



## **Ordinary Meeting of Council**

# **AGENDA**

**Thursday 15 August 2019, 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

**TABLE OF CONTENTS**

MEMBERSHIP .....	4
PRELIMINARIES.....	5
1. OFFICIAL OPENING.....	5
DISCLOSURE OF INTERESTS .....	5
2. PUBLIC STATEMENT/QUESTION TIME .....	5
3. APOLOGIES AND LEAVE OF ABSENCE.....	5
4. PETITIONS .....	5
5. CONFIRMATION OF MINUTES.....	5
5A BUSINESS ARISING FROM MINUTES .....	5
6. ANNOUNCEMENTS BY CHAIRMAN (WITHOUT DISCUSSION).....	5
7. MATTERS FOR WHICH MEETING MAY BE CLOSED.....	5
8. REPORTS OF COMMITTEES .....	5
9. ADMINISTRATION REPORTS AS PRESENTED (ITEMS 9.1 – 9.18).....	5
9.1 BUSINESS REPORT – PERIOD ENDING 8 AUGUST 2019.....	6
9.2 STATEMENTS OF FINANCIAL ACTIVITY FOR THE MONTHS OF MAY & JUNE 2019 .....	10
9.3 LIST OF MONTHLY ACCOUNTS SUBMITTED FOR THE MONTHS OF MAY & JUNE 2019.....	13
9.4 PROJECT FINANCIAL REPORT – JUNE 2019 .....	14
9.5 SALES AND SETTLEMENT REPORT – PERIOD ENDING 8 AUGUST 2019 .....	16
9.6 TPRC DRAFT BUDGET FOR FYE 2020.....	20
9.7 EARTHWORKS AND SUBDIVISION WORKS TENDER (TENDER 04/2019).....	26
9.8 TPRC RISK MANAGEMENT FRAMEWORK AND RISK REGISTER.....	30
9.9 AUDITOR’S REPORT FYE 2018 – SIGNIFICANT ADVERSE TREND, ASSET SUSTAINABILITY RATIO.....	35
9.10 AUDIT COMMITTEE AUDIT CHARTER & ANNUAL AUDIT PLAN REVIEW .....	38
9.11 CATALINA STRATEGIC MARKETING PLAN – JULY 2019 - CONFIDENTIAL.....	40
9.12 REVIEW OF SUSTAINABILITY INITIATIVES PLAN - CONFIDENTIAL .....	45
9.13 CATALINA HOUSING AND BUILT FORM STRATEGY – JULY 2019 – CONFIDENTIAL.....	53
9.14 REVIEW OF CATALINA RISK MANAGEMENT PLAN 2018 - CONFIDENTIAL .....	59
9.15 COMMUNITY VISION HEALTH HUB - GROVE PRECINCT, CATALINA - CONFIDENTIAL.....	65
9.16 CEO FURTHER CONTRACT OF EMPLOYMENT – CONFIDENTIAL .....	69
9.17 APPOINTMENT OF ACTING CHIEF EXECUTIVE OFFICER – CONFIDENTIAL .....	72
9.18 POWERS OF ATTORNEY – CONFIDENTIAL .....	75
10. ELECTED MEMBERS MOTIONS OF WHICH NOTICE HAS BEEN GIVEN .....	78

11. QUESTIONS BY ELECTED MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN .....	78
12. URGENT BUSINESS APPROVED BY THE CHAIRMAN .....	78
13. MATTERS BEHIND CLOSED DOORS .....	78
14. GENERAL BUSINESS .....	78
15. FORMAL CLOSURE OF MEETING .....	78

## 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 15 August 2019 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 Sonet Coetzee 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 – 20 June 2019

**5A BUSINESS ARISING FROM MINUTES**

**6. ANNOUNCEMENTS BY CHAIRMAN (WITHOUT DISCUSSION)**

**7. MATTERS FOR WHICH MEETING MAY BE CLOSED**

**8. REPORTS OF COMMITTEES**

- Audit Committee Meetings – 25 July 2019 and 9 August 2019
- CEO Performance Review Committee Meeting – 25 July 2019
- Management Committee Meeting – 18 July 2019

**9. ADMINISTRATION REPORTS AS PRESENTED (ITEMS 9.1 – 9.18)**

## **9.1 BUSINESS REPORT – PERIOD ENDING 8 AUGUST 2019**

### **Report Information**

Reporting Officer: Manager Project Coordination

### **Recommendation**

**That the Council RECEIVES the Business Report to 8 August 2019.**

### **Voting Requirements**

Simple Majority

### **Report Purpose**

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

### **Relevant Documents**

Appendix: Landscape Schedule and Program FYE 2020.

### **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**

Stage 26 civil works commenced on 25 March 2019 and are now complete, with the exception of an acoustic wall to be constructed along a portion of Marmion Avenue. The stage includes 38 residential lots and the first direct road connection from Catalina Beach to the established suburb of Mindarie.

Titles are anticipated to issue September 2019.

#### **2. Landscape Works – Status**

A status report on landscape works proposed for FYE 2020 is attached at Appendix 9.1. The report outlines budget, detailed design, approval status and program information.

#### **3. Housing Construction**

The following table provides an overview of the current progress of housing construction to 31 July 2019.

Stage	Total Lots	Under Construction	Completed	Vacant
Stages 1 - 11	529	1	519	9
Stage 12	49	0	49	0
Stage 13	82	0	82	0
Stage 14	73	0	72	1
Stage 15	55	0	53	2
Stage 17A	25	0	22	3
Stage 17B (Release 1)	18	3	4	11
Stage 18A	29	0	28	1
Stage 18B	31	1	22	8
Stage 25 (Display Village)	15	2	13	0
Stage 25	25	3	4	18
Stage 25B	7	1	6	0
Stage 25 (Builders Release)	7	3	0	4
Total	945	14	874	57

#### 4. Catalina Beach Builders Display Village 3 and Sales Office

The Catalina Beach Builders' Display Village continues to experience good pedestrian traffic, showcasing modern and contemporary, energy efficient seven-star rated homes. Fifteen display homes make up the Display Village and all are open to the public except for the 101 Residential and B1 display homes, which are currently under construction.

#### 5. Community Events – Clean Up Catalina Day

A number of Catalina residents (20) took part in a litter clean-up within three parks and surrounding streetscapes in Catalina Central on 23 June 2019.

The event followed the Adopt-a-Spot program, which has been introduced by Keep Australia Beautiful WA to encourage community-focused organisations and individuals to keep their local environment clean, by adopting a site in their local area to keep litter-free.

A brunch supplied by the TPRC was served by Bolivian Buzz food vendor for all participants as a token of thanks for their attendance.

Satterley received great feedback from the residents who took part in the clean-up day and can see the activity being replicated by residents later in the year.

#### 6. Tender for Builder Partner - Stage 18B Grouped Housing Sites

In accordance with the approved Annual Plan FYE 2020, a tender seeking to establish a builder partner to explore potential development opportunities, design concepts and commercial terms to achieve the Council's objectives for the sites has been released.

These objectives include the trialling of innovative design and development approaches to create housing with a focus on liveability, sustainability and affordability in order to add to

the diversity of available housing in Catalina and further promote the social and environmental aspirations of the Project.

The period for lodgement of tender submissions closes on 4 September 2019.

## **7. Local Structure Plan Amendment - Catalina Grove**

The Tamala Park Local Structure Plan No.79 – Amendment No. 5 (Catalina Grove) has been lodged with the City of Wanneroo, based on design principles approved by the Council, including:

- Maximising tree canopy, including retention of existing significant trees, in pursuit of a canopy target of 20% by 2028;
- The rationalisation of mixed-use zoned land consistent with market/economic conditions; and
- The location of density in the north-eastern corner of the Precinct within a walkable catchment of the Clarkson Train Station.

