
PS02-12/19 Close of Advertising - Annual Review of Cells Costs for the East Wanneroo Cells 2 and 4-9 (Planning and Developer Contribution Arrangements) Consideration of Public Submissions

File Ref: 5734V02 – 19/446953
Responsible Officer: Director Planning and Sustainability
Disclosure of Interest: Nil
Attachments: 6

Issue

To consider Administrations recommended responses to public submissions received in relation to the Annual Review of Cell Costs for the East Wanneroo Cells 2 and 4-9 Developer Contributions and agree on the recommended options for Council consideration.

Background

The City's *District Planning Scheme No. 2 (DPS 2)* provides the statutory basis for the administration and management of developer contributions, including provisions that describe the nature and extent of Cell Works that are required to be charged to the Developer Contributions Plans (DCPs).

The East Wanneroo Cells include the areas of Wanneroo, Ashby, Tapping, Sinagra, Hocking, Pearsall, Landsdale, Darch, Madeley and Wangara (refer Consolidated Structure Plan Map - **Attachment 1**).

On 14 May 2019, the Audit and Risk Committee considered the annual review findings for Cells 2-9 and on 4 June 2019 Council approved public advertising of Cells 2 and 4-9 (PS03-06/09). Cell 3 was excluded from advertising to enable further consideration of Amendment No. 178 to DPS 2.

On 19 November 2019, the Audit and Risk Committee considered the public submissions received in relation to Cells 2 and 4 – 9 and provided a recommendation to Council in response to the submissions. In this regard, Council is advised that the Audit and Risk report included an incorrect figure in relation to the proposed options for Cell 9, which should be \$29,947 (not \$29,998) to align with the most recent externally audited annual review findings. The correct figure includes financial transactions up to 30 June 2019 (updated from March 2019) and has been included into this report to ensure Council is considering the latest information available.

The annual review included the recommendations of the City's Internal Transactional Review, which included review and confirmation of the findings by William Buck. These findings include the recommended financial adjustments for the additional works based on the interpretation of Cell Works and project accounting errors, as per the following:

- *Project Accounting Errors* - The total net corrections results in a recoupment of \$2,718,723 from the relevant Cell accounts back to municipal.
- *Environmental Offsets (Omission of Costs)* - The total net corrections results in a recoupment of \$3,552,608 from the relevant Cell accounts back to municipal.
- *Interpretation of Cell Works* - The net correction results in a recoupment of \$2,539,116 from the relevant Cell accounts back to municipal.
- *Interest Adjustment* - The net correction of interest results in a recoupment of \$1,843,002 from the relevant Cell accounts back to municipal.

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

Internal Transactional Review Findings			
Cell	Net Adjustments	Interest Adjustments	Total net recoupment to Municipal
2	540,358.18	182,567.78	722,925.96
4	945,928.09	39,638.79	985,566.88
5	3,695,719.44	972,548.68	4,668,268.12
6	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 (credit to Cell)
9	372,300.22	155,427.99	527,728.21
Total	8,810,447.24	1,843,002.14	10,653,449.38

The above Internal Transactional Review findings were included into the annual review recommended costs for each Cell and subsequently advertised. As noted in the above table, all Cells are affected by a municipal recoupment, excluding Cell 8, which involves a reimbursement by municipal associated with the overcharging of this Cell for PR-2609 (Ocean Reef Road construction).

Revised Land Valuation

Land valuations for Cells 2 and 4-9 were last revised in November 2015 (PS08-11/2015). In accordance with 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.

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 2**).

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 table below.

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

Annual Review of Infrastructure Costs Cost Per Lot (Advertised)

Part 9 and Schedule 6 of DPS2 set out the provisions for the management and implementation of the East Wanneroo Developer Contributions Arrangements. In accordance with these provisions, Council is required to determine whether to increase, decrease, or maintain the current ICPL rates as a result of the review. At the meeting of Council on 4 June 2019, the following ICPL rates were approved for the purpose of public advertising.

1. Increase the ICPL for Cell 2 from \$24,361.96 to \$26,936.

Administration identified that a minor increase in the contribution rate was necessary to accommodate increases in the cost estimates associated with the increased land valuation and the recoupment of environmental offset charges identified through the Internal Transactional Review.

