing inter-government financial support, community support and scope of the project.

## **Design Review**

To facilitate the review of the concept design in June 2018 the City engaged the services of ARM Architecture to present alternative concept designs for the facility. The scope of works includes the preparation of a ‘reduced cost’ design by rationalising the multitude of spaces in the current JPACF concept.

This will include the consideration of removing several key components of the facility including the multi-storey car park, art gallery, a rehearsal room, function/community rooms and reducing the extent of the back of house/front of house areas, administration areas and circulation spaces on the upper levels. The review will also consider the removal of the Jinan Gardens and the outdoor performance plaza from the scope for the project.

The review will focus on providing flexible spaces capable of housing 'multi-use' activities. For instance, the foyer space will be capable of holding art exhibitions, in lieu of a dedicated gallery space, and the black box theatre will be capable of being used for rehearsals, with the removal of one of the two dedicated rehearsal spaces.

During a previous review of the JPACF concept design in 2015, ARM Architecture prepared a 'reduced cost' scheme which was costed at circa \$80 million, however this was not progressed at that time. This current review process will focus on an option which reduces the costs further to circa \$50 million while still maintaining the high-quality façade, performance spaces and interior fit-outs as the original \$100 million proposal, in line with the project Philosophy and Parameters.

As important as the design itself is to the success of the facility, the financial management and operating implications are equally as important. Therefore the City has engaged the services of quantity surveyor consultants Donald Cant Watts Corke (DCWC) to assist with the review process. DCWC have been extensively involved throughout the project as ARM Architecture's cost consultants. DCWC will undertake the following tasks:

- A review of the project brief with a view of rationalisation, in consultation with ARM Architecture.
- Provision of a range of benchmark facility capital costs applied to the new project brief.
- A review of the parts of the brief that generate income and areas that can be reduced or eliminated, from a financial perspective.
- Develop an understanding of the operational costs of each functional area of the facility to inform ongoing costs to the City.

The design review process will take several weeks and it is proposed that the outcomes will be presented to the Major Projects and Finance Committee at a future meeting.

### **Benchmark Facilities**

In line with the JPACF project plan the City has continued to monitor the development of other performing arts and cultural facilities in Western Australian and interstate, as part of ongoing benchmarking research for the project.

#### City of Casey

In May 2018, while in Melbourne, the Chief Executive Officer toured the new Bunjil Place development in the City of Casey. The Bunjil Place development was completed in October 2017 at a project cost of \$125 million and is one of the largest development projects ever undertaken by a local government. The project received Federal Government funding of \$10 million through the National Stronger Regions Fund, with the remainder of the funding coming from Council reserves and borrowings.

The project initially followed a similar process and timelines to that of the JPACF project, from feasibility/project inception and an architectural design competition in 2013 to a schematic design stage in 2014. Then in 2015 the Bunjil Place project continued to design development followed by commencement of construction.

The project includes a mix of facilities including:

- an 800-seat theatre
- multipurpose (black box) studio
- functions centre
- library
- art gallery

- outdoor community plaza (including a rotating screen suitable for film screenings)
- City of Casey administration offices
- customer service centre.

### Kingsway College

Construction of a performing arts auditorium was completed at the Kingsway College, Darch around June 2017. The facility formed part of the discussion on the JPACF project when Council considered the future of the project at its meeting held on 27 June 2017 (CJ101-06/17 refers). During these discussions some comparisons were drawn between the two facilities, and comments made on the disparity of capital costs.

The facility is designed as a high school performing arts facility capable of housing school-based performing arts and religious activities and consists of an auditorium with a maximum capacity of 900 people and associated ancillary rooms such as storerooms, bathrooms, music rooms and a gallery.