The advertising period for the LSP Amendment closed on 9 May 2019. The Catalina Project team has been liaising with the City of Wanneroo to address comments arising from the advertising and assessment of the proposal.

It is anticipated that the LSP Amendment will be approved by the City of Wanneroo and Western Australian Planning Commission (WAPC) by December 2019.

## **8. Catalina Beach Access Road / Carpark**

The Foreshore Management Plan (FMP) for the Catalina Beach Access Road/Carpark was endorsed by the City of Wanneroo on 9 April 2019 and is now with the WAPC for consideration.

A Development Approval and Clearing Permit is required in order to proceed with the construction. Detailed engineering and landscaping designs are to be progressed to form part of the Development Application.

It is anticipated that the required approvals will be achieved by early 2020 with construction commencing in April 2020.

## **9. Catalina Local Centre Site**

In August 2018 the TPRC sold Lot 646 (Local Centre site – Central Precinct) to OTB Developments.

The owner has lodged a development application with the City of Wanneroo for a child care centre, café, retail tenancies, office space and residential uses on the site.

Council will be updated as the development application is progressed.



## **10. Coastal Dual Use Path**

The Council, at its meeting on 20 June 2019, resolved to make a contribution of up to \$730,000 to the Cities of Joondalup and Wanneroo towards the construction of the planned Burns Beach-Mindarie dual use path.

The Project engineers have completed the detailed design for the section of path adjacent to the Project area and submitted the plans to the Cities.

A draft agreement has been prepared in accordance with the Council's resolution to establish the basis upon which the TPRC's contribution will be made.

## 9.2 STATEMENTS OF FINANCIAL ACTIVITY FOR THE MONTHS OF MAY & JUNE 2019

### 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 2019; and
- 30 June 2019.

### 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 2019
- Statement of Financial Activity for 30 June 2019

### 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 2019 exceeding 10% were experienced in relation to the following:

<b>Interest Earnings</b>	The positive variation is a result of higher TPRC cashflow balance.
<b>Other Revenue</b>	The positive variation is a result of the reimbursement of LSL entitlements.
<b>Depreciation</b>	The positive variation relates to timing of accounting process and will remain below budget.
<b>Employee Costs</b>	The positive variation will remain below budget.
<b>Materials and Contracts</b>	The positive variation relates to consultancy fees and will remain below budget.
<b>Utilities</b>	The positive variance will remain below budget.
<b>Income Sale of Lots - Subdivision</b>	The positive variance is consistent with revised TPRC budget forecast, approved as part of the Mid-Year Review (December 2018).
<b>Income Other - Subdivisions</b>	The negative variance relates to the deferral of the Stage 18 Group Housing Sites, now proposed for FYE 2020.
<b>Land Production Costs</b>	The positive variance relates to deferred works and savings and will remain below budget.

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

**Financial Snapshot as at 30 June 2019**

**TAMALA PARK REGIONAL COUNCIL  
FINANCIAL SNAPSHOT  
FOR THE PERIOD ENDING 30 JUNE 2019**

	2018-19 Adopted Budget	2018-19 Amended Budget	2018-19 Budget YTD	2018-19 Actual YTD	Variance		Variance %
					Favourable	Unfavourable	
<b>REVENUE</b>	\$		\$	\$	\$	\$	%
Interest Earnings	1,040,633	1,100,000	1,100,000	1,200,029	100,029		9.09%
Profit/(loss) on Disposal of Asset	-		-		-		0.00%
Proceeds From Sale of Assets							0.00%
Other Revenue	2,000	2,673	2,673	20,869	18,196		680.73%
	<b>\$1,042,633</b>	<b>\$1,102,673</b>	<b>\$1,102,673</b>	<b>\$1,220,898</b>	<b>\$118,225</b>	<b>\$0</b>	
<b>LESS EXPENDITURE</b>							
Depreciation	(25,381)	(25,381)	(25,381)	0	25,381		100.00%
Employee Costs	(725,924)	(725,924)	(725,924)	(601,160)	124,764		17.19%
Insurance	(13,880)	(13,209)	(13,209)	(13,026)	183		1.39%
Materials and Contracts	(404,895)	(404,895)	(404,895)	(168,627)	236,268		58.35%
Other	(186,390)	(186,390)	(186,390)	(172,313)	14,077		7.55%
Utilities	(6,450)	(6,450)	(6,450)	0	6,450		100.00%
Profit/(loss) on Disposal of Asset	(1,760)	(5,852)	(5,852)	(5,852)			0.00%
Members Equity							
-Income Sale of Lots - Subdivisions	14,405,835	8,017,281	8,017,281	9,938,596	1,921,315		23.96%
-Income Other - Subdivisions	1,950,000	1,410,945	1,410,945	0		(1,410,945)	-100.00%
-Land Production Costs	(21,277,191)	(12,861,663)	(12,861,663)	(5,213,008)	7,648,655		59.47%
-Profit distribution/ Contributions Returned	(4,209,337)	(4,209,337)	(4,209,337)	(4,385,500)		(176,163)	-4.19%
-Members Equity - GST Withheld	0	0	0	(367,850)		(367,850)	-100.00%
	<b>(\$10,495,373)</b>	<b>(\$9,010,875)</b>	<b>(\$9,010,875)</b>	<b>(\$988,740)</b>	<b>\$9,977,093</b>	<b>(\$1,954,958)</b>	
Total Change in Equity	<b>(\$9,452,740)</b>	<b>(\$7,908,202)</b>	<b>(\$7,908,202)</b>	<b>\$232,158</b>	<b>\$10,095,318</b>	<b>(\$1,954,958)</b>	

## Balance Sheet Summary as at 30 June 2019

TAMALA PARK REGIONAL COUNCIL  
FINANCIAL SNAPSHOT  
FOR THE PERIOD ENDING 30 JUNE 2019

	2018-19 Adopted Budget	2018-19 Amended Budget	2018-19 Budget YTD	2018-19 Actual YTD	Variance		Variance %
					Favourable	Unfavourable	
	\$	\$	\$	\$	\$	\$	
<b>REVENUE</b>							
Interest Earnings	1,040,633	1,100,000	1,100,000	1,200,029	100,029		9.09%
Other Revenue	2,000	2,673	2,673	20,869	18,196		680.73%
	<b>\$1,042,633</b>	<b>\$1,102,673</b>	<b>\$1,102,673</b>	<b>\$1,220,898</b>	<b>\$118,225</b>	<b>\$0</b>	
<b>LESS EXPENDITURE</b>							
Depreciation	(25,381)	(25,381)	(25,381)	0	25,381		100.00%
Employee Costs	(725,924)	(725,924)	(725,924)	(601,160)	124,764		17.19%
Insurance	(13,880)	(13,209)	(13,209)	(13,026)	183		1.39%
Materials and Contracts	(404,895)	(404,895)	(404,895)	(168,627)	236,268		58.35%
Other	(186,390)	(186,390)	(186,390)	(172,313)	14,077		7.55%
Utilities	(6,450)	(6,450)	(6,450)	0	6,450		100.00%
Profit/(loss) on Disposal Of Asset	(1,760)	(5,852)	(5,852)	(5,852)			0.00%
Members Equity							
-Income Sale of Lots - Subdivisions	14,405,835	8,017,281	8,017,281	9,938,596	1,921,315		23.96%
-Income Other - Subdivisions	1,950,000	1,410,945	1,410,945	0		(1,410,945)	-100.00%
-Land Production Costs	(21,277,191)	(12,861,663)	(12,861,663)	(5,213,008)	7,648,655		59.47%
-Profit distribution/Contributions Returned	(4,209,337)	(4,209,337)	(4,209,337)	(4,385,500)		(176,163)	-4.19%
-Members Equity - GST Withheld	0	0	0	(367,850)		(367,850)	-100.00%
	<b>(\$10,495,373)</b>	<b>(\$9,010,875)</b>	<b>(\$9,010,875)</b>	<b>(\$988,740)</b>	<b>\$9,977,093</b>	<b>(\$1,954,958)</b>	
Total Change in Equity	<b>(\$9,452,740)</b>	<b>(\$7,908,202)</b>	<b>(\$7,908,202)</b>	<b>\$232,158</b>	<b>\$10,095,318</b>	<b>(\$1,954,958)</b>	

