



Ordinary Meeting of Council

AGENDA

**Thursday 16 August 2018, 6:00pm
Town of Victoria Park
99 Shepperton Road, Victoria Park**

Constituent Members: Cities of Perth, Joondalup, Stirling, Vincent and Wanneroo
Towns of Cambridge and Victoria Park

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TAMALA PARK REGIONAL COUNCIL

Councillors of the Tamala Park Regional Council are advised that the ordinary meeting of Council will be held in the Council Chambers at the Town of Victoria Park, 99 Shepperton Road, Victoria Park on Thursday 16 August 2018 at 6:00pm.

The business papers pertaining to the meeting follow.

Your attendance is requested.

Yours faithfully

TONY ARIAS

Chief Executive Officer

MEMBERSHIP

OWNER COUNCIL	MEMBER	ALTERNATE MEMBER
Town of Cambridge	Cr Andres Timmermanis	Cr Jo McAllister
City of Joondalup	Cr John Chester Cr Nige Jones	Cr Sophie Dwyer Cr Christine Hamilton-Prime
City of Perth	Commissioner Andrew Hammond	Commissioner Gaye McMath
City of Stirling	Cr Karen Caddy Cr Joe Ferrante Cr Giovanni Italiano (CHAIRMAN) Cr Bianca Sandri	Cr Suzanne Migdale
Town of Victoria Park	Cr Claire Anderson	Cr Ronhhda Potter
City of Vincent	Mayor Emma Cole	Cr Jimmy Murphy
City of Wanneroo	Cr Samantha Fenn Cr Brett Treby (DEPUTY CHAIRMAN)	Cr Russell Driver Cr Domenic Zappa

Representatives from the Satterley Property Group will be in attendance at the meeting.

PRELIMINARIES

1. OFFICIAL OPENING

DISCLOSURE OF INTERESTS

2. PUBLIC STATEMENT/QUESTION TIME

3. APOLOGIES AND LEAVE OF ABSENCE

4. PETITIONS

5. CONFIRMATION OF MINUTES

Council Meeting – 21 June 2018

5A BUSINESS ARISING FROM MINUTES

6. ANNOUNCEMENTS BY CHAIRMAN (WITHOUT DISCUSSION)

7. MATTERS FOR WHICH MEETING MAY BE CLOSED

8. REPORTS OF COMMITTEES

Management Committee Meeting – 19 July 2018
Audit Committee - 8 August 2018

9. ADMINISTRATION REPORTS AS PRESENTED (ITEMS 9.1 – 9.16)

9.1 BUSINESS REPORT – PERIOD ENDING 8 AUGUST 2018

Report Information

Reporting Officer: Project Coordinator

Recommendation

That the Council RECEIVES the Business Report to 8 August 2018.

Voting Requirements

Simple Majority

Report Purpose

To advise Council of matters of interest not requiring formal resolutions.

Relevant Documents

Appendix:

- Landscape Schedule and Program FYE 2018
- Greenfield Land Markets in WA Presentation

Background

The business of the Council requires adherence to many legislative provisions, policies and procedures that aim at best practice. There are also many activities that do not need to be reported formally to the Council but will be of general interest to Council members and will also be of interest to the public who may, from time to time, refer to Council minutes.

In the context of the above, a Business Report provides the opportunity to advise on activities that have taken place between meetings. The report will sometimes anticipate questions that may arise out of good governance concerns by Council members.

Comment

1. Civil Construction - Status

The next civil construction stage is planned to be Stage 26 - Catalina Beach and is anticipated to commence in October 2018.

2. Landscape Works – Status

A status report on landscape works proposed for FYE 2019 is attached at Appendix 9.1. The report details budget, detailed design and approval status and program.

3. Housing Construction

The following table provides an overview of the current progress of housing construction to July 2018.

Stage	Total Lots	Under Construction	Completed	Vacant
Stages 1 - 11	529	1	523	5
Stage 12	49	1	48	0
Stage 13	82	1	80	1
Stage 14	73	0	70	3
Stage 15	55	1	52	2
Stage 17A	25	4	18	3
Stage 17B (Release 1)	18	0	0	18
Stage 18A	29	1	27	1
Stage 18B	31	1	13	17
Stage 25 (Display Village)	15	12	1	2
Stage 25	21	3	0	18
Stage 25B	7	5	0	2
Stage 25 (Builders Release)	7	0	0	7
Total	941	30	832	79

4. Builders Display Village 3 (Catalina Beach)

The Catalina Beach Builders Display Village is due to open in October 2018, following the closure of Builders Display Village 2 (Central Precinct). To date, one display home has been completed with a further 12 display homes significantly progressed. The remaining two builders' display homes have been approved and are anticipated to commence construction in September/October.

5. Catalina Beach Sales Office

Construction on the Catalina Beach Sales Office commenced in April 2018, with brick work to the first to third floors completed and the roof installed. The Sales Office is on program and due to be completed in October 2018.

6. Local Centre Site - Update

Settlement of the Local Centre was anticipated to occur in July 2018. The settlement has been delayed by the purchaser due to financing requirements. Settlement is now anticipated to occur in late August.

In accordance with advice from SPG and the TPRC's legal advisor (McLeods Barristers and Solicitors), a 'Default Notice – Right to Terminate' has been issued. The notice informs the purchaser of the TPRC's intent to terminate the contract should settlement not occur on or before 10 September 2018. In the event the contract is terminated the TPRC will retain 10% of the purchase price (\$140,000) and provides the TPRC the option to sue the purchaser for default and potentially recover costs.

7. Smart Poles Trial

The TPRC has been pursuing opportunities for Smart Poles and Smart Pole technology within the Catalina Estate in association with the City of Wanneroo. Provision has been made for the installation of Smart Pole technology in the Catalina Beach Park.

The City of Wanneroo has recently advised that it does not have the technical specifications to provide/support Smart Pole technology, however, it is reviewing specifications and capacity.

The SPG is investigating opportunities for Smart Pole technologies to operate exclusively for the Estate and a report on this matter will be presented to Council at its October 2018 meeting.

8. UDIA Presentation

At a recent UDIA function Mr Colin Keane of Reasearch4 made a presentation on Greenfield Land Markets in Western Australia. The presentation included a National Market Update and analysis of the current Perth Greenfield Market. The presentation was discussed at the Management Committee meeting of July 2018, where it was agreed it be circulated to all Councillors (attached at Appendix 9.1).

9.2 STATEMENTS OF FINANCIAL ACTIVITY FOR THE MONTHS OF MAY & JUNE 2018

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council **RECEIVES** and **NOTES** the Statements of Financial Activity for the months ending:

- 31 May 2018; and
- 30 June 2018.

Voting Requirements

Simple Majority

Report Purpose

Submission of the Statement(s) of Financial Activity required under the *Local Government Act 1995*.

Relevant Documents

Appendix:

- Statement of Financial Activity for 31 May 2018
- Statement of Financial Activity for 30 June 2018

Local Government Act/Regulation

- *Local Government Act 1995: Sect 6.4(1): Financial Report Required*
- *Local Government (Financial Management) Regulations 1996: Regulation 34 Composition of Report*
- *Local Government (Financial Management) Regulations 1996: Regulation 34 (5) Material Variance Reports [10%]*
- *Local Government (Audit) Regulations 1996: Regulation 14 Compliance Audit Item*

Background

It is a mandatory requirement that the Council receives, reviews and records in the Regional Council's public minutes a statement of financial activity showing annual budget estimates and the figures for budget estimates, income and expenditure and variances at the end of each month. The report is also to show the composition of assets and other relevant information.

Comment

The detailed Statements contained in the Appendices reflect the budget proposals and direction adopted by the Council.