2. Retain the current ICPL for Cells 4, 5 and 6 at \$23,328, \$30,909 and \$24,679 respectively.

Administration identified that Cells 4, 5, and 6 may result in excess funds being collected when all the land in the Cell has been developed. However, the potential for excess funds is highly dependent upon all land developing and all Cell Works being completed in an economical manner. These Cells are predominately developed with only 4%, 5% and 11% of the developable land remaining in each Cell respectively. Administration identified a range of factors that could affect the Cell Costs and potential income, including hold-out landowners, environmentally constrained land and compulsory land acquisition and there remains a significant risk that these excess funds may not occur. Given the Cells are predominately developed and that consideration will be given to establish wind-up provisions for these Cells, it was agreed by Council that the ICPL rate should be retained. This will enable remaining Cell works to be completed and landowners to progress their respective developments before any excess funds can be accurately established and returned.

3. Reduce the ICPL rate for Cells 7 and 8 (Industrial Cells) from \$13.15 to \$9.73 and \$24.44 to \$16.93 respectively.

Administration identified that a reduction in the square metre rate for the industrial cells (Cells 7 and 8) was necessary due to the inclusion of interest generated on the cell accounts and an increase in the developable area of the cell due to the deletion of several (future) roads within the structure plan area, thereby increasing the area of the land to charge contributions.

4. Reduce the ICPL rate for Cell 9 from \$32,205 to \$21,733.

Since the adoption of cell costs in 2015, lot yields have been exceeding lot yield estimates in this cell and significant savings have been achieved in the finalising the cell works, including Public Open Space Development costs. The Cell is 75% developed and the annual review of costs resulted in a reduction in the ICPL rate.

Consultation

In accordance with the provisions of DPS2, the City advertised the proposed land value for a period of 28 days and the revised Cell Costs for a period of 42 days as per the following.

- Annual Review - 11 June to 23 July 2019
- Revised Valuation - 8 June to 8 July 2019

Advertising was carried out by means of advertisements in the West Australian and Wanneroo Times, letters sent to affected landowners and on the City's website.

Comment

Eleven submissions were received during the public consultation period. A summary of submissions along with Administrations recommended response is detailed in **Attachment 3**.

The key submissions have been summarised in relation to the following issues.

Objection to the proposed reduction in the Infrastructure Cost Per Lot (ICPL) for East Wanneroo Cell 9 from \$32,205 to \$21,733 per lot.

Summary of objector's comments

- *The City has previously set the Cell 9 ICPL rates too high and this has not been reviewed since the adoption of Cell Costs in 2015. This combined with significant savings on Cell Costs since then has resulted in previous contributors effectively subsidising future contributors through a significant reduction in the ICPL rate from \$32,205 to \$21,733.*
- *Landowners have predominately requested that Council should not reduce the rate and make a partial return (similar to Cell 1) or retain the current rate pending full development (currently 75% developed), at which time the excess funds can be returned to all contributors.*

Administration Response

The suitability of making a return and reconciling the Cell Costs is based on whether a reduction in the contribution rate from \$32,205 to \$21,733 is considered to be a substantial reduction; and whether reconciling the historic payments with contributing landowners would be consistent with the principle of equity.

Although DPS2 is the statutory document that guides developer contributions in relation to the East Wanneroo Cells, if the Scheme does not provide sufficient guidance on the detailed aspects, the State Planning Policy (SPP3.6) should be used to check alignment with developer contribution best practice. In this regard, the DPLH recently released a draft of SPP 3.6, which specifies that where a substantial reduction in the cost contribution liability occurs due to factors including overestimated contingency and component costs, the local government should reconcile and adjust a landowners contribution liability and refund excess money paid over the adjusted amount, as soon as circumstances permit. A reduction from \$32,205 to \$21,733 could be considered a substantial variation, however there is no clarification provided in the draft SPP 3.6 on quantifying a 'substantial' variation.

The current balance of Cell 9 is over \$22 million and therefore (with consideration for budget estimates) the Cell could make such a return if required. However, there is an estimated remaining expenditure of over \$32 million and approximately \$16 million in remaining contributions (at the current ICPL). On this basis, at full development there would be an excess of \$5.5 million for this Cell. However, at this time there is a deficit of approximately \$10 million dollars in the Cell 9 account to complete all remaining Cells Works. If future income is excluded, which cannot be guaranteed, there would not be an excess in Cell funds that could be returned at this time.