**TAMALA PARK REGIONAL COUNCIL  
TERM DEPOSITS  
AS AT 30 JUNE 2019**

ID	Bank	Rating	Invest. Date	Maturity	Term	Interest	Principal
550	Suncorp Metway	A1-	19/02/2019	22/07/2019	153	2.70%	3,000,000.00
552	Westpac	A1-	5/03/2019	8/07/2019	125	2.63%	3,000,000.00
553	NAB	A1+	5/03/2019	3/07/2019	120	2.60%	4,027,322.74
554	NAB	A1+	12/03/2019	8/08/2019	149	2.60%	2,017,556.17
555	NAB	A1+	12/03/2019	8/08/2019	149	2.60%	3,026,334.25
557	Westpac	A1-	8/04/2019	9/07/2019	92	2.55%	2,013,857.53
558	Westpac	A1-	8/04/2019	6/08/2019	120	2.55%	3,020,786.30
559	Westpac	A1-	8/04/2019	9/07/2019	92	2.55%	3,020,786.30
560	Westpac	A1-	10/04/2019	12/08/2019	124	2.55%	2,013,857.53
561	Westpac	A1-	15/04/2019	15/08/2019	122	2.55%	2,013,857.53
562	Westpac	A1-	15/04/2019	15/08/2019	122	2.55%	3,020,786.30
563	Westpac	A1-	15/04/2019	15/08/2019	122	2.55%	2,013,857.53
564	Westpac	A1-	13/05/2019	13/08/2019	92	2.49%	3,020,493.70
565	AMP	A2-	13/05/2019	11/11/2019	182	2.60%	3,000,000.00
566	AMP	A2-	20/06/2019	23/09/2019	95	2.30%	2,000,000.00
<b>Total Invested Funds</b>							<b>40,209,495.88</b>
Total AMP						12.43%	5,000,000.00
Total Suncorp						7.46%	3,000,000.00
Total Westpac						57.54%	23,138,282.72
Total NAB						22.56%	9,071,213.16
<b>Total 2019_06_30</b>							<b>40,209,495.88</b>

### 9.3 LIST OF MONTHLY ACCOUNTS SUBMITTED FOR THE MONTHS OF MAY & JUNE 2019

#### 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 2019:

- **Month ending 31 May 2019 (Total \$429,094.77)**
- **Month ending 30 June 2019 (Total \$2,864,476.54)**
- **Total Paid - \$3,293,571.31**

#### Voting Requirements

Simple Majority

#### Report Purpose

Submission of payments made under the CEO's Delegated Authority for the months ending 31 May 2019 and 30 June 2019.

#### Relevant Documents

Appendix:

- Summary Payment List for May 2019
- Summary Payment List for June 2019

#### 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 the Regulations that the 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 2019**

### **Report Information**

Reporting Officer: Chief Executive Officer

### **Recommendation**

**That the Council RECEIVES the Project Financial Report (June 2019) submitted by the Satterley Property Group.**

### **Voting Requirements**

Simple Majority

### **Report Purpose**

To consider the Project Financial Report for June 2019 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 2019.

### **Relevant Documents**

Appendix: Letter from Satterley Property Group dated 23 July 2019 with Financial Report

### **Background**

At its meeting of 16 August 2018, the Council approved the Project Budget FYE 2019, submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2019.

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

### **Comment**

The Satterley Property Group has prepared a Financial Report for June 2019 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 2019 and is attached at Appendix 9.4.

The Financial Report identifies the following main areas of variance:

1. Settlement revenue was \$8.6M which is \$5.9M behind budget with 16 less residential settlements for the year to date.
2. Expenditure was \$13.10M under budget, in the following areas:
  - Lot Production \$3.2M;
  - Landscape \$2.7M;
  - Infrastructure \$1.3M;
  - P&L expenditure \$1.5M;
  - WAPC Land acquisition \$5.1M.

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

3. Lot Sales Value was \$8.3M unfavourable to budget due to 23 less lot sales year to date.

The sales, settlement and expenditure results are consistent with the Mid-Year Review of the Catalina Project Budget FYE 2019, prepared by the Satterley Property Group (December 2018) and considered by the Council at its meeting of 6 December 2018. The SPG Mid-Year Review of the Project Budget FYE 2019 forecast significant variances in sales, settlement and expenditure for the balance of FYE 2019.

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

## 9.5 SALES AND SETTLEMENT REPORT – PERIOD ENDING 8 AUGUST 2019

### Report Information

Reporting Officer: Manager Project Coordination

### Recommendation

**That the Council RECEIVES the Sales and Settlement Report to 8 August 2019.**

### 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 I145011 (Income on Lot Sales):

Budget Amount:	\$ 9,073,874
Received to Date:	\$ 200,000
Balance:	\$ 8,873,874

*Note: Refers to FYE 2020 Budget, not yet adopted.*

### Relevant Documents

Appendix: Staging 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 31 July 2019:



**Table 1: Summary of Sales and Settlement of Lots – Catalina Estate**

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, Stage 25 DV, Stage 25B	-	800	-	800	0	800
Stage 14B (Release 2)	Jul 2016	10	262-329	10	0	9
Stage 17A	Oct 2016	25	300-510	24	1	23
Stage 17B	Nov 2017	18	300-450	13	5	10
Stage 18A	Mar 2016	29	300-510	29	0	29
Stage 18B	Mar 2017	31	200-474	26	5	25
Stage 25A	May 2017	21	300-450	16	5	13
Stage 25 Builder Release	April 2018	6	254-307	6	0	4
Stage 25C	September 2018	5	277-450	3	2	2
Stage 26	April 2019	8	341-450	4	4	0
<b>Total</b>		<b>953</b>		<b>932</b>	<b>21</b>	<b>915</b>

Table 2 provides a summary of sales for FYE 2020 against Budget.

**Table 2: Summary of Net Sales – Catalina Estate**

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	YTD
<b>Budget</b>	2	2	2	2	2	2	2	3	2	3	5	4	31
<b>Actual</b>	3	2*											
<b>Variance</b>	1	0											

\*Note: August 2019 - Two contracts are being held pending advertising and acceptance by TPRC.

31 sales are forecast for FYE 2020. The Project has a stock position of 21 lots, 11 in Catalina Beach and 10 in Catalina Central.

### Sales Marketing Incentives

The Satterley Property Group (Satterley) has commenced the promotion of a new sales campaign, approved at the Council’s meeting on 20 June 2019. The campaign is running from 12 July 2019 to 30 September 2019 and consists of the following:

- \$9,000 discount at settlement for all currently released lots (excluding Stage 26 lots).
- The use of a \$2,000 referral fee to the Builder’s Sales Representative providing a qualified sales lead that results in the settlement of a lot at Catalina.