Variations at 30 June 2018 exceeding 10% were experienced in relation to the following:

Interest Earnings	The positive variation reflects higher investment capital.
Employee Costs	The positive variation is a result of deferred engagement of additional resources.
Materials and Contracts	The positive variation relates to consultancy fees for deferred works in line with lower sales.
Income Sale of Lots - Subdivisions	The negative variance due to fewer residential lot settlements.
Income Other - Subdivisions	The negative variance due to the delay in settlement of the Local Centre Site, now forecast for FYE 2019.
Land Production Costs	The positive variance relates to deferred works and savings, in line with lower sales.

The information in the appendices is summarised in the tables following.

Financial Snapshot as at 30 June 2018

TAMALA PARK REGIONAL COUNCIL
FINANCIAL SNAPSHOT
FOR THE PERIOD ENDING 30 JUNE 2018

	2017-18 Adopted Budget	2017-18 Amended Budget	2017-18 Budget YTD	2017-18 Actual YTD	Variance		Variance %
					Favourable	Unfavourable	
	\$	\$	\$	\$	\$	\$	
REVENUE							
Interest Earnings	793,512	900,000	793,512	1,059,875	266,363		33.57%
Other Revenue	2,035	2,318	2,035	9,184	7,149		100.00%
	\$795,547	\$902,318	\$795,547	\$1,069,059	\$273,512	\$0	
LESS EXPENDITURE							
Depreciation	(21,212)	(21,212)	(21,212)	(20,153)	1,059		4.99%
Employee Costs	(751,838)	(751,838)	(751,838)	(569,806)	182,032		24.21%
Insurance	(10,469)	(10,894)	(10,469)	(10,894)		(425)	4.06%
Materials and Contracts	(482,916)	(440,916)	(482,916)	(131,362)	351,554		72.80%
Other	(181,955)	(181,955)	(181,955)	(170,339)	11,616		6.38%
Utilities	(6,450)	(6,450)	(6,450)	0	6,450		100.00%
Members Equity							
-Income Sale of Lots - Subdivisions	40,372,252	25,844,383	40,372,252	22,021,893		(18,350,359)	-45.45%
-Income Other - Subdivisions	1,761,500	2,161,500	1,761,500	13,636		(1,747,864)	-99.23%
-Land Production Costs	(55,659,496)	(30,839,499)	(55,659,496)	(13,349,159)	42,310,337		76.02%
-Profit distribution/Contributions Returned	(4,268,725)	(4,268,725)	(4,268,725)	(4,314,006)		(45,281)	1.06%
	(\$19,249,309)	(\$8,515,606)	(\$19,249,309)	\$3,469,810	\$42,863,048	(\$20,143,929)	
Total Change in Equity	(\$18,453,762)	(\$7,613,288)	(\$18,453,762)	\$4,538,869	\$43,136,560	(\$20,143,929)	

Balance Sheet Summary as at 30 June 2018

TAMALA PARK REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Actual 2016-17 \$	Actual 2017-18 \$	Variance \$	Variance %
Current assets				
Cash and cash equivalents	39,213,368	43,846,407	4,633,039	11.81%
Trade and other receivables	308,308	251,449	(56,859)	-18.44%
Total current assets	39,521,676	44,097,856	4,576,180	11.6%
Non-current assets				
Inventories	1,800,000	1,800,000	0	0.00%
Property, plant and equipment	149,880	129,727	-20,153	-13.45%
Total non-current assets	1,949,880	1,929,727	-20,153	-1.03%
Total assets	41,471,556	46,027,583	4,556,027	10.99%
Current liabilities				
Trade and other payables	51,753	49,429	2,324	4.49%
Provisions	223,746	240,675	-16,929	-7.57%
Total current liabilities	275,499	290,104	-14,605	-5.3%
Non-current liabilities				
Provisions	2,597	5,150	-2,553	-98.31%
Total non-current liabilities	2,597	5,150	-2,553	-98.31%
Total liabilities	278,096	295,254	-17,158	-6.17%
Net assets	41,193,460	45,732,329	4,538,869	11.02%

9.3 LIST OF MONTHLY ACCOUNTS SUBMITTED FOR THE MONTHS OF MAY & JUNE 2018

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council RECEIVES and NOTES the list of accounts paid under Delegated Authority to the CEO for the months of May and June 2018:

- **Month ending 31 May 2018 (Total \$1,234,196.02)**
- **Month ending 30 June 2018 (Total \$3,311,291.64)**
- **Total Paid - \$4,545,487.66**

Voting Requirements

Simple Majority

Report Purpose

Submission of payments made under the CEO's Delegated Authority for the months ending 31 May 2018 and 30 June 2018.

Relevant Documents

Appendix:

- Summary Payment List for May 2018
- Summary Payment List for June 2018

Local Government Act/Regulation

- *Local Government Act 1995: Sect 5.42 - Delegation given for Payments*
- *Local Government (Financial Management) Regulations 1996: Regulation 13(1) - Monthly Payment list required*
- *Local Government (Audit) Regulations 1996: Regulation 13 - Compliance Audit Item*

Background

A list of accounts paid under delegation or submitted for authorisation for payment is to be submitted to the Council at each meeting. It is a specific requirement of Regulations that list state the month (not the period) for which the account payments or authorisation relates.

Comment

Payments made are in accordance with authorisations from Council, approved budget, TPRC procurement and other relevant policies.

Payments are reviewed by TPRC Accountants Moore Stephens following completion of each month's accounts.

9.4 PROJECT FINANCIAL REPORT – JUNE 2018

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council RECEIVES the Project Financial Report (June 2018) submitted by the Satterley Property Group.

Voting Requirements

Simple Majority

Report Purpose

To consider the Project Financial Report for June 2018 submitted by the Satterley Property Group.

Policy Reference

N/A

Local Government Act/Regulation

N/A

Previous Minutes

N/A

Financial/Budget Implications

Review of Project Financial Report for June 2018.

Relevant Documents

Appendix: Letter from Satterley Property Group dated 23 July 2018 with Financial Report

Background

At its meeting of 17 August 2017, the Council approved the Project Budget FYE 2018, submitted by the Satterley Property Group, as the basis of financial planning for the 2017/2018 TPRC Budget.

KPI 4.8 of the Development Managers Key Performance Indicators; Financial, requires the preparation of monthly financial reports.

Comment

The Satterley Property Group has prepared a Financial Report for June 2018 for the Project. The report has been prepared on a cash basis and compares actual expenditure to approved budget expenditure for the period up to 30 June 2018 and is attached at Appendix 9.4.

The Financial Report identifies the following main areas of variance:

1. Settlement revenue was \$22.3M which is \$18.1M behind budget with 56 less residential settlements for the year to date.
2. Expenditure was \$39.3M under budget, in the following areas:
 - Lot Production \$11.9M;
 - Landscape \$6.4M;
 - Infrastructure \$6.8M;
 - P&L expenditure \$3.6M;
 - WAPC land acquisition \$10.4M, deferred to FYE 2019/2010.

The Satterley Property Group Financial Report provides greater details on the variations.

3. Lot Sales Value was \$21.4M unfavourable to budget due to 66 less lot sales year to date.

The settlement revenue and expenditure generally reflect the forecasts outlined in the SPG Mid-Year Review of the Project Budget FYE 2018, considered by Council at its December 2017 meeting.

Satterley Property Group representatives will be in attendance to present the report.

9.5 SALES AND SETTLEMENT REPORT – PERIOD ENDING 8 AUGUST 2018

Report Information

Reporting Officer: Project Coordinator

Recommendation

That the Management Committee RECEIVES the Sales and Settlement Report to 8 August 2018.

Voting Requirements

Simple Majority

Report Purpose

To advise the Council of the status of sales, settlements and sales releases.