Based on the above the following options can be considered by Council.

- a) *Proceed with advertised ICPL rate as approved by Council for advertising purposes.*

Note - The prospect of landowner objections to the reduction in the ICPL was identified in the Audit and Risk Committee report of 14 May 2019, where the reduction in the ICPL rate was viewed as a reflection of actual costs/income in this Cell, where fluctuations in the rate could be reasonably expected.

- b) *Calculate and make a partial return of estimated excess funds to contributing landowners; recalculate the ICPL rate and readvertise.*

Note - This would result in approximately \$4.5 million dollars of funds being returned to contributing landowners (i.e. return \$2,258 per lot and readvertise the ICPL rate at approximately \$29,947).

- c) *Retain current ICPL rate of \$32,205 until full development of the Cell and make a return of excess funds at that time (as done for Cells 4, 5 and 6).*

- d) *Uphold the objection and prepare a new option for consideration that includes calculating a partial return of estimated excess funds to contributing landowners and recalculate the ICPL rate for readvertising.*

Note - The estimated return of excess would be held in a separate DCP account pending receipt of adequate future income to complete the remaining Cell Works and/or closure of the Cell. This will ensure that landowners are aware of the City's intent to retain funds separately for the ultimate return of excess to previous contributors.

This option would require re-advertising of the Cell 9 annual review recommendations in accordance with DPS 2.

Recommended Action:

On balance, the preferred option by Administration is to recalculate the annual review to isolate the portion of excess funds to previous contributors, pending a return being considered in the future (in accordance with option d), and apply the remaining landowner's portion of estimated excess funds to reduce the current ICPL from \$32,205 to \$29,947.

The isolated excess funds would equate to approximately \$4.5 million for previous contributors and \$1.1 million would be applied to remaining (future) contributors. The adjustments equates to \$2,258 per lot, which would be applied to 2,017 contributions ICPL's already paid (previous contributors) and 498 estimated remaining ICPL contributions (future contributors).

Consideration for this preferred option should note that this would result in 'future' subdividers receiving a benefit by a reduction in the ICPL rate from \$32,205 to \$29,947, whilst the previous contributors would need to await the finalisation of Cell Works. In this regard, the City would retain previous contributor's estimated excess funds, pending the remaining (estimated) contributions being received.

A recalculation of the annual review for Cell 9 has been completed (**Attachment 4**) and reflects the preferred review methodology to be used for the purposes of re-advertising. In this regard, Administration has taken the opportunity to update Cell transactions to include income and expenditure since the last review calculation (31 March 2019) and now includes transactions up to 30 June 2019. The revised calculations for Cell 9 have been reviewed by the City's external auditors and is considered to be acceptable for the purposes of public advertising (refer **Attachment 5**).

Objection to the City's revised interpretation of the Cell Works

Summary of objector's comments

- *Recoupment of funds back to the municipal account is opportunistic and is inconsistent with industry best practice and SPP 3.6.*
- *The City is seeking to include all of the infrastructure necessary to support the ultimate 4-carriageway alignment, with the exception of the second carriageway pavement itself and the municipal fund is being reimbursed accordingly. This interpretation is inconsistent with how the "full earthworks and one carriageway" requirement has been applied elsewhere in the City and in the State generally. The operational SPP 3.6 refers to "construction including earthworks for the whole road reserve, the construction of one carriageway comprised of two lanes and associated drainage works". Neither the current or draft versions of SPP 3.6 refers to kerbing, service ducts, street lighting, intersection treatments associated with the second carriageway as being a standard infrastructure cost.*
- *It is unreasonable to modify this interpretation as part of the annual review process when the DCP has been in operation for an extended period, and without any formal consideration or modification to the DCP itself. This is not a minor or indexed change to a cost apportionment schedule, but rather a substantial change in the interpretation and implementation of the DCP, resulting in the redistribution of approximately \$92,000 in additional infrastructure costs to Cell 9 and \$2.5 million across the broader DCP areas. In Cell 6, the fifth item in the table refers to "Additional street lighting between intersections at Kingsway". This description is ambiguous and unacceptable to justify the associated \$1.034 million charge to Cell 6.*
- *A change of this magnitude warrants a higher level of scrutiny than what has been undertaken. On this basis, it is requested that Schedule 6 of DPS 2 should be amended accordingly to clarify the precise extent of infrastructure to be included into the DCP and that a scheme amendment should be considered and approved by the WAPC and the Minister for Planning before the costs are adjusted.*

