
PS03-06/19 Annual Review of Cell Costs - East Wanneroo Planning and Developer Contribution Arrangements Cells 2 and 4-9

File Ref: 5734 – 19/174356
Responsible Officer: Director Planning and Sustainability
Disclosure of Interest: Nil
Attachments: 10

Issue

To consider the process and methodology for the Annual Review of the developer contribution arrangements for the East Wanneroo Cells 2 and 4-9 Agreed Structure Plans, including the findings of the Transactional Internal Review and endorse for public advertising.

Background**Framework for the Administration of Developer Contribution Schemes**

The City's DPS2 provides the statutory basis for the administration and management of developer contributions, including provisions that describe the nature and extent of Cell Works that may be charged to Developer Contributions Plans (**DCPs**).

The scheme provisions were originally prepared in the late 1990's in accordance with the WAPC *Planning Bulletin No. 18 (PB 18)*, which provided the framework for implementing DCPs and provides guidance on the type of infrastructure that may be charged to the plans. In 2009 PB 18 was replaced by the WAPC's *State Planning Policy 3.6 – Developer Contributions* (SPP 3.6), which is now the principle planning policy guiding local government in the preparation and administration of DCPs.

In April 2001, Amendment 816 to Town Planning Scheme No. 1 introduced Part 9 and Schedule 6 for the East Wanneroo Planning and Developer Contribution Arrangements, which now form part of DPS2. As shown in **Attachment 1**, the East Wanneroo Cells include the areas of Wanneroo, Ashby, Tapping, Hocking, Pearsall, Landsdale, Darch, Madeley and Wangara. Under Clause 9.11 of DPS2, the City is required to annually review the East Wanneroo Cell costs, including the Estimated Lot Yield (**ELY**), the Infrastructure Cost per Lot (**ICPL**) rate in respect of Cells 1-6 and 9; and the remaining area of Cells 7 and 8 which are capable of being developed.

Audit and Risk Committee actions

In March 2016, Administration commenced an internal review of the accuracy of the Cell 1 financial data for the period of 1 July 2010 to 30 June 2015 and sought sign-off on the factual findings by William Buck who conducted the engagement in accordance with the Standard on Related services ASRS 4400 Agreed – Upon Procedures to Report Factual Findings.

In November 2018, the City's auditor, William Buck completed an *Internal Audit Review of Land Development & Contributions* in accordance with the requirements of the Audit and Risk Committee. This review identified a number of management actions that need to be completed by the City to ensure the effective administration of developer contributions. In this regard, Administration is progressing well towards completion of these actions in accordance with the timeframes endorsed by the Committee.

Accordingly, one of the actions is the statutory requirement to perform Annual Reviews of East Wanneroo Cells 1-9, which has not been undertaken since 2006. In this regard, the Cell 1 annual review was presented to the Audit and Risk Committee on the 19 February 2019 and was subsequently endorsed by Council on 5 March 2019 (PS03-03/19) for consent to advertise. The review was advertised from the 12 March to the 23 April 2019 in accordance with the provisions of DPS2 and the submissions will be considered by Council on 4 June 2019. Council consideration for the annual review of Cells 2 and 4-9 will bring the review requirements for all the Cells into statutory compliance.

Transactional Internal Review

Administration initiated a Transactional Internal Review in March 2016 and although this was initially scoped to review the accuracy of the Cell 1 financial data for the period 1 July 2010 to 30 June 2015, the scope of the work was subsequently extended to include the years 1999/2000 to 2017/2018 for all East Wanneroo Cells (1-9). The Review has identified project accounting errors where funding from the East Wanneroo Cells was incorrectly charged. Also, a major component of the Transactional Internal Review has been investigation and analysis of the DPS2 scheme provisions and observations on the City's compliance with legislative requirements to ensure that the City is interpreting the provisions correctly. From this, Administration has undertaken a detailed review of historic municipal expenditure associated with all cell work projects and is recommending recoupment by the City, where appropriate to do so.

In this regard, Administration has historically used a conservative of the scope of infrastructure that was able to be charged to the relevant cell accounts. In some instances, the City utilised municipal funds for additional infrastructure (i.e. second carriageway structures such as lighting). However, on review of the matter by Administration, this historical interpretation was determined to be too conservative and certain works can be interpreted as cell works and charged to the cells. As a consequence of this interpretation, it is recommended that Council pursue recoupment of historical municipal expenditure from the cells, as detailed in the Transactional Internal Review findings.

The new interpretation of works identified by the Transactional Internal Review is based on Schedule 6 of DPS 2 and applied to both historic and remaining estimated costs and includes allowance for dual carriageway works and environmental offset clearing costs, where the need for these works has been identified.

Summary of Findings

The initial Internal Reviews of Cell 2 to Cell 9 were finalised in December 2018 which included review and confirmation of findings by William Buck. The Reviews also identified a number of administration actions that are being progressed.

Subsequent to further guidance on the principles and methodology for interpreting Cell Works in accordance to Schedule 6 of DPS2 (e.g. treatment of Environmental Offset and Infrastructure costs such as pathways, drainage and landscaping etc.) a further review of cost allocations applicable to all Cells was necessary and was initiated in January 2019. The findings were recently completed and the following net adjustments are recommended:

- **Project Accounting Errors** - Project accounting errors include incorrect general ledger entries used when processing transactions and project expenditure not being apportioned to the correct funding source. These issues have been addressed and procedures have now been put in place to prevent these errors reoccurring, including monthly reconciling of accounts. The total net corrections results in a recoupment of \$3,106,690 from the relevant Cell accounts back to municipal.

- Environmental Offsets (Omission of Costs) - Costs associated with preparing the offset management plan, establishment and maintenance as required by State and/or Federal clearing permits to facilitate Cell Works (i.e. clearing of vegetation for Ocean Reef Road, Hartman Drive, Gngara Road and Hepburn Avenue). The total net corrections results in a recoupment of \$3,552,608 from the relevant Cell accounts back to municipal.
- Interpretation of Cell Works - Certain cell works have been previously charged to municipal and the cell accounts. The Internal Review identified that some works have been charged incorrectly to both the cells accounts and municipal and should be corrected. These costs should be recouped by municipal or credited to the cells as an 'error' in the project cost allocations. The interpretation utilised in the Transactional Internal Review recommendations now includes structures associated with dual carriageway works, including earthworks, street lighting, intersection treatment, service relocation, drainage, dual use paths and kerbing associated with District Distributor Roads construction. The net correction results in a recoupment of \$2,539,116 from the relevant Cell accounts back to municipal.
- Interest Adjustment - The corrections identified by the Transactional Internal Review require the re-calculation of the interest attributed to the cell accounts. The net correction of interest results in a recoupment of \$2,211,987 from the relevant Cell accounts back to municipal.

Summary Table – The following summary table represents the overall findings from the Transactional Internal Review and the recommended financial adjustments for each Cell (2 and 4-9).

Transactional Internal Review Identified Adjustments				
Cell	Interpretation of Schedule 6 of DPS 2	Net Adjustments	Interest Adjustments	Total net recoupment to Municipal
2	104,907.69	540,358.18	182,567.78	722,925.96
4	1,122,791.09	945,928.09	39,638.79	985,566.88
5	184,492.16	3,695,719.44	972,548.68	4,668,268.12
6	1,034,686.00	3,209,964.10	961,890.87	4,171,854.97
7		112,029.00	16,591.83	128,620.83
8		-65,851.79	-485,663.80	-551,515.59
9	92,239.00	372,300.22	155,427.99	527,728.21
Total	2,539,115.94	8,810,447.24	1,843,002.14	10,653,449.38

For a more detailed summary of adjustments proposed in the City's Transactional Internal Review refer **Attachment 2**.

Detail

The City is currently in breach of its statutory obligation under DPS2 to annually review the Cell Costs of the East Wanneroo Cells. The provisions of DPS2 provide Council with the discretion to either increase, decrease or maintain the current (2006) ICPL rates through the annual review process.

Due to the extended time period since the last annual review in 2006, each cell will have a different financial position that requires the cell costs to be either increased, retained or reduced.

Given the advanced state of some cells, it is necessary to consider an appropriate methodology to review cell costs with consideration for factors that may limit or prevent all the land in the cells being development in a timely manner.

In accordance with the provisions of DPS2, the annual reviews must have regard to the actual lots being produced in each cell since the last review, the remaining Cell Works (infrastructure to be funded by the DCP), any amendments to the local structure plan and any other factor the Council considers relevant. Administration has utilised the provisions of DPS 2 to establish the scope of works that may be charged to the cells; undertaken a detailed review of historic expenditure and made cost estimates for remaining work for each cell.

In order to facilitate the annual review, it is recommended that Council endorses the methodology for interpreting cell works as outlined below are applied through the Annual Review of Cells 2 and 4-9.

Principles and methodology for interpreting Cell Works

In considering the recommendations on the interpretation of DPS 2 the following should be noted:

- Second carriageway (four lanes) structures may now in part be included (i.e. dual carriageway structures, including street lighting, intersection treatments, drainage and additional dual use paths etc. but excludes the second carriageway pavement costs) as a DCP cost; and
- Environmental offset costs may now be included as a DCP cost, where the clearing occurred as part of the cell works.

In line with the approach taken in Cell 1, it is recommended that the following methodology be applied to Cells 2 and 4-9:

- All intersection treatments prior to January 2005 should not be charged to the DCP, with only intersection lighting (i.e. not all lighting) to be included as a Cell Work before January 2005 (prior to Amendment 17 to DPS2);
- All other roadworks made necessary as a consequence of development should be excluded and should not be charged to the DCP;
- The DCP should be charged for only interest or other borrowing costs that were incurred by the City in order to raise funds for Cell Works, including any adjustments to interest attributed to the Cell as a result of the Transactional Internal Review adjustments;
- The specified percentage of the cost of laying a single carriageway (1 lane in each direction) should be charged to the DCP;
- The full cost of earthworks for a dual carriageway should be charged to the DCP;
- The cost of structures should be charged to the DCP, including kerbing, service ducts, street lighting, intersection treatments; relocation of existing services, dual use paths, and structures ultimately built for a 'dual' carriageway (2 lanes in each direction); and
- The costs of preparing and implementing the relevant environmental offsets as required through the agreed Federal and State Environment Offset Management Plan(s) should be charged to the DCP, including the implications of clearing of land due to earthworks to facilitate a second carriageway (as per below).

Environmental Offsets

The following principles have been applied to the calculation and recoupment of Environmental Offsets associated with cell works (not previously charged). These costs are recommended to be:

- Proportionally charged based on 'clearing area' and according to the need and nexus between clearing and funding responsibility;
- Should not be charged twice where State and Federal permits overlap the same offset areas, and upon completion of the Federal obligations the State obligations will continue but only for the portion defined in the State Management Plan and must be charged according to the correct funding allocation (which may be different to the Federal). For example, the State obligations for the management of the current offset areas may be to establish vegetation for 10 years and the Federal obligations for 4 to 6 years as defined;
- Federal clearing obligation (funding) overrides the State; and
- Subject to the above, where environmental offset areas have grouped multiple projects, the funding source shall be apportioned based on the extent of clearing required for the relevant project.

State Government road grants

Under the State Government's '*State Road Funds to Local Government Agreement*', road project grants are given to local governments. In this regard, the City has obtained funds from the State Government for historic road projects and this funding was applied to the construction of roads, including second carriageways, street lighting and intersection construction.

The Transactional Internal Review Identified that the interpretation of cell works in Schedule 6 of DPS2 allows for certain second carriageway works and structures to be recouped from the relevant cell accounts. In some instances, grant funding was also obtained for these works, and as such, it is necessary to exclude certain works from the recoupment to ensure probity and fairness. In this regard, only those works defined in the "*Principles and methodology for interpreting Cell Works*" section of this report have been included; however these costs have been excluded, where the works were funded under the terms of the grant.

Pedestrian underpasses

At the time of preparing the East Wanneroo Cells in the late 1990's consideration and allowance was made for the construction of pedestrian underpasses for Skeit Road, Mirrabooka Avenue and Pinjar Road. The initial and subsequent road construction projects for these roads considered the need and suitability of the underpasses, where construction was not required.

A high level review of the underpass requirements was recently undertaken as part of the Infrastructure Audit, where Porters Consulting Engineers were engaged and have confirmed that various alternative crossing points exist and that no significant deficiencies occur regarding pedestrian crossings.

On the basis that pedestrian underpasses are not required, it is recommended that they be deleted from the cost sharing arrangements. It should be note that the associated road projects include alternative 'at grade' pedestrian crossing points and that these costs have been apportioned to the cells, state grants or municipal as determined through the relevant road project.

Cell 3

Administration has undertaken some work in relation to reviewing Cell 3. However, further work is required before a review of this Cell will be reported to Council. Therefore, the ICPL will remain at \$14,036 until a review is completed by Administration.

Annual Review of East Wanneroo Cells 2 and 4-9

The City is currently in breach of its statutory obligation under DPS2 to annually review the Cell Costs of the East Wanneroo Cells. The provisions of DPS2 provide Council with the discretion to either increase, decrease or maintain the current (2006) ICPL rates through the Annual Review process.