The City sought comment from an expert architectural consultant to provide commentary on the design of the Kingsway College Auditorium and a comparison between the facility and the proposed design of the JPACF. The following comments were made:

*“the City would be building a significant civic facility with multi-purpose spaces for community use, exhibitions, conferencing, and the arts, in addition to its primary role of providing a venue of a standard required to attract performing arts of world class standard... I believe the Kingsway project is a very good ‘school’ based performing arts facility however it is nothing like the JPACF in size, level of amenity, quality of finish or aesthetic presence.*

*Whilst the seating capacities may be similar there are vast differences in the facilities and finishes provided in the JPACF such as:*

- *Much larger foyer spaces incorporating food and beverage layouts on all 3 levels including a Café and kitchen in the ground floor foyer*
- *A foyer large enough to function as an exhibition space and still comfortably cater for patrons*
- *A theatre of exceptional quality in terms of acoustics, sight lines, patron access and amenity and back of house support facilities*
- *The theatre has an orchestra pit and pit lift*
- *Rehearsal Rooms*
- *A black box theatre capable being converted to addition exhibition or function space*
- *Box office*
- *An Art Gallery which can also be converted to function spaces for up to 240 covers*
- *Community spaces for craft, dance, small conferences, art classes etc. over 3 levels*
- *Back of house offices, workshops, covered loading docks and receiving area*
- *Extensive public toilets and amenities on all levels*
- *A multi-level car park with 350 bays*
- *Enhanced public spaces externally*
- *A unique building of great architectural merit which in itself will attract many to the City of Joondalup.”*

### Bunbury

During the Elected Member's Strategic Weekend held on 9 and 10 February 2018 the Elected Members were provided with the opportunity to tour the Bunbury Regional Entertainment Centre. The Centre originally opened in 1990 with over half of the initial estimated \$5.5 million (1990 dollars) construction costs being raised by the regional community.

The Centre underwent an expansion in 2014 which more than doubled its size and cost \$12.5 million. Of the costs nearly \$7.5 million came from the Royalties for Regions program and \$5 million from the City of Bunbury.

The facility, owned by the City of Bunbury and overseen by a board of directors, hosts over 200 events each year and receives over 60,000 visitors through its doors each year. The key features of the facility includes:

- 810 seat auditorium
- 250 seat black box theatre
- A rehearsal room
- Lounge and foyer area
- individual meeting/conference rooms.

### Karratha

The Red Earth Arts Precinct in Karratha opened in April 2018 at a project cost of approximately \$50 million. The project received part funding from State and Federal Government, Lottery West and the private sector.

The precinct includes:

- 450 seat theatre (performing arts)
- Entry foyer
- Outdoor event space (amphitheatre)
- Indoor and outdoor cinema
- Staff administration office accommodation
- Library (incorporating local history) and
- Roof top terrace.

### **External Funding Investigations**

The City has continued to investigate opportunities for external funding. One funding opportunity which was twice pursued by the City for the JPACF was the Federal Government's National Stronger Regions Fund. The City was not successful in its two grant applications however several other performing arts centres around Australia received \$10 million grants. The National Stronger Regions Fund has now been superseded by the Building Better Regions Fund, however this program will only fund projects in regional Australia, outside the major capital cities, so therefore does not represent a funding opportunity for the JAPCF.

The City made a submission to the Australian Local Government Association (ALGA) in May 2018. ALGA is developing a register of potential community infrastructure projects around Australia to strengthen the case for a Commonwealth funding program to assist local governments to undertake vital projects to meet community needs.

The draft *20 Year Strategic Financial Plan* (2017-18 to 2036-37), currently in preparation by the City, includes a total project cost for the JPACF of \$80.3 million, comprising \$30 million funded by reserves and the remainder externally funded. A new funding strategy will be developed based on the outcome of the design review process and pending adoption of the draft *20 Year Strategic Financial Plan* (2017-18 to 2036-37) by Council.

### Issues and options considered

Not applicable.

### Legislation / Strategic Community Plan / policy implications

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

#### Strategic Community Plan

**Key theme** Community Wellbeing.

**Objective** Cultural development.

**Strategic initiative** Establish a significant cultural facility with the capacity to attract world-class visual and performing arts events.

**Policy** Not applicable.

### Risk management considerations

The risk considerations for the development of the project will be investigated as part of the project review process. Other current potential risk factors include the following:

- Protracted time to progress the design review process.
- Council unable to agree on, or adopt amendments to, the original Project Philosophy and Parameters for the JPACF.
- Managing community/stakeholder expectations, those in favour of and those against the original JPACF proposal and any proposed alternative.
- Establishing a new funding regime, such as increased borrowing due to lack of external funding/grants and the value of reserve funds.