### Northern Corridor Estates Analysis

Table 3 provides a summary of sales at projects in the northern corridor.

**Table 3: Summary of Sales in Northern Corridor (July 2018 to June 2019)**

ESTATE	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	12 Month Total Sales
<b>NORTH-WEST METRO</b>													
Alkimos Beach (Alkimos)	1	9	6	4	0	-4	-10	2	5	8	4	1	26
Alkimos Vista (Alkimos)	0	8	3	1	3	3	3	1	0	3	1	3	29
Allara (Eglinton)	2	3	6	1	4	3	2	-6	8	9	4	7	43
Amberton (Eglinton)	1	13	7	12	3	3	2	15	-4	4	4	1	61
Beaumaris (Iluka)	0	0	1	1	1	0	1	3	1	0	-1	1	8
Burns Beach (Burns Beach)	5	5	3	5	1	0	2	3	1	8	0	1	34
<b>Catalina (Clarkson-Mindarie)</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>-1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>4</b>	<b>29</b>
East of the Beach (Eglinton)	4	1	2	4	4	-1	2	3	2	2	4	1	28
Eden Beach (Jindalee)	5	4	11	12	7	6	9	3	9	5	12	1	84
Kinross (Kinross)	4	1	2	2	1	4	2	2	0	2	1	1	22
Shorehaven (Alkimos)	5	0	6	5	2	3	3	4	8	3	5	3	47
Trinity (Alkimos)	0	5	7	3	3	7	3	-1	7	9	4	6	53
<b>TOTAL</b>	<b>31</b>	<b>53</b>	<b>55</b>	<b>51</b>	<b>28</b>	<b>25</b>	<b>20</b>	<b>30</b>	<b>41</b>	<b>60</b>	<b>40</b>	<b>30</b>	<b>464</b>
<b>CATALINA SHARE (%)</b>	<b>12.9%</b>	<b>7.5%</b>	<b>1.8%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>4.0%</b>	<b>5.0%</b>	<b>3.3%</b>	<b>9.8%</b>	<b>11.7%</b>	<b>5.0%</b>	<b>13.3%</b>	<b>6.3%</b>

Note 1: Satterley reporting is based on 'mid-month' sales period.

Note 2: Satterley has expressed caution that these sales results are indicative only based on information obtained in the marketplace and supplied on a voluntary basis.

Table 4 provides a summary of available stock in the northern corridor. Catalina Central is higher in price to competing estates for 450m<sup>2</sup> lots and also for 375m<sup>2</sup> lots apart from Kinross where it has cheaper 375m<sup>2</sup> lots.

**Table 4: Summary of Price of Available Lots in Northern Corridor Estates**

Estate	225sqm Price (\$)	300sqm Price (\$)	375sqm Price (\$)	450sqm Price (\$)	500sqm + Price (\$)	Total Dwellings	Stock
Allara	133,000	158,000	179,000-190,000	216,000	219,000	3,405	22
Alkimos Beach	160,000	230,000	225,000-262,000	285,000-305,000	330,000-420,000	2,413	48
Amberton	N/A	201,000	211,000-228,000	264,000-283,000	289,000-325,000	2,500	22
Burns Beach	N/A	N/A	N/A	N/A	460,000 – 755,000	1,580	14
Catalina Central	N/A	N/A	279,000	335,000	N/A	2,480	10
Catalina Beach	N/A	310,000	358,000-378,000	402,000	N/A		11
Eden Beach	180,000-182,000	240,000	265,000	N/A	305,000-350,000	1,100	28
Kinross	N/A	N/A	295,000	332,500	347,500-355,000	67	21
Shorehaven	169,000-280,000	218,000	249,000	285,000	N/A	2,800	31
Trinity	N/A	185,000	182,000 - 215,000	248,000	269,000	2,500	20

### **Proposed Lot Releases**

Given reduced stock levels in Catalina Beach and Catalina Grove and consistent with the approved Lots Sales and Release Strategy FYE 2020, Satterley will be proposing the following lot releases:

- Stage 17B – Catalina Central - Eight lots, ranging in area from 300m<sup>2</sup> to 450m<sup>2</sup>, to be released in September 2019;
- Stage 26 – Catalina Beach - Eight lots, ranging in area from 367m<sup>2</sup> to 481m<sup>2</sup>, to be released in October 2019.

Satterley representatives will be in attendance to present the Sales and Settlement Report.

### **Sales Contracts – CEO Delegation**

Nil.

## 9.6 TPRC DRAFT BUDGET FOR FYE 2020

### 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 2020, incorporating the following statements:**
  - a. **Statement of Comprehensive Income, indicating an operating deficit of \$331,462.**
  - b. **Statement of Financial Activity, showing surplus at end of year position of \$33,249,962.**
  - 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 2019/2020 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 2019 - 30 June 2020 including project approval and resource allocation.

### Relevant Documents

Appendix: Draft Annual Budget Estimates for 2019/2020 including -

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

### Previous Minutes

- Council Meeting – 16 August 2018 (Item 9.7 - TPRC Draft Budget for the Financial Year 20018/2019)
- Council Meeting – 17 August 2017 (Item 9.7 - TPRC Draft Budget for the Financial Year 20017/2018)

### 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.

### PROJECT BUDGET FYE 2020

At its meeting of 20 June 2019, the Council considered the Project Budget FYE 2020, prepared by the Satterley Property Group (Satterley), and resolved to approve the Project Budget FYE 2020 as the basis of financial planning for the TPRC Budget FYE 2020.

The Project Budget FYE 2020, prepared by Satterley, reflects a conservative approach to sales/settlement rates and lot production consistent with the predicted soft conditions for new lot sales in Western Australia. The Project Budget FYE 2020 is premised on the following key activities and key assumptions:

#### Sales/Settlements

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

#### Civil Construction - \$1.9M

- Civil construction Stage 26 (Beach Precinct);
- Commencement of Stage 18B (Central Precinct).

#### Infrastructure - \$1.41M

- Portofino Boulevard extension - \$0.4M;
- Beach Access Road/services -\$0.7M;
- Burns Beach – Mindarie DUP - \$1.1M;
- Connolly Drive Intersection (preliminary works) - \$0.4M;
- Catalina Beach Pump Station (WAWA refund) - \$1.3M.

#### Landscape Construction - \$2.91M

- Portofino Promenade median/verge extension (\$0.3M);
- Foreshore area landscape (\$0.3M);
- Stage 17 verges (\$0.3M);
- Stage 11 (balance of park) (\$0.80M);
- BCA North and South rehabilitation works - \$0.2M.

#### Marketing - \$0.35M

- Continued Catalina branding;
- Advertising for estate campaigns;

- Market research.

Planning

- Catalina Beach - refining concepts, addressing the foreshore interface and potential development of a commercial/community node, optimal lot mix and typologies and opportunities for retention of native vegetation.
- Catalina Grove - refining concepts, including opportunities to maintain tree canopy, the integration of transport solutions associated with the Clarkson Train Station and for innovative and affordable housing.
- Catalina Grove - identification of the first subdivision area and optimal lot mix and typologies to launch the new precinct.
- Stage 18C Catalina Central - exploring opportunities for innovative design and a builder partnership.
- Stage 16 Catalina Central - refinement of concepts for development.

The Project Budget FYE 2020 assumes the acquisition of the Western Australian Planning Commission (WAPC) land - \$10.2M, with payments being made in FYE 2020 and FYE 2021. The land is located within the Catalina Grove Precinct, adjacent the Mitchell Freeway, and which forms part of the approved Tamala Park Local Structure Plan. The agreement to purchase is consistent with the Negotiated Planning Solution (2004) approved by the WAPC and the member local governments.