The City has continued to collect contributions from landowners based on the 2006 ICPL rates, acquired land and constructed infrastructure in accordance with Cell Works defined in DPS2. It is not practicable to recalculate and establish (retrospectively) whether the retention of the 2006 ICPL has resulted in the setting of the rate too high, or whether other factors have affected the 'actual' contributions received in each cell (2-9) and a position will need to be agreed on the best course of action for each cell.

Relevant factors have been considered as part of the Annual Review, including the actual contributions received, expenditure to date, the Internal Review findings and the remaining estimates for cell works.

Council is required to determine whether adequate funds are likely to be obtained to complete the cell works and consider:

- Increasing the ICPL rate;
- Decreasing the ICPL rates; or
- Retaining the current ICPL.

In this regard, the following provides a recommended position on each cell based on the findings of the Annual Review and a rationale for proceeding to public consultation on the revised cost estimates including ICPL rates and land valuation obtained through a valuation panel.

Revised Land Valuation

Land valuations for Cells 2 and 4-9 were last revised in November 2015 (PS08-11/2015). In accordance with Clause 9.14.3 of DPS2, if it is necessary for any reason to ascertain the value of any land within a contribution scheme area, then the City is required to appoint a valuation panel to arrive at a consensus value; advertise the proposed value and refer submissions to the Valuation Panel for comment. After having considered the submissions and any comment from the Valuation Panel, the Council is required to fix the value to be applied. The specific requirement for a valuation panel to be utilised is defined in Clause 9.14.3 (a), as per the following;

9.14.3 (a) Subject to subclause 9.14.6, if it is necessary, for any purpose, to ascertain the value of any land, such value shall be determined by two licensed valuers appointed from time to time by the City herein referred to as "the Valuation Panel". The members of the Valuation Panel may confer as to value, and if they are unable to arrive at a consensus value, they shall confer with the Chief Executive Officer of the City or the officer to whom the CEO delegates that function from time to time. If the valuers with the officer cannot arrive at a consensus value then the officer shall select a value which represents the median value between the two values nominated by the valuers on the Valuation Panel and will be advertised under the next following paragraph ("the Proposed Value").

In this regard, in accordance with the provisions of the scheme, the City engaged a valuation panel and received a consensus agreement on land value (**Attachment 3**).

The recommended change to land values is considered to be relatively minimal across most residential cells, however a decline in industrial land values (Cells 7 and 8) is noted as per the following table. A small increase to the residential land values across all cells between 1% and 6% has been recommended by the City's Valuation Panel.

EAST WANNEROO CELL	Agreed Land Values (2015) - Adopted 10 November 2015 (Report PSD08-11/2015) - Cell 9 Adopted 13 October 2015		Proposed Land Values (2019) - Pending Adoption		Change in Land Valuation (\$)	Change in Land Valuation Inclusive of Solatium (\$)
	CONSENSUS VALUE	CONSENSUS VALUE PLUS 10% SOLATIUM	CONSENSUS VALUE	CONSENSUS VALUE PLUS 10% SOLATIUM		
2	\$1,875,000	\$2,062,500	\$1,912,500	\$2,103,750	\$37,500	\$41,250
4	\$1,950,000	\$2,145,000	\$1,975,000	\$2,172,500	\$25,000	\$27,500
5	\$2,000,000	\$2,200,000	\$2,025,000	\$2,227,500	\$25,000	\$27,500
6	\$2,100,000	\$2,310,000	\$2,125,000	\$2,337,500	\$25,000	\$27,500
7	\$2,500,000	\$2,750,000	\$2,125,000	\$2,337,500	-\$375,000	-\$412,500
8	\$2,050,000	\$2,255,000	\$2,020,000	\$2,222,000	-\$30,000	-\$33,000
9	\$2,000,000	\$2,200,000	\$2,025,000	\$2,227,500	\$25,000	\$27,500

The recommendations of the valuation panel have been included into the Annual Review of cell costs.

Cell position and recommended action

The position in each cell and recommended approach in relation to the Annual Review of each cell is summarised below. A summary statement and annual review calculations are attached as **Attachments 4 to 10**.

Cell 2:

A large portion of Cell 2 has been sterilised by a Poultry Farm Buffer associated with the Ingham's Poultry Farm (which has been purchased by Stockland). The cell is 55% developed, however with the imminent relocation of the poultry farm, it is expected that this area will develop rapidly in the coming years.

The Servite land is located within the Wanneroo Town Centre Structure Plan and is identified as a mixture of residential R60 and R100 in the draft new Structure Plan. There is the probability that the landowners (primarily Stockland) will request the ICPL calculation be based on a higher ELY, rather than 9 lots per/ha as part of the consultation process. If this occurs, an amendment to clause 9.6.2 of DPS2 would be required or a new DCP or other arrangements agreed. As an example, a higher lot yield of 13 lots per ha would result in the ICPL rate being reduced to approximately \$18,500 per lot. Given this cell has a large area of undeveloped land; there is adequate flexibility to consider other mechanisms to ensure the provision of the required infrastructure.

However, Administration is recommending that the revised ICPL of \$26,936 be adopted (increase of \$2,574) and that Administration continue to work with the affected landowners to determine the suitability of retaining/amending the East Wanneroo Cell 2 cost sharing arrangements, or introduce a new DCP in accordance with SPP 3.6 or other agreement.

There are large areas of POS yet to be acquired and a minor increase in the ICPL has been identified to ensure contribution rates are set at appropriate levels to ensure adequate funds are received to complete the cell works.

Cell 4:

This cell is predominately developed (95%) with only 202 lots undeveloped. There is a projected excess of approximately of \$9.2 million at full development if all the land in the cell develops and the current ICPL rate is maintained (including future estimated income \$4.7 million). Whilst excess funds are likely at full development, the extent of these excesses is dependent upon the final costs associated with ongoing land acquisitions (POS acquisition - Lots 1 and 8 Wanneroo Road, claim for injurious affection) and Lenore Road (Bakota – Supreme Court). The final costs are yet to be determined with potential for significant variances.

There is a significant risk that the acquisition and legal costs could escalate and therefore reduce the extent of the excess cell funds due to ongoing legal action. There are also several major landholdings including the BMX Club and Pearsall Community Church and a high number of remnant land holdings (including Existing House Lots and balance Title Lots) that may not develop within a reasonable time period. These landholdings represent approximately half of the estimated future income or \$2.5 million of the estimated excess at full development

Whilst an excess in funds is possible at full development, Administration is not recommending a return of excess funds until greater certainty can be established on the final costs. The current ICPL rate of \$23,327 should be retained for the remaining developers to ensure an accountable position on the cell accounts can be maintained pending greater certainty on the costs prior to considering a return of potential excess funds.

It should be noted that if Council was to pursue a partial return of estimated excess funds (as per Cell 1) then the exclusion of future income and appropriate contingency (similar to Cell 1) would translate into a relatively low return in ICPL contributions (i.e. approx. \$4 million dollars excess shared over a total estimate 4,526 ICPL contributions equates to an average of \$1,000 return per ICPL contribution received), whilst significantly increasing the financial risk to the City.

Cell 5:

This cell is predominately developed (95%) with only 136 contributions remaining from the undeveloped land. There is a projected excess of approximately \$6.7 million at full development if all the land in the cell develops and the current ICPL rate is maintained.

Whilst excess funds are likely at full development, the extent of the excess is dependent upon the final costs associated with an ongoing land acquisition claim for Lot 6 Gnangara Road (Mirrabooka Avenue land requirement) and some areas of POS. The final costs are yet to be determined with potential for significant variances in the land taking process (Kilmaley – Supreme Court).

Administration is not recommending a return of excess funds until greater certainty can be established on the final costs. The current ICPL rate of \$30,909 should be retained for the remaining developers to ensure an accountable position on the cell accounts can be maintained pending greater certainty on the costs prior to considering a return of potential excess funds.

It should be noted that if Council was to pursue a partial return of estimated excess funds (as per Cell 1) then the exclusion of future income and appropriate contingency (similar to Cell 1) would not translate into a significant early return in ICPL contributions (i.e. \$2.5 million dollars excess shared over a total estimate 3014 ICPL contributions equates to an average of \$850 return per ICPL contribution received), whilst significantly increasing the financial risk to the City.

Cell 6:

This cell is predominately developed (88%). There is a projected excess of approximately \$15.1 million at full development if all the land in the cell develops and the current ICPL rate is maintained.

There have been over 4,500 contributions received in this cell, with 541 remaining contributions estimated. There are several major undeveloped landholdings in this Cell that are potentially constrained or have operating land uses. These lots represent a significant portion of the total estimated excess funds at full development.

Administration is not recommending a return of excess funds until greater certainty can be established on the final costs and remaining income. The current ICPL rate of \$24,678 should be retained for the remaining developers to ensure an accountable position on the cell accounts can be maintained pending greater certainty on the costs prior to considering a return of potential excess funds or closing the cell.

It should be noted that if Council was to pursue a partial return of estimated excess funds (as per Cell 1) future income would be excluded and therefore would not translate into a significant return of reduction in the ICPL contributions (i.e. \$1.8 million dollars excess shared over a total estimate 5108 ICPL contributions equates to an average of \$352 return per ICPL contribution received). It is also recognised that this would significantly increase the financial risk to the City. It is noted that the estimated excess at full development of \$15.1 million is dependent upon all land developing and the remaining income projection represents \$13.4 million of that amount.

Cell 7:

The cell is nearly 70% developed. The reduction in the contribution rate can be associated with the deletion of several roads identified in the approved structure plan resulting in more developable land areas being available. A detailed assessment of the structure plan and remaining undeveloped land has enabled a more accurate estimate on future income. It should be noted that the methodology is area based and relies upon the full development of the cell and has little margin for error. This methodology is different to the residential cells, which make an estimate of future income based upon a conservative lot yield estimate.

A minor reduction in the square metre rate from \$13.15 to \$9.73 is considered acceptable and is consistent with normal fluctuations associated with an annual review.

Cell 8:

The cell is just under 80% developed. The reduction in the contribution rate can be associated with the deletion of several roads identified in the approved structure plan, resulting in more developable land areas being available. Further a detailed assessment of the structure plan and remaining undeveloped land has enabled a more accurate estimate on future income. It should be noted that the methodology is area based and relies upon the full development of the cell and has little margin for error. This methodology is different to the residential cells, which make an estimate of future income based upon a conservative lot yield estimate.

A minor reduction in the square metre rate from \$24.44 to \$16.93 is considered acceptable and is consistent with normal fluctuations associated with an annual review.

Cell 9:

This cell is predominately (75%) developed, with only 530 lots estimated to be remaining.

There has been savings made with actual expenditure being less than the estimated expenditure for road construction works and POS development. The cell is also tracking above the estimated lot yields of 13 lots per hectare. The resultant impact on the ICPL is that the rate reduces from the current \$32,205 to \$21,733 per lot. This cell was adopted in 2015 and therefore the adjustment to the ICPL is considered to be acceptable and a reflection of the actual costs incurred.

A reduction in ICPL rate from \$32,205 to \$21,733 is considered acceptable and is consistent with normal fluctuations associated with an annual review.

Based on the above analysis Administration is not recommending a return of estimated excess funds for any of the cells (2-9).

Consultation

The City is required to advertise the proposed land values for a period of 28 days and the revision of Cell Costs for a period of 42 days respectively. Advertising must be carried out by means of advertisements in the West Australian and Wanneroo Times, letters sent to affected landowners and on the City's website, in accordance with the relevant provisions of DPS2. In accordance with the above and following Council's endorsement of the Annual Review, Administration will proceed with advertising for a period of 28 and 42 days respectively.

Comment

It is recommended that Council notes the background, process and timing in relation to the Annual Review of Cells 2 and 4-9 and the findings of the Transactional Internal Review for Cells 2 and 4-9 as contained in the revised cell cost estimates in **Attachments 4 to 10**. It is further recommended that Council endorses the application of the provisions of DPS2 in respect of Cell Works prescribed in Schedule 6 of DSP2 to include dual carriageway structures and environmental offset costs as outlined in this report.

Once Council has endorsed the Annual Review for advertising purposes the following key milestones have been identified for the Annual Review programme:

- Formal public advertising and notification for 42 days (June/July 2019);
- Council consideration of submissions following public advertising process; and
- Commercial arbitration in the event that landowners object to the review findings and Council does not agree with the objection.

Throughout the Annual Review process it has become apparent that the East Wanneroo Cost Sharing Arrangement provisions of DPS2 (Part 9 and Schedule 6) are now outdated and inconsistent with the State Government's Model Scheme Text (standard wording for all planning schemes in the State).

Given the advanced state of most cells, an entire change to DPS2 in accordance with the requirements of SPP 3.6 would be problematic and is not recommended, however some minor amendments to certain provisions relating to the return of excess, updating the estimated lot yield provisions of DPS2 and other minor improvements would assist the City to finalise Annual Reviews and proceed to closure of the East Wanneroo Cells in a timely and acceptable manner.