Policy Reference

N/A

Local Government Act/Regulation

Local Government Act 1995: Sect 3.58 – Disposal of Property.

Previous Minutes

N/A

Financial/Budget Implications

Income under this matter will be posted under item 1145011 (Income on Lot Sales):

Budget Amount:	\$ 14,405,835
Received to Date	\$ 295,332
Balance:	\$ 14,110,503

Note: Refers to FYE 2019 Budget, not yet adopted.

Relevant Documents

Appendix:

- Staging Plan
- Aged Stock Table/Plan

Background

The Sales and Settlement Report provides the Council with a status update of sales and settlements for the Project.

The Staging Plan provided under Appendix 9.5 identifies the extent of the stage boundaries referenced within the report.

The following table provides a summary of the Sales and Settlement position for lots released up to 6 August:

Stage	Release Date	Lots Released	Lot Sizes	Sold	Stock	Settled
Stages 1 – 11, 12A, 12B, 13A, 13B, 14A, 14B, 14C, 14D, 15A, 15B, 15C, 15D and Stage 25 DV	-	793	-	793	0	793
Stage 14B (Release 2)	Jul 2016	10	262-329	10	0	9
Stage 17A	Oct 2016	25	300-510	24	1	22
Stage 17B	Nov 2017	18	300 - 450	5	13	2
Stage 18A	Mar 2016	29	300-510	29	0	28
Stage 18B	Mar 2017	31	200-474	23	8	19
Stage 25A	May 2017	21	300-450	10	11	8
Stage 25 B	Oct 2017	7	234 - 299	7	0	6
Stage 25 Builder Release	April 2018	7	254 - 307	4	3	0
Total		941		905	36	887

The Project has a stock position of 36 lots, 14 in Catalina Beach and 22 in Catalina Central. Of the 36 lots available, 33 lots are considered “Aged Stock”. An \$8,000 early construction rebate has been applied to six (6) lots within Catalina Beach and five (5) lots within Catalina Central.

Northern Corridor Estates Analysis

The following table provides a summary of gross sales at developments in the northern corridor.

The SPG has expressed caution that these sales results are indicative only based on information that the SPG is able to obtain in the marketplace.

ESTATE	SALES												
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	12 Month Total Sales
NORTH-WEST METRO													
Allara (Eglington)	8	8	6	7	5	7	13	7	8	11	11	4	96
Catalina (Clarkson)	7	16	8	9	7	2	4	2	3	5	10	2	83
Eden Beach	7	10	10	12	4	6	10	9	13	3	9	3	100
Alkimos Beach	8	25	22	19	14	17	13	18	13	10	6	5	182
Amberton (Eglington)	10	9	8	4	0	5	6	10	5	7	5	1	73
Kinross (Kinross)									0	1	5	5	11
Shorehaven (Alkimos)	1	4	0	4	3	5	2	4	5	8	2	5	47
Trinity (Alkimos)	6	5	15	12	8	5	9	10	5	4	7	5	98
TOTAL	47	77	69	67	41	47	57	60	52	49	55	31	690
CATALINA NORTHERN CORRIDOR (%)	14.89	20.78	11.59	13.43	17.07	4.26	7.02	3.33	5.77	10.20	18.18	6.45	12.29
CATALINA 3 MONTH AVERAGE (%)		19.14	16.06	15.49	13.56	11.61	8.97	4.88	5.33	6.21	11.54	12.59	11.40

In July Catalina achieved 1 gross sale and 1 net sale.

The SPG has advised that sales are lower than anticipated due to soft market conditions and a competitive market, which includes established housing.

Despite a perceived increase in consumer confidence, the SPG notes that prospective buyers continue to remain cautious and take the time to research their available options and incentives prior to committing to purchasing. The established homes market also continues to provide significant competition to lot sales.

The Kinross Estate (part of the Burns Beach Development) is also presenting direct competition to Catalina. It comprises approximately 70 lots with 33 lots released to date. The SPG has advised that the lower sales price point provided by Kinross Estate is affecting the market share of Catalina.

A summary of available stock in the corridor is provided in the following table. The table indicates that generally Burns Beach is the most expensive estate. Catalina Beach is the most expensive for 300m² lots and Burns Beach has the most expensive lots 450m² and above.

Estate	225sqm Price (\$)	300sqm Price (\$)	375sqm Price (\$)	450sqm Price (\$)	500sqm + Price (\$)	Total Dwellings	Stock
Allara	132,000	159,000	198,000	223,000	N/A	3,405	22
Alkimos Beach	182,000	199,000	255,000	285,000	320,000	2,413	52
Amberton	178,000	194,000	226,000	260,000	N/A	2,500	35
Burns Beach	N/A	N/A	535,000 - 550,000	475,000	510,000 – 755,000	1,580	21
Catalina Central	N/A	257,000	298,000	335,000	N/A	2,480	23
Catalina Beach	N/A	N/A	380,000	425,000	N/A		14
Eden Beach	185,000	245,000	289,000	339,000	N/A	1,100	45
Kinross	N/A	N/A	295,000 – 305,000	330,000	342,000 – 355,000	67	17
Shorehaven	169,000	245,000	249,000	280,000	N/A	2,800	48
Trinity	N/A	202,000	225,000	253,000	286,000	2,500	13

Catalina Beach - Stage 25B Builders Allocation Tender

In April 2018, the Council approved a tender for builders 'hold allocation' lots to Residential Building WA (4 lots) and Terrace (3 lots). Both builders produced house and land packages which were advertised during the 16 week hold allocation period. Four lots had been contracted at the conclusion of the allocation period, one lot to Residential Building WA and three lots to Terrace, with three lots uncontracted.

In July 2018 the Management Committee in accordance with the terms of the tender approved the reallocation of the remaining three lots, with Terrace receiving two lots and Residential Building WA receiving one lot.

Stage 26 Release

As detailed in the Business Report of this Agenda (Item 9.1), the next civil construction stage is planned to be Stage 26 - Catalina Beach, which is anticipated to commence in October 2018. The construction of Stage 26 will provide a connection to the existing Mindarie suburb, in particular the local schools, shopping centre, beaches and Mindarie Marina.

The first sales release for Stage 26 is programmed for September 2018 and will consist of 8 lots.

Satterley Property Group representatives will be in attendance to present the Sales and Settlement report.

9.6 PROJECT BUDGET FYE 2019

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council:

- 1. APPROVES the Project Budget FYE 2019 (July 2018), submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2019.**
- 2. RECEIVES the Budget Forecast FYE 2020 (July 2018), submitted by the Satterley Property Group.**
- 3. ACCEPTS that the Satterley Property Group has achieved Key Performance Indicator KPI 4.4 requiring the preparation of a Project Budget on an annual basis by March each year.**

Voting Requirements

Simple Majority

Report Purpose

To review the Project Budget FYE 2019 (July 2018) prepared by the Satterley Property Group.

Policy Reference

N/A

Previous Minutes

- Council Meeting – 15 June 2017 (Item 9.8 - Project Budget FYE 2018)
- Council Meeting – 16 June 2016 (Item 9.9 - Project Budget FYE 2017)

Financial/Budget Implications

Input to TPRC FYE 2019 Budget.

Relevant Documents

Appendix: SPG Project Budget FYE 2019

Background

At its meeting of 15 June 2017, the Council approved the Project Budget FYE 2018 (May 2017), submitted by the Satterley Property Group, and that it be used as the basis of financial planning and reporting for the TPRC Budget FYE 2018.

The approved Development Manager's KPI 4.4 requires the Satterley Property Group to prepare a Project Budget on an annual basis by March each year. The Project Budget FYE 2019 (March 2018), submitted by the Satterley Property Group was intended to provide the financial parameters for the TPRC Budget FYE 2019.