### Financial / budget implications

#### Current financial year impact

|                             |   |
|-----------------------------|---|
| <b>Account no.</b>          | 1-210-C1002.                                    |
| <b>Budget Item</b>          | Joondalup Performing Arts and Cultural Facility |
| <b>Budget amount</b>        | \$ 231,581                                      |
| <b>Amount spent to date</b> | \$ 0  |
| <b>Proposed cost</b>        | \$ 0  |
| <b>Balance</b>              | \$ 231,581                                      |

#### Future financial year impact

**Annual operating cost** Annual operating costs will be investigated as part of the project review process.

**Estimated annual income** Estimated annual income will be investigated as part of the project review process.

|  |  |
|--|--|
| <b>Capital replacement</b>                     | Capital replacement will be investigated as part of the project review process.                              |
| <b>20 Year Strategic Financial Plan impact</b> | \$80.3 million (Pending adoption of the draft <i>20 Year Strategic Financial Plan</i> (2017-18 to 2036-37)). |
| <b>Impact year</b>                             | 2022-23 (Pending adoption of the draft <i>20 Year Strategic Financial Plan</i> (2017-18 to 2036-37)).        |

All amounts quoted in this report are exclusive of GST.

### **Regional significance**

It is envisaged that the construction of the JPACF will enhance the City Centre as the major commercial, educational, recreational and arts and cultural centre for the northern corridor of the Perth metropolitan area.

### **Sustainability implications**

Sustainability implications have previously been considered during the design phase of the current JPACF concept plan and were incorporated into the Business Case for the facility. The consideration of sustainability implications will continue throughout the design review process.

### **Consultation**

From the early stages of the project, commencing with a comprehensive youth, audience, venue and performing art organisations survey in 2001, the City has continued to consult widely on the JPACF project.

The following consultation has taken place on the project to date:

- In the initial scoping and planning phases of the project a comprehensive survey of various schools, community groups and professional cultural and performing arts performers and artists was undertaken by the City from 2010 - 2011.
- In the preparation of the 2012 *Market Analysis and Feasibility Study*, numerous performing arts managers, performing arts venue representatives, arts producers, local cultural organisations and existing, school, convention, sporting and learning facility representatives were consulted.
- During the architectural design competition for the concept design, ratepayers, residents and the broader community were given the opportunity to view the four conceptual design submissions and vote and comment on their preferred design. The City received over 450 votes and numerous comments.
- On an ongoing basis the City has consulted with performing arts facility managers, the Department of Culture and the Arts and the Perth Theatre Trust. The City has also liaised with experts in the performing arts, conferencing, events, exhibitions and education sectors.
- From 2011 to 2015 the JPACF project was overseen by the former JPACF Steering Committee which included Elected Members, external members from the Joondalup Learning Precinct, specialist performing arts and cultural experts and members from community arts groups.
- The City has briefed government and opposition representatives at both State and Federal level highlighting the local, regional, social and economic benefit of this proposed facility, with the intention of obtaining financial support.
- Throughout the various phases of the project consultants specialising in facility operation and management, architecture and social, economic and financial analysis, have been engaged by the City.

- Community Consultation on the JPACF Business Case was undertaken over a 42 day period from 16 February 2017 to 30 March 2017. The results of Community Consultation process were detailed in a report considered by Council at its meeting held on 27 June 2017 (CJ101-06/17 refers).

## **COMMENT**

For a new project vision to be explored the actions outlined in this report are currently being undertaken. Future status reports will be provided to the Major Projects and Finance Committee detailing the outcomes of the review process, along with recommendations on the progression of the project.

## **VOTING REQUIREMENTS**

Simple Majority.

*Cr Hollywood entered the room at 7.44pm.*

**MOVED** Cr Hamilton-Prime **SECONDED** Cr Logan that the Major Projects and Finance Committee **NOTES** the review process initiated for the JPACF project.