In order to facilitate this, Administration considers that a future amendment to DPS2 following the conclusion of the Annual Review process may be appropriate to provide greater certainty to landowners and Administration in the management of the East Wanneroo Cells until closure.

Statutory Compliance

The City is currently in breach of its obligations under Clause 9.11.1 of DPS2, which specifies that Council must review Cell Costs on an annual basis. The completion of the Annual Reviews and associated actions will bring the East Wanneroo Cells into statutory compliance with DPS2. The City has been undertaking external audits of City accounts, inclusive of DCP funds annually in accordance with the provisions of the *Local Government (Financial Management) Regulations 1996*.

Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2017 – 2027:

- “4 Civic Leadership
 - 4.2 Good Governance
 - 4.2.1 Provide transparent and accountable governance and leadership”

Risk Management Considerations

Risk Title	Risk Rating
ST-G09 Long Term Financial Plan	Moderate
Accountability	Action Planning Option
Director Corporate Strategy & Performance	manage

Risk Title	Risk Rating
ST-S23 Stakeholder Relationships	Moderate
Accountability	Action Planning Option
CEO	Manage

Whilst there are significant risks associated with the implementation of the Annual Review of the East Wanneroo Cells due to the extended period of time since the last review in 2006, and the resultant excess of funds in some cells, the above risks relating to this issue have been identified and considered within the City’s existing Strategic risk register.

It is noted that Council is not required, in accordance with the provisions of DPS2, to change the ICPL or to return funds prior to full development of Cells. Although formal reviews have not been undertaken during this time, the City has implemented ongoing monitoring of the Cell accounts and all income and expenditure has been maintained within the Cell accounts in accordance with the requirements of DPS2. The expenditure of DCP funds since 2006 could be contested through a mediation process by affected landowners and the project expenditure since 2006 could impact the City’s Long Term Financial Plan.

The inclusion of some Cell Works that were not originally included when the DCPs were initiated could be contested. In this regard, the Annual Review will be subject to the normal statutory process as per DPS2, including the possibility of commercial arbitration.

Policy Implications

Nil

Financial Implications

Administration has reviewed the East Wanneroo Cells and makes recommendations that some infrastructure which has previously been funded through City's municipal accounts can now be funded from the Cells 2 and 4-9 accounts. This includes environmental offsets, lighting and intersection works.

The specific financials for each cell will vary depending upon each cell's particular circumstances. Administration maintains detailed financial spreadsheets for DCP's, which is common practice across the Local Government sector. The reconciliation of financial spreadsheets across all Cells has identified some outstanding balances requiring more detailed investigation. The outstanding balances have mostly occurred in historic development prior to 2006, where detailed review of records is required. These balances are considered to be relatively minor and will be investigated as part of the next annual review process.

Subject to the agreement of Council to the recommendations of the Transactional Internal Review and the revision of costs, it may be necessary for Administration to make adjustments to the Long Term Financial Plan and adopted Capital Works programmes to reflect the revised DCP funding allocations for associated projects, including any variations to estimated costs that may occur as part of subsequent Annual Reviews.

A significant aspect of the Annual Review has been the incorporation of the Transactional Internal Review findings, which have been externally reviewed by William Buck and reported as factual Findings. As defined in the Transactional Internal Review Summary Table in the Background section of this report, the Transactional Internal Review identified \$10.6m in overcharges to the City which are proposed to be credited back to the Strategic Initiatives Reserve. A copy of the William Buck findings has been included as **Attachment 2**.

Voting Requirements

Simple Majority

Recommendation

That Council:-

- 1. ENDORSES the application of the provisions of District Planning Scheme No. 2 in respect of Cell Works prescribed in Schedule 6 of District Planning Scheme No. 2 to include dual carriageway structures and environmental offset costs and in particular;**
 - a) Exclude intersection treatments prior to January 2005 and not charging these to the Developer Contributions Plan, with only intersection lighting (i.e. and not all lighting) being included as a Cell Work before January 2005 (prior to Amendment 17 to District Planning Scheme No. 2);**
 - b) Exclude other roadworks made necessary as a consequence of development and not charging these to the Developer Contributions Plan;**

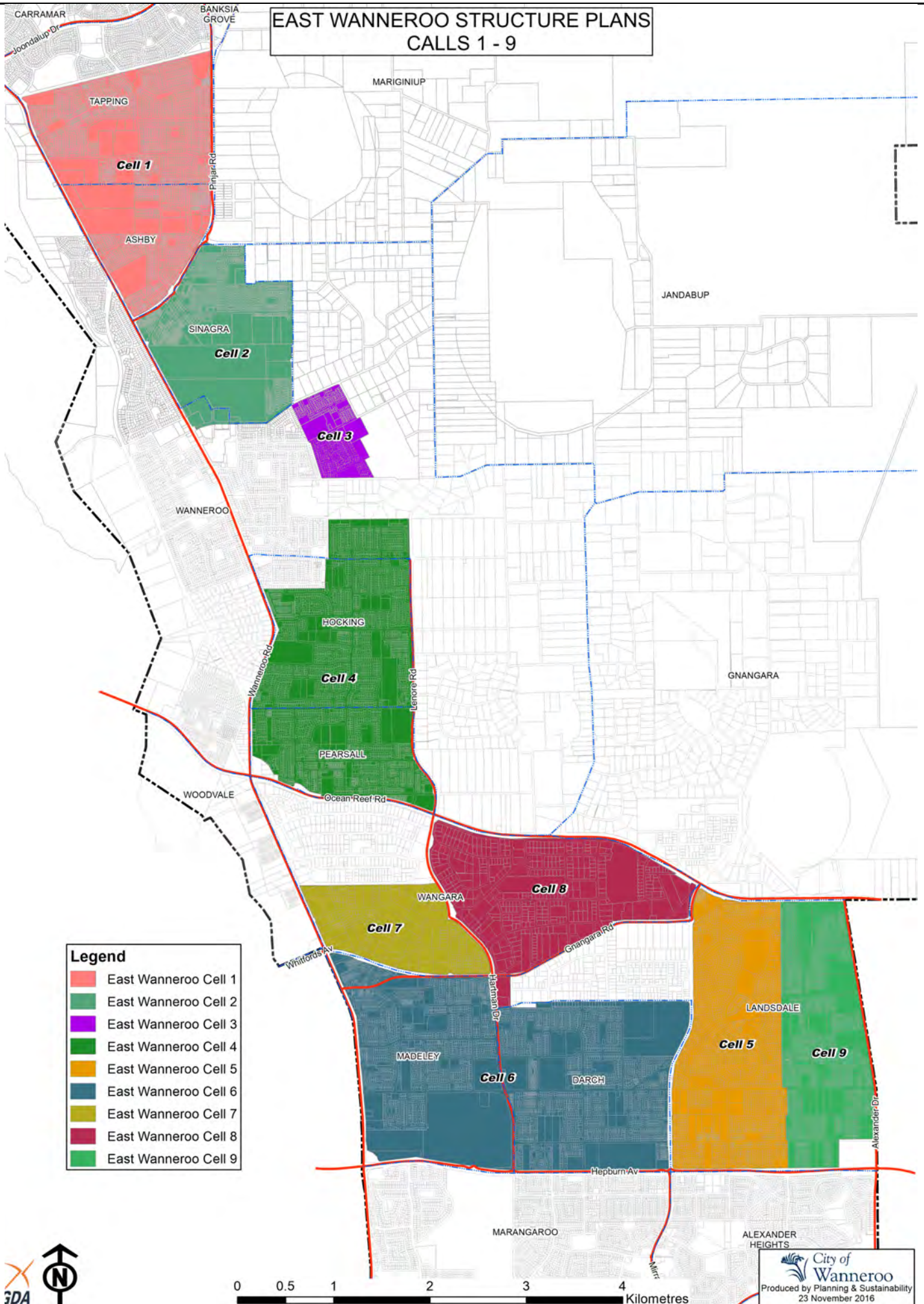
- c) **Include and charge to the Developer Contributions Plan only interest or other borrowing costs that were incurred by the City in order to raise funds for Cell Works, including any adjustments to interest attributed to the Cell as a result of the Transactional Internal Review adjustments;**
 - d) **Include and charge to the Developer Contributions Plan the specified percentage of the cost of laying a single carriageway;**
 - e) **Include and charge to the Developer Contributions Plan the full cost of earthworks for a dual carriageway;**
 - f) **Include and charge to the Developer Contributions Plan the cost of structures including kerbing, service ducts, street lighting, intersection treatments; relocation of existing services, dual use paths, and structures ultimately built for a dual carriageway; and**
 - g) **Include and charge to the Developer Contributions Plan the costs of relevant environmental offsets as required through the relevant Environment Offset Management Plan/s.**
2. **ENDORSES the findings of the Transactional Internal Review for Cells 2 and 4–9 as contained in the revised cell cost estimates in Attachment 4-10;**
3. **ADVERTISES the revised average englobo value per hectare for East Wanneroo Cell 2 and 4-9 for a period of 28 days in accordance with Clause 9.14.3 of District Planning Scheme No. 2, as below:**
 - a) **Cell 2 - \$1,912,500;**
 - b) **Cell 4 - \$1,975,000;**
 - c) **Cell 5 - \$2,025,000;**
 - d) **Cell 6 - \$2,125,000;**
 - e) **Cell 7 - \$2,125,000;**
 - f) **Cell 8 - \$2,020,000; and**
 - g) **Cell 9 - \$2,025,000.**
4. **ADVERTISES the revised Infrastructure Cost Per Lot for East Wanneroo Cells 2 and 4-9 for a period of 42 days in accordance with Clause 9.11.5 of District Planning Scheme No. 2, as below:**
 - a) **Cell 2 - \$26,936;**
 - b) **Cell 4 - \$23,328;**
 - c) **Cell 5 - \$30,909;**
 - d) **Cell 6 - \$24,679;**
 - e) **Cell 7 - \$9.73;**
 - f) **Cell 8 - \$16.93; and**
 - g) **Cell 9 - \$21,733.**
5. **NOTES the following:**

- a) **The deletion of the underpasses from Cells 2, 5 and 6 from the cost sharing arrangements; and**
- b) **That Administration intends preparing an amendment to District Planning Scheme No. 2 to consider a range of recommended improvements to the East Wanneroo Cost Sharing Arrangements, including appropriate estimated lot yields for Cells and greater clarification on the methodology for return of excess funds.**

Attachments:

1	<i>Attachment 1 - Cells 1-9 Consolidated Location Plan</i>	<i>19/162679</i>	
2	<i>Attachment 2 - Detailed Summary - Transactional Audit Recommendations</i>	<i>19/208897</i>	
3	<i>Attachment 3 - Consensus Value 2019</i>	<i>19/208853</i>	
4	<i>Attachment 4 - Cell 2 - Summary of Income and Expenditure 2019 (Final)</i>	<i>19/184177</i>	<i>Minuted</i>
5	<i>Attachment 5 - Cell 4 - Summary of Income and Expenditure (Final)- 2019</i>	<i>19/191295</i>	<i>Minuted</i>
6	<i>Attachment 6 - Cell 5 - Summary of Income and Expenditure (Final) - 2019</i>	<i>19/191298</i>	<i>Minuted</i>
7	<i>Attachment 7 - Cell 6 Income and Expenditure Summary (Final)</i>	<i>19/191302</i>	<i>Minuted</i>
8	<i>Attachment 8 - Cell 7 - Summary of Income and Expenditure (Final)</i>	<i>19/208156</i>	<i>Minuted</i>
9	<i>Attachment 9 - Cell 8 Income and Expenditure Summary (Final)</i>	<i>19/208180</i>	<i>Minuted</i>
10	<i>Attachment 10 - Cell 9 - Income and Expenditure Summary (Final)</i>	<i>19/192197</i>	<i>Minuted</i>

**EAST WANNEROO STRUCTURE PLANS
CALLS 1 - 9**



DETAILED LISTING OF TRANSACTIONAL AUDIT RECOMMENDATIONS
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Net Adjustments for Cell 2 / Municipal are summarised below:

Description	Comment	Amount
Incorrect entry re PR -1311 Mirrabooka Ave – Landsdale – Construct Carriageway	This cost had been incorrectly recorded to Cell 2 since Cell 2's inception hence should be removed	\$2,286,299 (DR) (Increase Cell 2's surplus funds)
Undercharge re Pinjar Road Realignment Project	Most part of this project costs were not recorded into Cell 2 from its inception to 2015/2016.	\$2,178,326.00 (CR) (Decrease Cell 2's surplus funds)
Undercharge re Dundobar Road reconstruction cost	This cost represents the difference from correct charge vs charge that had been recorded to Cell 2.	\$104,907.69 (CR) (Decrease Cell 2's surplus funds)
Pinjar road environmental offset requirements	Work required prior to the granting of permits incorrectly charged to Municipal	\$543,423.49 (CR) (Decrease Cell 2's surplus funds)
Total (Decrease Cell 2 surplus)		\$540,358.18 (CR)

Net Adjustments for Cell 4 / Municipal are summarised below:

Description	Comment	Amount
Journal posted incorrectly due to project number PR 1662 missing in Ref No. BJ 07/08- 360.	This cost had been incorrectly recorded to Cell 4	\$40,000 (DR) (Increase Cell 4's surplus funds)
Project costs of PR-1662 overcharged to Cell 4 via work order module	This cost had been overcharged to Cell 4	\$136,863 (DR) (Increase Cell 4's surplus funds)
Construction costs of PR-2097 omitted to charge to Cell 4	This cost had been incorrectly charged to Municipal and should be allocated to Cell 4	\$1,293,965.34 (CR) (Decrease Cell 4's surplus funds)
Lenore Road construction costs - decrease	Removal of costs that's not Cell Cost from last transactional adjustment list.	\$171,174.25 (DR) (Increase Cell 4's surplus funds)
Total (Decrease Cell 4's surplus funds)		\$945,928.09(CR)

Net Adjustments for Cell 5 / Municipal are summarised below:

Description	Comment	Amount
Journal posted incorrectly due to project number PR 1311 missing in Ref No. BJ 07/08- 600.	This cost had been incorrectly recorded to Cell 5	\$98,107.47 (DR) (Increase Cell 5's surplus funds)
Construction costs of PR-1311 omitted to charge to Cells 5 and 6 (charged incorrectly to Cells 1 and 2)	This cost had been incorrectly charged to Cells 1 and 2 and should be allocated to Cells 5 and 6 (50/50%)	\$2,597,297.86 (CR) (Decrease Cell 5's surplus funds)
Projected costs instead of actual costs were used to allocate costs to Cell 5	This cost had been incorrectly recorded to Cell 5	\$2,149 (DR) (Increase Cell 5's surplus funds)
Street lightings omitted to charge to Cell 5	To be audited by Cell 9 Audit	\$39,347 (CR) (Decrease Cell 5's surplus funds)
Mirrabooka Ave construction costs - decrease	Removal of costs that's not Cell Cost from last transactional adjustment list.	\$246,996.44(DR) (Increase Cell 5's surplus funds)
PR 4046 Upgrade Mirrabooka Ave, Darch/Landsdale - construction costs understated in 2017/18	New adjustment.	\$145,145.16(CR) (Decrease Cell 5's surplus funds)
Environmental offset requirements for Hepburn Ave and Ocean Reef Road	New adjustment.	\$1,261,182.33(CR) (Decrease Cell 5's surplus funds)
Total (Decrease Cell 5's surplus funds)		\$3,695,719.44(CR)

Net Adjustments for Cell 6 / Municipal are summarised below:

Description	Comment	Amount
Design & Document Realignment of Gngangara Road, including Land Requirement Drawings & Upgrade to Wanneroo Traffic Signals costs omitted	This cost had not been recorded to Cell 7 for the period 2012/13 to 2015/16.	\$112,029 (CR) (Decrease Cell 6 surplus)
Journal posted twice due to project number PR 1387 missing in Ref No. 2925/2010.	This cost had been recorded twice to Cell 6	\$120,722 (DR) (Increase Cell 6 surplus)
2 Journals posted incorrectly due to project number PR 1387 missing in Ref No. BJ 08/09- 360 and BJ 08/09-191.	This cost had been incorrectly recorded to Cell 6	\$157,421 (DR) (Increase Cell 6 surplus)
Journal posted incorrectly due to project number PR 1387 missing in Ref No. BJ 07/08- 600.	This cost had been incorrectly recorded to Cell 6	\$154,421 (DR) (Increase Cell 6 surplus)

Description	Comment	Amount
Additional street lighting between intersections and roundabout at Kingsway incorrectly considered as Municipal works	This cost had been incorrectly recorded to Municipal and should be allocated to Cell 6	\$1,034,312 (CR) (Decrease Cell 6 surplus)
Journal posted incorrectly due to project number PR 1311 missing in Ref No. BJ 07/08- 600.	This cost had been incorrectly recorded to Cell 6	\$98,107 (DR) (Increase Cell 6 surplus)
Construction costs of PR-1311 omitted to charge to Cells 5 and 6 (charged incorrectly to Cells 1 and 2)	This cost had been omitted and should be allocated to Cell 6	\$2,597,298 (CR) (Decrease Cell 6 surplus)
Projected costs instead of actual costs were used to allocate costs to Cell 6	This cost had been incorrectly recorded to Cell 6.	\$34,692 (DR) (Increase Cell 6 surplus)
Environmental offset requirements for Hartman Drive	New adjustment.	\$278,310 (CR) (Decrease Cell 6 surplus)
Mirrabooka Ave construction costs - decrease	Removal of costs that's not Cell Cost from last transactional adjustment list.	\$246,996(DR) (Increase Cell 6 surplus)
PR 4046 Upgrade Mirrabooka Ave, Darch/Landsdale –	Construction costs understated in 2017/18	\$91,004 (CR) (Decrease Cell 6 surplus)
Hartman Drive construction costs - decrease	Removal of costs that's not Cell Cost from last transactional adjustment list.	\$90,630 (DR) (Increase Cell 6 surplus)
Total (Decrease Cell 6 surplus)		\$3,209,964(CR)

Net Adjustments for Cell 7 / Municipal are summarised below:

Description	Comment	Amount
Design & Document Realignment of Gnangara Road, including Land Requirement Drawings & Upgrade to Wanneroo Traffic Signals costs omitted	This cost had not been recorded to Cell 7 for the period 2012/13 to 2015/16.	\$112,029 (CR)
Total (Decrease Cell 7's surplus funds)		\$112,029 (CR)

Net Adjustments for Cell 8 / Municipal are summarised below:

Description	Comment	Amount
Overcharged Ocean Reef Road Extension (PR-2609) construction costs	This cost had been incorrectly recorded to Cell 8 in 2008/09.	\$1,392,099 (DR) (Increase Cell 8 surplus)
Omission of Upgrade of Gngalara Road's (Hartman Drive to Mirrabooka Ave) Design and Documentation Costs, including Land Requirement Drawings (PR-2602)	This cost had not been recorded to Cell 8 for the period 2013/14 to 2016/17.	\$106,820 (CR) (Decrease Cell 8 surplus)
Design & Document Upgrade of Gngalara Road, Hartman Drive/Skeit Road to Mirrabooka Ave undercharged	This cost had not been recorded to Cell 8 to date.	\$29,796 (CR) (Decrease Cell 8 surplus)
Environmental offset requirements for Ocean Reef Road	New adjustment.	\$1,189,631 (CR) (Decrease Cell 8 surplus)
Total (Increase Cell 8 surplus)		\$65,852 (DR)

Net Adjustments for Cell 9 / Municipal are summarised below:

Description	Comment	Amount
Traffic signals omitted to charge to Cell 9	This cost had been incorrectly recorded to Municipal	\$57,578 (CR) (Decrease Cell 9 surplus)
Street lightings omitted to charge to Cell 9	This cost had been incorrectly recorded to Municipal	\$34,661 (CR) (Decrease Cell 9 surplus)
Environmental offset requirements for Gngalara and Ocean Reef Road	New adjustment.	\$280,061 (CR) (Decrease Cell 9 surplus)
Total (Decrease Cell 9 surplus)		\$372,300 (CR)



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Our Ref: V114-18

12 March 2019

City of Wanneroo
Locked Bag 1
WANNEROO WA 6945

Attention: **Mr Mike Hudson**
Coordinator Scheme Contributions

Dear Mike

Re: **Provision of Valuation Services for the East Wanneroo
Development Areas - Cells 1 to 9**

As requested, Mr Brian Zucal and myself have conferred in relation to the above matter and confirm as being fair, the following Cell Values:

Cell	Valuation Panel Recommendations \$ per hectare	10% Additional Value (Solatium) \$ per hectare
2	\$1,912,500	\$2,103,750
4	\$1,975,000	\$2,172,500
5	\$2,025,000	\$2,227,500
6	\$2,125,000	\$2,337,500
7	\$2,125,000	\$2,337,500
8	\$2,020,000	\$2,222,000
9	\$2,025,000	\$2,227,500

Kind regards.

Wayne Shroy AAPI, Masters (Property)
Certified Practising Valuer
Licensed Valuer No. 44175
Western Australia

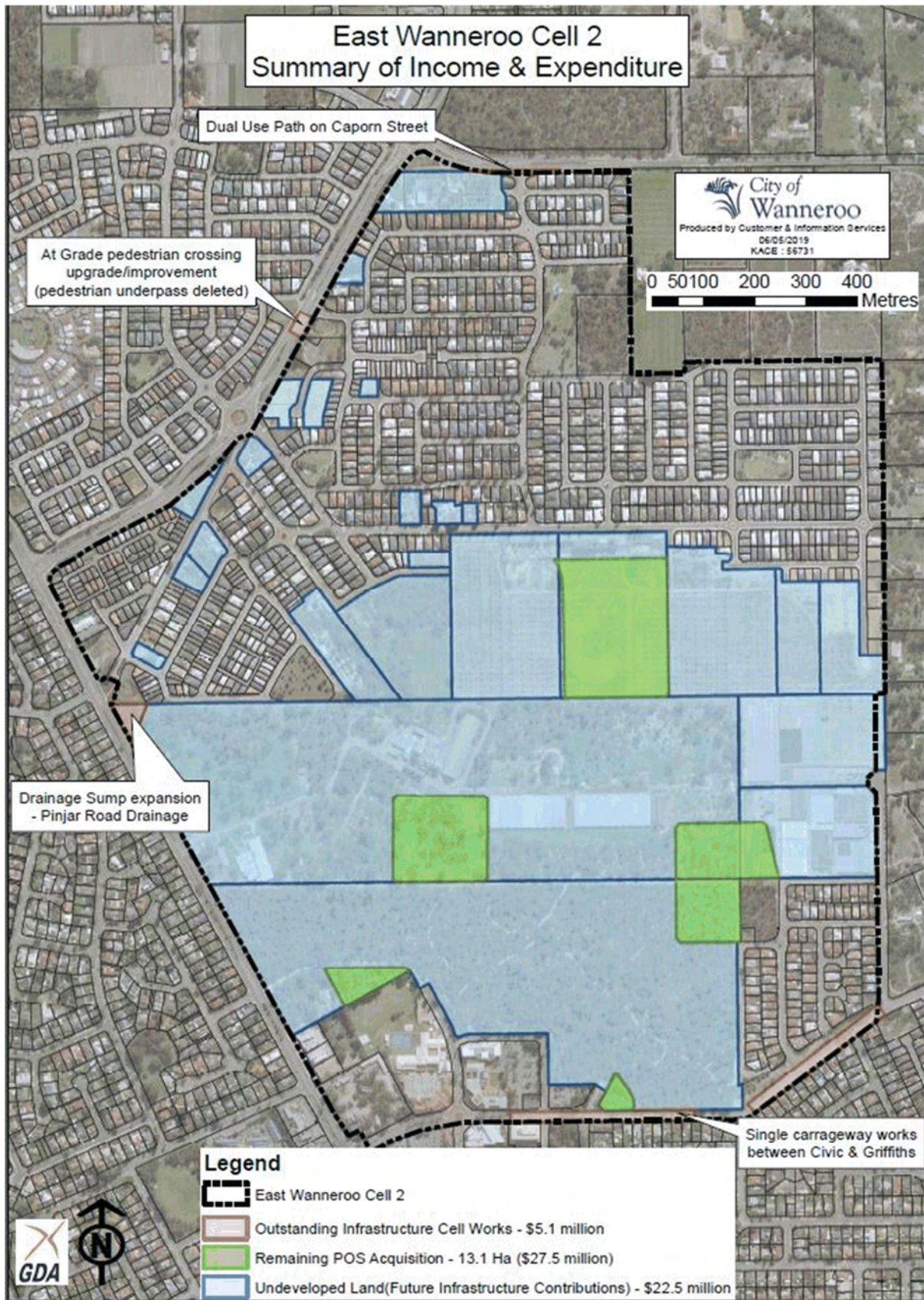
B E Zucal AAPI
Certified Practising Valuer
Licensed Valuer No. 100
Western Australia

Directors Peter A Duffield, Damian Molony AAPI, Victor J Sankey AAPI
Liability limited by a scheme approved under Professional Standards Legislation

Sullivan Commercial Pty Ltd - Licensee
ACN 051 442 070 ABN 20 051 442 070
Licensed Real Estate Agents

Associated Offices: Adelaide • Brisbane • Darwin • Melbourne • Perth • Sydney • Victor Harbor