Administration Response

Consideration for a revised interpretation of Cell Works was made as part of the Internal Transactional Review (December 2018) and has undergone significant investigation into the proper interpretation of DPS 2. This approach was approved by Council and a similar approach was taken as part of the annual review of Cell 1.

The City's previous interpretation of Cells Works only included 'single' carriageway road pavement and structures, which resulted in dual carriageway works being funded by traditional funding methods, including State and local government funding arrangements (grants) and not DCP funding. The City's previous interpretation excluded costs that could otherwise be interpreted as a 'Cell Work' under DPS 2 (i.e. dual carriageway structures and environmental offset costs).

The submissions are requesting the City to initiate a scheme amendment to DPS 2 to clarify the scope of the Cell Works for abutting District Distributor roads before recouping the additional costs. In this regard, the City has utilised DPS 2 as the primary statutory document and not SPP 3.6. The SPP 3.6 only provides general principles and guidance to the local government and where this policy contradicts DPS 2 the City is required to utilise the local planning scheme.

The current DPS 2 provisions were gazetted in 2001 and pre-date the introduction of SPP 3.6 and are considered to be the head of power to be applied to the interpretation of Cell Works. On this basis, it is not recommended that Council initiate a Scheme Amendment.

The Cells are now predominately developed and it is not considered necessary to amend DPS 2, where Council has already made a determination in relation to the interpretation of Cells.

Based on the above, the following options can be considered by Council:

- a) *Continue to utilise the City's revised interpretation to determine cost allocation and recoupment, as approved by Council for advertising purposes (and not undertake a scheme amendment).*
- b) *Utilise an interpretation of Cell Works that is consistent with SPP 3.6, which refers to "DDR road works as being earthworks for the whole road reserve, the construction of one carriageway comprised of two lanes and associated drainage works and shared use paths".*
- c) *Initiate an Amendment to DPS 2 to clarify that the DPS 2 provisions include dual carriageway structures and environmental offset costs.*

Recommended Action

The preferred option by Administration is to utilise the proper interpretation of DPS 2, in accordance with Council's previous consideration of this matter and that an amendment to DPS 2 is not required.

Objection to the high cost of environmental offsets.

Summary of objector's comments

The submission indicates that Environmental Offset costs are significantly higher than offsets costs required in other local government areas and private development.

Administration Response

The methodology for calculating environmental offsets is based on the actual and estimated costs incurred by the City in implementing the environmental offset management plans necessary to clear land for Cell Works (DDR construction). At the time of preparing the management plans, the City sought to identify land for rehabilitation and conservation within the locality and in ownership or management of the City rather than acquiring land for conservation in an area remote to the contributing Cells. Whilst the cost of the environmental offset may be considered higher than some other offset approvals, it results in a significantly better outcome by improving local reserve for the enjoyment of the residents within the contribution scheme area and was a necessary expense to enable the completion of the Cell Works. **Attachment 6** depicts the cost calculation for the environmental offset costs being recouped for Cell 6 that were associated with the Hartman Drive clearing permit.

Based on the above, the following options can be considered by Council

- a) *Continue to utilise the City's revised interpretation to determine cost allocation and recoupment as a municipal recoupment and as approved by Council for advertising purposes.*
- b) *Not use the City's actual (incurred costs) and agree to utilise a different methodology for determining 'alternative' costs for environmental offsets based on other similar examples or evidence provided by a suitably qualified consultant.*

Recommended Action

In accordance with DPS 2, the calculation of the ICPL for the East Wanneroo Cells is determined by deriving the gross cost of the Cell Works being the total cost of the fixed 'actual' and estimated future costs. The environmental offset costs are defined as a Cell Work of DPS 2 and were necessary to facilitate the construction of specific road works for each Cell. Because the actual costs of the environmental offsets are known, it is recommended that Council utilises these costs in the annual review in accordance with option a).