At its meeting of 24 May 2018, the Management Committee considered the Project Budget FYE 2019 (March 2018), submitted by the Satterley Property Group, and resolved as follows:

1. Refer the Project Budget FYE 2019 (March 2018), Project Forecast FYE 2020 (March 2018) and Project Forecast (2018-2030) to the Satterley Property Group for review in line with current market conditions to be resubmitted to the Council for consideration.
2. Recommends that Council accepts that the Satterley Property Group has achieved Key Performance Indicator KPI 4.4 requiring the preparation of a Project Budget on an annual basis by March each year.

At its meeting of 21 June 2018, the Council approved Project Forecast (2017), submitted by the Satterley Property Group, for the purposes of project and financial planning.

Comment

The Satterley Property Group (SPG) has reviewed the Project Budget FYE 2019 in line with current market conditions as requested by the Management Committee. In response it has prepared the Project Budget FYE 2019 (July 2018) for the Council's consideration.

As a result of the review the SPG has revised sales forecast for FYE 2019 down from 75 lot sales to 50 lot sales. Lot production and infrastructure have been reduced/deferred in light of anticipated reduced lot sales for FYE 2019.

The preparation of the Project Budget includes consideration of the following:

- Market Conditions;
- Review of Financial Year Ending 2018 (FYE 2018);
- Operations for Financial Year Ending 2019 (FYE 2019);
- Review of FYE 2019;
- Key Risks for Achieving FYE 2019 Budget;
- Budget Forecast FYE 2020;
- Project Forecast (2017);
- Key Project Assumptions;
- Civil Construction Triggers;
- Cash Requirement, Capital Return and Profit Distribution Capacity.

The SPG report on the Project Budget FYE 2019 (July 2018) and other supporting information is attached at Appendix 9.6.

REVIEW OF PROJECT BUDGET FYE 2018

The SPG has undertaken a review of the approved Project Budget FYE 2018 (May 2017) and compared variances to the Project Forecast (2017), having regard to the latest sales/settlement and expenditure information.

The significant variances are as follows:

- Cashflow to increase from (\$16.24M) to \$9.01M;
- Sales reduced from 85 lots to 52 lots;
- Settlements reduced from 92 lots to 71 lots;
- Gross Income to decrease by \$6.51M from \$26.82M to \$20.31M;
- Development costs to decrease by \$31.76M from \$43.07M to \$11.35M, largely due to deferred lot production costs and savings, deferred landscaping works, reduced contingency requirements and deferral of the acquisition of the WAPC land to FYE 2019/2020.

Distributions to member local governments for FYE 2018 remained unchanged at \$4.00M.

PROJECT BUDGET FYE 2019 (JULY 2018) - KEY ACTIVITIES/OPERATIONS

The SPG considers that the Western Australian property market remains affected by concerns over job security and low population growth which is likely to result in the land market remaining soft for the next 24 months. As a result of subdued market conditions, the SPG has proposed a conservative Budget FYE 2019 which incorporates sales rates similar to those achieved in FYE 2018.

The Project Budget FYE 2019 (July 2018), prepared by the SPG, reflects a conservative approach to sales/settlement rates and lot production/infrastructure expenditure consistent with the predicted soft conditions for new lot sales in Western Australia.

The Project Budget FYE 2019 is premised on the following key activities and key assumptions:

Sales/Settlements

- 50 sales;
- Titles – 38 lots, Stage 26;
- 44 settlements.

Civil Construction/Bulk Earthworks - \$3.72M

- Civil construction Stage 26 (Western Precinct) - 38 lots;
- Civil construction Stage 18B Group Housing Sites (Central Precinct) into 30 lots (Note – Titles in FYE 2020).

Infrastructure - \$1.24M

- Portofino Boulevard extension (\$0.8M);
- Connolly Drive Green Link intersection (preliminary works) (\$0.30M);
- Waste Water Pump Station Catalina Beach refund +\$1.10M.

Landscape Construction - \$4.53M

- Catalina Beach entry statement & Sales Office carpark (\$1.00M);
- Biodiversity Conservation Area - South (\$0.32M);
- Biodiversity Conservation Area - North (\$0.13M);
- Central Precinct upgrades (\$0.22M);
- Stages 14A, 17 and 18 verges (\$1.12M);
- Stage 11 (balance of park) (\$0.43M).

Marketing - \$0.49M

- Continued Catalina branding;
- Promotion of Catalina Beach Builders Display Village;
- Upgrading of estate signage;
- Advertising for estate campaigns;
- Research.

Note: Catalina Beach Sales Office Fit Out - \$0.10M (Other Development Costs).

Planning

- Subdivision application for Stage 36 Catalina Grove;
- Subdivision application for Stages 29 and 30 Catalina Beach.

The Project Budget FYE 2019 (July 2018) assumes the acquisition of the Western Australian Planning Commission (WAPC) land, located within the Catalina Grove Precinct adjacent the Mitchell Freeway, in FYE 2019. The agreement to purchase is consistent with the Negotiated Planning Solution (2004) approved by the WAPC and the member local governments. Payments are proposed in FYE 2019 and FYE 2020.

The following table shows the variance between the proposed Project Budget FYE 2019 and Project Forecast (2017) for Income, Development Costs, Cashflow and Distributions.

Annual Cashflow	Project Budget (July 2018) FYE 2019	Project Forecast (2017) FYE 2019	Variance
Gross Income	12.62M	25.76M	(13.14M)
Development Costs	17.47M	21.99M	4.52M
Cashflow	(4.85M)	3.77M	(8.61M)
Distributions	4.00M	7.00M	(3.00M)

The major variances are detailed in the SPG report (Appendix 9.6) and are summarised as follows:

- Net cashflow to reduce by \$8.61M to (\$4.85M);
- Lot sales to reduce from 100 lots to 50 lots;
- Lot settlements to reduce from 87 lots to 44 lots;
- Gross Income to decrease by \$13.14M to 12.62M;
- Other Income to decrease by \$3.03M as a result of the deferral of special sites (Group Housing sites) from FYE 2019 to FYE 2020;
- Special site costs to increase by \$4.99M as a result of the \$10.2M WAPC land acquisition deferred from FYE 2018 to FYE 2019 / FYE 2020;
- Infrastructure costs to decrease by \$1.66M as a result of the deferral of Connolly Drive intersection, Primary School earthworks and portion of costs for the Catalina Grove Pump Station;
- Development costs to decrease by \$4.52M as a result of the deferral of civil works Stages 16A&B, Primary School bulk earthworks (now FYE 2020) and Catalina Beach bulk earthworks phase 2 (now FYE 2020-2021);
- Distributions to decrease from \$7.00M to \$4.00M.

The Project Budget FYE 2019 (July 2018) is based on the Annual Plan FYE 2019 (July 2018) and the Sales and Lot Release Strategy Plan FYE 2019 (July 2018) listed for consideration under Items 9.15 and 9.8, respectively, of this Agenda.

KEY RISKS FOR PROJECT BUDGET FYE 2019

The SPG has identified the following items as key risks to achieving the Project Budget FYE 2019 outcomes:

- Achieving sales rates in accordance with the FYE 2019 Budget;
- Achieving budgeted sales prices for lots settling in FYE 2019;
- Higher than expected cancellation rates for sales resulting in delayed settlements;
- Settlements forecast for FYE 2019 being deferred to FYE 2020, resulting in lower revenue being achieved in FYE 2019.

The majority of the risks identified would be considered typical for a project such as Catalina which is heavily influenced by market conditions. These risks will continue to be managed including, monthly financial review and reporting, application of construction triggers and monitoring market/economic conditions.

