



Ordinary Meeting of Council

AGENDA

**Thursday 18 June 2020, 6:00pm
to be held electronically**

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 electronically on Thursday 18 June 2020 at 6:00pm.

The business papers pertaining to the meeting follow.

Your attendance at the e-meeting is requested.

Yours faithfully



TONY ARIAS
Chief Executive Officer

MEMBERSHIP

OWNER COUNCIL	MEMBER	ALTERNATE MEMBER
Town of Cambridge	Cr Andres Timmermanis (DEPUTY CHAIR)	Cr Gary Mack
City of Joondalup	Cr John Chester Cr Phillipa Taylor	Cr Christopher May Cr Suzanne Thompson
City of Perth	Cmr Andrew Hammond	Cmr Gaye McMath
City of Stirling	Cr Karen Caddy (CHAIR) Cr David Lagan Cr Suzanne Migdale Cr Bianca Sandri	Cr Karlo Perkov
Town of Victoria Park	Cr Claire Anderson	
City of Vincent	Mayor Emma Cole	Cr Joanne Fotakis
City of Wanneroo	Cr Brett Treby Cr Domenic Zappa	Cr Natalie Sangalli Cr Vinh Nguyen

Representatives from the Satterley Property Group will be joining the e-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 – 11 May 2020

5A BUSINESS ARISING FROM MINUTES

6. ANNOUNCEMENTS BY CHAIR (WITHOUT DISCUSSION)

7. MATTERS FOR WHICH MEETING MAY BE CLOSED

9.7 Annual Plan FYE 2021 - Confidential

9.8 MRC Landfill Buffer – Groundwater Monitoring Update – Confidential

9.9 CEO Performance Review 2019/2020 – Appointment of Consultant - Confidential

8. COUNCIL REPORTS 8.1 – 8.6

8.1 BUSINESS REPORT – PERIOD ENDING 11 JUNE 2020

Report Information

Reporting Officer: Manager Project Coordination

Recommendation

That the Council RECEIVES the Business Report to 11 June 2020.

Voting Requirements

Simple Majority

Report Purpose

To advise the Management Committee of matters of interest not requiring formal resolutions.

Relevant Documents

Nil

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. COVID-19 Impacts on TPRC Operations

The transition on 6 June 2020 to Phase 3 restrictions under the State Government's COVID-19 W.A. Roadmap has enabled reopening of playgrounds, fitness-equipment and barbeques in Catalina parks.

Meetings of the TPRC and its Committees will continue to be held by video-conference, as provided for by the *Local Government (Administration) Amendment Regulations* gazetted on 25 March 2020. Recommencement of in-person meetings will be dependent on the capability of meeting venues to allow the required physical distancing guidelines to be met.

2. Civil Construction - Status

The next stage of civil works to be undertaken is Stage 18C – Catalina Central, which was forecast in the FYE 2020 Annual Plan to commence in May 2020.

The Council resolved at its meeting held 16 April 2020 to cease negotiations with the preferred builder tenderer and commence negotiations with the second ranked tenderer

(Schlager Group, David Barr Architects and Josh Byrnes and Associates), with an agreement on potential commercial terms to concluded by 16 June 2020.

The construction of this stage will not commence within the timeframe identified in the Annual Plan FYE 2020.

3. Landscape Works – Status

The next package of works to be undertaken will be rehabilitation planting in the Biodiversity Conservation Areas in Catalina Central in July 2021.

4. Housing Construction

The following table provides an overview of the current progress of housing construction to 11 June 2020:

Stage	Total Lots	Under Construction	Completed	Vacant
Stages 1 - 11	529	1	520	8
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	23	2
Stage 17B	36	3	10	23
Stage 18A	29	1	28	0
Stage 18B	31	0	23	8
Stage 25 (Display Village)	15	0	15	0
Stage 25	25	8	8	9
Stage 25B	7	0	7	0
Stage 25 (Builders Release)	7	5	1	1
Stage 26	38	0	0	38
Total	1001	17	891	92

5. Catalina Beach Builders Display Village 3 and Sales Office

At its meeting on 16 April 2020, the Council approved revised opening hours for the Sales Office due to COVID-19 restrictions having forced the temporary closure of display homes in the Catalina builders' display village. The Council agreed to the Sales Office being open only between 2.00pm and 5.00pm on weekends and by appointment-only at all other times on a temporary basis until 30 June 2020, or earlier to coincide with COVID-19 restrictions to display villages being lifted.

The Satterley Property Group (Satterley) proposes to extend opening hours for the next six months. A report on this matter is included in Item 8.6.

6. Community Events

Community events involving gatherings of people had been suspended during COVID-19 restrictions. A series of virtual community events that residents can participate in from home have instead been undertaken. The events have had the objective of maintaining contact with the Catalina community and fostering connections and a sense of togetherness at a time of uncertainty and increased social isolation.

Branded and promoted as ‘Virtually Together’, the program has involved a new initiative being run each week using a mix of social media, email and letterbox deliveries providing a combination of family-based activity at home as well as virtual or arms-length interaction with fellow community members. Activities completed have included an in-home movie night, kindness cards to facilitate support for the vulnerable, ice-cream and coffee truck visits, collective kite flying, Anzac Day commemorations, a Mother’s Day video, a driveway disco and an environmental-themed treasure hunt.

Involvement in the program has been strong with over 1,100 household participations registered across the events (excluding the World Environment Day). The program has been delivered under budget for a total cost of just over \$5,100 and has provided positive branding opportunities. It has generated alternative material for content channels such as the website blog, eDM and social media. Feedback from participants has been positive.

Satterley is currently preparing a Community Development Plan for FYE 2021. It is anticipated that it will propose the resumption of events involving community gatherings within applicable health guidelines. Events are likely to have a focus on the recently completed Stage 11 park and the opening in early 2021 of the planned foreshore access.

7. Local Structure Plan Amendment - Catalina Grove

The Western Australian Planning Commission (WAPC) has requested that the LSP amendment documentation be updated in accordance with a Schedule of Modifications. The modifications are minor in nature and reflect updated LSP format requirements of the WAPC. The modified documentation has been submitted to the WAPC and its approval is anticipated in the next fortnight.

Satterley is currently preparing a Development Delivery Strategy for Catalina Grove, which is to be presented to the July Management Committee and August Council Meetings (2020) for consideration.

8. Catalina Beach Access Road / Carpark

Applications for Development Approval and a Clearing Permit for the access road and carpark were submitted in December 2019 and January 2020 respectively. The WAPC has issued the Development Approval.

The Department of Water and Environmental Regulation requested additional information regarding the Clearing Permit application, including justification for the proposed road alignment and updated flora and fauna survey details. Additional information has been prepared and submitted by the Project’s environmental consultants. It is anticipated that the Clearing Permit will be obtained in the next fortnight. A 21-day appeal period is provided once the Permit is issued.

Civil and landscape design has been completed. If no appeal is made in relation to the Clearing Permit, it is anticipated that earthworks will commence in early August 2020.

Completion of the road, including the carpark, footpaths, landscaping and the extension of Portofino Promenade is anticipated in April 2021.

9. Catalina Local Centre Site

An application for the development of a local centre at Lot 646 Aviator Boulevard in Catalina Central was considered by the Metro North-West Joint Development Assessment Panel (JDAP) on 6 February 2020. Consideration of the proposed development, comprising a child care centre, café and retail and office tenancies was deferred by the JDAP to allow the applicant to address a range of design elements, including built form, parking, access, waste management, setbacks and landscaping. The developer, OTB Developments, has amended and resubmitted its development plans. Changes include:

- Relocation of the cafe to the corner of Roulettes Parade and Aviator Boulevard;
- Reduction of office space;
- Modified childcare centre layout;
- Additional carparking;
- Removal of the apartment above the retail tenancies fronting Aviator Boulevard;
- Removal of on-street car bays along Aviator Boulevard and the green-link;
- Relocation of the bin store.

The amended design was presented to the City of Wanneroo Design Review Panel on 28 May 2020. OTB Developments advise that in principle support for many of the design changes has been achieved, except for the childcare centre location. Additional cross-sections and drawings to support the proposed location are being prepared to enable consideration at the JDAP meeting scheduled for late June 2020.

10. Coastal Dual Use Path, Burns Beach – Mindarie

At its meeting in June 2019, the Council 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 (DUP).

The section of DUP through the coastal conservation reserve to the south of Catalina was completed by the Cities in December 2019.

Construction of the section of DUP to the western of Catalina commenced on 2 June 2020 and is due to be completed in early August 2020. The TPRC Chair will be attending a photo-shoot with the Cities' Mayors on 16 June 2020 in support of a media story in relation to the commencement of this work.

The timing for completion of the southern portion of the DUP at Peet's Burns Beach Estate is still to be determined.

8.2 STATEMENTS OF FINANCIAL ACTIVITY FOR THE MONTHS OF MARCH & APRIL 2020

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

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

- **31 March 2020; and**
- **30 April 2020.**

Voting Requirements

Simple Majority

Report Purpose

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

Relevant Documents

Appendices:

- Statement of Financial Activity for 31 March 2020
- Statement of Financial Activity for 30 April 2020

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 April 2020 exceeding 10% were experienced in relation to the following:

Interest Earnings	The favourable variation relates to timing of maturity of Term Deposit investments.
Other Revenue	The favourable variation relates to receipt of commission from Term Deposit investments and will continue to remain ahead of budget.
Employee Costs	The favourable variation is due to deferral of additional resources and is expected to remain under budget.
Materials and Contracts	The favourable variation relates to consultancy fees and is expected to remain under budget.
Other	The favourable variation relates to timing of payments.
Utilities	The favourable variation relates to timing of payments.
Income Sale of Lots - Subdivision	The favourable variance relates to additional settlements based on the Mid-Year Budget Review.
Land Production Costs	The favourable variance relates to timing of payments, deferral of works and deferral of the part payment for the WAPC land and will remain under budget.
Profit Distribution / Contributions Returned	The unfavourable variation relates to timing of payments of rate reimbursements.

