

CHIEF EXECUTIVE OFFICER'S REPORT

12 NOVEMBER 2012

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ATTACHMENTS8

CITY OF ARMADALE
Chief Executive Officer's Report

Mayor and Councillors
City of Armadale

Following is my Report for the period
ended 12 November 2012

****1.1 - BUSINESS PLAN GOVERNMENT OFFICE ACCOMMODATION**

WARD : MINNAWARRA
FILE No. : M/802/12
DATE : 5 November 2012
REF : AB
RESPONSIBLE : Chief Executive Officer
MANAGER

In Brief:

- In September 2012, Council adopted a business plan for a land transaction, under section 3.59 of the *Local Government Act 1995*.
- The requirements under the *Act* call for a six week period for public comment. This period closed at noon on 8th November 2012.
- Recommend that Council;
 1. Notes that at the closing date of the required six week State-wide Public Notice given of the Business Plan – as presented at Attachment 1 to this Report, no public submissions were received.
 2. Pursuant to section 3.59(5) of the *Local Government Act 1995* agrees**to proceed with the Business Plan as proposed and advertised.
**Absolute majority resolution required.

Tabled Items

Nil

Officer Interest Declaration

Nil

Strategic Implications

2.2 A revitalised City of Armadale.

2.2.2 Plan and implement projects to revitalise the Armadale City Centre.

- 2.7 Assets and infrastructure managed over the long term to meet current and future needs.
 - 2.7.3 Maintain effective liaison with other levels of government and regional bodies to ensure coordinated provision of regional infrastructure.
- 4.6 Financial sustainability and accountability for performance
 - 4.6.2 Actively pursue alternative sources of revenue for Council's assets and operations.

Legislation Implications

Local Government Act 1995

- Section 3.59 – Commercial enterprises by local governments – business plans for major land transactions
- Section 5.23(2)(c) and (e)(ii) – meetings closed to the public when the meeting is dealing with information that has a commercial value and/or a contract that may be entered into.

Council Policy/Local Law Implications

Assessment of Policy/Local Law indicates that the following are applicable:

- Council Policy ADM 2 – Property Lease Rentals
- Council Policy FIN 4 – Investments

Budget/Financial Implications

The financial implications relating to this item can be found as part of the Confidential Item – Future Accommodation of City Administration (CEO's Report 22 October 2012).

Consultation

Conway Highbury Pty Ltd

BACKGROUND

Council resolved on 23 July 2012 (262/7/12) to support the submission of an Expression of Interest (EOI) for the provision of office accommodation for a Government Agency. This submission was subsequently short-listed for submission of a formal proposal. Section 3.59 of the *Local Government Act 1995* requires a local government to prepare and advertise for public comment a 'business plan' for a 'major trading undertaking or land transaction' before entering in to the transaction. This is not a commercial business plan, but rather an assessment of the capacity of the local government to perform the transaction and of its likely impact on the City and other parties. Major land transactions are defined as those where the consideration is greater than a prescribed amount (the lesser of \$10 million or 10% of the operating expenditure in the last completed financial year), and includes 'disposal' of an interest in land by way of a lease. Section 3.59(3) provides that:

The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of –

- a) its expected effect on the provision of facilities and services by the local government;*
- b) its expected effect on other persons providing facilities and services in the district;*
- c) its expected financial effect on the local government;*

- d) *its expected effect on matters referred to in the local government's current plan prepared under section 5.56;*
- e) *the ability of the local government to manage the undertaking or the performance of the transaction; and*
- f) *any other matter prescribed for the purposes of this subsection.*

Council, at its meeting 24 September 2012 adopted the business plan (see attached) for advertising and public comment (CS93/9/12), with a closing date for submissions of 12 noon on 8th November 2012.

DETAILS OF PROPOSAL

The business plan was advertised in the West Australian newspaper as well as being made available at the City's Administration Centre and the City's public libraries located in Armadale, Kelmscott and Seville Grove. Section 3.59(5) of the *Local Government Act 1995* provides that:

After the last day for submissions, the local government is to consider any submissions made and may decide to proceed with the undertaking or transaction as proposed or so that it is not significantly different from what was proposed.*

**Absolute majority required.*

At the closing date on the 8th November 2012, no submissions have been received.

COMMENT

Analysis

On the basis that:

- No public submissions have been received about the Business Plan, and
 - To the best of the City's knowledge, there are no matters arising that would serve to significantly change any aspects of the Business Plan as advertised,
- it is recommended that Council agree to proceed with the Business Plan

Options

Option 1, the recommended option, is to proceed with the Business Plan.