**The Motion was Put and**

**CARRIED (7/0)**

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

**ITEM 8            CONFIDENTIAL - PINNAROO POINT CAFÉ -  
PROJECT STATUS**

|                             |  |
|-----------------------------|--|
| <b>WARD</b>                 | South-West                               |
| <b>RESPONSIBLE DIRECTOR</b> | Mr Garry Hunt<br>Chief Executive Officer |
| <b>FILE NUMBER</b>          | 102656, 101515                           |
| <b>ATTACHMENT</b>           | Nil                                      |

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

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

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

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

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

**MOVED Cr Hamilton-Prime SECONDED Cr Poliwka that the Major Projects and Finance Committee NOTES the Confidential - Pinnaroo Point Café - Project status report.**

**The Motion was Put and CARRIED (7/0)**

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

|                           |   |
|---------------------------|---|
| <b>Name/Position</b>      | <b>Cr Russell Poliwka.</b>  |
| <b>Item No./Subject</b>   | Item 9 - Confidential – Joondalup City Centre Development – Project Status.         |
| <b>Nature of interest</b> | Proximity Interest.   |
| <b>Extent of Interest</b> | Cr Poliwka owns property at 53 Davidson Terrace, across the road from Lots C and A. |

*Cr Poliwka left the room at 8.05pm.*

*Cr May deputised for Cr Poliwka.*

## **ITEM 9                      CONFIDENTIAL - JOONDALUP CITY CENTRE DEVELOPMENT - PROJECT STATUS**

|   |   |
|---|---|
| <b>WARD</b>   | North   |
| <b>RESPONSIBLE DIRECTOR</b>   | Mr Garry Hunt<br>Office of the CEO  |
| <b>FILE NUMBER</b>  | 103036, 101515  |
| <b>ATTACHMENT</b>   | Attachment 1    Boas Place Concept Plan – Option 4B<br>Attachment 2    Potential components of a Heads of Agreement and Sales and Development Agreement                                 |
| <i>(Please Note: The Report and Attachments are confidential and will appear in the official Minute Book only).</i> |   |
| <b>AUTHORITY / DISCRETION</b>   | Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets. |

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

- *A matter that if disclosed, would reveal information that has a commercial value to a person.*

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

*Cr Chester left the room at 8.19pm and entered the room at 8.21pm.*

**MOVED Cr Hamilton-Prime SECONDED Cr Hollywood that Council:**

- 1 NOTES the Joondalup City Centre Development Project Status report;**
- 2 REQUESTS the Chief Executive Officer to advise Devwest Group Pty Ltd that the sale of Lot C of the Boas Place concept plan for a residential development cannot be effected until:**
  - 2.1 The following matters are resolved:**
    - 2.1.1 contribution to the public realm by Devwest Group Pty Ltd guided by a percentage contribution related to the proportion of the overall development site;**
    - 2.1.2 clarification and agreement regarding the proposed alfresco licence if required for the residential development;**
    - 2.1.3 construction of Boas Square;**
    - 2.1.4 alignment of the proposed residential development with the City's planning requirements;**
    - 2.1.5 confirmation and agreement on the proposed site dimensions;**
  - 2.2 The following is provided:**
    - 2.2.1 the information required to execute a Heads of Agreement and prepare a Sale and Development Agreement;**
    - 2.2.1 the information required to enable the City to prepare a business plan in order to meet its obligations under the *Local Government Act 1995*;**
- 3 REQUESTS the Chief Executive Officer to discontinue negotiations for the sale of Lot C, Boas Place to Devwest Group Pty Ltd for a residential development if the matters outlined in Part 2.1 above are unable to be resolved or that Devwest Group Pty Ltd is unable to provide the information as outlined in Part 2.2 above by 30 September 2018.**

**The Motion was Put and**

**CARRIED (7/0)**

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

**URGENT BUSINESS**

Nil.

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

Nil.

**REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Nil.

**CLOSURE**

There being no further business, the Presiding Member declared the meeting closed at 8.22pm; the following Committee Members being present at that time:

MAYOR HON. ALBERT JACOB, JP  
CR RUSS FISHWICK, JP  
CR CHRISTINE HAMILTON-PRIME  
CR KERRY HOLLYWOOD  
CR JOHN LOGAN  
CR CHRISTOPHER MAY  
CR PHILIPPA TAYLOR