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

Financial Snapshot as at 30 April 2020

**TAMALA PARK REGIONAL COUNCIL
FINANCIAL SNAPSHOT
FOR THE PERIOD ENDING 30 APRIL 2020**

	2019-20 ADOPTED BUDGET	2019-20 AMENDED BUDGET	2019-20 BUDGET YTD	2019-20 ACTUAL YTD	VARIANCE		VARIANCE %
					FAVOURABLE	UNFAVOURABLE	
REVENUE	\$	\$	\$	\$	\$	\$	%
Interest Earnings	966,153	750,000	689,410	678,860		(10,550)	1.53%
Other Revenue	2,050	0	0	2,894	2,894		100.00%
	\$968,203	\$750,000	\$689,410	\$681,754	\$2,894	(\$10,550)	
LESS EXPENDITURE							
Depreciation	(25,578)	(25,578)	(21,315)	(21,315)	-		0.00%
Employee Costs	(742,371)	(742,041)	(619,668)	(497,872)	121,796		19.66%
Insurance	(21,090)	(18,373)	(18,373)	(18,373)	-		0.00%
Materials and Contracts	(312,762)	(312,967)	(260,807)	(104,806)	156,001		59.81%
Other	(191,256)	(189,000)	(142,650)	(119,459)	23,191		16.26%
Utilities	(6,611)	(6,611)	(5,509)	0	5,509		100.00%
Profit/(loss) on Disposal Of Asset							
Members Equity							
-Income Sale of Lots - Subdivisions	9,073,874	8,388,739	6,722,939	7,373,895	650,956		9.68%
-Income Other - Subdivisions	0	450,000	150,000	0		(150,000)	100.00%
-Land Production Costs	(16,343,068)	(16,671,523)	(13,047,321)	(2,847,632)	10,199,689		78.17%
-Profit distribution/Contributions Returned	(3,154,491)	(3,154,491)	(154,491)	(185,278)		(30,787)	-19.93%
-Members Equity - GST Withheld	0	0	0	(524,510)		(524,510)	-100.00%
	(\$11,723,353)	(\$12,281,845)	(\$7,397,195)	\$3,054,650	\$11,157,142	(\$705,297)	
Total Change in Equity	(\$10,755,150)	(\$11,531,845)	(\$6,707,785)	\$3,736,404	\$11,160,036	(\$715,847)	

Balance Sheet Summary as at 30 April 2020

	Actual 2018-19 \$	Actual 2019-20 \$	Variance \$	Variance %
Current assets				
Cash and cash equivalents	43,975,870	47,828,690	3,852,820	8.76%
Trade and other receivables	340,001	253,101	(86,900)	-25.56%
Total current assets	44,315,871	48,081,791	3,765,920	8.5%
Non-current assets				
Inventories	1,600,000	1,600,000	0	0.00%
Property, plant and equipment	123,283	101,968	-21,315	-17.29%
Total non-current assets	1,723,283	1,701,968	-21,315	-1.24%
Total assets	46,039,154	49,783,760	3,744,605	8.13%
Current liabilities				
Trade and other payables	64,771	72,973	(8,202)	-12.66%
Provisions	256,570	256,570	0	0.00%
Total current liabilities	321,341	329,542	(8,202)	-2.6%
Non-current liabilities				
Provisions	5,719	5,719	0	0.00%
Total non-current liabilities	5,719	5,719	0	0.00%
Total liabilities	327,060	335,262	(8,202)	-2.51%
Net assets	45,712,094	49,448,498	3,736,404	8.17%

Term Deposits as at 30 April 2020

Term Deposits							
Maturity Date	Face Value (\$)	Rate	Institution	Credit Rating	Purchase Price (\$)	Purchase Date	Current Value (\$)
11-May-20	3,000,000.00	1.8000%	AMP Bank	A-2	3,000,000.00	11-Nov-19	3,025,446.58
11-May-20	2,000,000.00	1.8000%	AMP Bank	A-2	2,000,000.00	12-Nov-19	2,016,865.75
19-May-20	3,000,000.00	1.6000%	Macquarie Bank	A-1	3,000,000.00	19-Nov-19	3,021,567.12
4-Jun-20	4,000,000.00	1.6500%	Macquarie Bank	A-1	4,000,000.00	4-Feb-20	4,015,731.51
13-Jul-20	2,000,000.00	1.6000%	Macquarie Bank	A-1	2,000,000.00	11-Mar-20	2,004,471.23
6-Aug-20	3,000,000.00	1.5800%	National Australia Bank	A-1+	3,000,000.00	6-Feb-20	3,011,038.36
10-Aug-20	3,000,000.00	1.5600%	National Australia Bank	A-1+	3,000,000.00	10-Feb-20	3,010,385.75
11-Aug-20	3,000,000.00	1.8000%	AMP Bank	A-2	3,000,000.00	13-Feb-20	3,011,539.73
15-Sep-20	3,000,000.00	1.7000%	Suncorp Bank	A-1	3,000,000.00	17-Mar-20	3,006,287.67
15-Sep-20	2,000,000.00	1.7000%	Suncorp Bank	A-1	2,000,000.00	17-Mar-20	2,004,191.78
15-Sep-20	4,000,000.00	1.7400%	Suncorp Bank	A-1	4,000,000.00	18-Mar-20	4,008,390.14
21-Sep-20	2,017,452.05	1.8000%	AMP Bank	A-2	2,017,452.05	23-Mar-20	2,021,332.19
14-Oct-20	3,000,000.00	1.5000%	Suncorp Bank	A-1	3,000,000.00	15-Apr-20	3,001,972.60
26-Oct-20	3,015,780.82	1.7500%	Macquarie Bank	A-1	3,015,780.82	25-Mar-20	3,021,130.73
27-Oct-20	1,200,000.00	1.5500%	Bank of Queensland	A-2	1,200,000.00	30-Apr-20	1,200,050.96
30-Nov-20	2,000,000.00	1.4000%	Westpac Group	A-1+	2,000,000.00	28-Apr-20	2,000,230.14
9-Dec-20	3,000,000.00	1.7000%	Macquarie Bank	A-1	3,000,000.00	10-Mar-20	3,007,265.75
28-Apr-21	500,000.00	1.7000%	Westpac Group	A-1+	500,000.00	28-Apr-20	500,069.86
	46,733,232.87	1.6669%			46,733,232.87		46,887,967.85

8.3 LIST OF MONTHLY ACCOUNTS SUBMITTED FOR THE MONTHS OF MARCH & APRIL 2020

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 March and April 2020:

- **Month ending 31 March 2020 (Total \$186,086.13)**
- **Month ending 30 April 2020 (Total \$387,934.68)**
- **Total Paid - \$574,020.81**

Voting Requirements

Simple Majority

Report Purpose

Submission of payments made under the CEO's Delegated Authority for the months ending 31 March 2020 and 30 April 2020.

Relevant Documents

Appendices:

- Summary Payment List for March 2020
- Summary Payment List for April 2020

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.

8.4 PROJECT FINANCIAL REPORT – APRIL 2020

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Council RECEIVES the Project Financial Report (April 2020) submitted by the Satterley Property Group.

Voting Requirements

Simple Majority

Report Purpose

To consider the Project Financial Report for April 2020 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 April 2020.

Relevant Documents

Appendix: Letter from Satterley Property Group dated 26 May 2020 with Financial Report

Background

At its meeting of 20 June 2019, the Council approved the Project Budget FYE 2020, submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2020.

The Development Manager's Key Performance Indicators 2020 - Governance, requires the preparation of monthly progress reports.

Comment

The Satterley Property Group has prepared a Financial Report for April 2020 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 April 2020 and is attached at Appendix 8.4.

The Financial Report identifies the following main areas of variance:

1. Settlement revenue was \$7.00M which is \$0.3M behind budget with one less residential settlement for the year to date.
2. Expenditure was \$10.0M under budget, in the following areas:
 - Lot Production \$0.93M;
 - Landscape \$1.7M;
 - Infrastructure \$1.6M;
 - P&L expenditure \$1.5M.
 - Indirect consultants \$0.34M
 - Land Acquisition - \$5.10M deferral of the WAPC land acquisition initial payment from December 2019 to June 2020.

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

3. Lot Sales Value was \$6.82M which is \$0.33M favourable to budget due to two more lot sales year to date, partially offset by a lower average selling price per lot due to lot mix.

Satterley Property Group representatives will be in attendance to answer questions on the report.

8.5 SALES AND SETTLEMENT REPORT – PERIOD ENDING 11 JUNE 2020

Report Information

Reporting Officer: Manager Project Coordination

Recommendation

That the Council RECEIVES the Sales and Settlement Report to 11 June 2020.

Voting Requirements

Simple Majority

Report Purpose

To advise the Management Committee 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:	\$8,388,739
Received to Date:	\$7,373,258
Balance:	\$1,015,481

Relevant Documents

Appendices:

- Staging Plan
- Sales and Marketing Campaign Progress Report – Satterley Property Group (Satterley)
- Viva La Catalina Sales and Marketing Campaign Artwork and Advertising

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 8.5 identifies the extent of the stage boundaries referenced within the report.

Comment

Table 1 provides a summary of the Catalina Estate Sales and Settlement position for lots released up to 11 June 2020.

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

Stage/ Release Date	Release Date	Lots Released	Lot Sizes (m ²)	Sold*	Stock	Settled
Stages 1 – 15,18A	-	817	174 - 658	817	0	817
Stage 17A	Oct-16	25	300 - 510	23	2	23
Stage 17B (Release 1)	Nov-17	18	300 - 450	15	3	13
Stage 17B (Release 2)	Sep-19	8	245 - 450	6	2	1
Stage 17B (Release 3)	Apr-20	10	300 - 450	5	5	0
Stage 18B	Mar-17	31	200 - 474	30	1	24
Stage 25 (Release 1)	May-17	21	300 - 450	20	1	19
Stage 25 (Display Village)	May-17	15	375 - 497	15	0	15
Stage 25 (Release 2)	Oct-17	7	233 - 299	7	0	7
Stage 25 (Release 3)	Apr-18	6	254 - 255	6	0	6
Stage 25 (Release 4)	Sep-18	5	277 - 450	5	0	4
Stage 26 (Release 1)	Apr-19	8	300 - 486	7	1	5
Stage 26 (Release 2)	Dec-19	8	367 - 481	4	4	2
Stage 26 (Release 3)	Apr-20	8	315 - 539	4	4	0
Stage 26 (Not Released)	-	-	450	2	0	0
Total		987	174 - 658	966*	23	936

* Includes nine sales that are currently being held pending advertising and acceptance by the TPRC.