East Wanneroo Cell 2 – Summary of Income and Expenditure



East Wanneroo Cell 2 – Summary of Income and Expenditure

EAST WANNEROO CELL 2 - ANNUAL REVIEW 2019	Amounts (\$)	COMMENTS
Expenditure		
Expenditure to Date (Actuals)		
Public Open Space (10%)	\$ 6,135,611	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads	\$ 6,155,896	Land Acquisition and Construction Costs
Administration Costs	\$ 364,274	Salary Recoupment, Legal Fees, Consultants
Total	\$ 12,655,781	Current Cell 2 Balance is \$8,907,239 (Payment made to date less Expenditure to Date)
Remaining Expenditure (Estimated) - Annual Review:		
Public Open Space (10%)	\$ 27,538,929	Approx 13.1 ha
District Distributor Roads	\$ 5,200,080	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs	\$ 280,000	Estimated - \$40k per annum for 7 years
Total	\$ 33,019,009	
Transactional Audit Findings		
Mirraboopa Ave - Incorrectly Charged to Cell 2 (Correct charge to Cells 5 & 6)	-\$ 2,286,299	Project Accounting Error - Wrong Cell Charged - Cell 2 Recoupment from Cells 5 & 6.
Pinjar Road - Incorrectly not charged to Cell 2	\$ 2,178,326	Project Accounting Error - Wrong Cell Charged - Municipal Recoupment
Environmental offset requirements	\$ 543,423	New Works - Municipal Recoupment
Dundeebar road costs	\$ 104,908	Re-apportionment of costs between municipal and Cell 2 - Municipal Recoupment
Interest adjustment	\$ 182,568	Interest Adjustment (for aforementioned Audit corrections) - Municipal Recoupment
Total	\$ 722,926	Municipal Recoupment Total \$3,009,225
Total Expenditure/Costs (Gross Costs)	\$ 46,397,715	Total Remaining Expenditure (Including Transactional Audit Adjustments)
Income		
Payments Made to Date		
Contributions and Interest	-\$ 21,428,630	All Income (funds) Received (includes interest)
Developers Balances pre 2007/2008	-\$ 144,409	Less historic unresolved credits to developers (unreconciled) - Pre 2006
Total	-\$ 21,563,019	
Gross Estimated Remaining Income		
Estimated Contributions at Current ICPL of \$24,362 at ELY of 922	-\$ 22,461,727	922 Lots at Estimated Lot Yield of 9 Per/Ha
Total Estimated Income	-\$ 44,024,747	
Estimated Cell Balance at Full Development:		
Total Combined Expenditure/Costs (Gross Costs)	\$ 46,397,715	
Total Combined Estimated Income	-\$ 44,024,747	
Net Excess/Shortfall at Current ICPL (\$24,362)	-\$ 2,372,969	Shortfall
Revised ICPL Rate		
Current Infrastructure Cost Per Lot	\$ 24,362	
Proposed Increase in ICPL Required to Achieve adequate funds to Deliver the Cell Works	\$ 2,574	
Proposed Infrastructure Cost Per lot	\$ 26,936	

Background Information

- Cell Area – 214 ha
- Infrastructure Contributions Per Lot (ICPL) received - 1155
- Infrastructure Contributions Per Lot (ICPL) remaining - 922
- Remaining Area to be Developed – 44%
- Public Open Space Acquired – 7.3 ha
- POS Remaining – 13.1 ha (over 5 landholdings)
- DDR Road acquisition and construction (approx. \$5.2 million)
- Minor increase in the ICPL proposed to ensure adequate funds will be received for remaining cell works.

Comments

A large portion of Cell 2 has been sterilised by a Poultry Farm Buffer associated with the Ingham's Poultry Farm (which has been purchased by Stockland). The cell is 55% developed, however with the imminent relocation of the poultry farm, it is expected that this area will develop rapidly in the coming years.

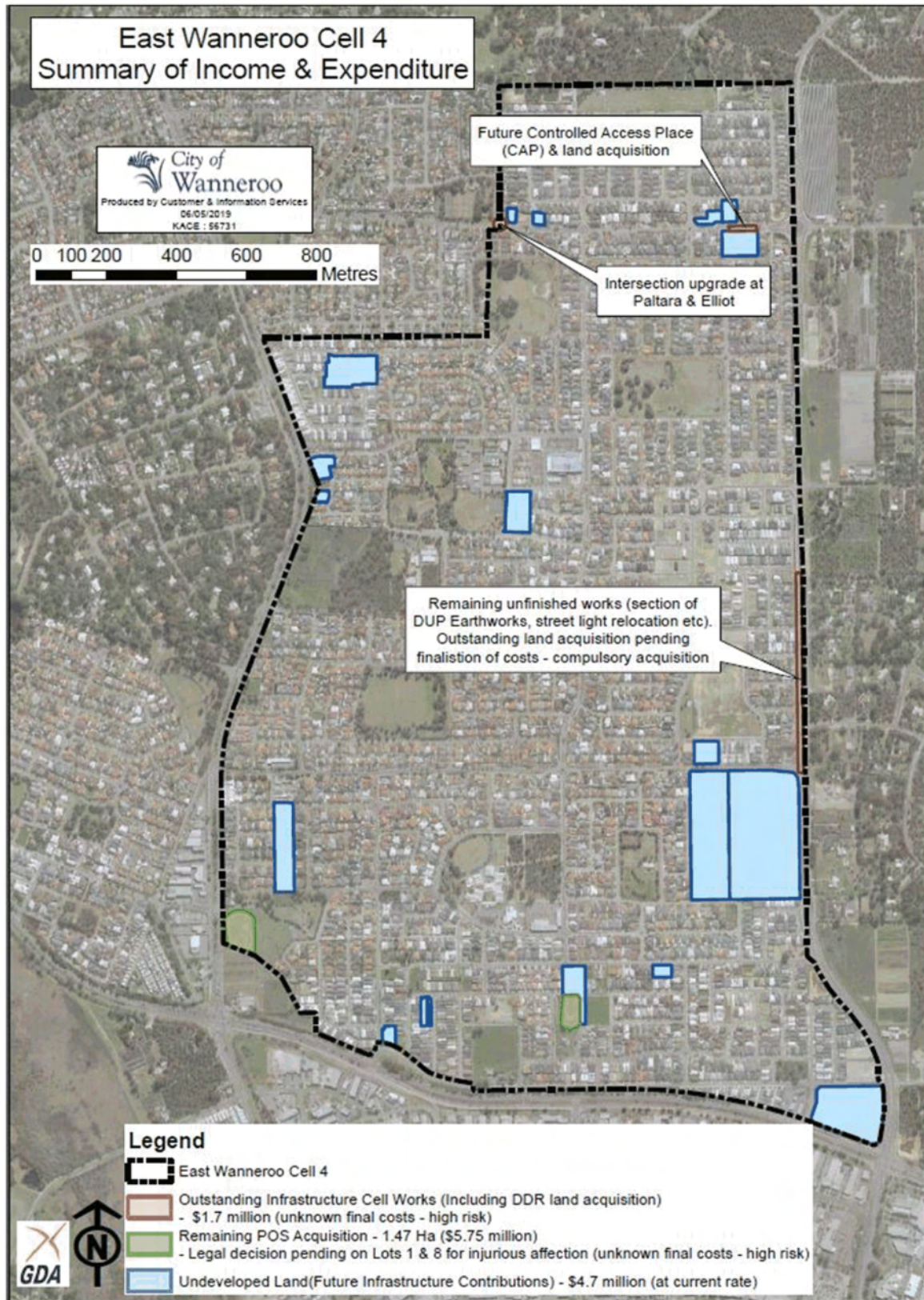
The Servite land is located within the Wanneroo Town Centre Structure Plan and is identified as a mixture of residential R60 and R100 in the draft new Structure Plan. There is the probability that the landowners (primarily Stockland) will request the ICPL calculation be based on a higher Estimated Lot Yield (ELY), rather than 9 lots per/ha as part of the consultation process. If this occurs, an amendment to clause 9.6.2 of DPS 2 would be required or a new DCP or other arrangements agreed. As an example, a higher lot yield of 13 lots per ha would result in the ICPL rate being reduced to approximately \$18,500 per lot. Given this cell has a large area of undeveloped land, there is adequate flexibility to consider other mechanisms to ensure the provision of the required infrastructure.

East Wanneroo Cell 2 – Summary of Income and Expenditure

However, Administration is recommending that the revised ICPL of \$26,936 be adopted (increase of \$2,574) and that Administration will continue to work with the affected landowners to determine the suitability of retaining/amending the East Wanneroo Cell 2 cost sharing arrangements, or introduce a new DCP in accordance with SPP 3.6 or other agreement.

There are large areas of POS yet to be acquired and a minor increase in the ICPL has been identified to ensure contribution rates are set at appropriate levels to ensure adequate funds are received to complete the cell works.

East Wanneroo Cell 4 – Summary of Income and Expenditure



East Wanneroo Cell 4 – Summary of Income and Expenditure

EAST WANNEROO CELL 4 - ANNUAL REVIEW 2013	Amounts (\$)	COMMENTS
Expenditure		
Expenditure to Date (Actuals)		
Public Open Space (10%)	\$ 24,215,966	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads	\$ 29,398,096	Land Acquisition and Construction Costs
Administration Costs	\$ 1,584,743	Salary Recoupment, Legal Fees, Consultants
Total	\$ 55,198,805	Current Cell 4 Balance is \$13,211,954 (Payment made to date less Expenditure to Date)
Remaining Expenditure (Estimated) – Annual Review		
Public Open Space (10%)	\$ 5,748,644	Approx 1.4 ha (Additional Cost Estimated for Compulsory Taking)
District Distributor Roads	\$ 1,702,095	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs	\$ 280,000	Estimated - \$40k per annum for 7 years.
Total	\$ 7,730,739	
Transactional Audit Findings		
Lenore Road construction costs omitted	\$ 1,122,792	Re-apportionment of costs between municipal and Cell 4 - Municipal Recoupment
Journal posted incorrectly	-\$ 40,000	Re-apportionment of costs between municipal and Cell 4 - Cell Recoupment
Project costs of PR-1662 overcharged	-\$ 136,863	Re-apportionment of costs between municipal and Cell 4 - Cell Recoupment
Interest adjustment	\$ 39,639	Interest Adjustment (for aforementioned Audit corrections) - Municipal Recoupment
Total	\$ 985,567	Municipal Recoupment Total \$985,567
Total Expenditure/Costs (Gross Costs)	\$ 63,915,111	Total Remaining Expenditure (Including Transactional Audit Adjustments)
Income		
Payments Made to Date		
Contributions and Interest	-\$ 68,822,088	All Income (funds) Received (includes interest)
Developers Balances pre 2007/2008	\$ 411,329	Less historic unresolved credits to developers (unreconciled) - Pre 2006
Total	-\$ 68,410,759	
Gross Estimated Remaining Income		
Estimated Contributions at Current ICPL of \$23,328 at ELY of 202	-\$ 4,701,815	202 Lots at Estimated Lot Yield of 9 Per/Ha
Total Estimated Income	-\$ 73,112,573	
Estimated Cell Balance at Full Development		
Total Combined Expenditure/Costs (Gross Costs)	\$ 63,915,111	
Total Combined Estimated Income	-\$ 73,112,573	
Net Excess/Shortfall at Current ICPL (\$24,362)	\$ 9,197,462	Potential Excess (includes future contributions of \$4.7 million)
ICPL Rate		
Current Infrastructure Cost Per Lot	\$ 23,328	
Administration Proposed Infrastructure Cost Per lot	\$ 23,328	

Background Information

- Cell Area – 394 ha
- Infrastructure Contributions Per Lot (ICPL) received - 4326
- Infrastructure Contributions Per Lot (ICPL) remaining - 202
- Remaining Area to be Developed – 4%
- Public Open Space Acquired – 35 Ha
- POS Remaining – 1.5 ha (over 2 landholdings)
- Current excess funds (\$4.5 million). Estimated excess at full development if ICPL rate retained approx. \$9.2 million if ICPL rate is maintained and all land develops.

Comments

This cell is predominately developed (95%) with only 202 lots undeveloped. There is a projected excess of approximately of \$9.2 million at full development if all the land in the cell develops and the current ICPL rate is maintained (including future estimated income \$4.7 million). Whilst excess funds are likely at full development, the extent of these excesses are dependent upon the final costs associated with ongoing land acquisitions (POS acquisition -Lots 1 and 8 Wanneroo Road, claim for injurious affection) and Lenore Road (Bakota – Supreme Court). The final costs are yet to be determined with potential for significant variances.