The proposed Distribution to member local governments is \$3.0M.

**Comments**

1. In 2018/2019 the TPRC did not expend all projected operating allocations, as a result of lower lot sales resulting in less lot production/infrastructure expenditure. Consequently, the operating budget for the financial year was in surplus.
2. The TPRC Budget 2019/2020 is based on the Project Budget FYE 2020, prepared by Satterley. Satterley 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, Satterley has proposed a conservative position in terms of sales and revenue.
3. The comparison of projected income and expenditure for 2019/2020 with the previous year is shown in the table below.

<b>Net Result</b>	<b>Budget 2019/20 \$</b>	<b>Budget 2018/19 \$</b>
<b>Income</b>		
Investments	966,153	1,040,633
Proceeds Sale of Lots	9,073,874	16,355,835
Profit Disposal of Assets	0	0
Other income	2,050	2,000
<b>Total Income</b>	<b>10,042,077</b>	<b>17,398,468</b>
<b>Expenditure</b>		
Loss on Disposal of Assets	0	1,760
Depreciation	25,578	25,381

Employee Costs	742, 713	725,924
Insurance	21,089	13,880
Utilities	6,611	6,450
Administration Expenses	312,966	404,895
Governance	191,050	186,390
<b>Total Expenditure</b>	<b>1,299,665</b>	<b>1,364,680</b>
<b>Net Result</b>	<b>8,742,412</b>	<b>16,033,788</b>
<b>Less Development of Land for Resale</b>		
Development Costs, Subdivisions	16,343,068	21,277,191
Equity Distribution	3,154,491	4,209,337
	<b>19,497,559</b>	<b>25,486,528</b>
<b>Net Change in Members Equity</b>	<b>(10,755,147)</b>	<b>(9,452,740)</b>
Plus Accumulated Surplus as at 30th June	45,712,094	45,732,329
Less Changes on Revaluation of Non- Current Assets	(200,000)	0
	<b>45,712,094</b>	<b>45,732,329</b>
<b>Total Members Equity</b>	<b>34,956,947</b>	<b>36,279,589</b>

4. The Budget has been assembled in local government format and is shown in Appendix 9.6, 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 Marketing Strategy FYE 2020 and the Lot Sales and Release Strategy FYE 2020 (May 2019) approved by Council at its meeting of 20 June 2019. 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 2019/2020.

The expenditure projected is shown in the following table:

Land & Special Sites Development	5,221,297
Consultants	575,247
Landscape	2,906,368
Infrastructure	1,409,144
Bulk Earthworks	0
Lot Production	1,903,449
Admin Land Development	1,127,427
Community Development	192,500
Contingency	685,621
Finance	50,000
Debtors /Creditors Movement	0
	14,098,050

These are shown as Capital Costs in the Budget.

#### 4.4. Revenue

Last financial year investment income amounted to \$1,200,029. Indications are that interest rates will remain stable through 2019/2020. The estimated investment revenue is \$966,153. This assumes an investment rate of 2.0% per annum for 2019/2020.

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 2019/2020.

#### 5. Financial Activity Statement

The Financial Activity Statement 2019/2020 (Appendix 9.6) shows the TPRC cashflow position for 2019/2020. This assumes income from the sale of lots of \$9,073,874. The Draft Annual Budget for 2019/2020 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 2019/2020.

#### 7. Distributions

The Draft TPRC Budget for 2019/2020 predicts Distributions to the seven participant members totalling \$3.0 million. It is anticipated that the Distributions are to be made in June 2020.



## **Conclusion**

The Draft TPRC Budget for 2019/2020 is based on the Project Budget FYE 2020 approved by the Council at its meeting of 20 June 2019, as the basis of financial planning for the TPRC Budget FYE 2020. It is also consistent with the Annual Marketing Strategy FYE 2020 and the Lot Sales and Release Strategy FYE 2020 (May 2019) also approved by Council at its meeting of 20 June 2019. 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 2019/2020 is recommended for Council's endorsement.

The Audit Committee is to consider a report on the Draft Financial Budget FYE 2020 at its meeting of 9 August 2019. An update of the Audit Committee's considerations and recommendations will be reported to Council at the meeting.

## 9.7 EARTHWORKS AND SUBDIVISION WORKS TENDER (TENDER 04/2019)

### Report Information

Reporting Officer: Manager Project Coordination

### Recommendation

**That the Council ACCEPTS the RJ Vincent Tender submission (dated May 2019) for Civil and Infrastructure Works in accordance with Tender 04/2019 (Earthworks and Subdivision Works).**

### Voting Requirements

Simple Majority

### Policy Reference

TPRC Procurement Policy

### Local Government Act/Regulation

*Local Government Act 1995: Sect 3.57 – Provision of goods and services.*

This item satisfies the requirements of Section 5.23 of the *Local Government Act 1995*, enabling it to be considered at a meeting, or part of a meeting, that is closed to members of the public, on the grounds that it deals with:

- c) *A contract entered into, or which may be entered into, by the TPRC and which relates to a matter to be discussed at a meeting (section 5.23(2)(c)); and*
- e) *A matter that if disclosed, would reveal –*
  - i) *Information that has a commercial value to a person; or*
  - ii) *Information about the business, professional, commercial or financial affairs of a person.**where the information is held by, or is about, a person other than the TPRC (section 5.23(2)(e)).*

Note: Applies to Appendices only.

### Financial/Budget Implications

Expenditure for the contract works will be incurred under the following items:

Item E145211 (Lot Production):

Budget Amount: \$ 1,930,449

Spent to Date: \$ 23,428

Balance: \$ 1,907,021

Item E145210 (Infrastructure):

Budget Amount: \$ 1,409,141

Spent to Date: \$ 0

Balance: \$ 1,409,141

*Note: Refers to FYE 2020 Budget, not yet adopted.*

Note: The tender relates to expenditure to be incurred in FYE 2020 – 2022.

## Relevant Documents

Appendices:

- Panel Report – Catalina Earthworks and Subdivision Works Tender 04/2019 (Confidential)
- Satterley Recommendation – Catalina Earthworks and Subdivision Works Tender 04/2019 (Confidential)

## Background

At its meeting on 18 February 2016, the Council accepted a tender for civil works based on fixed rates submitted by RJ Vincent for a two-year term, expiring in April 2018, with potential for a one-year extension at the Council's discretion. The Council approved a one-year extension to RJ Vincent at its meeting on 15 February 2018.

A request for tenders was advertised in the West Australian newspaper on 1 May 2019 to undertake civil works for a new contract period of two years, with a further one-year extension option at the Council's discretion.

The tender required pricing and rates be provided for the following scope of works:

- Connolly Drive roundabout works – based on a detailed design prepared, with a lump sum price required.
- Subdivision works for a typical 40-lot stage and an earthworks package – with pricing rates based on schedules of provisional sums and quantities.
- Bulk Earthworks Package A (based on a schedule of provisional quantities).
- Bulk Earthworks Package B (based on a schedule of provisional quantities).

At the conclusion of the tender period, four tenders were received from the following companies:

- Buckby Contracting Pty Ltd;
- Civcon Civil & Project Management;
- RJ Vincent & Co;
- Wormall Civil Pty Ltd.