Table 2: Summary of Net Sales for FYE 2020 against Budget – Catalina Estate

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Budget	2	2	2	2	2	2	2	3	2	3	5	4	31
Actual	3	2	3	3	2	1	1	3	3	1	8	8	38*
Variance	1	0	1	1	0	-1	-1	0	1	-2	3	4	7

* Includes nine sales that are currently being held pending advertising and acceptance by the TPRC.

31 sales are forecast for FYE 2020, with 38 sales achieved to date. The Project has a stock position of 23 lots, 10 in Catalina Beach and 13 in Catalina Central.

Sales achieved in May and to date in June have exceeded budget. Satterley has reported a significant increase in sales enquiries since the announcement of construction stimulus measures by the Federal and State Government, both at Catalina and all its estates, and advises that almost all available Catalina lots are presently on hold for prospective purchasers.

Table 3: Summary of Settlements for FYE 2020 against Budget – Catalina Estate

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Budget	2	4	1	2	2	3	2	2	1	3	1	3	26
Actual	1	1	0	3	5	1	2	2	3	3	0	0	21
Variance	-1	-3	-1	1	3	-2	0	0	2	0	-1	-3	-5

26 settlements are forecast for FYE 2020. 21 settlements have occurred in the financial year to date. The Project currently holds 30 contracts on hand, 20 conditional, one unconditional and nine pending acceptance. The budgeted number of settlements for FYE 2020 is unlikely to be met.

Sales contract cancellations in the Project over the past few months have been minimal, despite the potential risk posed by COVID-19's economic impact on the settlement of contracts on hand. Satterley advises that the Project's cancellation rate of 21% in FYE 2020 is less than the Satterley WA average of 25%.

Sales Marketing Incentives

At its meeting of 20 February 2020, the Council approved a new sales and marketing campaign for the period 1 April 2020 to 30 June 2020, involving a rebate to be provided at settlement on selected lots, which involves:

- i) \$17,000 discount to all lots that have been released for in excess of two years;
- ii) \$15,000 discount to all lots that have been released for between one and two years;
- iii) \$12,000 discount to all other currently released lots;
- iv) \$10,000 discount to any other lot that may be released in Catalina Estate during the campaign period;
- v) No Builder's Sales Representative referral fee during the campaign period.

The campaign is supported by an approved budget of \$40,000. To date, approximately \$33,000 has been spent on campaign design artwork, advertising on various social media channels and real estate sales websites, signage and web-search engine optimisation. Satterley advises that this is anticipated to be the total expenditure for the campaign. A snapshot of some of the campaign artwork and social media advertisements is provided in Appendix 8.5.

The KPIs set for the campaign were 250 leads and 15 sales. As detailed in the progress report contained in Appendix 8.5, 122 leads had been generated as at 31 May 2020. To date, 17 sales have been achieved in the campaign period, with most of these occurring since May. It should be noted that the KPIs for this campaign were set prior to impacts from COVID-19 on the land sales market being experienced.

At its meeting of 11 May 2020, the Council approved participation in a new campaign recommended by Satterley and to be run in partnership with the ABN Group involving the provision of mortgage assistance to eligible purchasers of lots purchased in Catalina Estate between 12 May 2020 and 30 June 2020 to a maximum of \$4,000/lot. This campaign is running in parallel with the current 'Viva La Catalina' campaign.

Satterley is currently preparing the Annual Marketing Plan FYE 2021, which will be presented to the Management Committee meeting in July 2020 and the Council meeting in August 2020, and advises that it will not be recommending any new marketing campaign until September 2020.

Government Stimulus

As reported above, recent announcements by the Federal and State Governments of initiatives to stimulate housing construction have had an immediate positive impact on sales enquiries at Catalina. Combined, the initiatives will provide eligible purchasers \$45,000 towards the construction of a new home. When coupled with assistance available under existing

Government schemes, first home buyers can access up to approximately \$69,000 towards a new home. Details of the new initiatives and existing first home buyer assistance schemes, including the applicable eligibility criteria, are provided in Table 4.

Table 4 - Government Development Stimulus Initiatives & First Home Buyer Concessions

Initiative	Amount	Government	Eligibility Criteria
HomeBuilder Scheme (new)	\$25,000	Federal	<ul style="list-style-type: none"> • Australian citizens over 18 years of age. • New dwellings or renovation to an existing dwelling. • Owner-occupied. • For new house and land package – Maximum contract value \$750,000. • For renovation to existing dwelling - \$150,000 to \$750,000 construction value, with maximum property value of \$1,500,000. • Income less than \$125,000 p/a for individuals and \$200,000 p/a for couples (based on 2018/19 tax return). • Building contract signed by 31/12/2020. • Construction to commence within 3 months of contract date.
Building Bonus (new)	\$20,000	State	<ul style="list-style-type: none"> • Open to owner-occupiers, investors (including foreign), corporations and trusts. • New dwellings (excluding apartments) on vacant lots. • Building contract signed by 31/12/2020. • Construction to commence within 6 months of contract date. • No means test or maximum property value. • Multiple grants can be paid to the same applicant (each new dwelling must be on its own title).
First Home Owner Grant (existing)	\$10,000 ¹	State	<ul style="list-style-type: none"> • Australian citizens over 18 years of age. • Owner-occupied new dwellings. • First home buyers. • Maximum construction value of \$750,000. • Minimum continuous occupancy 6 months, within 12 months of completion (or settlement if an existing home).
Transfer Duty Concession (existing)	\$14,440 ²	State	<ul style="list-style-type: none"> • As for the First Home Owner Grant. • Up to a maximum property value of \$530,000.
Total	\$69,440		

1 – First home buyers may also be eligible for the Federal Government’s loan deposit scheme, which enables finance to be approved with a 5% deposit and no requirement to pay lender’s mortgage protection insurance, providing a saving of up to \$12,500.

2 – Maximum concession available. Actual concession will depend on property transaction value.

Northern Corridor Estates Analysis

Table 5 provides a summary of sales at developments in the northern corridor.

Table 5: Summary of Sales in Northern Corridor (June 2019 to May 2020)

ESTATE	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	12 Month Total Sales
NORTH-WEST METRO													
Alkimos Beach (Alkimos)	4	1	7	6	2	7	2	5	1	3	2	8	48
Alkimos Vista (Alkimos)	1	3	1	2	1	1	3	1	1	4	0	1	19
Allara (Eglinton)	4	7	5	2	3	1	-3	1	1	4	1	2	28
Amberton (Eglinton)	4	1	7	7	13	0	5	3	8	1	3	13	65
Beaumaris (Iluka)	-1	1	0	1	1	0	0	1	12	0	0	0	15
Burns Beach (Burns Beach)	0	1	1	2	1	1	0	1	3	0	1	1	12
Catalina (Clarkson-Mindarie)	2	3	2	3	3	2	1	1	3	3	1	8*	32
East of the Beach (Eglinton)	4	1	6	2	4	-1	1	0	5	2	0	2	26
Eden Beach (Jindalee)	12	1	9	9	10	8	3	6	21	6	0	11	96
Kinross (Kinross)	1	1	1	1	0	1	1	1	2	1	0	3	13
Shorehaven (Alkimos)	5	3	2	4	4	2	2	4	14	10	8	12	70
Trinity (Alkimos)	4	6	6	3	5	18	8	3	6	5	5	5	74
TOTAL	40	29	47	42	47	40	23	27	77	39	21	62	492494
CATALINA SHARE (%)	5.00 %	10.3 4%	4.26 %	7.14 %	6.38 %	5.00 %	4.35 %	3.70 %	3.90 %	7.69 %	4.76 %	12.9 %	6.48%

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.

Note 3: Catalina's May sales figure includes four sales contracts held pending advertising and acceptance.

Table 6 provides a summary of available stock in the northern corridor. Catalina Beach is higher in price to competing estates for 375m² and 450m² lots. Catalina Central is also higher in price to competing estates for 375m² and 450m², with the exception of Kinross.

Table 6: 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	155,000	179,000-190,000	216,000	n/a	3,405	33
Alkimos Beach	150,000	230,000	225,000-262,000	285,000-305,000	n/a	2,413	20
Amberton	N/A	190,000	211,000-228,000	264,000-283,000	289,000-325,000	2,500	31
Burns Beach	N/A	N/A	N/A	N/A	460,000 – 755,000	1,580	7
Catalina Central	N/A	N/A	274,000	304,000 - 329,000	N/A	2,480	13
Catalina Beach	N/A	N/A	350,500-358,000	398,000-408,000	N/A		10
Eden Beach	172,000	240,000	265,000	N/A	305,000-350,000	1,100	29
Kinross	N/A	N/A	295,000	332,500	347,500-355,000	67	4

Shorehaven	169,000-280,000	205,000	249,000	285,000	N/A	2,800	24
Trinity	138,000	185,000	182,000 - 215,000	248,000	269,000	2,500	19

Lot Releases

Given recent sales, Satterley will be recommending the release of 14 lots in Catalina Beach. These range in area from 375m² to 519m². It is anticipated these will be released prior to the end of FYE 2020.