Statutory Compliance

The City is currently in breach of its obligations under Clause 9.11.1 of DPS2 to review Cell Costs on an annual basis. The completion of the annual review under DPS 2 will bring the east Wanneroo Cells into statutory compliance.

As the City has been undertaking external audits of City accounts, inclusive of the Cell 1 DCP fund annually, the City has complied 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

There are risks associated with the implementation of the Cells 2 and 4-9 Annual Review due to the extended period of time since the last review in 2006 (2015 for Cell 9). The above risks have been identified and considered within the City's existing Strategic Risk Register.

Although formal reviews have not been undertaken in accordance with the annual review requirements of DPS 2, the City has implemented ongoing monitoring of the Cell accounts. It is noted that Council is not required, in accordance with the provisions of DPS2, to change the ICPL or return funds prior to full development. The Annual Review has been undertaken to ensure that adequate contingency is held to fund the remaining Cell Works and recognises factors that may impact on a particular Cells income and expenditure estimates.

The work undertaken by the City in relation to the Internal Transactional Review and proper interpretation of the provisions of DPS2 along with the completion of the annual review for all Cells reduces the City's risk of impacts on trust, probity and accountability as it will bring the City to a level of compliance.

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.

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.

A significant aspect of the Annual Review has been the incorporation of the Internal Transactional Review findings (refer Internal Transactional Review findings in the Background section of this report), which have been externally reviewed by William Buck and previously considered by the Audit and Risk Committee on 14 May 2019 and Council on 4 June 2019. The Internal Transactional Review identified \$10.6 million in overcharges to the City for Cells 2 and 4-9. As at 30 June 2019, the City has made prior-period adjustments to recognise these financial misstatements. As a result of recognising these financial misstatements, \$10.6 million has been transferred out of the East Wanneroo Cells 2 and 4-9 and recouped to the City's Strategic Projects Reserve.

Some objectors have questioned the City's interpretation of Cell Works, which forms part of the \$10.6 million recoupment to the Strategic Projects Reserve. There is a possibility that if Council maintains its position on this interpretation that landowners may request this matter to be referred to commercial arbitration in accordance with DPS 2. If this occurs a different outcome could be reached which would affect the total value of the recoupment to the City.

The revised calculations for Cell 9 were reviewed by the City's external auditors (refer **Attachment 5**) and are considered to be acceptable for the purposes of public advertising.

Voting Requirements

Simple Majority

Recommendation

That Council:-

1. **As RECOMMENDED by the Audit and Risk Committee meeting held on 19 November 2019;**
 - a) **NOTES the public submissions received during the public consultation period for the East Wanneroo Cells 2 and 4-9 annual review of costs, as depicted in Attachment 3 to this report;**
 - b) **ENDORSE the recommended response made by Administration as described in the comments section and as defined in Attachment 3 to this report;**