SALES TRIGGERS FOR CIVIL CONSTRUCTION

The SPG has recommended the use of Sales Triggers for the Project Budget FYE 2019. The recommended Sales Triggers require a stock position of 20 lots for the Central Precinct and 20 lots for the Western Precinct prior to the commitment to the next stage of civil construction. The SPG considers that the Central Precinct and Western Precinct appeal to different target markets and will have different sales rates and have recommended separate sales triggers for each Precinct.

The principle of maintaining civil construction triggers to ensure the Project does not over commit to civil construction is supported. The proposed Sales Trigger requiring a stock of 20 lots for the Central Precinct and 20 lots for the Western Precinct prior to the commitment to the next stage of civil construction is considered acceptable under current market conditions in managing Council’s risk and whilst providing a reasonable stock position for market demand.

ESCALATION RATES

Income and cost escalation rates for the Project Budget FYE 2019 (July 2018) have been forecast at 0% until FYE 2020 when income and cost escalation rates return to long-term growth estimates of 3% and 2% per annum respectively from 2020. The SPG believes this reflects long term escalation rates for the development industry.

BUDGET FORECAST FYE 2020

The SPG has prepared a Budget Forecast FYE 2020 for financial planning purposes and information. It is not intended to be endorsed by the Council at this time.

The following table shows the variance between the Budget Forecast FYE 2020 and the Project Forecast (2017) for Income, Development Costs, Cashflow and Distributions.

Annual Cashflow	Budget Forecast (July 2018) FYE 2020	Project Forecast (2017) FYE 2020	Variance
Gross Income	16.62M	28.58M	(11.97M)
Development Costs	28.40M	16.28M	(12.12M)
Cashflow	(11.79M)	12.30M	(24.09M)
Distributions	5.00M	14.00M	(9.00M)

The major variances between the Budget Forecast FYE 2020 and the Project Forecast (2018) are summarised as follows:

- Lot sales to reduce from 130 lots to 60 lots;
- Settlements reduced from 113 lots to 48 lots;
- Gross Income to decrease by \$11.97M to \$16.62M;
- Development costs to increase by \$12.12M to \$28.40M;
- Net cashflow to decrease by \$24.09M to \$11.79M;
- Distributions to decrease from \$9.00M to \$5.00M.

These estimates should only be considered as a general guide for the Budget Forecast FYE 2020, detailed planning and review is underway to more precisely determine the assumptions underlying the cashflow. The Budget Forecast FYE 2020 will be reviewed in light of the Western Australian economy and the residential land market at that time.

PROJECT FORECAST (2017)

At its meeting of 21 June 2018, the Council approved the Project Forecast (2017), submitted by the SPG for the whole of the Catalina Project, as the basis of project and financial planning.

The SPG has compared the Project Forecast (2017) approved by Council in June 2018 and the Project Forecast (July 2018) compiled as part of the Project Budget FYE 2019 preparation. The Project Forecast (July 2018) forecasts an overall net cash profit of \$349.6M which is \$9.7M higher than the Project Forecast (2017).

The position represented is indicative only and does not require any formal Council decision.

Conclusion

The SPG predicts that current market conditions are expected to continue through FYE 2019 and FYE 2020 and therefore recommends a conservative position on lot sales for FYE 2019 and FYE 2020. The reduced lot sales will result in lower development expenditure in line with reduced lot production. Given the forecast lower lot income, development expenditure will need to be managed to minimise potential impacts and exposure to the TPRC, including the use of Sales Triggers to manage Council's risk, whilst providing a reasonable stock position for market demand.

The Project Budget FYE 2019 reflects a conservative sales and revenue position which is considered appropriate given the position of the land sales market and the conditions of the Western Australian economy. It predicts that the TPRC can meet all cashflow obligations without the need to call upon member local government funds to meet any operating or capital expenditure.

The Project Budget FYE 2019 (July 2018) is consistent with the Annual Plan FYE 2019 (July 2018) and the Sales and Lot Release Strategy Plan FYE 2019 (July 2018) listed for consideration under Items 9.15 and 9.8 respectively in this Agenda.

It is recommended that the Council approves the Project Budget FYE 2019 (July 2018), submitted by the SPG, as the basis of project and financial planning for FYE 2019.

It is further recommended that the Council accept that the SPG has achieved Development Manager's KPI 4.4 requiring the preparation of a Project Budget on an annual basis by March each year.

Satterley Property Group representatives will be in attendance to present and explain the rationale and underlying assumptions of the Project Budget FYE 2019 (July 2018) and Project Forecast FYE 2020.

At its meeting of 19 July 2018, the Management Committee considered a report on the Project Budget FYE 2019 (July 2018) prepared by the Satterley Property Group, and resolved to recommend that Council:

1. **APPROVES** the Project Budget FYE 2019 (July 2018), submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2019.

2. *RECEIVES the Budget Forecast FYE 2020 (July 2018), submitted by the Satterley Property Group.*
3. *ACCEPTS that the Satterley Property Group has achieved Key Performance Indicator KPI 4.4 requiring the preparation of a Project Budget on an annual basis by March each year.*

9.7 TPRC DRAFT BUDGET FOR FYE 2019

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council:

1. **ADOPTS the Budget for the Tamala Park Regional Council for the year ending 30 June 2019, incorporating the following statements:**
 - a. **Statement of Comprehensive Income, indicating an operating deficit of \$322,047.**
 - b. **Statement of Financial Activity, showing surplus at end of year position of \$34,345,153.**
 - c. **Rate Setting Statement, indicating no rates levied.**
2. **ADOPTS a percentage of 10% or \$5,000 whichever is the greater for the purposes of the reporting of material variances by Nature and Type monthly for the 2018/2019 financial year, in accordance with Regulation 34(5) of the *Local Government (Financial Management) Regulations 1996*.**

Voting Requirements

Simple Majority

Report Purpose

Consideration of the budget estimates for the financial year 1 July 2018 - 30 June 2019 including project approval and resource allocation.

Relevant Documents

Appendix: Draft Annual Budget Estimates for 2018/2019 including -

- Comprehensive Income Statement;
- Statement of Financial Activity;
- Rate Setting Statement.

Previous Minutes

- Council Meeting – 17 August 2017 (Item 9.7 - TPRC Draft Budget for the Financial Year 20017/2018)
- Council Meeting – 11 August 2016 (Item 9.6 - TPRC Draft Budget for the Financial Year 20016/2017)

Policy Reference

N/A

Local Government Act/Regulation

- *Local Govt Act 1995: Sect 6.2 Council Required, between 1 June and 31 August to adopt budget for financial year*
- *Local Govt (Financial Management) Regs 1996: Part 3 - Annual Budget form and content*
- *Guideline 8 - Opening Closing Funds - Annual Budget*
- *Local Government (Financial Mgt) Regs 1996: Reg 34 (5) Material Variance Reports [10%]*
- *Local Government (Audit) Regs 1996: Reg 13 Compliance Audit Item*

Background

The Local Authority Budget sets out the programs, projects and allocation of resources required to perform the Municipal obligations and functions required by the Local Government Act and associated legislation.

The Budget is used as the base document for monthly financial reporting, for the formal Budget Review and for the Annual Financial Report, including financial performance ratios.

At its meeting of 19 July 2018, the Management Committee considered the Project Budget FYE 2019 (July 2018), prepared by the Satterley Property Group, and resolved to recommend that Council approve the Project Budget FYE 2019 (July 2018), as the basis of financial planning for the TPRC Budget FYE 2019.

The Project Budget FYE 2019 (July 2018), prepared by the SPG, reflects a conservative approach to sales/settlement rates and lot production/infrastructure expenditure consistent with the predicted soft conditions for new lot sales in Western Australia.