Sales Contracts – CEO Delegation

In accordance with Council's delegation of 18 April 2019, the CEO has exercised the following delegated authority:

Date	Lot No.	Original Price	Reduced Price	Difference \$	Difference %
28 April 2020	897	\$278,000	\$270,000	\$8,000 ¹	0
28 April 2020	992	\$271,000	\$262,000	\$8,000	2.96%
26 May 2020	940	\$279,000	\$271,000	\$8,000 ¹	0
26 May 2020	2002	\$345,500	\$338,500	\$7,000	2.03%
29 May 2020	2006	\$348,500	\$343,500	\$5,000	1.43%
29 May 2020	2010	\$351,000	\$346,000	\$5,000	1.42%
10 June 2020	899	\$229,000	\$208,000	\$21,000 ²	3.93% ²

Note 1 – the contract variation included the cancellation of an \$8,000 settlement rebate. This change was agreed to enable the purchaser to meet finance lending criteria and results in no difference to the net sale price.

Note 2 – the contract variation included the cancellation of an \$10,000 settlement rebate and a \$2,000 builder's referral fee resulting in a net price reduction of \$9,000 (3.93%).

The CEO's delegation is having a significant impact on sales outcomes, both in respect to the number of new sales being achieved and the retention of existing sales contracts that have encountered unfavourable bank valuations.

8.6 CATALINA SALES OFFICE OPENING HOURS

Report Information

Reporting Officer: Manager Project Coordination

Recommendation

That the Council:

- APPROVES** the following opening hours for the Catalina Sales Office on a trial basis from 1 July 2020 until 31 December 2020:

Day	Opening Hours
Monday	1:00pm to 5:00pm
Tuesday	1:00pm to 5:00pm
Wednesday	12:00pm to 5:00pm
Thursday	Closed
Friday	Closed
Saturday	9:00am to 5:00pm
Sunday	9:00am to 5:00pm

- REQUIRES** the Satterley Property Group to provide a report at the Council's December 2020 meeting on the outcomes of the trial of the revised Sales Office opening hours, including advice on northern corridor estates' sales office opening hours, sales against budget and feedback from the public and display builders and a recommendation on opening hours to apply beyond 31 December 2020.

Voting Requirements

Simple Majority

Report Purpose

To consider temporary changes to the opening hours of the Catalina Sales Office in accordance with the Development Management Agreement (DMA).

Relevant Documents

Development Management Agreement (2010)

Policy Reference

N/A

Local Government Act/Regulation

N/A

Previous Minutes

- Council Meeting – 17 October 2019 (Item 9.6 – Review of Catalina Sales Office Opening Hours)
- Council Meeting – 16 April 2020 (Item 10.5 – Catalina Sales Office Opening Hours and Key Personnel – Temporary Changes)

Financial/Budget Implications

N/A

Background

The Council approved the DMA between the TPRC and Satterley Property Group (Satterley) on 13 September 2010. The DMA affirmed Satterley’s tender proposal that a Sales Office would be open 10am – 5pm each day, except Friday.

The Council, on numerous occasions since the DMA was approved, has agreed to revised opening hours for the Sales Office.

At its meeting of 17 October 2019, the Council approved the following revised opening hours on a trial basis until June 2020:

Day	Opening Hours	Sales Representation	Staff Hours
Monday	12:00pm to 5:00pm	One Sales Staff	5
Tuesday	12:00pm to 5:00pm	One Sales Staff	5
Wednesday	12:00pm to 5:00pm	One Sales Staff	5
Thursday	Closed	N/A	0
Friday	12:00pm to 5:00pm	One Sales Staff	5
Saturday	9:00am to 3:00pm	Sales Staff Shift One	6
	12:00pm to 5:00pm	Sales Staff Shift Two	5
Sunday	9:00am to 3:00pm	Sales Staff Shift One	6
	12:00pm to 5:00pm	Sales Staff Shift Two	5
Total Hours Open	36	Total Staff Hours	42

At its meeting on 16 April 2020, the Council approved revised opening hours for the Sales Office due to COVID-19 restrictions having forced the temporary closure of display homes in the Catalina Builders’ Display Village. The Council agreed to the Sales Office being open only between 2.00pm and 5.00pm on weekends and by appointment-only at all other times on a temporary basis until 30 June 2020, or earlier to coincide with COVID-19 restrictions to display villages being lifted.

Comment

Satterley advises that the reopening of the Catalina Builders’ Display Village and the easing of other COVID-19 restrictions has resulted in a return to pre-COVID 19 trading conditions and proposes the revised Sales Office opening hours on a six-month trial basis from 1 July 2020, as set out in the following table. The table also provides a comparison against the originally agreed opening hours under the DMA.

Day	Proposed Revised Opening Hours	DMA Opening Hours
Monday	1:00pm to 5:00pm	10.00am to 5.00pm
Tuesday	1:00pm to 5:00pm	10.00am to 5.00pm
Wednesday	12:00pm to 5:00pm	10.00am to 5.00pm
Thursday	Closed	10.00am to 5.00pm
Friday	Closed	Closed
Saturday	9:00am to 5:00pm	10.00am to 5.00pm
Sunday	9:00am to 5:00pm	10.00am to 5.00pm
Total	29 hours	42 hours

It is noted that the proposed opening hours provide 13 hours/week less than is approved under the DMA.

Satterley advises that:

- The Sales Office will usually be staffed by one full-time sales representative, with sales support provided on weekends and as demand requires at other times.
- The Sales Office is proposed to be closed on Thursdays and Fridays, as the display homes are not open on either of these days and little to no traffic had been experienced in the Sales Office on these days in the months prior to the onset of COVID-19, while extended weekend opening hours had proven to be productive.
- Sales staff are available to meet with clients outside of the proposed opening hours, by appointment, when and wherever appropriate, ensuring that all sales opportunities are captured.

As reported in Item 8.5, strong sales have been achieved during May and June 2020 at a time when the Sales Office has been open for only six hours/week. This indicates that the responsiveness and availability of Satterley's sales staff to meet with prospective purchasers is a more critical factor than the amount of time that the Sales Office is scheduled to be open each week.

It is recommended that the Council accepts the proposed revised Sales Office opening hours on a trial basis until 31 December 2020 and requires that a report be prepared for consideration at the December 2020 Council meeting on the outcomes of the trial and recommendations for opening hours beyond this time.

9. COMMITTEE REPORTS 9.1 - 9.9

AUDIT COMMITTEE

The Audit Committee meeting of 10 June 2020 was not held due to a lack of quorum. A meeting is to be scheduled prior to the 18 June 2020 Council meeting (yet to be confirmed).

The Council will be updated on the recommendations of the Audit Committee at the Council meeting.

9.1 REVIEW OF TPRC RISK MANAGEMENT FRAMEWORK AND RISK REGISTER

Report Information

Reporting Officer: Chief Executive Officer

COMMITTEE RECOMMENDATION

To be advised.

TPRC Recommendation to the Audit Committee

That the Audit Committee recommends that Council APPROVES the Tamala Park Regional Council Risk Management Framework (2020) and the Tamala Park Regional Council Corporate Risk Register (2020).

Voting Requirements

Simple Majority

Report Purpose

To consider a report on the review of the Tamala Park Regional Council Risk Management Framework (2020) and Corporate Risk Register (2020).

Policy Reference

N/A

Local Government Act/Regulation

Local Government (Financial Management) Regulations 1996, Regulation 19C

Previous Minutes

- Council Meeting – 15 August 2019 (Item 9.8 - Risk Management Framework 2019)
- Council Meeting – 21 June 2018 (Item 9.9 - Catalina Risk Management Plan 2018)

Financial/Budget Implications

N/A

Relevant Documents

Appendices:

- Tamala Park Regional Council Risk Management Framework (2020)
- Tamala Park Regional Council Corporate Risk Register (2020)

Background

In 2018 Riskwest (risk management consultants) were appointed to undertake an overall risk assessment of the TPRC framework.

In 2018 a Risk Management Framework workshop was held, attended by Councillors, Satterley representatives and TPRC officers. The purpose of the workshop was for Riskwest (Council appointed consultant) to provide an overview of risk management and develop the TPRC Risk Assessment criteria.

Riskwest undertook a risk assessment of the TPRC framework and prepared the TPRC Risk Management Framework (2019) and TPRC Corporate Risk Register (2019). The risk assessment was undertaken against the principles, process and framework outlined in AS/NZS ISO 31000:2009 Risk Management.

An objective of the process was for the TPRC to have 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.

At its meeting of 15 August 2019, the Council approved the TPRC Risk Management Framework (2019) and the TPRC Corporate Risk Register (2019).

The TPRC Corporate Risk Register (2019) identified nine risks which were considered to be the most significant items of risk and categorised the risks as follows:

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

The two risk items categorised as Significant were:

- 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.

Comment

The TPRC Risk Management Framework (2019) and Corporate Risk Register (2019) have been reviewed in light of economic conditions, current risk and the implementation of identified mitigation actions.

TPRC Risk Management Framework

The TPRC Risk Management Framework (2019) involved a risk assessment of the TPRC framework, recognising the TPRC's unique role as a local government. It set out accountability, responsibility and oversight which align with the TPRC operational and management structure.

It also included risk assessment criteria which provides guidance as to how risks are to be assessed and evaluated.

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 four tables which are shown in Attachment 2 of the Risk Management Framework (Appendix 9.1):

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

The TPRC Risk Management Framework is considered appropriate and relevant in assessing and mitigating potential risks. There are, however, a number of recommended changes associated with the review and reporting of risks to Council which are shown “tracked” in the TPRC Risk Management Framework (2020) (attached Appendix 9.1).

TPRC Corporate Risk Register

The TPRC Corporate Risk Register has been reviewed by applying the Risk Assessment Criteria (Appendix 9.1) 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 (Appendix 9.1). The measures of consequence/impact and occurrence/likelihood ratings were then applied to the Risk Matrix (Appendix 9.1) to calculate a risk rating for each item, either Low, Moderate or Significant.

The TPRC Corporate Risk Register has also been reviewed recognising the mitigation actions which may have been implemented and in light of potential changes to the Catalina Project and associated influences.

A risk assessment based on the Risk Management Framework (attached at Appendix 9.1) resulted in ten risk items which are categorised as follows:

Significant risk – 1;
Moderate risk – 6;
Low risk – 3.