There is a significant risk that the acquisition and legal costs could escalate and therefore reduce the extent of the excess cell funds due to ongoing legal action. There are also several major landholdings including the BMX Club and Pearsall Community Church and a high number of remnant land holdings (including Existing House Lots and balance Title Lots that may not develop within a reasonable time

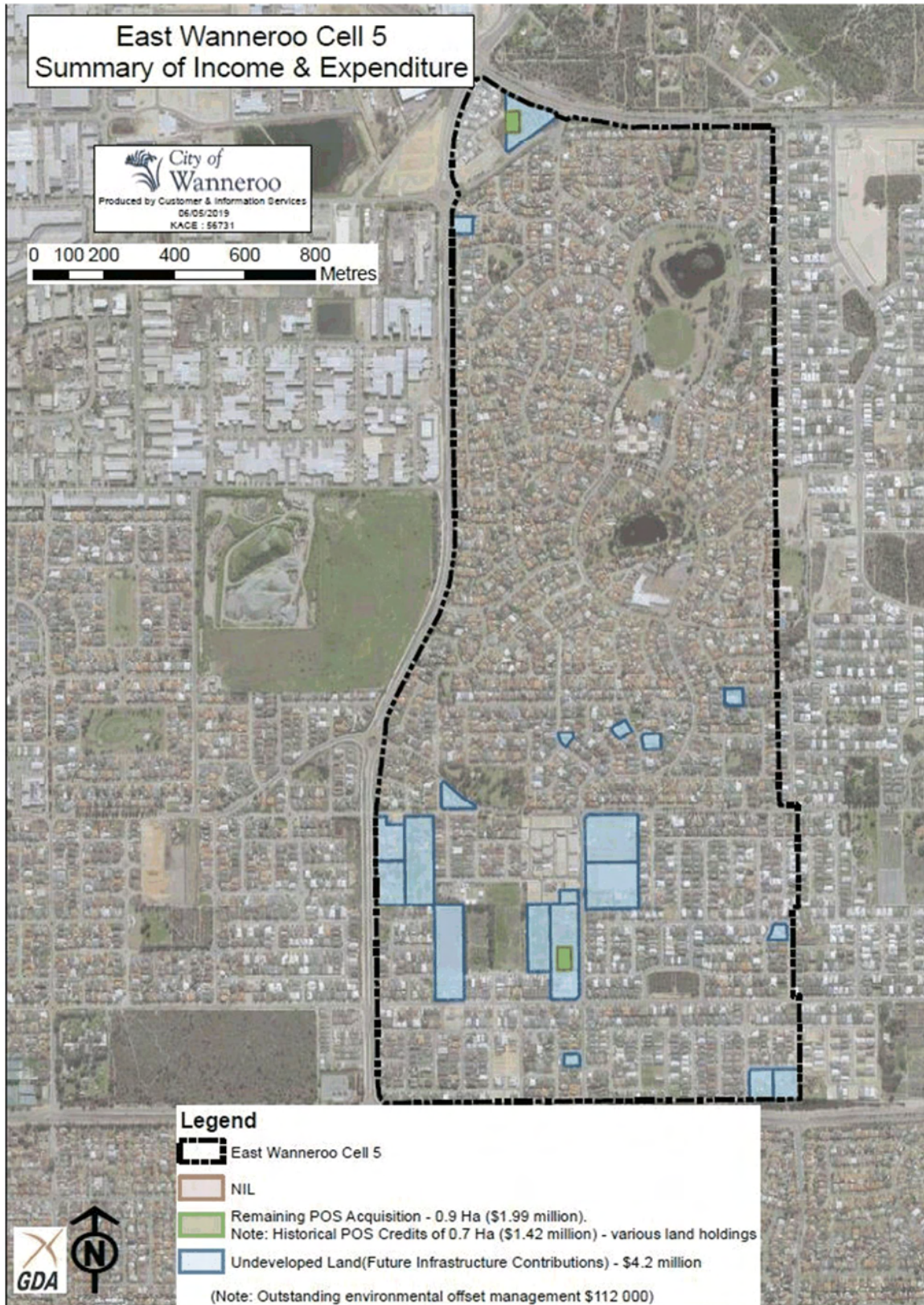
East Wanneroo Cell 4 – Summary of Income and Expenditure

period. These landholdings represent approximately half of the estimated future income or \$2.5 million of the estimated excess at full development

Whilst an excess in funds is likely at full development, Administration is not recommending a return of excess funds until greater certainty can be established on the final costs. The current ICPL rate of \$23,327 should be retained for the remaining developers to ensure an accountable position on the cell accounts can be maintained pending greater certainty on the costs prior to considering a return of potential excess funds.

It should be noted that if Council was to pursue a partial return of estimated excess funds (as per Cell 1) then the exclusion of future income and appropriate contingency (similar to Cell 1) would translate into a relatively low return in ICPL contributions (i.e. \$4 million dollars excess shared over a total estimate 4,526 ICPL contributions equates to an average of \$1,000 return per ICPL contribution received), whilst significantly increasing the financial risk to the City.

East Wanneroo Cell 5 – Summary of Income and Expenditure



East Wanneroo Cell 5 – Summary of Income and Expenditure

EAST WANNEROO CELL 5 - ANNUAL REVIEW 2019	Amounts (\$)	COMMENTS
Expenditure		
Expenditure to Date (Actuals)		
Public Open Space (10%)	\$ 16,945,833	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads	\$ 15,472,722	Land Acquisition and Construction Costs
Administration Costs	\$ 1,464,596	Salary Recoupment, Legal Fees, Consultants
Total	\$ 33,883,151	Current Cell 5 Balance is \$10,528,350 (Payment made to date less Expenditure to Date)
Remaining Expenditure (Estimated) - Annual Review		
Sale of land	\$ 425,000	
Public Open Space (10%)	\$ 3,403,964	Approx 1.5 ha
District Distributor Roads	\$ 111,580	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs	\$ 280,000	Estimated - \$40k per annum for 7 years
Total	\$ 3,370,545	
Mirrabooba Ave – Incorrectly Charged to Cell 1 and 2	\$ 2,350,301	Project Accounting Error - Wrong Cell Charged - Cell 1 & 2 Recoupment from Cells 5 & 6.
Street lightings omitted to charge to Cell 5	\$ 39,347	Re-apportionment of costs between municipal and Cell 5 - Municipal Recoupment
Journal Errors	\$ 100,256	Re-apportionment of costs between municipal and Cell 5 - Cell Recoupment
Mirrabooba Ave dualing - Costs not charged	\$ 145,145	Re-apportionment of costs between municipal and Cell 5 - Municipal Recoupment
Environmental offset requirements	\$ 1,261,182	New Works - Municipal Recoupment
Interest adjustment	\$ 972,549	Interest Adjustment (for aforementioned Audit corrections) - Municipal Recoupment
Total	\$ 4,668,269	Municipal Recoupment Total \$2,317,967
Total Expenditure/Costs (Gross Costs)	\$ 41,921,964	Total Remaining Expenditure (Including Transactional Audit Adjustments)
Income		
Payments Made to Date		
Contributions and Interest	\$ 44,610,758	All Income (Funds) Received (includes interest)
Developers Balances pre 2007/2008	\$ 399,257	Less historic unresolved credits to developers (unreconciled) - Pre 2006
Total	\$ 44,411,501	
Gross Estimated Remaining Income		
Estimated Contributions at Current ICPL of \$30,909 at ELY of 136	\$ 4,214,651	136 Lots at Estimated Lot Yield of 9 Per/Ha
Total Estimated Income	\$ 48,626,152	
Estimated Cell Balance at Full Development		
Total Combined Expenditure/Costs (Gross Costs)	\$ 41,921,964	
Total Combined Estimated Income	\$ 48,626,152	
Net Excess/Shortfall at Current ICPL (\$24,362)	\$ 6,704,188	Potential Excess (includes future contributions of \$4.2 million)
ICPL Rate		
Current Infrastructure Cost Per Lot	\$ 30,909	
Administration Proposed Infrastructure Cost Per lot	\$ 30,909	

Background Information

- Cell Area – 288 ha
- Infrastructure Contributions Per Lot (ICPL) received - 2878
- Infrastructure Contributions Per Lot (ICPL) remaining - 136
- Remaining Area to be Developed – 5%
- Public Open Space Acquired – approx. 27 Ha
- POS Remaining – 0.9 ha (\$1.99 million)
- Historic POS Compensation Credits – 0.7 ha (\$1.42 million)
- Current account balance (\$10.5 million).
- Estimated excess at full development \$6.7 million, if ICPL rate is maintained and all land develops).

Comments

This cell is predominately developed (95%) with only 136 contributions remaining from the undeveloped land. There is a projected excess of approximately \$6.7 million at full development if all the land in the cell develops and the current ICPL rate is maintained.

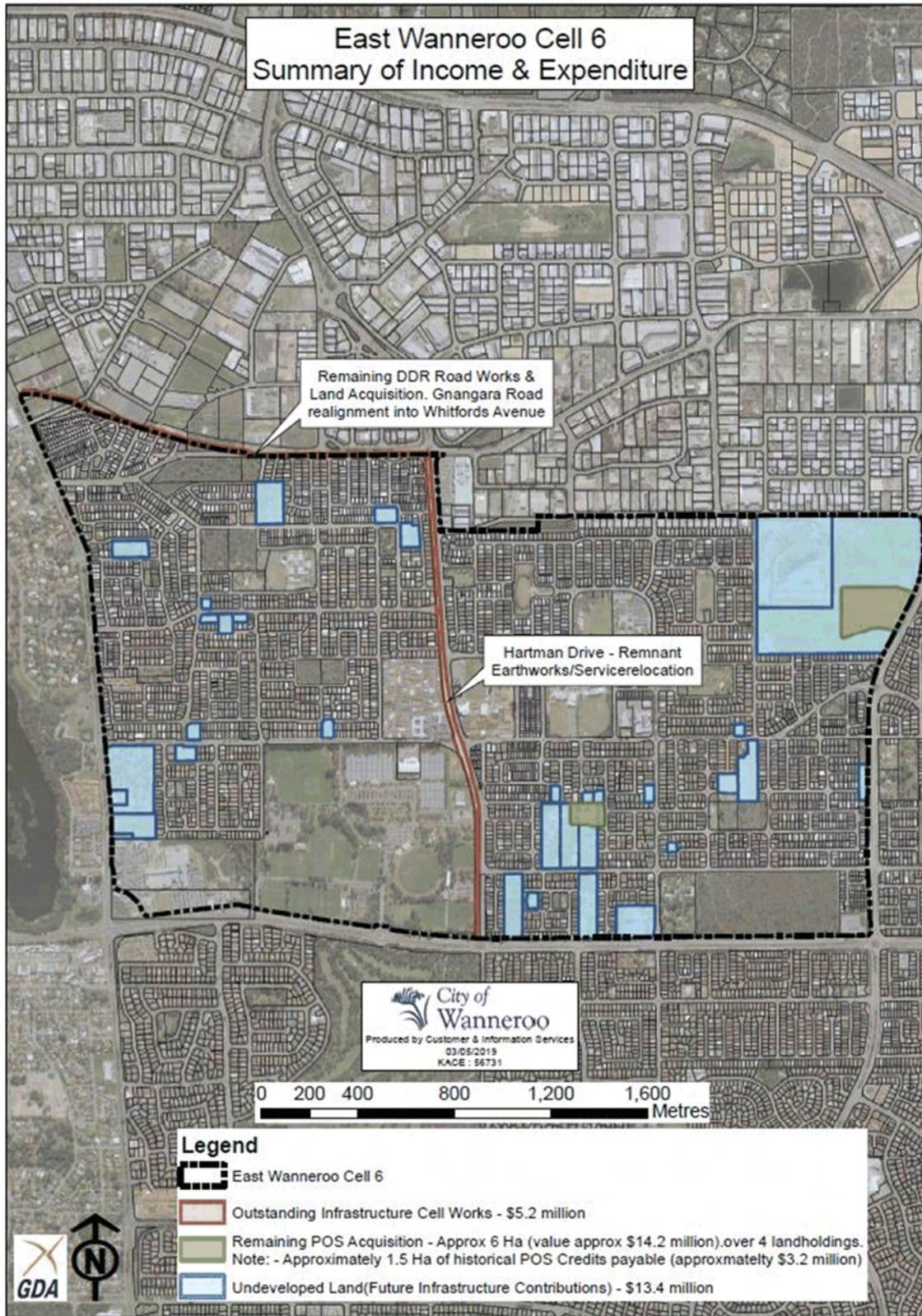
Whilst excess funds are likely at full development, the extent of the excess is dependent upon the final costs associated with an ongoing land acquisition claim for Lot 6 Gngangara Road (Mirrabooba Avenue land requirement) and some areas of POS. The final costs are yet to be determined with potential for significant variances in the land taking process (Kilmaley – Supreme Court).

Administration is not recommending a return of excess funds until greater certainty can be established on the final costs. The current ICPL rate of \$30,909 should be retained for the remaining developers to ensure an accountable position on the cell accounts can be maintained pending greater certainty on the costs prior to considering a return of potential excess funds.

East Wanneroo Cell 5 – Summary of Income and Expenditure

It should be noted that if Council was to pursue a partial return of estimated excess funds (as per Cell 1) then the exclusion of future income and appropriate contingency (similar to Cell 1) would not translate into a significant early return in ICPL contributions (i.e. \$2.5 million dollars excess shared over a total estimate 3014 ICPL contributions equates to an average of \$850 return per ICPL contribution received), whilst significantly increasing the financial risk to the City.