The tenders were evaluated based on the pricing/rates against a proposed two-year development plan, which included multiple civil stages of construction, two earthworks packages and the identified infrastructure item within Connolly Drive. The tender makes the award of a single stage possible, or for a number of stages to the same contractor over time based on the approved tender rates. This approach is consistent with previous Earthworks and Subdivision Works tenders which were awarded as fixed rate contracts

## Comment

An Evaluation Panel was established consisting of Satterley, Cossill and Webley (Project Engineers) and TPRC representatives to assess the tender submissions received. The Evaluation Panel comprised the following:

- Simon O'Sullivan, Manager Project Coordination, TPRC;
- Carl Buckley, Project Director, Satterley;
- Nathan Butson, Director, Cossill & Webley.

An Evaluation Plan was prepared to guide the Evaluation Panel's assessment of the tender submissions and provided information in relation to:

- The evaluation process and timetable of events;
- Scoring responses and procedural fairness; and
- Scoring sheets and a declaration of confidentiality and interest form to be completed by each panel member.

The key objectives of the evaluation process were to:

- a) Make a recommendation to the TPRC, as to the tender that represents best value for money;
- b) Ensure the assessment of responses was undertaken fairly according to the predetermined selection criteria;
- c) Ensure adherence to the TPRC Procurement Policy; and
- d) Ensure that the requirements specified in the tenders were evaluated in a way that can be measured and documented.

Council's Probity Advisor (Stantons International) monitored the evaluation process.

The Panel met to evaluate the tenders, which was facilitated by the Probity Advisor. A copy of the tender evaluation report, prepared by Cossill & Webley on behalf of the Evaluation Panel, is attached at Appendix 9.7.

The evaluation of tenders by the Evaluation Panel resulted in the following scores being attributed to each tender submission:

<b>Tenderer</b>	<b>Evaluation Score</b>	<b>Rank</b>
Buckby Contracting Pty Ltd	66.45%	4
Civcon Civil & Project Management	76.65%	3
<b>RJ Vincent &amp; Co</b>	<b>93.25%</b>	<b>1</b>
Wormall Civil Pty Ltd	82.00%	2

RJ Vincent achieved the highest score from the Evaluation Panel based on the tender evaluation criteria. It submitted the lowest price and ranked either first or second in each of the qualitative evaluation criteria, as noted in the Evaluation Panel's report.

The Evaluation Panel has recommended that the Council award a fixed rates contract to RJ Vincent for Tender 04/2019 for earthworks and subdivisional works for a period of two years from 22 August 2019, with an option to extend it for a further one year at the Council's discretion. The Council can award the separable portions of work necessary to satisfy its requirements at its sole discretion.

Satterley has endorsed the Evaluation Panel's report and advised that the tendered rates are within the Project's budget and represent best value for the Council. A copy of Satterley's letter of recommendation is contained in Appendix 9.7.

Satterley has indicated that the tendered rates are approximately 0.5% less than rates of the previously awarded civil works contract and considers that RJ Vincent's proposal represents a value for money outcome, in accordance with the objectives of the Council's Procurement Policy.

The TPRC office has reviewed the Evaluation Panel's report and Satterley's recommendation, and is satisfied that a fair and accurate assessment of tender submissions against the evaluation criteria contained has been undertaken.

It is also noted RJ Vincent have satisfactorily performed all requirements under the current contract to a professional level and in timely manner.

The Evaluation Panel report has been reviewed by the Council's Probity Advisor, who has confirmed the completion of a sound procurement process.

*At its meeting of 18 July 2019, the Management Committee considered a report on the Earthworks and Subdivision Works Tender and resolved to recommend that Council ACCEPTS the RJ Vincent Tender submission (dated May 2019) for Civil and Infrastructure Works in accordance with Tender 04/2019 (Earthworks and Subdivision Works).*

## 9.8 TPRC RISK MANAGEMENT FRAMEWORK AND RISK REGISTER

### Report Information

Reporting Officer: Chief Executive Officer

### Recommendation

**That the Council APPROVES the Tamala Park Regional Council Risk Management Framework (February 2019) and the Tamala Park Regional Council Corporate Risk Register (February 2019).**

### Voting Requirements

Simple Majority

### Report Purpose

To consider a report on the Tamala Park Regional Council Risk Management Framework (February 2019) and Corporate Risk Register (February 2019).

### Policy Reference

N/A

### Local Government Act/Regulation

N/A

### Previous Minutes

- Council Meeting – 21 June 2018 (Item 9.11 - Catalina Risk Management Plan 2018)
- Council Meeting – 15 June 2017 (Item 9.11 - Catalina Risk Management Plan 2017)

### Financial/Budget Implications

N/A

### Relevant Documents

#### Appendix:

- Tamala Park Regional Council Risk Management Framework (February 2019)
- Tamala Park Regional Council Corporate Risk Register (February 2019)

### Background

At its meeting of 21 June 2018, the Council resolved to request the CEO to appoint a suitably qualified consultant to undertake an overall risk assessment of the TPRC framework.

In accordance with Council's resolution of 21 June 2018, Riskwest was appointed to undertake an overall risk assessment of the TPRC framework.

A Risk Management Framework Workshop was held 17 October 2018, attended by Councillors, Satterley representatives and TPRC officers. The purpose of the Workshop was for Riskwest (Council appointed consultant) to present the Stage 1 Review findings, provide an overview of risk management and develop the TPRC Risk Assessment criteria.

## Comment

Riskwest has completed a risk assessment of the TPRC framework and prepared the TPRC Risk Management Framework (February 2019) and TPRC Corporate Risk Register (February 2019), attached at Appendix 9.8. The risk assessment has been undertaken in the context of contemporary practice and against the principles, process and framework outlined in AS/NZS ISO 31000:2009 Risk Management (“Risk Management Standard”). It has also reviewed the Catalina Project Risk Register (2019).

An objective of the process was to ensure that the TPRC has a better understanding of its risk profile and visibility over critical risk controls associated with the TPRC framework. A further objective was to better align the Tamala Park Risk Management Framework and the Catalina Project Risk Register (2019) and to clearly allocate ownership of the operational risks, monitoring, review and reporting mechanisms.

It is noted that the Management Committee considered the Catalina Project Risk Register (2019) at its meeting of 18 July 2019 and recommended that Council:

1. *RECEIVES the Risk Management Plan (May 2019) prepared by the Satterley Property Group, subject to the modifications referred to in (2) below.*
2. *APPROVES the Catalina Project Risk Register (2019), submitted by the Satterley Property Group of the Catalina Project, as required Key Performance Indicator 2.12 requiring an annual review of the Project Risk Management Plan by May each year, subject to modifications identified being incorporated in the Catalina Project Risk Register (2019).*
3. *Subject to Recommendation (2) ACCEPTS that the Satterley Property Group has achieved Key Performance Indicator 2.12 requiring an Annual review of the Project Risk Management Plan by May each year.*

## TPRC Risk Management Framework

The TPRC Risk Management Framework and associated documentation represents a comprehensive risk assessment of the TPRC framework, recognising the TPRC’s unique role as a local government.

It sets out accountability, responsibility and oversight which align with the TPRC operational and management structure so that the management of risk is fully recognised.

The Risk Management Framework sets the following accountabilities and responsibilities for the management of risk:

### Council

- Is accountable for the overall performance of TPRC, including the appropriate management of risk.
- Is responsible for identifying any emerging/strategic risks associated with the strategic direction of the Council.
- Is responsible for the management of risks associated with governance of the Council.
- Is responsible for the oversight of the material risks.
- Sets the risk appetite and tolerance levels for the TPRC.

#### Audit Committee

- Oversees the TPRC's risk management practices.
- Delegates the management of corporate risks to the CEO.