The recommended changes to the TPRC Corporate Risk Register are shown “tracked” (Appendix 9.1), the major changes include the following:

- Strategic - Common Vision - Lack of agreed/common Objectives/Vision by Member Councils;
Reclassified from Significant to Moderate as a result of the implementation of a number of mitigation actions.
- Lack of agreed/common Objectives/Vision by Member Councils - Failure to establish and maintain a stable and effective governance environment.

Reclassified from Significant to Moderate as a result of the implementation of a number of mitigation actions.

- Development Project – Negative perception of Project - Negative media reports and resident reaction to potential groundwater contamination

This is proposed as a new Risk Item and is recommended to be included in the TPRC Corporate Risk Register given the current status of this matter and the potential for impacts financially and to reputation.

Recent groundwater modelling showed low levels of groundwater contamination outside the boundaries of the Mindarie Regional Council (MRC) Leased Area, within the TPRC area.

The following controls are in place to manage the risk:

- Communication strategy to minimise negative perception and inform stakeholders prepared;
- Key stakeholders' meetings to provide up to date information and align key messaging;
- Independent Auditor appointed to manage monitoring and reporting;
- Ongoing monitoring of land-fill area and buffer zone being undertaken;
- MRC managing the land-fill site in accordance with environmental conditions (MRC).

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

- Ongoing monitoring of land-fill area and buffer zone to properly define extent of groundwater contaminants;
- Independent Auditor to prepare further report December 2020;
- Independent Auditor to prepare Site Management Plan, detailing possible actions/remediation 2021.

Conclusion

Since Council's approval to the TPRC Corporate Risk Register (2019) a number of mitigation actions/strategies have been put in place which assist with minimising and managing risk.

The TPRC Risk Management Framework and TPRC Corporate Risk Register 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.

The TPRC Risk Management Framework (2020) and TPRC Corporate Risk Register (2020) reflect contemporary and best practice in terms of risk assessment and management, incorporate the recommended changes to the TPRC Risk Management Framework and TPRC Corporate Risk Register, and are recommended for Council endorsement.

9.2 AUDIT COMMITTEE AUDIT CHARTER & ANNUAL AUDIT PLAN REVIEW

Report Information

Reporting Officer: Chief Executive Officer

COMMITTEE RECOMMENDATION

To be advised.

TPRC Recommendation to the Audit Committee

That the Audit Committee recommends that Council:

1. APPROVES the TPRC Audit Charter (May 2020).
2. ADOPTS the Audit Plan 2020/2021.

Voting Requirements

Simple Majority

Report Purpose

To review the TPRC Audit Charter and Annual Audit Plan 2020/2021.

Relevant Documents

Appendix: Audit Plan (2020/2021)

Previous Minutes

- Council Meeting – 15 August 2019 (Item 9.10 – 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 (2019)

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 (April 2019) and the Audit Plan 2019/2020 at its meeting of 15 August 2019.

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 9.2.

9.3 INVESTMENT POLICY REVIEW

Report Information

Reporting Officer: Chief Executive Officer

COMMITTEE RECOMMENDATION

To be advised.

TPRC Recommendation to the Audit Committee

That the Audit Committee recommends that Council APPROVES the Investment Policy (2020).

Voting Requirements

Simple Majority

Report Purpose

To review the Investment Policy.

Relevant Documents

Appendix: Investment Policy (June 2020)

Previous Minutes

- Council Meeting – 16 August 2018 (Item 9.11 – Investment Policy Review)
- Council Meeting – 17 August 2017 (Item 9.12 – Investment Policy Review)

Policy Reference

Existing Investment Policy (July 2019)

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 16 August 2018, the Council approved the Investment Policy (July 2018).

Comment

The TPRC Investment Policy has been reviewed and is proposed to be updated to better reflect financial guidelines and the current regulatory frameworks.

The major recommended changes to TPRC's investment policy include:

- Updating the Authorised Investments, which includes removing all references to Managed Funds and allowing for longer dated Authorised Deposit Taking Institutions (ADIs) and Western Australian Treasury Corporation (WATC) deposits out to 3 years;
- Clarifying and simplifying the credit rating and term to maturity limits through new Risk Management Framework tables;
- Referencing the more-recognisable long term credit ratings of banks.

The proposed modifications are also recommended by Prudential Investment Services Corp, appointed by the TPRC to provide independent financial and risk management advice on TPRC investments.

The TPRC Investment Policy (2020) reflects financial guidelines and current regulatory frameworks and is recommended for approval.

9.4 PROCUREMENT POLICY REVIEW

Report Information

Reporting Officer: Manager Project Coordination

COMMITTEE RECOMMENDATION

To be advised.

TPRC Recommendation to the Audit Committee

That the Audit Committee recommends that the Council APPROVES the Procurement Policy (June 2020).

Voting Requirements

Simple Majority

Report Purpose

To review the Procurement Policy.

Relevant Documents

Appendix: Procurement Policy (June 2020)

Policy Reference

Existing Procurement Policy (July 2019)

Local Government Act/Regulation

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

Previous Minutes

- Audit Committee Meeting – 9 August 2019 (Item 8.5 – Procurement Policy Review)
- Council Meeting – 17 October 2019 (Item 9.15 – Procurement Policy Review)

Financial/Budget Implications

N/A

Background

Part 3 of the *Local Government Act*, together with the *Local Government 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.

At its meeting of 17 October 2019, the Council resolved to approve the revised Procurement Policy (July 2019).

Comment

The *Local Government (Functions and General) Regulations 1996* were amended on 9 May 2020 to increase the threshold requirement to call a tender from \$150,000 to \$250,000. This provides increased flexibility for local governments to contract with local suppliers during, and in the aftermath of, the State of Emergency Declaration under the *Emergency Management Act 2005* in respect to COVID-19 and aligns with State Government tendering thresholds.

The Department of Local Government, Sport and Cultural Industries recommends that local governments should update their purchasing policy to cover the direct purchase of goods and services under \$250,000.

Purchasing threshold provisions contained in the Procurement Policy (July 2019) are summarised in the following table.

Purchase Amount	Quotation Requirements
Up to \$2,000	One quotation
\$2,000 - \$10,000	Minimum three quotations
\$10,000 - \$150,000	Formal request for quotation process (RFQ)
\$150,000+	Tender process

A review of purchasing threshold provisions under policies adopted by the member local governments, which is attached at Appendix 9.4, shows a wide variety in approaches, particularly in respect to requirements for management of lower value purchases.

The Procurement Policy (June 2020) has been modified, incorporating the following revised financial thresholds and associated quotation requirements:

Purchase Amount	Quotation Requirements
Up to \$2,000	One verbal quotation
\$2,000 - \$5,000	Minimum one written quotation
\$5,000 - \$20,000	Minimum two written quotations
\$20,000 - \$50,000	Minimum three written quotations
\$50,000 - \$250,000	Formal request for quotation process (RFQ)
\$250,000+	Tender process

This approach will provide best practice guidelines to enable the procurement of goods and services to operate satisfactorily and in accordance with relevant regulatory requirements. It will also suit the typical circumstances of the TPRC’s procurements and will provide best practice guidelines to ensure that procurement is undertaken satisfactorily and in accordance with relevant regulatory requirements.

The Procurement Policy (June 2020) is recommended for adoption.

MANAGEMENT COMMITTEE (21 MAY 2020)

9.5 PROJECT FORECAST 2020

Report Information

Reporting Officer: Manager Planning Coordination

Moved Cr Caddy, Seconded Cr Lagan.

COMMITTEE RECOMMENDATION

That the Management Committee recommends that Council ENDORSES Project Forecast Scenario 2 (2020), submitted by the Satterley Property Group.

The Motion was put and declared CARRIED (4/1).

For: Cr Caddy, Cr Lagan, Cr Migdale and Cr Timmermanis.

Against: Cr Sandri

TPRC Recommendation to the Management Committee

That the Management Committee recommends that Council:

1. RECEIVES the Project Forecast Scenarios (2020), submitted by the Satterley Property Group.
2. AUTHORISES the Chief Executive Officer to engage an independent consultant with the relevant experience to review the Project Forecast 2020 and to undertake a benchmarking exercise on key project elements and provide advice and recommendations to Council.

Voting Requirements

Simple Majority

Report Purpose

To consider the Project Forecast Scenarios (2020), prepared by the Satterley Property Group (Satterley).

Policy Reference

N/A

Local Government Act/Regulation

N/A

Previous Minutes

- Council Meeting - 21 June 2018 (Item 9.10 – Review of Project Forecast 2017)
- Council Meeting - 11 December 2014 (Item 9.8 - Project Forecast 2012-2029)
- Council Meeting - 18 August 2011 (Item 9.7 - Project Cashflow)

Financial/Budget Implications

Input to TPRC project and financial planning.

Relevant Documents

Appendix: Satterley Project Forecast Scenarios (2020) - correspondence dated 7 May 2020

Background

The Project Forecast is intended as a general guide to the long term cashflow direction of the Project and to provide the basis of project and financial planning and the forecasted project profit and distributions for the TPRC and member local governments.

At its meeting of 21 June 2018, the Council approved the Project Forecast 2018, submitted by Satterley as the basis of project and financial planning.

The preparation of a Project Forecast was a requirement of the Development Manager's KPIs, which required Satterley to review the Project Forecast every three years. Satterley prepared Project Forecasts in 2014 and 2017, as per the KPI requirements. In February 2020, the Council endorsed revised Development Manager's KPIs, which did not include a formal requirement for the preparation of a Project Forecast by Satterley.

Comment

Satterley has prepared three long-term Project Forecast Scenarios (dated 7 May 2020), attached at Appendix 9.5.

The purpose of the scenarios is to assist Council in determining the strategic direction of the Catalina Project, particularly in relation to the key elements of lot sales rates and pricing. It is also intended to provide the basis of project and financial planning.