The Project Budget FYE 2019 is premised on the following key activities and key assumptions:

Sales/Settlements

- 50 sales;
- Titles – 38 lots, Stage 26;
- 44 settlements.

Civil Construction/Bulk Earthworks - \$3.72M

- Civil construction Stage 26 (Western Precinct) - 38 lots;
- Civil construction Stage 18B Group Housing Sites (Central Precinct) into 30 lots (Note – Titles in FYE 2020).

Infrastructure - \$1.24M

- Portofino Boulevard extension (\$0.8M);
- Connolly Drive Green Link intersection (preliminary works) (\$0.30M);
- Waste Water Pump Station Catalina Beach refund +\$1.10M.

Landscape Construction - \$4.53M

- Catalina Beach entry statement & Sales Office carpark (\$1.00M);
- Biodiversity Conservation Area - South (\$0.32M);
- Biodiversity Conservation Area - North (\$0.13M);
- Central Precinct upgrades (\$0.22M);
- Stages 14A, 17 and 18 verges (\$1.12M);
- Stage 11 (balance of park) (\$0.43M).

Marketing - \$0.49M

- Continued Catalina branding;
- Promotion of Catalina Beach Builders Display Village;
- Upgrading of estate signage;
- Advertising for estate campaigns;
- Research.

Note: Catalina Beach Sales Office Fit Out - \$0.10M (Other Development Costs).

Special Site Development - \$6.02M

- Acquisition of WAPC site (part payment)

Planning

- Subdivision application for Stage 36 Catalina Grove;
- Subdivision application for Stages 29 and 30 Catalina Beach.

The proposed Distribution to member local governments is \$4.00M.

Comment

1. In 2017/2018 the TPRC did not expend all projected operating allocations, as a result the operating budget for the financial year was in surplus.
2. The TPRC Budget 2018/2019 is based on the Project Budget FYE 2019 (July 2018), prepared by the Satterley Property Group. The SPG considers that the Western Australian property market remains affected by concerns over job security and low population growth which is likely to result in the land market remaining soft for the next 18 months. As a result, the SPG has proposed a conservative position in terms of sales and revenue.
3. The comparison of projected income and expenditure for 2018/2019 with the previous year is shown in the table below.

Net Result	Budget 2018/19 \$	Budget 2017/18 \$
Income		
Investments	1,040,633	793,512
Proceeds Sale of Lots	16,355,835	42,133,752
Profit Disposal of Assets	0	0
Other income	2,000	2,035
Total Income	17,398,468	42,929,299
Expenditure		
Loss on Disposal of Assets	1,760	0
Depreciation	25,381	21,212
Employee Costs	725,924	751,839
Insurance	13,880	10,469
Utilities	6,450	0
Administration Expenses	404,895	489,364
Governance	186,390	181,955
Total Expenditure	1,364,680	1,454,839
Net Result	16,033,788	41,474,460

Less Development of Land for Resale		
Development Costs, Subdivisions	21,277,191	55,659,496
Equity Distribution	4,209,337	4,268,725
	<u>25,486,528</u>	<u>59,928,221</u>
Net Change in Members Equity	(9,452,740)	(18, 453,761)
Plus Accumulated Surplus as at 30th June	45,732,329	41,204,150
Less Changes on Revaluation of Non- Current Assets	0	0
	<u>45,732,329</u>	<u>41,204,150</u>
Total Members Equity	36,279,589	22,750,389

4. The Budget has been assembled in local government format and is shown in Appendix 9.7, which indicates items of revenue and expenditure and cash flow through the 12 months of the financial year. The emphasis of the budget is focused on initiatives in the following areas:

- Administration;
- Sales and Marketing;
- Land Development Costs;
- Revenue (sales revenue and investment income).

4.1. Administration

This category provides for the operation of the TPRC administration.

4.2. Sales and Marketing

Provision is made for the Sales and Marketing of the Project consistent with the Annual Plan FYE 2019 (July 2018) and the Sales and Lot Release Strategy Plan FYE 2019 (July 2018) supported by the Management Committee at its meeting of 19 July 2018. The expenditure covered in this category is under item E145216 (Direct Selling Expenses). This category allows for expenditure associated with the following:

- Brand Development;
- Lead generation to achieve sales targets;
- Promotion of Catalina Beach Builders Display Village;
- Upgrading of estate signage;
- Advertising for estate campaigns;
- Project website improvements and sales collateral refinement.

4.3. Land Development Costs

This category reflects the forecast subdued market conditions and proposes a conservative construction program for 2018/2019.

The expenditure projected is shown in the table below:

Land & Special Sites Development	\$6,022,300
Consultants	\$627,487
Landscape	\$4,528,779
Infrastructure	\$141,182
Bulk Earthworks	\$78,905
Lot Production	\$3,600,062
Admin Land Development	\$869,990
Community Development	\$192,500

Contingency	\$827,760
Finance	\$86,868
Debtors /Creditors Movement	\$0
	\$16,975,833

These are shown as Capital Costs in the Budget.

4.4. Revenue

Last financial year investment income amounted to \$1,245,826. Indications are that interest rates will remain stable through 2018/2019. The estimated investment revenue is \$1,040,633. This assumes an investment rate of 2.4% per annum for 2018/2019.

To date there has been no call upon local authority funds to meet any operating or capital expenditure. This position is expected to continue in 2018/2019.

5. Financial Activity Statement

The Financial Activity Statement 2018/2019 (Appendix 9.7) shows the TPRC cashflow position for 2018/2019. It predicts that the TPRC can meet all cashflow obligations. This assumes income from the sale of lots of \$16,355,835. The Draft Annual Budget for 2018/2019 predicts that the TPRC can meet all cashflow obligations without the need for a finance or overdraft facility.

6. Material Variance

Regulation 34(5) of the *Local Government (Functions and General) Regulations 1996* specifically requires Local Government in each financial year, to adopt a percentage or value to be used in the Statements of Financial Activity. In previous years the TPRC used 10% for reporting material variances. This is considered an appropriate measure of variance that has resulted in reporting of minor variations in total cost terms.

It is recommended that the Council adopt a percentage of 10% or \$5,000 whichever is the greater for the purpose of reporting material variances by Nature and Type monthly for 2018/2019.

7. Distributions

The Draft TPRC Budget for 2018/2019 predicts Distributions to the seven participant members totalling \$4.0 million. It is anticipated that the Distributions are to be made as follows:

- December 2018 - \$2M
- June 2019 - \$2M

Conclusion

The Draft TPRC Budget for 2018/2019 is based on the Project Budget FYE 2019 (July 2018) supported by the Management Committee at its meeting of 19 July 2018, as the basis of financial planning for the TPRC Budget FYE 2019. It is also consistent with the Annual Plan FYE 2019 (July 2018) and the Sales and Lot Release Strategy Plan FYE 2019 (July 2018) also supported by the Management Committee at its meeting of 19 July 2018.

It reflects conservative sales, revenue and construction activity position which is considered appropriate given the soft forecast for the land sales market and the adverse conditions being reported on the Western Australian economy.

It predicts that the TPRC can meet all cashflow obligations without the need for any call upon member local government funds to meet any operating or capital expenditure.

The Draft TPRC Budget for 2018/2019 is recommended for Council's endorsement.