#### CEO

- Delegates the controls and actions relating to those risk to the relevant personnel.
- Monitors and reviews material risks to the organisation (i.e. those rated SIGNIFICANT or HIGH or those which have the potential for a MAJOR or CATASTROPHIC impact on the TPRC) across operations and the development project.
- Is accountable for the implementation of risk management framework.
- Maintains Corporate Risk Register.
- Co-ordinates project risk reports to the Management Committee (every six months) of all project risks.
- Is responsible for the management of strategic and organisational risks as noted in the Corporate Risk Register.
- Coordinates the risk dashboard reports (TPRC corporate and Satterley Catalina Development) to the Audit Committee and the Council.

#### Development Manager supported by the Management Committee

- Is responsible for the management of the development project risks as noted in the Satterley Catalina Development Project Risk Register.
- Maintains the Catalina Development Project Risk Register.
- Provides updates of the Catalina Development Project Risk Register to the CEO and Management Committee on a six-monthly basis.

The Risk Management Framework includes risk assessment criteria which provide guidance as to how risks are to be assessed and evaluated. The criteria are based on a set of semi-quantitative measures of potential consequence and likelihood which are combined to provide an assessment of the overall level of risk. The assessment criteria also provide guidance as to the evaluation of the current control environment.

Risks arising from TPRC's functions and activities are measured across four fundamental consequence areas:

- Injuries to staff, contractors or general public;
- Financial Loss;
- Reputation;
- Organisational Performance.

The risk assessment criteria comprise of 4 tables which are shown in Attachment 2 of the Risk Management Framework (Appendix 9.8):

- Measures of Consequence or Impact;
- Measures of Likelihood;
- Existing Controls Rating;
- Risk Matrix and Criteria for Managing Risks.

Risk assessment criteria is used in conjunction with Council's defined risk appetite to determine the acceptability of any risk.



### TPRC Corporate Risk Register

The TPRC Corporate Risk Register has been developed by applying the Risk Assessment Criteria, developed at the Risk Workshop, which details Measures of Consequence or Impact, with a ranking of 1 (Insignificant) to 5 (Catastrophic) against the Measures of Likelihood, Rare to Almost Certain. The measures of consequence/impact and occurrence/likelihood ratings were then applied to the Risk Matrix to calculate a risk rating for each item, either Low, Moderate or Significant.

The TPRC Corporate Risk Register (2019) identifies 9 risks which are considered to be the most significant items of risk which may affect the TPRC. These risks were identified through the Risk Management Framework Workshop (October 2018).

The risk assessment resulted in the risk items being categorised as follows:

Significant risk – 2;  
Moderate risk – 6;  
Low risk – 1.

The two risk items categorised as Significant are:

- Strategic - Common Vision - Lack of agreed/common Objectives/Vision by Member Councils;
- Lack of agreed/common Objectives/Vision by Member Councils - Failure to establish and maintain a stable and effective governance environment.

#### *Risk 1: Strategic - Common Vision. - Lack of agreed/common Objectives/Vision by Member Councils*

Possible causes include:

- Differing priorities and expectations of the Member Councils;
- Differing expectations on timing/quantum of distributions to Member Councils;
- Over-reliance on potential distributions from the Development by Member Councils;
- Council Members not in agreement with or conversant with Objectives/Vision.

There are a number of existing controls in place to manage the risk, including the Establishment Agreement which sets regional purpose and TPRC objectives; Strategic Community Plan (Summary) Vision, Objectives and Strategies (approved by Council at its meeting of 18 April 2019); Corporate Business Plan and Long-Term Financial Plan (approved) sets out long term financial projections/outcomes.

The following additional mitigation actions/strategies are proposed to be put in place:

- Strategic Community Plan to be approved 2019;
- Members to confirm acceptance to Strategic Community Plan.

#### *Risk 2: Lack of agreed/common Objectives/Vision by Member Councils - Failure to establish and maintain a stable and effective governance environment*

Possible causes include:

- Members are not sufficiently conversant/experienced/skilled for effective decision-making and to deal with emerging issues;
- Members are not sufficiently aware or not in agreement with TPRC strategic documents;
- Lack of Members' understanding of and/or acceptance of TPRC Vision/Objectives;

- Loss of key personnel/Member Council representatives;
- Withdrawal of a Member Council.

There are a number of existing controls in place to manage the risk, including information pack provided to Councillors as part of induction; briefings by CEO; annual Council Project inspection; Establishment Agreement (provides dispute resolution and arrangements for vacating Member); Annual review and approval by Council of TPRC strategic documents.

The following additional mitigation actions/strategies are proposed to be put in place:

- Consider establishing a mechanism to ensure that Members attend inductions, briefing and project inspections;
- Formal declarations of familiarity with information provided;
- Formal declarations of support for TPRC Vision/Objectives.

### **Conclusion**

The TPRC Risk Management Framework (February 2019) and TPRC Corporate Risk Register (February 2019) have been developed consistent with contemporary risk management practice and against the principles, process and framework outlined in AS/NZS ISO 31000:2009 Risk Management (“Risk Management Standard”). They identify the most significant items of risk which may affect the TPRC and allocate ownership of the operational risks, monitoring, review and reporting mechanisms.

The TPRC Risk Management Framework and TPRC Corporate Risk Register will also more positively align with the Catalina Project Risk Register (2019).

The TPRC Risk Management Framework (February 2019) and TPRC Corporate Risk Register (February 2019) reflect contemporary and best practice in terms of risk assessment and management and are recommended for Council endorsement.

*At its meeting of 25 July 2019, the Audit Committee considered a report on the Tamala Park Regional Council Risk Management Framework (February 2019) and Corporate Risk Register (February 2019) and resolved to recommend that Council APPROVES the Tamala Park Regional Council Risk Management Framework (February 2019) and the Tamala Park Regional Council Corporate Risk Register (February 2019).*

## **9.9 AUDITOR'S REPORT FYE 2018 – SIGNIFICANT ADVERSE TREND, ASSET SUSTAINABILITY RATIO**

### **Report Information**

Reporting Officer: Chief Executive Officer

### **Recommendation**

#### **That the Council:**

- 1. RECEIVES the correspondence from the Department of Local Government, Sport and Cultural Industries dated 28 June 2019, in relation to the Audit Report FYE 2018 from Butler Settineri Pty Ltd.**
- 2. Forward a copy of the Council report to the Minister for Local Government, Sport and Cultural Industries and the TPRC Auditor - Butler Settineri.**
- 3. PUBLISH a copy of the Council report on the TPRC website within 14 days of Council's resolution.**

### **Voting Requirements**

Simple Majority

### **Report Purpose**

To consider a report on correspondence from the Department of Local Government, Sport and Cultural Industries (DLGSCI) in relation to the Audit Report FYE 2018 and the Asset Sustainability Ratio.

### **Relevant Documents**

Appendix:

- Audit Report for Financial Year ended 30 June 2018
- Letter from Department of Local Government, Sport and Cultural Industries dated 28 June 2019
- Letter from Moore Stephens dated 15 July 2019
- Letter from Butler Settineri dated 7 August 2019

### **Previous Minutes**

- Council Meeting – 18 October 2018 (Item 9.7: Review of the Auditor's Report for the Financial Year Ended 30 June 2018)
- Council Meeting – 12 October 2017 (Item 9.8: Review of the Auditor's Report for the Financial Year Ended 30 June 2017)

### **Policy Reference**

TPRC Audit Charter 6(f) and (h)

### **Local Government Act/Regulation**

- *Local Government Act Section 7.9(3)* – Auditor is to provide a copy of the Audit Report within 30 days of completion to the Chairman, the CEO and the Minister.

- *Local Government Act Section 7.12(3)* – Local Government required to take action on matters raised in Audit Report.
- *Local Government (Audit) Regulations 10.4* – Auditor may prepare a Management Report in addition to the Audit Report and copy to Chairman, the CEO and the Minister.