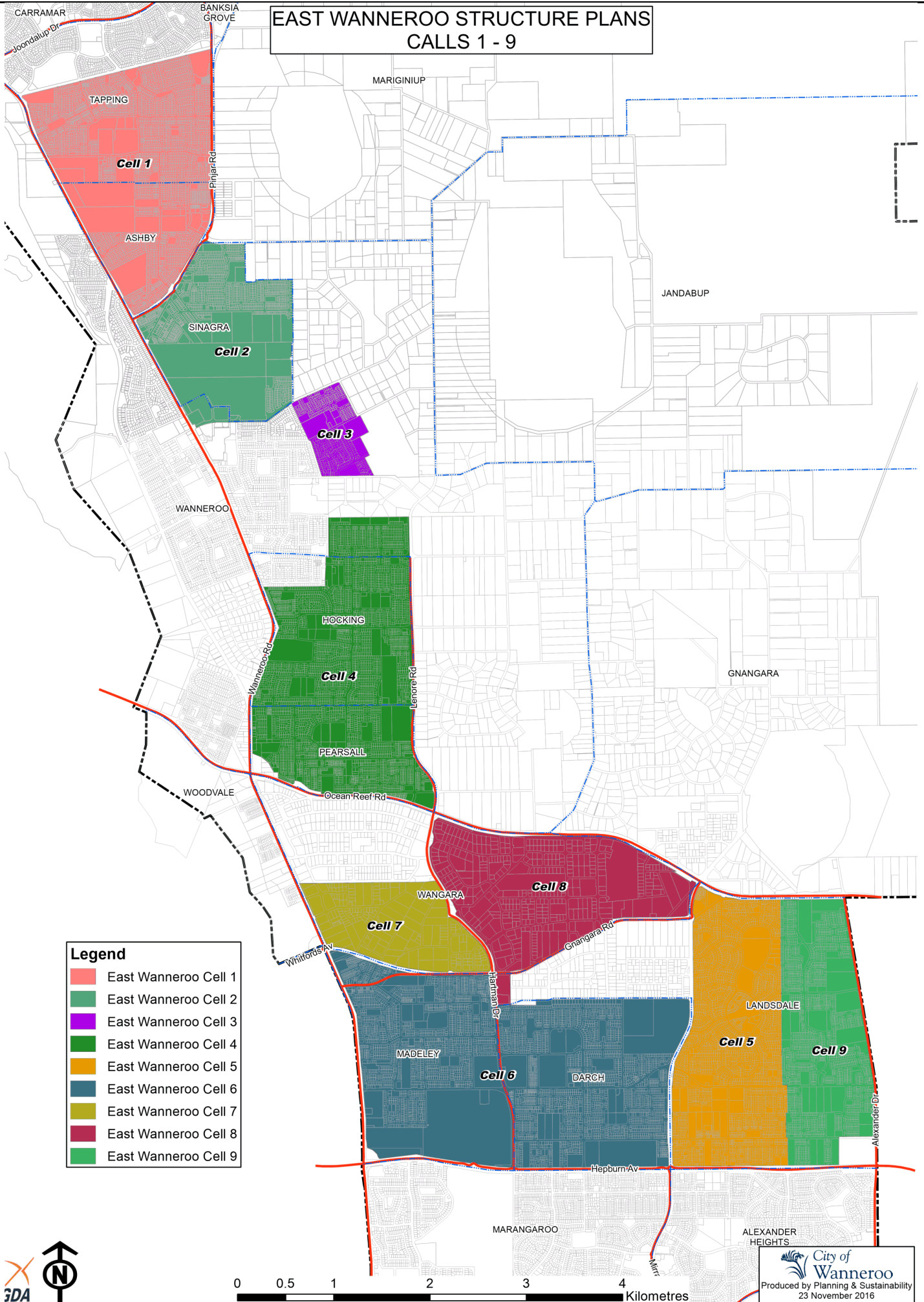
- c) **APPROVES** the re-calculation of the Annual Review for Cell 9, which involves:
- i) **Estimating excess funds at full development;**
 - ii) **Recognise and retain the portion of excess funds to previous contributors, pending a return being considered in the future (subject to excess funds being realised); and**
 - iii) **Applying the remaining landowner's portion of estimated excess funds to reduce the current ICPL from \$32,205 to \$29,947;**
- d) **RE-ADVERTISE** the revised Cell Costs for Cell 9 in accordance with Clause 9.11 of District Planning Scheme No.2, as depicted in Attachment 4; and
2. **APPROVES** the Annual Review of Cell Costs for Cells 2 and 4-8 in accordance with Clause 9.14.3 and 9.11.5 of District Planning Scheme No. 2, as defined in the below table;

East Wanneroo Cells 2, 4-8 Annual Review of Cells Costs – December 2019				
Cell	Land Valuation (Assessed Value)	Land Valuation (Assessed Value, Plus 10% solatium – Clause 9.14.5 of DPS 2)	2019 ICPL (Residential Cells)	2019 Area Rate (Industrial Cells)
2	\$1,912,500	\$2,103,750	\$26,936	
4	\$1,975,000	\$2,172,500	\$23,328	
5	\$2,025,000	\$2,227,500	\$30,909	
6	\$2,125,000	\$2,337,500	\$24,679	
7	\$2,125,000	\$2,337,500		\$9.73 per m²
8	\$2,020,000	\$2,222,000		\$16.93 per m²

Attachments:


- | | | | |
|-------------------|---|-----------|----------------|
| 1 | <i>Attachment 1 - Cells 1-9 Consolidated Location Plan</i> | 19/162679 | |
| 2 | <i>Attachment 2 - Consensus Value 2019</i> | 19/208853 | |
| 3 | <i>Attachment 3 - Summary of Submissions Table - Cells 2,4-9 Annual Review</i> | 19/470835 | <i>Minuted</i> |
| 4 | <i>Attachment 4 - Cell 9 - Income and Expenditure Summary (Revision - October 2019)</i> | 19/427834 | <i>Minuted</i> |
| 5 | <i>Attachment 5 - Cell 9 - Annual Cost Review - Final Audit Report</i> | 19/440752 | |
| 6 | <i>Attachment 6 - Hartman Drive Environmental Offset Costs</i> | 19/427634 | |

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



Legend	
■	East Wanneroo Cell 1
■	East Wanneroo Cell 2
■	East Wanneroo Cell 3
■	East Wanneroo Cell 4
■	East Wanneroo Cell 5
■	East Wanneroo Cell 6
■	East Wanneroo Cell 7
■	East Wanneroo Cell 8
■	East Wanneroo Cell 9




 Produced by Planning & Sustainability
 23 November 2016



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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
	1,912,500	2,103,750
2	\$1,912,500	\$2,103,750
	1,925,000	2,117,500
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

Attachment 2: Summary of Submitters' Comments on East Wanneroo Cells 2, 4-9 Annual Review 2019

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
1	Blackmont Property – John Young Property Subject of Submission – Lots 56 & 57 Queensway Road Landsdale	Cell 9	No Objection - Supports a reduction in the ICPL from \$32,205 to \$21,733 to reflect the actual and estimated remaining costs as proposed in the annual review.	Noted	Nil
2	Main Roads WA Property Subject of Submission – Not Applicable	Cells 2 & 4-9	No Objection	Noted	Nil
3	Delstrat Pty Ltd was developer on behalf of related party – Landowner – Willcox Ardross Pty Ltd ATF Willcox Ardross Unit Trust Property Subject of Submission – 193 Gngara Road Wangara	Cells 7	No Objection - supports the revised cell costs	Noted	Nil
4	Delstrat Pty Ltd was developer and trustee for the landowner – Basso Unit Trust Property Subject of Submission – 23 Destiny Way Wangara	Cell 8	No Objection - supports the revised cell costs	Noted	Nil
5	Riverside Developments Co Pty Ltd Property Subject of Submission – Lots 127&128 Kingsway and Lots 129&162 Landsdale Road Landsdale	All Cells – Mainly Cell 9	<ul style="list-style-type: none"> Riverside Development Co. subdivided various landholdings in Cell 9 into 118 residential lots and contributed \$3,832,395 to the Cell 9 DCP. The statutory requirement to perform Annual Reviews of East Wanneroo Cells 1-9 has not been undertaken since 2006. No objection to increase land acquisition value or the advertised reduced infrastructure cost per lot. The reduced infrastructure costs are a result of increased lot yields (up to 13 lots per hectare) and lower than estimated actual costs. The lots yields and cost savings apply to the entire cell; however the benefits are only being applied to the remaining landowners by reducing the contribution rate (\$32,205 to \$21,733), which is unfair and inequitable. The surplus belongs to those landowners/entities. The approach being taken by Council should align with Councils decision on 4 June 2019 in relation to a partial return of estimated excess funds for Cell 1. 	<ul style="list-style-type: none"> Noted This is correct for cells 1 to 8. However Cell 9 was more recently adopted by Council in October 2015. Noted Because the Cell 9 contribution arrangements (DPS 2 provisions) were adopted more recently (2015) a higher estimated lot yield of 13 lots per hectare was utilised in accordance with Part 9 of DPs 2. Notwithstanding, lot yields have been exceeding the estimated, thereby contributing to the creation of excess funds in this cell. Cell 1 is predominately developed (approx. 96%) and the City was able to accurately account for the remaining 	Cell 9 – Refer revised calculation – Attachment 4