Cell 6 - Income and Expenditure Summary



Cell 6 - Income and Expenditure Summary

EAST WANNEROO CELL 6- ANNUAL REVIEW 2019	Amounts (\$)	COMMENTS
Expenditure		
Expenditure to Date (Actuals)		
Public Open Space (10%)	\$ 27,415,291	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads	\$ 21,949,724	Land Acquisition and Construction Costs
Administration Costs	\$ 955,979	Salary Recoupment, Legal Fees, Consultants
Total	\$ 50,320,994	Current Cell 6 Balance is \$28,399,122 (Payment made to date less Expenditure to Date)
Remaining Expenditure (Estimated) - Annual Review		
Sale of land	\$ 425,000	
Public Open Space (10%)	\$ 17,326,060	Approx 7.5 ha
District Distributor Roads	\$ 5,220,994	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs	\$ 280,000	Estimated - \$40k per annum for 7 years
Total	\$ 22,402,054	
Transactional Audit Findings:		
Mirrabooka Ave - Incorrectly Charged to Cell 1 and 2	\$ 2,350,301	Project Accounting Error - Wrong Cell Charged - Cell 1 & 2 Recoupment from Cells 5 & 6.
Journals posted incorrectly	\$ 565,364	Re-apportionment of costs between municipal and Cell 6 - Cell Recoupment
Design costs - Gngangara Road	\$ 112,029	Re-apportionment of costs between municipal and Cell 6 - Municipal Recoupment
Hartman Drive construction costs	\$ 943,682	Re-apportionment of costs between municipal and Cell 6 - Municipal Recoupment
Mirrabooka Ave dualing	\$ 91,004	Re-apportionment of costs between municipal and Cell 6 - Municipal Recoupment
Environmental offset requirements	\$ 278,310	New Works - Municipal Recoupment
Interest adjustment	\$ 961,891	Interest Adjustment (for aforementioned Audit corrections) - Municipal Recoupment
Total	\$ 4,171,853	Municipal Recoupment Total \$1,821,552
Total Expenditure/Costs (Gross Costs)	\$ 76,894,901	Total Remaining Expenditure (including Transactional Audit Adjustments)
Income		
Payments Made to Date		
Contributions and Interest	\$ 78,489,785	All Income (funds) Received (includes interest)
Developers Balances pre 2007/2008	\$ 230,331	Less historic unresolved credits to developers (unreconciled) - Pre 2006
Total	\$ 78,720,116	
Gross Estimated Remaining Income		
Estimated Contributions at Current ICPL of \$24,679 at ELY of 541	\$ 13,346,654	541 Lots at Estimated Lot Yield of 9 Per/Ha
Total Estimated Income	\$ 92,066,769	
Estimated Cell Balance at Full Development		
Total Combined Expenditure/Costs (Gross Costs)	\$ 76,894,901	
Total Combined Estimated Income	\$ 92,066,769	
Net Excess/Shortfall at Current ICPL (\$24,362)	\$ 15,171,868	Potential Excess (includes future contributions of \$13.3 million)
ICPL Rates		
Current Infrastructure Cost Per Lot	\$ 24,679	
Administration Proposed Infrastructure Cost Per lot	\$ 24,679	

Background Information

- Cell Area – 598 ha
- Infrastructure Contributions Per Lot (ICPL) received - 4568
- Infrastructure Contributions Per Lot (ICPL) remaining - 541
- Remaining Area to be Developed –11%
- Public Open Space Acquired – 33.5 ha
- POS Remaining –6.1 ha (over 4 landholdings) - \$14.2 million (Assessed Value - \$2,337,500)
- Historic POS Credits – 1.5 ha (multiple landholdings) - \$3.2 million
- Current account balance - \$28 million. Minor increase in the ICPL proposed to ensure adequate funds will be received for remaining cell works.

Comments

This cell is predominately developed (88%). There is a projected excess of approximately \$15.1 million at full development if all the land in the cell develops and the current ICPL rate is maintained.

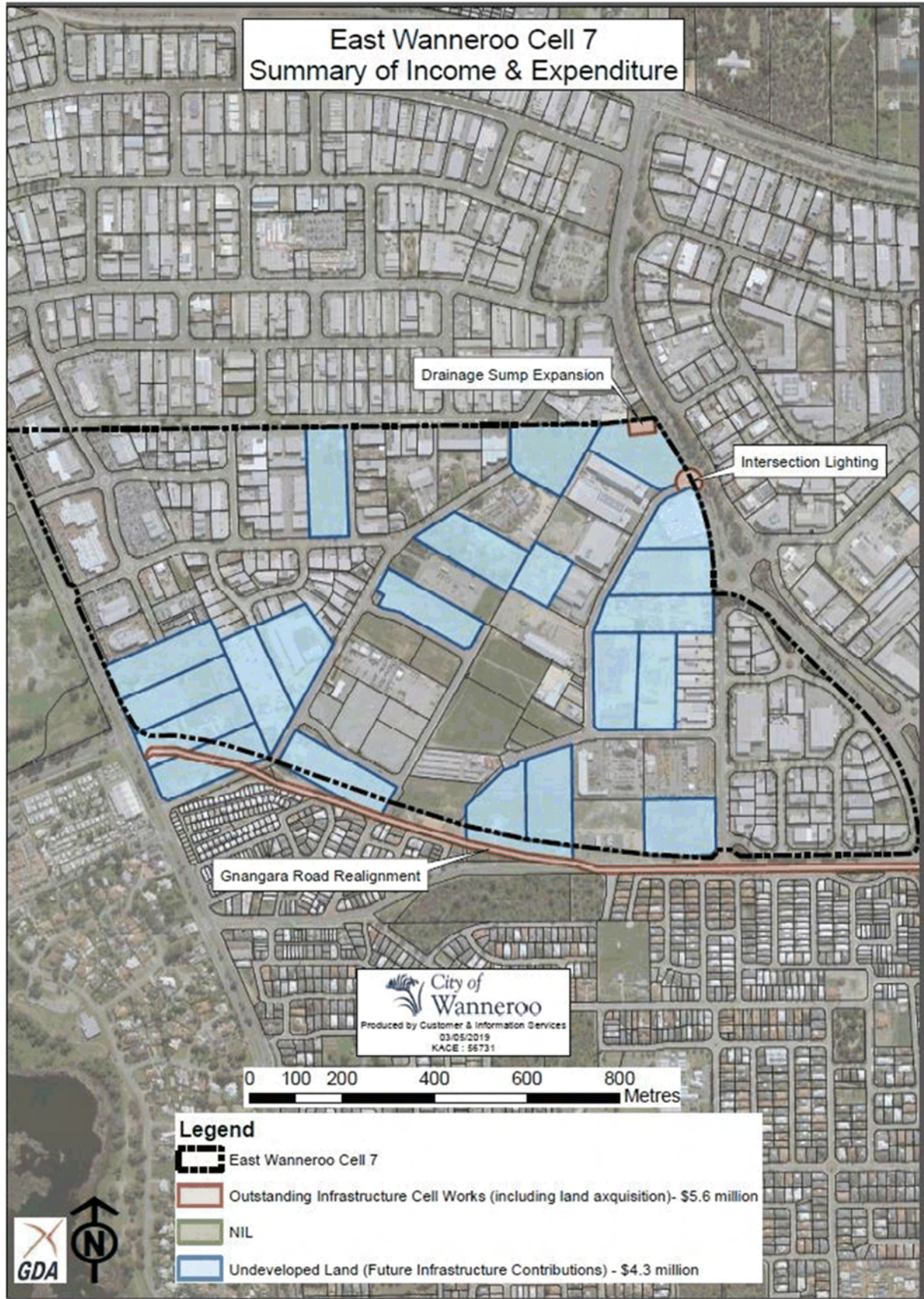
There has been over 4,500 contributions received in this cell, with 541 remaining contributions estimated. The Landfill precinct (Salamoni) and the Kingsway Caravan Park are unlikely to develop in the short term due to environmental/geotechnical constraints and operating land uses respectively. These lots represent a significant amount of the estimated remaining income that may not be achieved within a reasonable timeframe.

Administration is not recommending a return of excess funds until greater certainty can be established on the final costs and remaining income. The current ICPL rate of \$24,678 should be retained for the remaining developers to ensure an accountable position on the cell accounts can be maintained pending greater certainty on the costs prior to considering a return of potential excess funds.

Cell 6 - Income and Expenditure Summary

It should be noted that if Council was to pursue a partial return of estimated excess funds (as per Cell 1) then the exclusion of future income and appropriate contingency (similar to Cell 1) would not translate into a significant early return in ICPL contributions (i.e. \$1.8 million dollars excess shared over a total estimate 5108 ICPL contributions equates to an average of \$352 return per ICPL contribution received), whilst significantly increasing the financial risk to the City. It is noted that the estimated excess at full development of \$15.1 million is dependent upon all land developing. The remaining income projection identifies \$13.4 million.

East Wanneroo Cell 7 – Summary of Income and Expenditure



East Wanneroo Cell 7 – Summary of Income and Expenditure

EAST WANNEROO CELL 7 – ANNUAL REVIEW 2019	Amounts (\$)	COMMENTS
Expenditure		
Expenditure to Date (Actuals)		
District Distributor Roads	\$ 3,808,678	Land Acquisition and Construction Costs
Administration Costs	\$ 541,185	Salary Recoupment, Legal Fees, Consultants
Total	\$ 4,878,363	Current Cell 7 Balance is \$2,796,077 (Payment made to date less Expenditure to Date)
Remaining Expenditure (Estimated) – Annual Review		
Public Open Space (10%)	\$ -	
District Distributor Roads	\$ 5,585,709	Remaining construction and acquisition costs
Administration Costs	\$ 280,000	Estimated - \$40k per annum for 7 years
Total	\$ 5,865,709	
Transactional Audit Findings		
Design & Document -Gnangara Road	\$ 112,029	
Interest estimate	\$ 16,592	Interest Adjustment (for aforementioned Audit corrections) - Municipal Recoupment
Total	\$ 128,621	Municipal Recoupment Total \$128,621
Total Expenditure/Costs (Gross Costs)	\$ 10,872,693	Total Remaining Expenditure (Including Transactional Audit Adjustments)
Income		
Payments Made to Date		
Contributions and Interest	-\$ 7,647,183	All Income (funds) Received (includes interest)
Developers Balances pre 2007/2008	-\$ 27,259	Less historic unresolved credits to developers (unreconciled) - Pre 2006
Total	-\$ 7,674,440	
Gross Estimated Remaining Income		
Estimated Contributions at Current ICPL of \$13.15 per ha of 32.86	-\$ 4,320,630	32.86 ha
Total Estimated Income	-\$ 11,995,070	
Estimated Cell Balance at Full Development		
Total Combined Expenditure/Costs (Gross Costs)	\$ 10,872,693	
Total Combined Estimated Income	-\$ 11,995,070	
Net Excess/Shortfall at Current ICPL (\$24,362)	\$ 1,122,377	Excess
Revised ICPL Rate		
Current Infrastructure Cost Per m2	\$ 13	
Proposed Decrease in ICPL per m2 Required to Deliver the Cell Works	-\$ 3	
Proposed Infrastructure Cost Per m2	\$ 9.73	

Background Information

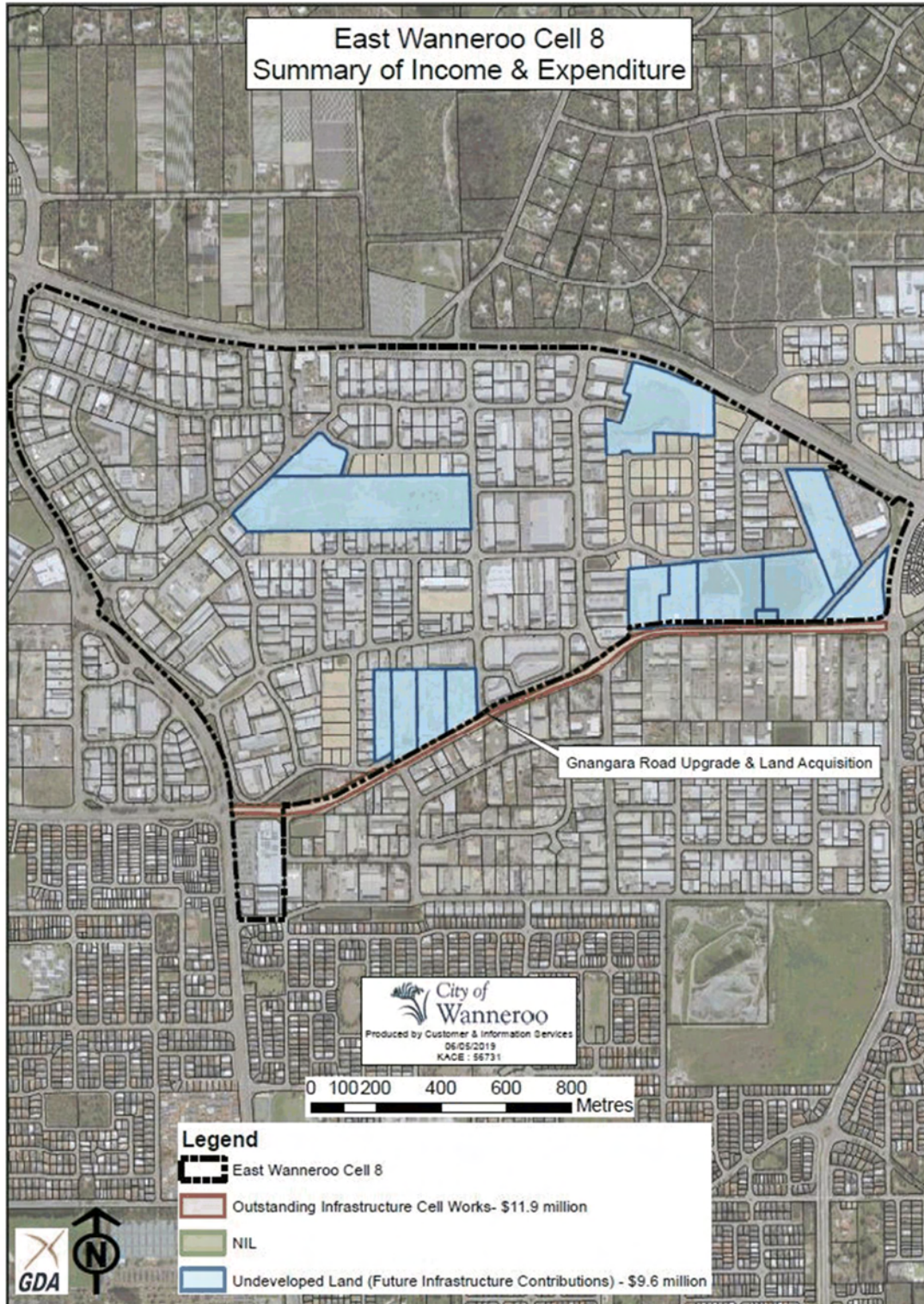
- Cell Area – 129 ha (Net Developable Area 101 ha)
- Cell Area Developed - 68ha
- Cell Area Remaining – 33 ha
- Remaining Area to be Developed – 32%
- Minor reduction in contribution rate to ensure adequate funds will be received for remaining cell works.