OR

Option 2 is not to proceed with the Business Plan. This is not the recommended option for the reason that, amongst other matters like for example the remaining need to provide future staff accommodation, it would effectively negate Council's following recent (22nd October 2012) decision, ie.

That Council:

Support the submission of a Request for Proposal for the provision of suitable office accommodation for a Government tenant in the Armadale CBD, in accordance with Option-3 contained in the body of the CEO's Confidential Report and attached financial analysis by consultant Conway Highbury.

Conclusion

Council will receive further reports prior to any commitments on the planned office accommodation project, but for the purposes of Section 3.59 of the Local Government Act, Council is now able to determine to proceed to the next step.

RECOMMEND

That Council:

- 1. Notes that at the closing date of the required six week State-wide Public Notice given of the Business Plan – as presented at Attachment to this Report, no public submissions were received.**
- 2. Pursuant to section 3.59(5) of the *Local Government Act 1995* agrees**to proceed with the Business Plan generally as proposed and advertised.**

****ABSOLUTE MAJORITY RESOLUTION REQUIRED**

ATTACHMENTS

1. Business Plan under s3.59 of the Local Government Act 1995 Development of Office Building by the City of Armadale

1.2 - COUNCILLOR'S INFORMATION BULLETIN - ISSUE NO. 20/2012

WARD : ALL
FILE No. : M/798/12
DATE : 5 November 2012
REF : CT
RESPONSIBLE : Chief Executive Officer
MANAGER

In Brief:

- Councillors' Information Bulletin – Councillors are advised to take note of the information submitted in Issue No. 20/2012 to be received by Council.

Strategic Implications

Corporate Services

- 2.1 Identify and implement mechanisms to improve communication and achieve common understanding of corporate issues and objectives.

COMMENT

The following general information and memorandums were circulated in Issue No. 20/2012 on 8 November 2012.

Correspondence & Papers

- **Correspondence Papers**
- WALGA Economic Briefing – November 2012
- **WA Local Government Association (WALGA) News**
- Issue No. 42.12 – 22 October 2012
- Issue No. 43.12 – 29 October 2012
- Issue No. 44.12 – 5 November 2012
- **Australian Local Government Association (ALGA) News**
- 19 October 2012
- 2 November 2012
- **Media Releases**
- Key Legislation Opportunities Fade – 31 October 2012

Information from Human Resources

- Employee Movements

Information from City Strategy

Progress Report

Progress Report on Contingency, Operational & Strategic Projects

- **Outstanding Matters & Information Items**
Report on Outstanding Matters – City Strategy Committee
- **Donations**
October 2012
- **Accounting Reports**
- **Rates Report**

Report of the Common Seal

Information from Development Services

- **Outstanding Matters & Information Items**
Report on Outstanding Matters - Development Services Committee
ICTC Conference – 16, 17 & 18 October 2012
Mosquito Program Update
- **Health**
Health Services Manager's Report - October 2012
- **Planning**
Planning Applications Report - October 2012
Reviews before the State Administrative Tribunal (SAT)
Town Planning Scheme No.4 - Amendment Action Table
Subdivision Applications - WAPC Approvals/Refusals - October 2012
Subdivision Applications - Report on Lots Registered for 2011/2012
PAW Closure Report - Significant Actions during October 2012
Compliance Officer's Report - October 2012
- **Building**
Building Services Manager's Report - October 2012
Building Compliance Report – October 2012
Building Applications Monthly Statistics - October 2012

ATTACHMENTS

There are no attachments for this report.

RECOMMEND

That Council acknowledge receipt of Issue No 20/2012 of the Information Bulletin.

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12 NOVEMBER 2012		
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1.1 BUSINESS PLAN GOVERNMENT OFFICE ACCOMMODATION		
1.1.1	Business Plan under s3.59 of the Local Government Act 1995 Development of Office Building by the City of Armadale	9



Business Plan under s3.59 of the
Local Government Act 1995

Development of Office Building
by the City of Armadale

**Business Plan under s3.59 of the Local Government Act 1995
Development of Office Building by the City of Armadale**

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Background

The City of Armadale is the owner in fee simple of Lot 13 Jull St, Armadale, part of the Armadale Civic Precinct. The City wishes to encourage and facilitate development within the precinct as part of a strategy for revitalisation of the Armadale Central Business District.