The variables in the three scenarios relate to lot sales volumes and pricing structure:

- Scenario 1 – five lot sales/month
- Scenario 2 – eight lot sales/month
- Scenario 3 – ten lot sales/month

Satterley advises that revised lot pricing is key to achievement of the sales rates set out in each scenario. Pricing under each scenario is set as follows:

	Precinct	12.5m x 30m – 375m ²	15m x 30m – 450m ²	% reduction (Dec 2019)
Current (Dec 2019)	Central/Grove	\$240,000	\$310,000	n/a
	Beach	\$355,000	\$385,000	n/a
Scenario 1	Central/Grove	\$245,000	\$275,000	11%
	Beach	\$335,000	\$359,000	6%
Scenario 2	Central/Grove	\$235,000	\$280,000	14%
	Beach	\$325,000	\$349,000	9%
Scenario 3	Central/Grove	\$220,000	\$248,000	20%
	Beach	\$284,000	\$320,000	20%

Satterley has summarised the analysis of the three scenarios in the following table, comparing outcomes against its 2018 Project Forecast.

CATALINA Scenario Outcome Matrix				
Metric	2018 Project Forecast 10-16 sales per month	Scenario 1: 5 sales per month Pricing 1	Scenario 2: 8 sales per month Pricing 2	Scenario 3: 10 sales per month Pricing 3
Gross income:	\$681.8m	\$700.1m	\$614.5m	\$565.2m
Development costs:	\$341.3m	\$396.6m	\$358.2m	\$346.6m
Project Cashflow:	\$340.5m	\$303.4m	\$256.3m	\$218.6m
Profit per lot:	\$136,800	\$121,136	\$102,309	\$87,252
Capital IRR:	16.4%	8.3%	9.1%	8.6%
Project IRR:	18.4%	12.4%	13.6%	13.3%
Final settlement:	Aug-28	Oct-47	Aug-37	Mar-34
NPV @ 6%:	n/a	\$67.1m	\$74.3m	\$61.3m
Cashflow after TPRC administration costs:	n/a	\$277.5m	\$240.0m	\$206.1m
NPV @ 6% after TPRC administration costs:	n/a	\$55.9m	\$65.2m	\$53.5m

Note - The 2018 Project Forecast used in the analysis did not account for TPRC administration costs, which have been taken into account in each of the three Scenarios.

In evaluating the three Scenarios, Satterley considers that:

- Scenario 1 will take too long, evidenced by lower Internal Rate of Return (IRR) and Net Present Value (NPV), despite higher cashflow achieved through forecast income escalation.
- Scenario 2 has the highest IRR and NPV, but lower profit than Scenario 1.
- Scenario 3 requires a large price reduction to achieve sales and this erodes project profit and results in lower IRR and NPV.

Satterley recommends adoption of Scenario 2 (eight sales per month), as the basis for approval of the 2020 Project Forecast. It has taken into account that this scenario has the highest NPV, achieved by striking a balance between cashflow profitability and speed of returns.

Satterley also advises that the outcomes set out in Scenario 2 are reliant on the following assumptions:

- Approval and adoption of the modelled pricing (equivalent to reduction of 14% Central/Grove, 9% Beach).
- Spend of the Marketing budget of \$400,000 for FYE 2021 and 2.25% of lot income for the remainder of the Project.
- Maintenance spend in line with budget of \$60,000 per month to keep a high level of estate presentation.

The Scenario 2 forecast predicts a Project profit of \$256.3M, which is \$84.2M less than the 2018 Project Forecast. Satterley acknowledges that the following factors contribute to this variation in profit:

- 2017 sales rates were set at 17 per month. Project duration is increased by nine years by resetting sales to eight per month.
- In addition to the reduction in base selling prices, the reduction in revenue is attributable to the deferral and reduction of income escalation. The compounding effect of three years

escalation deferral and the rate decreasing from 4% to 3% is approximately \$40M. This is somewhat offset by extended project duration.

- The deferral of cost escalation has a lower impact than income escalation because of a lower rate and lower base price. The escalation changes account for approximately \$4M in cost savings, which is offset by increased project duration. The project duration also results in higher holding and administration costs such as rates and taxes, audit and maintenance.

Satterley modelled the impacts on COVID-19 under the three scenarios and found that while there are negative impacts on the Project's cashflow in the short term, the difference between the final project profit position in each scenario is negligible.

There is no formal requirement for the Council to adopt a Project Forecast, however it is considered necessary for the purposes of project and financial planning and for use by the member local governments in undertaking their own financial planning.

It is recognised that the latest Project Forecast Scenarios all indicate a significant erosion of the Project's previously modelled end-profit position.

The following table shows changes to the Project's position between the 2014, 2018 and 2020 Project Forecasts.

Project Forecast Comparisons			
Item	2014 Project Forecast	2018 Project Forecast	2020 Project Forecast (based on Scenario 2)
Settled Lots	2,448	2,489	2,505
Residential Area	803,357m ²	786,761m ²	818,942 m ²
Special Sites Area	105,653m ²	110,832m ²	74,290m ²
Gross Income			
Income – Lots	817.8M	724.7M	667.1M
Income – Special Sites & Other	34.6M	40.7M	27.7M
Direct Selling Expenses	88.1M	83.6M	80.3M
Total Gross Income	764.3M	681.7M	614.5M
Development Costs			
Land	11.4M	10.2M	10.2M
Indirect Consultants	7.9M	9.1M	10.6M
Landscape	37.6M	52.9M	55.0M
Infrastructure Costs	24.4M	22.1M	21.2M
Infrastructure Refunds	(4.7M)	(6.3M)	(6.3M)
Special Sites Development	6.2M	4.9M	4.9M
Lot Production	242.5M	213.1M	211.1M
Administration	14.5M	12.7M	25.0M
Marketing	8.4M	8.6M	12.3M
Community Development	2.7M	2.2M	2.8M
Finance / Bonds	-	-	-
Contingency	16.5M	11.5M	11.5M
Total Development Costs	367.5M	341.2M	358.2M
Project Profit	396.9M	340.4M	256.3M

As noted in Item 9.6 in respect to the Project Budget FYE 2021, Satterley has been requested to further consider its recommended approach to lot pricing in light of the increased sales activity that has recently been experienced at Catalina. Satterley's response, dated 11 June 2020 and included in Appendix 9.6, recognises that the Government building stimulus measures obviate the need to make the COVID-related price reduction that it recommended in May 2020. Furthermore, it also considers that the proposed \$10,000/lot rebate incentive for the July 2020 to December 2020 period is not required.

This advice was received as the Agenda for the Council's June 2020 meeting was being finalised. As a consequence, the impact of the amended pricing recommendations has not been reflected in the Project Forecast 2020 Scenarios or the supporting analysis prepared by Satterley. This will be addressed in revised documentation to be circulated to Elected Members prior to the Council meeting. However, Satterley has advised that it anticipates, based on Forecast Scenario 2, that the revised recommended pricing will, on an unescalated basis, have a \$16.9M improvement in cashflow over the life of the Project (\$21.7M on an escalated basis).

Conclusion

The key objective of the Economic pillar of the 2019-2029 Strategic Community Plan, adopted by the Council at its February 2020 meeting, is to maximise return for member Councils whilst delivering environmental, social and economic objectives.

The Project Forecast is a general guide to the long term cashflow direction of the Project due to the inherent uncertainties associated with forecasting over the lengthy timeframe of the Project's lifecycle. However, there is a reasonable expectation that the Project Forecast can be used by the TPRC as the basis of project and financial planning and that the forecasted project profit and distributions can be relied upon by the member local governments.

It should represent a conservative approach to major assumptions such as lot yield, sales rates, development costs and escalation.

There is a substantial difference between the approved Project Forecast 2018 and the current Project Forecast 2020, prepared by Satterley. The forecast reduction in project profit and distributions is substantial. It is recognised that market conditions have deteriorated since 2018, however, it is unclear whether such a significant negative variation to forecast project profit and distributions can be attributed to market conditions and could have been addressed in 2018.

It is noted that in 2017 the Council engaged the services of an independent consultant to review the Project Cashflow 2018 and further undertake a benchmarking exercise on key project elements, including:

- Key project assumptions;
- Sale prices and rates;
- Lot production costs;
- Direct selling costs;
- Development costs;
- Landscaping costs;
- Sales incentive packages;
- Lot production, sales and marketing;
- Contingency rates; and
- Sales and cost escalation rates.

The independent consultant review of the Project Forecast assisted the Council in determining the validity of the key project elements and provided a higher degree of confidence to

determine the Project Forecast. Given the substantial difference in predicted profit it may be prudent to undertake an independent assessment of Satterley assumptions.

It is recommended that given the significance of the variance in projected profit and member distributions that Council undertake an independent assessment of the Project Forecast 2020 and underlying assumptions.

9.6 PROJECT BUDGET FYE 2021

Report Information

Reporting Officer: Manager Planning Coordination

Moved Cr Caddy, Seconded Cr Migdale.

COMMITTEE RECOMMENDATION

That the Management Committee recommends that Council APPROVES the Project Budget FYE 2021 (May 2020), submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2021, subject to:

- 1. The WAPC Land acquisition (\$10.2M) being made in two payments in May 2021 and December 2022;**
- 2. Long Beach Promenade Connection – Catalina Beach (\$0.81M) being included for construction in FYE 2021.**

The Motion was put and declared CARRIED (5/0).

TPRC Recommendation to the Management Committee

That the Management Committee recommends that Council:

1. APPROVES the Project Budget FYE 2021 (May 2020), submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2021.
2. RECEIVES the Project Forecast FYE 2022 (May 2020), submitted by the Satterley Property Group.

Voting Requirements

Simple Majority

Report Purpose

To review the Project Budget FYE 2021 (May 2020) prepared by the Satterley Property Group (Satterley).

Policy Reference

N/A

Previous Minutes

- Council Meeting – 20 June 2019 (Item 9.6 - Project Budget FYE 2020)
- Council Meeting – 16 August 2018 (Item 9.6 - Project Budget FYE 2019)

Financial/Budget Implications

Input to TPRC Budget FYE 2021.

Relevant Documents

Appendices:

- Satterley Project Budget FYE 2021 (7 May 2020)
- Satterley Pricing Review (May 2020)
- Satterley Correspondence (11 June 2020)

Background

At its meeting of 20 June 2019, the Council approved the Project Budget FYE 2020 (May 2019), submitted by Satterley for use as the basis of financial planning for the TPRC Budget FYE 2020.