## Background

The *Local Government (Audit) Regulations* require the Council's appointed Auditor to prepare an Auditor's Report.

The report is to give the Auditor's opinion of:

- (a) The financial position of the local government;
- (b) The results of the operations of the local government.

At its meeting of 18 October 2018, the Council considered the Auditor's Report (Butler Settineri) as required by Regulation and resolved to:

1. *RECEIVE the Auditor's Report for the financial year ended 30 June 2018.*
2. *NOTE that the Audit Report does not note or make recommendations on any matter requiring attention from the Annual Audit for the year ended 30 June 2018.*
3. *NOTE that the Council's Auditor (Butler Settineri) met with the Audit Committee at its meeting of 18 October 2018 to discharge the statutory obligation to meet with the Local Government at least once per annum.*

As indicated in Resolution (3) above the Council's Auditor met with the Audit Committee at its meeting of 18 October 2018 to discharge the statutory obligation to meet with the Local Government at least once per annum and did not raise any significant matters or make any adverse findings.

## Comment

The TPRC has received correspondence from the DLGSCI in relation to the Audit Report from Butler Settineri Pty Ltd, Council's appointed Auditor (attached at Appendix 9.9). The correspondence indicates that the Audit Report identifies a "significant adverse trend in the financial position" as the Asset Sustainability Ratio is below the Department's standard.

The DLGSCI statements result from the following comments in the Audit Report (page 3):

- a) "Apart from the asset sustainability ratio there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Regional Council."

This matter has been discussed with Mr van der Merwe - Butler Settineri, who prepared the advice to Council and met with the Audit Committee on 18 October 2018. Mr van der Merwe reiterated advice previously provided to Council there were not any significant matters and confirmed that there were no adverse findings in relation to TPRC financial reporting. He did note that the Asset Sustainability Ratio is below the Department's standard, however, did not see that this was a matter of significance given the TPRC's asset and substantial cash position.

Mr van der Merwe advised that the Department has sent similar correspondence to a significant number of local governments. He has prepared a response to the DLGSCI to clarify comments made in relation to the Asset Sustainability Ratio in the Audit Report in order to avoid a misrepresentation of the TPRC financial position (attached at Appendix 9.9). The advice

indicates the Auditor's view that not meeting a benchmark is not in itself an indication of a significant adverse financial trend. To identify significant adverse financial trends, the financial ratios need to be considered within the overall context of the financial report.

Moore Stephens, which provides monthly and annual financial reporting to the TPRC, was requested to provide advice on the correspondence from the DLGSCI. The Moore Stephens' response (attached at Appendix 9.9) assists in clarifying the matter of the Asset Sustainability Ratio and why it is below the Department's standard. The smaller the asset base of a local government, such as the TPRC, the more pronounced the variations in annual asset renewal expenditure. In the case of the TPRC this has resulted in the significant fluctuation between 2017 when a single asset was renewed and 2018 when no assets were renewed.

It notes the TPRC's substantial net asset position and the capacity to spend \$20,152 renewing assets which was the total depreciation for the year ended 30 June 2018 but considers it would not be an appropriate management decision to renew an asset which did not require renewal. It concludes that no action be taken in relation to the asset sustainability ratio and that the TPRC continue to only renew assets in accordance with their planned asset renewal timings.

It is noted that the expenditure and management of TPRC assets is consistent with the Council approved Asset Management Plan 2017.

It is acknowledged that the TPRC Asset Sustainability Ratio for FYE 2018 is below the DLGSCI's standard. It is also understandable how the DLGSCI may have reached its position on the significance of the matter in the Auditors Report and that it may not understand the nature of the TPRC operations and financial position. However, any suggestion that the TPRC position in relation to the Asset Sustainability Ratio indicates a significant adverse trend or that its financial position is somehow compromised is clearly fallacious. This position is reflected by advice provided by Butler Settineri and Moore Stephens.

The management of the TPRC operational assets is regularly considered by Moore Stephens and considered to be appropriate.

In accordance with the DLGSCI correspondence of 28 June 2019 and Section 7.12A(4) of the *Local Government Act 1995* it is recommended that the CEO forward a copy of the Council report to the Minister for Local Government, Sport and Cultural Industries and the TPRC Auditor - Butler Settineri.

At its meeting of 25 July 2019, the Audit Committee considered a report on the correspondence from the Department of Local Government, Sport and Cultural Industries in relation to the Audit Report FYE 2018 and the Asset Sustainability Ratio and resolved to recommend that Council:

1. *RECEIVES* the correspondence from the Department of Local Government, Sport and Cultural Industries dated 28 June 2019, in relation to the Audit Report FYE 2018 from Butler Settineri Pty Ltd.
2. *Forward* a copy of the Council report to the Minister for Local Government, Sport and Cultural Industries and the TPRC Auditor - Butler Settineri.
3. *PUBLISH* a copy of the Council report on the TPRC website within 14 days of Council's resolution.

## **9.10 AUDIT COMMITTEE AUDIT CHARTER & ANNUAL AUDIT PLAN REVIEW**

### **Report Information**

Reporting Officer: Chief Executive Officer

### **That the Council:**

- 1. APPROVES the TPRC Audit Charter (April 2019).**
- 2. ADOPTS the Audit Plan 2019/2020.**

### **Voting Requirements**

Simple Majority

### **Report Purpose**

To review the TPRC Audit Charter and Annual Audit Plan 2019/2020.

### **Relevant Documents**

Appendix:

- Audit Charter (April 2019)
- Audit Plan (2019/2020)

### **Previous Minutes**

- Audit Committee Meeting – 2 August 2018 (Item 8.3 – Audit Committee Audit Charter & Annual Audit Plan Review)
- Council Meeting – 16 August 2018 (Item 9.9 – Audit Committee Audit Charter & Annual Audit Plan Review)

### **Policy Reference**

Audit Charter (2018)

### **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 Financial Report and recommendation for adoption of the Annual Financial Report to the Council.

**Comment**

The Council approved the TPRC Audit Charter (July 2018) and the Audit Plan 2018/2019 at its meeting of 16 August 2018.

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 9.10.

At its meeting of 25 July 2019, the Audit Committee considered a report on the TPRC Audit Charter and Annual Audit Plan 2019/2020 and resolved to recommend that Council:

1. *APPROVES the TPRC Audit Charter (April 2019).*
2. *ADOPTS the Audit Plan 2019/2020.*

9.11 CATALINA STRATEGIC MARKETING PLAN – JULY 2019 - **CONFIDENTIAL**

CONFIDENTIAL



9.12 REVIEW OF SUSTAINABILITY INITIATIVES PLAN - **CONFIDENTIAL**

CONFIDENTIAL

9.13 CATALINA HOUSING AND BUILT FORM STRATEGY – JULY 2019 –  
**CONFIDENTIAL**

CONFIDENTIAL

9.14 REVIEW OF CATALINA RISK MANAGEMENT PLAN 2018 - **CONFIDENTIAL**

CONFIDENTIAL

**9.15 COMMUNITY VISION HEALTH HUB - GROVE PRECINCT, CATALINA -  
CONFIDENTIAL**

CONFIDENTIAL

9.16 CEO FURTHER CONTRACT OF EMPLOYMENT – **CONFIDENTIAL**

CONFIDENTIAL

9.17 APPOINTMENT OF ACTING CHIEF EXECUTIVE OFFICER – **CONFIDENTIAL**

CONFIDENTIAL

9.18 POWERS OF ATTORNEY – **CONFIDENTIAL**

CONFIDENTIAL

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