The City has a need for some 1,500 square metres of office space to accommodate employees displaced by the destruction of a building formerly on this land. These employees are temporarily housed in a former library building and within the main Administration building, resulting in reduced working conditions for some staff and a loss of some working areas. At the same time, the State Government has invited the City to submit a proposal to accommodate a government agency in Armadale on a commercial tenancy basis, seeking approximately 2,500 square metres of office space.

The City is therefore considering addressing these interrelated issues by construction of a building on the corner of Jull Street and Orchard Avenue, to accommodate both its own staff and the Government agency.

Before commencing a major land transaction or undertaking a major trading undertaking, section 3.59 of the *Local Government Act 1995* requires a local government to prepare and advertise for public comment a business plan. A 'major land transaction' is defined as one in which a local government intends to acquire, dispose of (which includes leasing), or develop land where the total value is worth more than \$10M or 10% of the operating expenditure of the local government in the last completed financial year.

Subsection 3.59(3) requires the business plan to include an overall assessment of the major trading undertaking or major land transaction and to include details of —

- (a) *its expected effect on the provision of facilities and services by the Shire;*
- (b) *its expected effect on other persons providing facilities and services in the district;*
- (c) *its expected financial effect on the Shire;*
- (d) *its expected effect on matters referred to in the Shire's current plan prepared under section 5.56;*
- (e) *the ability of the Shire to manage the undertaking or the performance of the transaction; and*
- (f) *any other matter prescribed for the purposes of this subsection.*

Expected effect on the provision of facilities and services by the City

By providing much-needed accommodation for staff, the proposed development will provide improved working conditions and hence will have a positive impact on the provision of services by the City. There is no anticipated negative effect on the provision of facilities and services by the City as a result of this proposal.

**Business Plan under s3.59 of the Local Government Act 1995
Development of Office Building by the City of Armadale**

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Expected effect on other persons providing facilities and services in the district

The proposed building makes available 2500m² of office space for lease to government officers providing services to the district.

Activation of this site within the Civic Precinct will contribute to the revitalisation of the Armadale Central Business District and will bring additional workers into the area to support local businesses. This will enhance the viability of Armadale as a commercial and retail centre and having a positive effect on other persons providing facilities and services in the district.

Expected financial effect on the City

The forecast overall cost of the development is approximately \$15 million for the proposed building and associated works. The City expects to fund this from a combination of existing Reserve Funds and borrowings.

The City's "worst case" scenario for this project is that if it borrowed the entire amount, the nett gap between repayment of borrowings and income from the commercially leasable area equates to approximately \$400,000 p.a. or a 1% rate increase for the district.

This is considered a reasonable price for an additional 1500m² space housing up to 120 City staff.

Utilization of reserve funds set aside for strategic projects (such as this) could reduce the nett annual impost to zero, but it would be recommended that the City replenish its reserve funds. It should be noted that once borrowings are repaid, rental income becomes profit to the City.

The project will only proceed if the Council is satisfied that the commercial terms, including negotiated rent levels, within the parameters outlined above.

Expected effect on matters referred to in the City's current plan prepared under section 5.56

The City has an obligation to provide office accommodation for its growing workforce. This undertaking enables accommodation costs to be shared in a partnership and represents a better financial arrangement than incremental additions to current buildings.

**Business Plan under s3.59 of the Local Government Act 1995
Development of Office Building by the City of Armadale**

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The effect of this proposal on the City's Plan for the Future will be positive. As well as adding to the revitalisation of Armadale and potentially attracting more investment to the area, the City has a need to provide for future office accommodation for employees and at the same time secure a long term tenant in a landmark building.

The ability of the City to manage the undertaking or the performance of the transaction

The City has some experience in the undertaking of major building projects. However, it does not propose to manage a commercial undertaking of this nature and scale with its current resources and has engaged appropriate property and other expertise to assist it in the management of the proposed transaction.

If The City is not successful in securing the State agency (or another suitable party) as a tenant, the City may elect not to proceed with, or may reduce the size of the proposed building.

Any other matter prescribed for the purposes of this subsection.

Nil.

Queries

Queries in relation to this business plan can be directed to Ray Davy or Chris Liversage of Conway Highbury Pty Ltd, who are assisting the City with the preparation of the proposal. They may be contacted by telephone on 9368 0588 or 9367 8772.

Submissions

Submissions about this business plan should be made by 12 noon on 8th November 2012 and should be addressed to:

Chief Executive Officer
City of Armadale
Locked Bag 2
Armadale WA 6992

**Business Plan under s3.59 of the Local Government Act 1995
Development of Office Building by the City of Armadale**

Attachment 1 – Site Plan