The preparation of an annual Project Budget was a requirement of the Development Manager's KPIs. In February 2020, the Council endorsed revised Development Manager's KPIs, which did not include a formal requirement for the preparation of an annual Project Budget by Satterley.

Comment

Satterley has prepared the Project Budget FYE 2021 (May 2020), attached in Appendix 9.6, for the Council's consideration.

The Project Budget FYE 2021 gives consideration to the following:

- Market Conditions;
- Review of Forecast FYE 2020 outcomes;
- Operations for FYE 2021;
- Options for Provision of Major Infrastructure;
- Key Risks;
- Forecast FYE 2022;
- Project Forecast (2018) and review of Project Scenarios (2020);
- Key Assumptions;
- Civil Construction Triggers;
- Cash Requirement, Capital Return and Profit Distribution.

Market Conditions

Satterley considers that the Western Australian housing market was, prior to the impacts of COVID-19 becoming evident, indicating signs of recovery with positive changes to population growth, unemployment and stock levels. However, since the outbreak of COVID-19, increased caution and decreased confidence has been observed in active buyers in the market.

Satterley recommends that in FYE 2021, the Council should reduce lot prices, invest in infrastructure to improve the appeal of Catalina and promote it as a safe location to invest in order to increase buyer confidence and continue the Project's momentum.

Review of FYE 2020 Forecast Outcomes

Satterley has forecast outcomes for FYE 2020 and detailed variances to the approved Project Budget FYE 2020, having regard to the sales/settlement and expenditure information to 31 March 2020 and forecasts for the remainder of FYE 2020. The review forecasts a cashflow before distributions for the current year of \$1.5M, which is \$8.9M higher than forecast in the Project Budget FYE 2020. Areas of variance include:

- Settlements reduced from 26 lots to 21 lots, due to anticipated contract fall-overs as a result of COVID-19. Gross income is expected to be \$1.7M lower than budgeted;
- Development costs to be \$10.4M lower than budgeted due to deferral of WAPC land acquisition (\$5.1M), the timing of infrastructure items including the coastal dual use path, Connolly Drive roundabout and the Portofino Promenade extension/foreshore access road (\$2.7M) and landscaping work (\$1.5M) and lower lot production (\$0.4M) and construction contingency through deferred works (\$0.6M).

In undertaking this review, Satterley has forecast no additional sales and eight fall-overs in the final quarter, resulting in 13 net sales for the year. It should be noted that 21 net sales have been achieved as at 31 March 2020 and the FYE 2020 budget of 31 sales is likely to be achieved. Satterley acknowledges that actual sales achieved since 31 March 2020 have outperformed the forecast and fall-overs have not to date eventuated to the extent anticipated.

Distributions to member Councils for FYE 2020 remained unchanged at \$3.0M.

Budget for FYE 2021

The Project Budget FYE 2021 makes provision for the following key activities:

- Sales/Settlements
 - 78 sales;
 - Titles: 53 lots (Stage 18C – 36 lots, Stage 16A – 17 lots);
 - 60 settlements;
 - Gross income of \$13.7M.
- WAPC Land Acquisition (\$10.2M) – the Project Budget FYE 2021 assumes the acquisition of the Western Australian Planning Commission (WAPC) land will be made through a single payment in May 2021. Payment was originally intended to be staged over FYE 2020 and 2021. The land is located within Catalina Grove, adjacent to Mitchell Freeway. The agreement to purchase is consistent with the Negotiated Planning Solution (2004) approved by the WAPC and the member Councils. It should be noted that the Management Committee has recommended that the Project Budget FYE 2021 reflect that the land acquisition be paid in two instalments (May 2021 and December 2022).
- Civil Construction (\$5.6M)
 - Stage 16A (Catalina Central);
 - Stage 18C (Catalina Central).
- Infrastructure (\$4.9M)
 - Portofino Promenade extension - \$0.8M;
 - Beach Access Road/services - \$1.3M;
 - Burns Beach – Mindarie DUP - \$0.8M;
 - Connolly Drive Roundabout - \$2.0M.
- Landscape Construction (\$3.5M)
 - Portofino Promenade extension/Foreshore access road (\$1.5M);
 - Stage 16/Green Link (\$0.3M);
 - Stage 18C (\$0.3M);
 - Stage 11 (balance of completed Aviator playground costs) (\$0.4M);
 - Bore Iron Filter/Contingency (\$0.4M).
- Marketing - \$0.4M
 - Continued Catalina branding;
 - Advertising for estate campaigns.

- 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 – development strategy and first phase of subdivision approval.

Major Infrastructure Considerations

Satterley has considered options for the provision of various major infrastructure items as part of the preparation of the Project Budget FYE 2021. It has concluded that the Project Budget FYE 2021 should make provision for the following items:

- Foreshore Connection, Extension of Portofino Promenade and associated Streetscapes – Catalina Beach (\$3.56M). Satterley considers that this is a vital connection to increase the appeal of the Beach Precinct. It will also provide a broader community benefit by providing access to a safe swimming beach.
- Connolly Drive/Aviator Boulevard Roundabout – Catalina Central/Grove (\$1.98M). Satterley recommends this item to improve access to Catalina Central, comply with City of Wanneroo requirements and provide access to the first phase of development of Catalina Grove planned for FYE 2022.
- Catalina Grove Earthworks Phase 1 (\$0.74M in FYE 2021, \$2.94M in total) – Satterley advises that commencement of development of the new precinct is imperative to ensure lot supply given that stock is running low in Catalina Central.
- Catalina Central Green Link Extension (\$0.28m FYE 2021). Satterley recommends constructing a section of the Green Link along Aviator Boulevard to improve presentation and appeal for lots to be developed adjacent in FYE 2021 and complete the pedestrian/cyclist access link between Connolly Drive and Marmion Avenue.

Items that were considered, but not recommended by Satterley for inclusion in the Project Budget FYE 2021 include:

- Long Beach Promenade Connection – Catalina Beach (\$0.81M) – deferred due to timing of design and lack of immediate necessity. It should be noted that the Management Committee has recommended that this work be brought forward in the Project Budget FYE 2021 to provide another connection of the Project to the established part of Mindarie.
- Foreshore Park – Catalina Beach (\$4.24M) – deferred due to timing of design, cost and lack of immediate necessity.
- Clarkson Train Station Bus Connection – Catalina Grove (\$3.3M) – deferred due to timing of design and cost.
- Playing Fields – Catalina Central (\$1.45M) – deferred pending resolution of issues associated with the landfill buffer.

Review of FYE 2021 against the Project Forecast 2018

Satterley has reviewed the Project Budget FYE 2021 against the Project Forecast 2018 and has identified a cashflow before distributions of (\$15.0M), compared to \$21.2M cashflow in the Project Forecast. The main areas of variance from the Project Forecast include:

- Annual sales for FYE 2021 have reduced from 150 to 78 lots after a continued downturn and the anticipated impacts of COVID-19 since the Project Forecast 2018.
- Forecast settlements in FYE 2021 have reduced from 138 to 60 lots due to reduced sales rates in FYE 2020 and FYE 2021. Lot income is (\$23.1M) lower than the Project Forecast.

- Special site income has decreased by (\$3.9M), as the Project Forecast had budgeted for the first Catalina Grove group housing site settlement to occur in FYE 2021, which will not occur in this timeframe.
- The \$10.2M WAPC land acquisition is now budgeted for May 2021, compared to an FYE 2018 acquisition in the 2018 Project Forecast.
- Infrastructure costs of \$4.9M are budgeted for in FYE 2021, compared to a net refund of (\$2.6M) in the Project Forecast. By contrast, the Project Forecast had assumed that the works now proposed for FYE 2021 would be completed in FYE 2020. The anticipated \$2.6M refund assumed that the Catalina Grove pump station would be built in FYE 2021, which will not occur in this timeframe.
- Lot production costs in total for FYE 2021 are \$6.5M lower than the Project Forecast due to the lower sales forecast and in-turn title volumes required.
- As a result of increasing budgeted maintenance costs to \$60,000 per month, administration costs are \$0.3M higher than the Project Forecast (\$35,000 per month). Satterley considers that spending the allocated maintenance budget will be crucial to enhancing estate presentation and improving sales volumes.
- Budgeted contingency costs are \$0.5M higher than the Project Forecast at \$1.3M due to the higher development costs, driven by the budgeted WAPC land acquisition of \$10.2M in May 2021.

Satterley has prepared an updated Project Forecast based on its assessment of three modelled lot sales scenarios. This is the subject of a report in Item 9.7 of this Agenda.

Key Risks for Achieving FYE 2021 Budget

Satterley has identified the following items as key risks to achieving the Project Budget FYE 2021 outcomes:

- Prolonged downturn from the effects of COVID-19. This could impact the Project in various forms:
 - Increased fall-over rates of contracts on hand through job losses.
 - Reduced borrowing capacity of purchasers from tightened lending criteria and lower incomes.
 - Reduced interstate and overseas migration, impacting overall market demand.
 - Higher rates of unemployment, particularly some of the target market sections such as first home buyers.
- Planning risk:
 - Catalina Grove needed in FYE 2022 to maintain stock levels.
 - Potential changes to buffer zone impacting on Catalina Central (although mitigated by deferred stage 16B).

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 by project supervision and management, monthly financial review and reporting, application of construction triggers and monitoring market and economic conditions. The specific project risks are actively being managed to minimise potential exposure to the TPRC and to achieve budget predictions.

The Project Budget FYE 2021 assumes the WAPC land acquisition payment will be made in May 2021. Adjustments to timing and price could impact the actual cashflow position, with a flow on effect to forecast distributions. This will be monitored through FYE 2021 and if required recommendations made to Council as part of the Mid-Year Budget Review in December 2020.

Forecast FYE 2022

Satterley has prepared a Cashflow for FYE 2022 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 Cashflow FYE 2022 (2018) and the current Forecast FYE 2022 (2020) for Income, Development Costs, Cashflow and Distributions.