At its meeting of 8 August 2018, the Audit Committee considered a report on the Draft Financial Budget FYE 2019 and resolved to recommend that Council:

1. *ADOPTS the Budget for the Tamala Park Regional Council for the year ending 30 June 2019, incorporating the following statements:*
 - a. *Statement of Comprehensive Income, indicating an operating deficit of \$322,047.*
 - b. *Statement of Financial Activity, showing surplus at end of year position of \$34,345,153.*
 - c. *Rate Setting Statement, indicating no rates levied.*
2. *ADOPTS a percentage of 10% or \$5,000 whichever is the greater for the purposes of the reporting of material variances by Nature and Type monthly for the 2018/2019 financial year, in accordance with Regulation 34(5) of the Local Government (Financial Management) Regulations 1996.*

9.8 SALES AND LOT RELEASE STRATEGY FYE 2019 (JULY 2018)

Report Information

Reporting Officer: Project Coordinator

Recommendation

That the Council:

1. **APPROVES** the Sales and Lot Release Strategy FYE 2019 (July 2018), submitted by the Satterley Property Group, as the basis of sales and marketing planning for FYE 2019.
2. **DELEGATES** to the CEO authority to approve changes to the Sales and Lot Release Strategy FYE 2019 (July 2018) relating to stage sizes and timing of stage releases, subject to a supporting recommendation from the Satterley Property Group and being not greater than 30% change to the approved Sales and Lot Release Strategy.

Voting Requirements

Absolute Majority – (Recommendation No.2)

Report Purpose

To consider the Lot Sales and Release Strategy FYE 2019 (July 2018) prepared by the Satterley Property Group.

Policy Reference

N/A

Local Government Act/Regulation

N/A

Previous Minutes

Council Meeting – 15 June 2017 (Item 9.7: Sales and Lot Release Strategy (May 2017))

Financial/Budget Implications

Expenditure under this matter will be incurred under item E145218 (Sales & Marketing):

Budget Amount:	\$ 494,000
Spent to Date:	\$ 39,758
Balance:	\$ 454,242

Note: Refers to FYE 2019 Budget, not yet adopted.

Relevant Documents

Appendix: Sales and Lot Release Strategy FYE 2019 (July 2018)

Background

In June 2017, the Council approved the Sales and Lot Release Strategy FYE 2018 (May 2017), submitted by the Satterley Property Group, which outlined the timing, size, nature and method of lot sales releases for FYE 2018.

Comment

The Satterley Property Group (SPG) has submitted the Sales and Lot Release Strategy FYE 2019 (July 2018) for Council's consideration. The Strategy has been recommended by the SPG in recognition of the continued soft land sales market for FYE 2019 and FYE 2020. It is also generally consistent with sales achieved for FYE 2018. A copy of the Strategy is attached as Appendix 9.8.

The Sales and Lot Release Strategy FYE 2019 (July 2018) addresses the following components:

- Lot Sale and Release Methods;
- Timing, size and configuration of Release Stages;
- Sale Method builder releases;
- Sale Method public releases.

Sales and Lot Releases

The Sales and Lot Release Strategy (July 2018) proposes releases from the following Stages:

- Stage 17B - Catalina Central (8 lots);
- Stages 25 and 26 - Catalina Beach (20 lots).

Four sales releases are proposed for the financial year, with the releases varying in size from 4 to 8 residential lots. The Strategy is based on providing smaller releases to restrict available stock in order to provide greater motivation and incentive for purchasers to act.

The SPG has recommended that the CEO be authorised to approve changes to the Sales and Lot Release Strategy relating to stage sizes, lot configuration and timing of stage releases.

The Strategy seeks to maximise the efficient use of existing services and infrastructure of the land within the Central Precinct (outside the current land fill buffer) and continued sales releases in the Western Precinct.

The location and size of the sales releases reflects current market demand, targeting homebuyer markets including first homebuyers, second and third home buyers and downsizers. The Strategy is consistent with the proposed Project Budget FYE 2019 (July 2018) and Annual Plan FYE 2019 (July 2018) listed under report items 9.6 and 9.10 respectively in this Agenda.

The lots to be released in FYE 2019 provide diversity in size and price point.

	225sqm Price (\$)	300sqm Price (\$)	375sqm Price (\$)	450sqm Price (\$)
Catalina Central	N/A	255,000	298,000	335,000
Catalina Beach	245,000 (234m ²)	310,000	360,000	422,000

Sale Methods - Public Releases

The lot sale method proposed for public releases is consistent with the Lot Sales & Release Strategy (May 2017), approved by Council in 2017, which proposed that the disposal of residential lots would be by Private Treaty in accordance with Section 3.58(3) and (4) of the *Local Government Act 1995*.

The Public Release Sales Procedure requires potential purchasers to register online to nominate preselected lots, in order of receipt and compliance with pre-set terms and criteria.

The method of release and sale of private residential lots has worked well to date. The online process is supported and recognised as good practice by Council's Probity Advisor and the Council Auditor.

Builder Releases

The Strategy outlines a builder release sales method; however, no builder's releases have been recommended by the SPG for FYE 2019.

Conclusion

The Sales and Lot Release Strategy (July 2018), submitted by the Satterley Property Group, provides an acceptable basis for sales and marketing planning for FYE 2019 and is consistent with the proposed Project Budget FYE 2019.

The Strategy is consistent with current market conditions and is considered to reflect industry forecasts for lot sales for the next 12 months.

At its meeting of 19 July 2018, the Management Committee considered a report on the Lot Sales and Release Strategy FYE 2019 (July 2018) prepared by the Satterley Property Group, and resolved to recommend that Council:

1. *APPROVES the Sales and Lot Release Strategy FYE 2019 (July 2018), submitted by the Satterley Property Group, as the basis of sales and marketing planning for FYE 2019.*

The Management Committee resolved to defer Recommendation 2 (below) pending further clarification of the terms and magnitude of the proposed CEO delegation.

2. *DELEGATES to the CEO authority to approve changes to the Sales and Lot Release Strategy FYE 2019 (July 2018) relating to stage sizes, lot configuration and timing of stage releases.*

In terms of the proposed delegation to the CEO referred to above (2), the following recommendation is proposed which provides guidance for the use of the delegation.

2. *DELEGATES to the CEO authority to approve changes to the Sales and Lot Release Strategy FYE 2019 (July 2018) relating to stage sizes and timing of stage releases, subject to a supporting recommendation from the Satterley Property Group and being not greater than 30% change to the approved Sales and Lot Release Strategy.*

9.9 AUDIT COMMITTEE AUDIT CHARTER & ANNUAL AUDIT PLAN REVIEW

Report Information

Reporting Officer: Chief Executive Officer

That the Council:

- 1. APPROVES the TPRC Audit Charter (July 2018).**
- 2. ADOPTS the Audit Plan 2018/2019.**

Voting Requirements

Simple Majority

Report Purpose

To review the TPRC Audit Charter and Annual Audit Plan 2018/2019.

Relevant Documents

Appendix:

- Audit Charter (July 2018)
- Audit Plan (2018/2019)

Previous Minutes

- Audit Committee Meeting – 8 August 2018 (Item 8.3 – Audit Committee Audit Charter & Annual Audit Plan Review)
- Council Meeting – 17 August 2017 (Item 9.10 – Audit Committee Audit Charter & Annual Audit Plan Review)

Policy Reference

Audit Charter (2017)

Local Government Act/Regulation

- *Local Government Act: Sect 7.1*
- *Regs - Local Government (Audit) 1996*

Background

The Audit Committee has specific obligations prescribed by the Act and audit regulations. The Audit Committee also has obligations and responsibilities set out in the adopted Audit Charter.

The principal activities of the Audit Committee are as follows:

- Review of the draft budget and review of the formal budget review to be undertaken between 1 January – 31 March;
- Review of the format of financial statements;
- Review of the Annual Compliance Return;
- Review of the Annual Report and recommendation for adoption of the Annual Report to the Council.

Comment

The Council approved the TPRC Audit Charter (July 2017) and the Audit Plan 2017/2018 at its meeting of 17 August 2017.

The Annual Audit Plan has been altered to reflect Audit Committee meetings during the next twelve months and proposed activities during that period and is attached at Appendix 9.9.