Comments

The cell is nearly 70% developed. The reduction in the contribution rate can be associated with the deletion of several roads identified in the approved structure plan resulting in more developable land areas being available. A detailed assessment of the structure plan and remaining undeveloped land has enabled a more accurate estimate on future income. It should be noted that the methodology is area based and relies upon the full development of the cell and has little margin for error. This methodology is different to the residential cells, which make an estimate of future income based upon a conservative lot yield estimate.

A minor reduction in the cell contribution rate from \$13.15 to \$9.73 per square metre is considered acceptable and is consistent with normal fluctuations associated with an annual review.

Cell 8 – Income and Expenditure Summary - 2019



Cell 8 – Income and Expenditure Summary - 2019

EAST WANNEROO CELL 8 - ANNUAL REVIEW 2019		Amounts (\$)	COMMENTS
Expenditure			
Expenditure to Date (Actuals)			
Public Open Space (10%)	\$	44,220	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads	\$	21,699,815	Land Acquisition and Construction Costs
Administration Costs	\$	1,402,082	Salary Recoupment, Legal Fees, Consultants
Total	\$	23,146,117	Current Cell 8 Balance is \$5,018,394 (Payment made to date less Expenditure to Date)
Remaining Expenditure (Estimated) - Annual Review			
Public Open Space (10%)	\$	-	
District Distributor Roads	\$	11,929,820	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs	\$	280,000	Estimated - \$40k per annum for 7 years
Total	\$	12,209,820	
Transactional Audit Findings			
Ocean Reef Road extension	-\$	1,392,099	Re-apportionment of costs between municipal and Cell 8 - Cell Recoupment
Design and Documentation - Gngangara Road	\$	136,616	Re-apportionment of costs between municipal and Cell 8 - Municipal Recoupment
Environmental offset requirements	\$	1,189,631	New Works - Municipal Recoupment
Interest adjustment	-\$	485,664	Interest Adjustment (for aforementioned Audit corrections) - Cell Recoupment
Total	-\$	551,516	Cell Recoupment Total \$551,516
Total Expenditure/Costs (Gross Costs)	\$	34,804,421	Total Remaining Expenditure (Including Transactional Audit Adjustments)
Income			
Payments Made to Date			
Contributions and Interest	-\$	28,188,725	All Income (funds) Received (includes interest)
Developers Balances pre 2007/2008	\$	24,214	Less historic unresolved credits to developers (unreconciled) - Pre 2006
Total	-\$	28,164,511	
Gross Estimated Remaining Income			
Estimated Contributions at Current ICPL of \$24.44 per m2	-\$	9,587,323	39 ha
Total Estimated Income	-\$	37,751,834	
Estimated Cell Balance at Full Development			
Total Combined Expenditure/Costs (Gross Costs)	\$	34,804,421	
Total Combined Estimated Income	-\$	37,751,834	
Net Excess/Shortfall at Current ICPL (\$24,362)	\$	2,947,413	Excess
Revised ICPL Rate			
Current Infrastructure Cost Per m2	\$	24	
Proposed Decrease in ICPL per m2 to Deliver the Cell Works	-\$	8	
Proposed Infrastructure Cost Per m2	\$	16.93	

Background Information

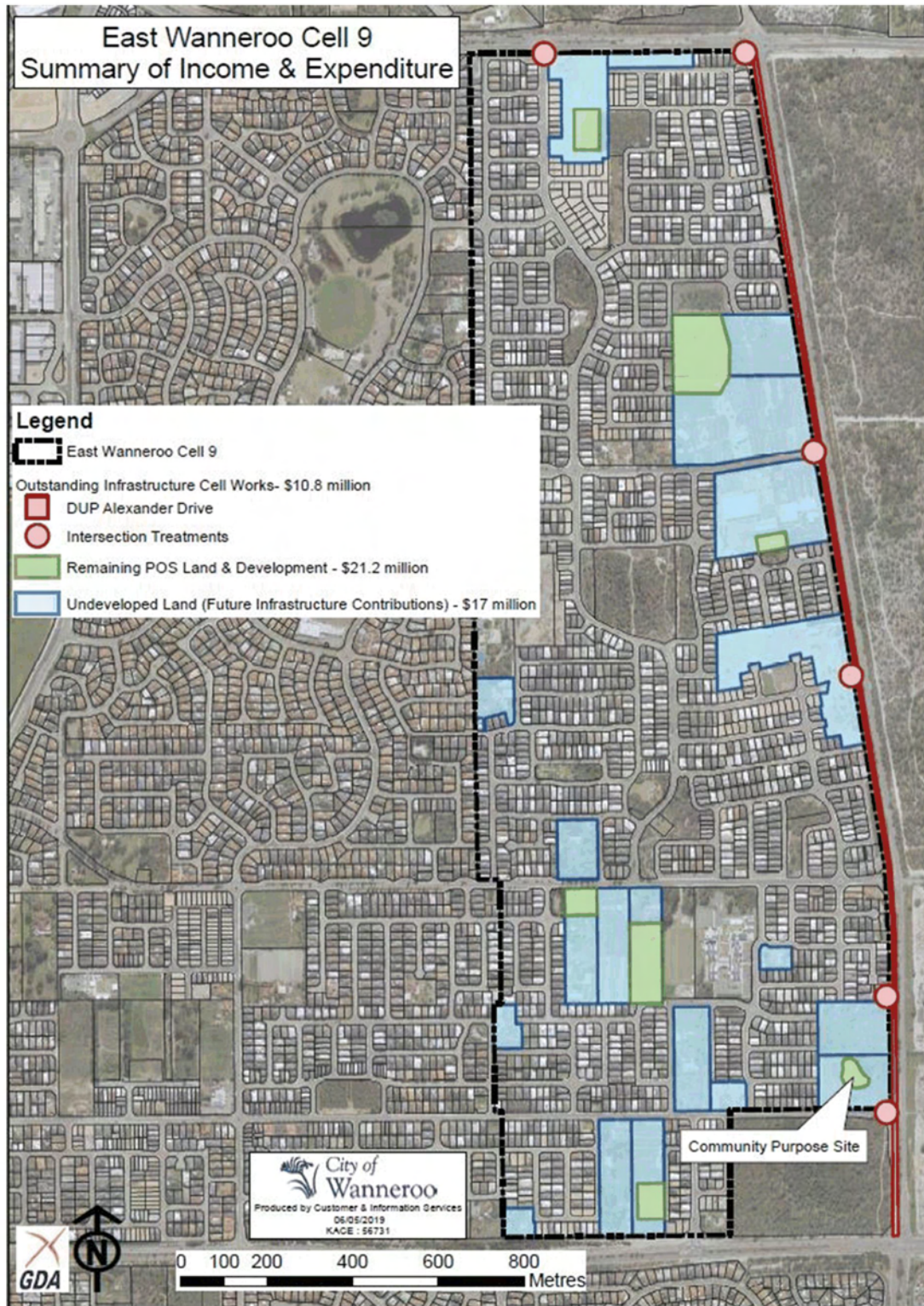
- Cell Area – 244 ha (Net Developable Area 183 ha)
- Cell Area Developed - 144ha
- Cell Area Remaining – 39 ha
- Remaining Area to be Developed – 21%
- Minor reduction in contribution rate per m2 to ensure adequate funds will be received for remaining cell works.

Comments

The cell is just under 80% developed. The reduction in the contribution rate can be associated with the deletion of several roads identified in the approved structure plan, resulting in more developable land areas being available. Further a detailed assessment of the structure plan and remaining undeveloped land has enabled a more accurate estimate on future income. It should be noted that the methodology is area based and relies upon the full development of the cell and has little margin for error. This methodology is different to the residential cells, which make an estimate of future income based upon a conservative lot yield estimate.

A minor reduction in the square metre rate from \$24.44 to \$16.93 is considered acceptable and is consistent with normal fluctuations associated with an annual review.

East Wanneroo Cell 9 – Summary of Income and Expenditure



East Wanneroo Cell 9 – Summary of Income and Expenditure

EAST WANNEROO CELL 9 - ANNUAL REVIEW 2019	Amounts (\$)	COMMENTS
Expenditure		
Expenditure to Date (Actuals)		
Public Open Space (10%)	\$ 38,815,906	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads	\$ 5,321,316	Land Acquisition and Construction Costs
Administration Costs	\$ 1,226,872	Salary Recoupment, Legal Fees, Consultants
Total	\$ 45,364,093	Current Cell 2 Balance is \$21,401,446 (Payment made to date less Expenditure to Date)
Remaining Expenditure (Estimated) - Annual Review		
Public Open Space (10%)	\$ 21,237,774	Approx 5.4 ha and POS Development
District Distributor Roads	\$ 10,865,027	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs	\$ 280,000	Estimated - \$40k per annum for 7 years
Total	\$ 32,382,801	
Transactional Audit Findings		
Traffic lights and signals	\$ 92,239	Re-apportionment of costs between municipal and Cell 9 - Municipal Recoupment
Environmental offset requirements	\$ 280,061	New Works - Municipal Recoupment
Interest adjustment	\$ 155,428	Interest Adjustment (for aforementioned Audit corrections) - Municipal Recoupment
Total (Net)	\$ 527,728	Municipal Recoupment Total \$527,728
Total Expenditure/Costs (Gross Costs)	\$ 78,274,622	Total Remaining Expenditure (Including Transactional Audit Adjustments)
Income		
Payments Made to Date		
Contributions and Interest	\$ 66,765,539	All Income (funds) Received (includes interest)
Total	\$ 66,765,539	
Gross Estimated Remaining Income		
Estimated Contributions at Current ICPL of \$32,205 at ELY of 530	\$ 17,054,460	530 Lots at Estimated Lot Yield of 13 Per/Ha
Total Estimated Income	\$ 83,820,000	
Estimated Cell Balance at Full Development		
Total Combined Expenditure/Costs (Gross Costs)	\$ 78,274,622	
Total Combined Estimated Income	\$ 83,820,000	
Net Excess/Shortfall at Current ICPL (\$24,362)	\$ 5,545,378	Excess
Revised ICPL Rate		
Current Infrastructure Cost Per Lot	\$ 32,205	
Proposed Increase in ICPL Required to Achieve adequate funds to Deliver the Cell	\$ 10,472	
Proposed Infrastructure Cost Per lot	\$ 21,733	

Background Information

- Cell Area – 215 ha (182 ha Net)
- Infrastructure Contributions Per Lot (ICPL) received - 1983
- Infrastructure Contributions Per Lot (ICPL) remaining - 530
- Remaining Area to be Developed – 25%
- Public Open Space Acquired – approx. 16 Ha
- POS Remaining – 5.4 ha (\$21.3 million)
- DDR Works (Various) - \$10.9 million

Comments

This cell is predominately (75%) developed, with only 530 lots estimated to be remaining. There has been savings made with actual expenditure being less than the estimated for road construction works and POS development. The cell is also tracking above the estimated lot yields of 13 lots per hectare. The resultant impact on the ICPL is that the rate reduces from the current \$32,205 to \$21,733 per lot. This cell was adopted in 2015 and therefore the adjustment to the ICPL is considered to be acceptable and a reflection of the actual costs incurred.

A reduction in ICPL rate from \$32,205 to \$21,733 is considered acceptable and is consistent with normal fluctuations associated with an annual review.