Annual Cashflow	Cashflow FYE 2022 Project Forecast (2018)	FYE 2022 Forecast (2020)	Variance
Gross Income	\$48.98M	\$18.68M	(\$30.3M)
Development Costs	\$24.30M	\$18.20M	\$6.1M
Cashflow	\$24.67M	\$0.40M	(\$24.27M)
Distributions	\$24.0M	\$3.0M	(\$21.0M)

The major variances result from the following:

- Gross Income reduced due to 78 fewer settlements and a \$7.5M reduction in special sites income through deferred settlements (most notably the retail site in Catalina Grove), partially offset by \$3.8M deferred direct selling costs;
- Development Costs reduced due to deferred civil and landscape construction.

These estimates should only be considered as a general guide for the Forecast FYE 2022 and do not account for a review of the assumptions underlying the cashflow as part of the preparation of the updated 2020 Project Forecast. The budget for FYE 2022 will be reviewed in light of the Western Australian economy and the residential land market at that time.

2020 Project Forecast (Scenarios)

Satterley has compared the 2018 and 2020 Project Forecasts, which indicates an overall net cash profit of \$256.3M (a \$84.2M reduction between forecasts).

The 2020 Project Forecast (Scenarios) is the subject of a report in Item 9.5 of this Agenda.

Key Project Assumptions

Satterley considers that achieving the sales rates set out in the Project Budget FYE 2021 will be heavily reliant on the implementation of revised lot pricing. Price change assumptions are as follows:

Current Approved Pricing (approved Dec-19 Mid-Year Review):

Standard Price	12.5m x 30m 375m ²	15m x 30m 450m ²
Central	275,000	310,000
Beach	355,000	400,000

Revised Pricing (to achieve eight sales per month over the long-term – in line with Scenario 2 presented as part of the 2020 Project Forecast):

Standard Price	12.5m x 30m 375m²	15m x 30m 450m²
Central	235,000	265,000
Beach	325,000	349,000

Equivalent reduction of ~14% Central/Grove, ~9% Beach from previous approved (Dec-19)

Satterley has provided evidence to substantiate the lot pricing recommendations, which is contained in Appendix 9.6 (Catalina Pricing Review May 2020). Its recommendations are largely based on the decline in the value of established homes in Clarkson and Mindarie, comparisons between Catalina’s lot pricing and declining lot pricing in the competing Eden Beach Estate located seven kilometres north of Catalina and anticipated negative impacts of COVID-19 on the land sales market.

The recommended new lot pricing is between \$40,000 and \$45,000 less for lots in Catalina Central and \$30,000 to \$49,000 less for lots in Catalina Beach than current pricing.

The recommended repricing to counter the anticipated impacts of COVID-19 alone represent an 8% reduction to lot prices (and approximately 48% of the total price reduction recommended for lots in Catalina Central and 70% of the reduction recommended for lots in Catalina Beach).

It is noted that Satterley proposes that the Project Budget FYE 2021 includes an allowance for a sales incentive in the form of a rebate of \$10,000/lot, similar to what has been offered in recent sales and marketing campaigns.

In the event that the Project Budget FYE 2021 is approved, the price reductions would take effect from July 2020.

It is noted that 17 sales have been achieved since 1 April 2020, based on pricing approved in December 2019 and supported by the offer of a rebate of between \$10,000 and \$17,000/lot as part of the Viva La Catalina campaign. In addition, and as reported in Item 8.5, the recent announcement by the Federal and State Governments of housing construction stimulus measures has had an immediate positive impact on sales activity at Catalina. These factors have assisted the sales achieved to exceed the budgeted sales outcome for FYE 2020.

Satterley has been requested to further consider its recommended approach to lot pricing in light of the increased sales activity that has recently been experienced. Satterley’s response, dated 11 June 2020, is included in Appendix 9.6 and recognises that the Government building stimulus measures obviate the need to make the COVID-related price reduction that it recommended in May 2020. Furthermore, it also considers that the proposed \$10,000/lot rebate incentive is not required. Its revised pricing recommendations are summarised in the following table:

Precinct / Lot Size	Current Pricing (net of Viva Catalina Campaign)	Adjusted Market Price May 2020 (net of \$10k budgeted incentive)	FY21 Budget (COVID impact and \$10k budgeted incentive)	Proposed new FY21 Budget Price
Central – 375sqm	\$258,000	\$245,000	\$225,000	\$245,000
Central – 450sqm	\$293,000	\$275,000	\$255,000	\$280,000
Beach – 375sqm	\$338,000	\$340,000	\$315,000	\$345,000
Beach – 450sqm	\$383,000	\$370,000	\$339,000	\$385,000

Satterley's advice of 11 June 2020 was received as the Agenda for the Council's June 2020 meeting was being finalised. As a consequence, the impact of the amended pricing recommendations has not been reflected in the Project Budget FYE 2021 Cashflow or the supporting analysis prepared by Satterley. This will be addressed in revised documentation to be circulated to Elected Members prior to the Council meeting. It is noted however that the revised recommended pricing in Catalina Beach is comparable to pricing currently applicable under the Viva La Catalina Campaign, whereas it is between 4 and 5% less than pricing currently applicable in Catalina Central where unfavourable bank valuations have emerged as a concern in recent times.

Satterley has modelled alternative scenarios to achieve greater sales than the forecast scenario of eight lots/month and believe that any price reductions from the above will have a limited effect on sales and will only reduce project returns.

Other key assumptions made in the preparation of the Project Budget FYE 2021 include:

- Deferral of any lot price or cost escalations until after FYE 2021 as a result of anticipated stagnant prices and construction rates due to COVID-19.
- WAPC land acquisition \$10.2M in May 2021, which as reported above has been recommended by the Management Committee to be staged over two equal instalments.
- Timing of construction of civil stages, as detailed earlier in Annual Plan FYE 2020.
- High quality estate presentation will be key to achieving the sales rates in each scenario. As such, maintenance budgets have been set at \$60,000 per month.
- All IRR calculations assume a notional land payment based on historical valuation estimate of \$77.4M at commencement of the Project, consistent with IRR methodology for other residential development projects. A Project IRR calculation at the actual \$1.8M land purchase for the proposed FYE 2021 Budget is 205%.

Civil Construction Triggers

The SPG has recommended the use of construction triggers for the Project Budget FYE 2021. The recommended triggers require a closing titled stock position of 32 lots for Catalina Central and 20 lots for Catalina Beach, prior to the commitment to the next stage of civil construction. The difference in the triggers represent different sales rates for the two precincts. The triggers are consistent with those adopted for FYE 2020.

Conclusion

Satterley has indicated in its original Project Budget FYE 2021 proposal that the outbreak of COVID-19 has brought increased caution and decreased confidence in active buyers observed in the market and recommends that in FYE 2021, the Council should reduce lot prices, invest in infrastructure to improve the appeal of Catalina and promote the Estate as a safe location to invest in order to increase buyer confidence and continue the Project's momentum. Recent sales activity generated by a strong and well-timed marketing campaign and the announcement of Government building stimulus measures have brought into question whether the recommended lot price reductions to the extent put forward by Satterley are appropriate. Satterley has revised its advice in this regard and recommends that pricing reductions are not required to the extent that it originally recommended. The impact of this change on the Project Cashflow had not been quantified at the time of finalising this Agenda Item.

Given the anticipated annual cashflow, development expenditure will need to be managed to minimise potential impacts and exposure to the Council, including the use of Sales Triggers to manage Council's risk, whilst providing a reasonable stock position for market demand.

As reported, the Management Committee has recommended that the Project Budget FYE 2021 be amended to:

- Split the WAPC Land acquisition (\$10.2M) across two payments in May 2021 and December 2022;
- Include an allowance to construct the Long Beach Promenade Connection – Catalina Beach (\$0.81M) in FYE 2021.

These changes will have the following impacts on the forecast cashflow:

- Overall \$79,773 improvement due to the cost escalation saving of bringing forward Long Beach Promenade costs.
- FYE 2021 cashflow before distributions is \$4.4M higher than previously indicated, with deferral of \$5.1M in WAPC land acquisition and \$0.2M associated contingency partially offset by an increase of \$0.9M infrastructure costs for the brought-forward Long Beach Promenade works.
- FYE 2022 cashflow before distributions is as per previously indicated.
- FYE 2023 cashflow before distributions is (\$5.3M) lower than previously indicated due to the second WAPC land acquisition of \$5.1M and \$0.2M associated contingency deferred from FYE 2021.
- FYE 2030 cashflow before distributions is \$1.0M higher than previously indicated due to Long Beach Promenade works brought forward to FYE 2021.
- Distributions are as per previously forecast, with exception of the FYE 2023 distribution of \$13M now reduced to \$12M, offset by the FYE 2030 distribution increasing from \$9M to \$10M.
- Due to the deferral of the WAPC land acquisition, the closing cash balances for FYE 2021 and FYE 2022 are \$4.4M higher than previously forecast at \$28.9M and \$26.4M respectively.

Given the high cash balances in FYE 2021 and FYE 2022, arguably more distributions may be possible in those years, but at the expense of FYE 2023 distributions.

In principle, the Project Budget FYE 2021 is supported, however further evidence that qualifies the lot price reductions recommended by Satterley should be provided to support future budget considerations as part of the Project Budget FYE 2021 Mid-Year Review in December 2020.

9.7 ANNUAL PLAN FYE 2021 – **CONFIDENTIAL**

CONFIDENTIAL

9.8 MINDARIE REGIONAL COUNCIL LANDFILL BUFFER – GROUNDWATER MONITORING UPDATE - **CONFIDENTIAL**

CONFIDENTIAL

CEO ANNUAL PERFORMANCE REVIEW COMMITTEE MEETING (11 MAY 2020)

9.9 CEO ANNUAL PERFORMANCE REVIEW FOR 2019/2020 - APPOINTMENT OF CONSULTANT - **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 CHAIR
13. MATTERS BEHIND CLOSED DOORS
14. GENERAL BUSINESS
15. FORMAL CLOSURE OF MEETING

APPENDICES