At its meeting of 8 August 2018, the Audit Committee considered a report on the review of the TPRC Audit Charter and Annual Audit Plan 2018/2019 and resolved to recommend that Council APPROVES the TPRC Audit Charter (July 2018) and Annual Audit Plan 2018/2019.

9.10 PAYMENT OF ACCOUNTS & SECURITY OF PAYMENT INSTRUMENTS POLICY REVIEW

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council APPROVES the Payment of Accounts & Security of Payment Instruments Policy (July 2018).

Voting Requirements

Simple Majority

Report Purpose

To review the Payment of Accounts & Security of Payment Instruments Policy.

Relevant Documents

Appendix: Payment of Accounts & Security of Payment Instruments Policy (July 2018)

Policy Reference

Payment of Accounts & Security of Payment Instruments Policy (July 2017) adopted August 2017.

Local Government Act/Regulation

Local Government (Functions & General) Regs1996, Part 4, Division 1 (Purchasing Policies)

Previous Minutes

Council Meeting – 17 August 2017 (Item 9.11 – Payment of Accounts & Security of Payment Instruments Policy Review)

Background

At its meeting of 17 August 2017, the Council approved the Payment of Accounts & Security of Payment Instruments Policy (July 2017) consistent with the *Local Government Regulations*.

Comment

The Payment of Accounts & Security of Payment Instruments Policy has operated satisfactorily and the Council's Auditors have raised no issues in relation to the Policy.

No changes are proposed and the Payment of Accounts & Security of Payment Instruments Policy (July 2018) is recommended for adoption.

At its meeting of 8 August 2018, the Audit Committee considered a report on the review of the Payment of Accounts & Security of Payment Instruments Policy and resolved to recommend that Council APPROVES the Payment of Accounts & Security of Payment Instruments Policy (July 2018).

9.11 INVESTMENT POLICY REVIEW

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council:

- 1. APPROVES the Investment Policy (July 2018).**
- 2. NOTES that the review of the Investment Policy for 2019 should take into account the findings of the Banking Royal Commission.**

Voting Requirements

Simple Majority

Report Purpose

To review the Investment Policy.

Relevant Documents

Appendix: Investment Policy (July 2018)

Previous Minutes

- Audit Committee Meeting – 3 September 2017 (Item 8.5 – Investment Policy Review)
- Council Meeting – 17 August 2017 (Item 9.12 – Investment Policy Review)

Policy Reference

Existing Investment Policy (July 2017)

Local Government Act/Regulation

- *Local Government Act: Sect 6.14*
- *Trustees Act 18-21*

Background

The Local Government Act allows investment of funds by local authorities.

At its meeting of 17 August 2017, the Council approved the Investment Policy (July 2017).

Comment

The Council's external auditor has undertaken a review of the TPRC's investment practices and procedures and the Investment Policy, as part of its annual audit, and has found them to be satisfactory. The Policy continues to operate satisfactorily, even with prudent practices investment returns have exceeded budget expectations. No changes are proposed and the Investment Policy (July 2018) is recommended for adoption.

At its meeting of 8 August 2018, the Audit Committee considered a report on the review of the Investment Policy and resolved to recommend that Council:

1. *APPROVES the Investment Policy (July 2018).*
2. *NOTES that the review of the Investment Policy for 2019 should take into account the findings of the Banking Royal Commission.*

9.12 CREDIT CARD POLICY REVIEW

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council APPROVES the Credit Card Policy (July 2018).

Voting Requirements

Simple Majority

Report Purpose

To review the Credit Card Policy consistent with Local Government Regulations.

Relevant Documents

Appendix: Credit Card Policy (July 2018)

Policy Reference

Existing Credit Card Policy (July 2017).

Local Government Act/Regulation

Local Government (Financial Management) Regulations 1996, Part 2 (General Financial Management)

Previous Minutes

Council Meeting – 17 August 2017 (Item 9.12 – Investment Policy Review)

Financial/Budget Implications

N/A

Background

The Council approved the Credit Card Policy (July 2017) at its meeting of 17 August 2017.

Comment

The Credit Card Policy continues to operate satisfactorily and provides internal control and operational guidelines for protection of the TPRC. It is noted that the Auditors have raised no issues in relation to the Credit Card Policy. The Credit Card Policy continues to operate satisfactorily and no changes are proposed. The Credit Card Policy (July 2018) is recommended for adoption.

At its meeting of 8 August 2018, the Audit Committee considered a report on the review of the Credit Card Policy and resolved to recommend that Council APPROVES the Credit Card Policy (July 2018).

9.13 PETTY CASH POLICY REVIEW

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That Council APPROVES the Petty Cash Policy (July 2018).

Voting Requirements

Simple Majority

Report Purpose

To review the Petty Cash Policy consistent with Local Government Regulations.

Relevant Documents

Appendix: Petty Cash Policy (July 2018)

Policy Reference

Existing Credit Card Policy (July 2017)

Local Government Act/Regulation

- *Local Government Act 1995 – Section 6.10*
- *Local Government (Financial Management) Regulation 11*

Previous Minutes

- Audit Committee Meeting – 8 August 2018 (Item 8.7 – Petty Cash Policy Review)
- Council Meeting – 12 October 2017 (Item 9.10 – Petty Cash Policy Review)

Financial/Budget Implications

N/A

Background

The Council approved the Petty Cash Policy (July 2017) at its meeting of 12 October 2017.

Comment

The Petty Cash Policy continues to operate satisfactorily and no changes are proposed. The Petty Cash Policy (July 2018) is recommended for adoption.

At its meeting of 8 August 2018, the Audit Committee considered a report on the review of the Petty Cash Policy and resolved to recommend that Council approves the Petty Cash Policy (July 2018).

9.14 PROCUREMENT POLICY REVIEW

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council APPROVES the Procurement Policy (July 2018).

Voting Requirements

Simple Majority

Report Purpose

To review the Procurement Policy.

Relevant Documents

Appendix: Procurement Policy (July 2018)

Policy Reference

Existing Procurement Policy (July 2017)

Local Government Act/Regulation

Local Government (Financial Management) Regulations 1996, Part 2 (General Financial Management)

Previous Minutes

- Audit Committee Meeting – 8 August 2018 (Item 8.8 – Procurement Policy Review)
- Council Meeting – 17 August 2017 (Item 9.14 – Procurement Policy Review)

Financial/Budget Implications

N/A

Background

Part 3 of the Local Government Act together with the Financial Management Regulations and Functions and General Regulations provides an outline of specific requirements and probity guidelines in respect of the purchase of goods and tendering on behalf of local governments.

Comment

The Council's probity auditor considers the TPRC Procurement Policy provides sound guidelines for the procurement of goods or services and have raised no issues in relation to the Procurement Policy.

The TPRC Procurement Policy continues to operate satisfactorily and provides best practice guidelines for the procurement of goods or services through quotes or public tender. The Procurement Policy (July 2018) is recommended for adoption.

At its meeting of 8 August 2018, the Audit Committee considered a report on the review of the Procurement Policy and resolved to recommend that Council approves the Procurement Policy (July 2018).

9.15 ANNUAL PLAN FYE 2019 - CONFIDENTIAL

9.16 DEVELOPMENT MANAGEMENT AGREEMENT – KEY PEOPLE – CONFIDENTIAL

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10. ELECTED MEMBERS MOTIONS OF WHICH NOTICE HAS BEEN GIVEN
11. QUESTIONS BY ELECTED MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN
12. URGENT BUSINESS APPROVED BY THE CHAIRMAN
13. MATTERS BEHIND CLOSED DOORS
14. GENERAL BUSINESS
15. FORMAL CLOSURE OF MEETING

APPENDICES