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<p>Cell 9 is 75% development and it would be grossly unfair to not return funds to landowners who have paid the monies into the account. A reduction in the per lot contribution rate without a corresponding return to the landowners/entities that have paid excess funds would result in historic subdividers essential subsidising future subdividers. A partial return of estimated excess funds (partial return) should be made (as per Cell 1) to ensure a fair and equitable outcome for Cell 9 landowners.</p>	<p>income and expenditure. The Cell 1 partial return methodology excluded remaining income from the return (as contingency) and made allowance for remaining cell costs and still resulted in a significant excess of funds currently available in the cell account. Cell 9 has approximately \$32 million dollars of expenditure remaining and only \$22 million in the cell accounts (with an estimated \$16 million of contributions remaining). This 'could' result in approximately \$5.5 million in excess funds being generated at 'full' development. However, at this time there is a deficit of approximately \$10 million dollars in the cell 9 account to complete the cell works. If future income is excluded (as per the Cell 1 return methodology), there would not be an excess in cell funds that could be returned.</p> <p>Notwithstanding, it is noted that the recently advertised draft of SPP3.6 (July 2019) indicates that "<i>where a significant variation in the contribution rate results, then reconciling of the rate should occur by making a return to previous contributors</i>".</p> <p>A reduction from \$32,205 to \$21,733 could be considered a significant variation, however there is no clarification provided in the draft SPP 3.6 on quantifying a 'significant' variation. Specific consideration was given to this issue through the City's DCP Project Board and ELM, where a preferred approach was recommended involving the apportionment of estimated excess funds at full development between landowners that have contributed (pending finalisation of costs and income in the cell) and the remaining landowners (yet to contribute). In this regard, the ICPL rate would only reduce by \$2,258 (i.e. \$32,205 to \$29,947) and the City would retain previous contributor's estimated excess funds pending the remaining contributions being</p>	

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
				received. This matter is further discussed in the comments section of this report and will require re-advertising of the annual review for this cell.	
6	Perron Developments Pty Ltd Property Subject of Submission – Verdura Estate Landsdale Road Landsdale	All Cells – Mainly Cell 9	<ul style="list-style-type: none"> • Perron developed the Vendura Estate in Cell 9 and created 138 lots and contributed \$4.14 million in contributions. • The annual review proposes a significant reduction in the contribution rate where earlier subdividers are effectively subsidising those that are yet to develop. It is noted that the significant reduction results in some considerable inequities in the operation of the DCP, where the City's previous failure to undertake regular reviews has resulted in earlier subdividers (like Perron) being charged more per lot than those yet to develop. It is recommended that the current contribution rate of \$32,205 per lot be maintained across the undeveloped portions of the cell, and that at the completion of the DCP, the excess funds be reimbursed equitably across the entire cell. This approach is far more equitable than the 'cost to complete' approach, which is currently proposed. • The City's revised interpretation of the cell works (in particular those associated with dual carriageway works) and subsequent recoupment of funds back to the municipal account is opportunistic, and is inconsistent with the industry best practice and SPP 3.6. It is understood that the DCP has always allowed for "full earthworks and one carriageway" to also include 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.....". We understand that Council is now seeking to include all of the infrastructure necessary to support the ultimate 4-carriageway alignment, with the exception of the second carriageway pavement itself and the municipal fund is being reimbursed accordingly. <p>This interpretation is inconsistent with how the "full earthworks and one carriageway" requirement has been applied elsewhere in the City of Wanneroo and Western Australia generally. We also note that the operational SPP 3.6 refers to "construction including earthworks for the whole road reserve, the construction of one carriageway comprised of two lanes and associated drainage works". Neither the current or draft versions of SPP 3.6 refers to kerbing,</p>	<ul style="list-style-type: none"> • Noted • Refer response 5 (dot point 5) or comments section of the report. • The City has previously not charged for some works that are cell works under the proper interpretation of DPS 2, inclusive of dual carriageway structures. Also refer to the comments section of this report. 	Cell 9 – Refer revised calculation – Attachment 4

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<p>service ducts, street lighting, intersection treatments associated with the second carriageway as being a standard infrastructure cost.</p> <p>It is unreasonable to modify this interpretation as part of the annual review process when the DCP has been in operation for an extended period, and without any formal consideration or modification to the DCP itself. This is not a minor or indexed change to a cost apportionment schedule, but rather a substantial change in the interpretation and implementation of the DCP, resulting in the redistribution of approximately \$92,000 in additional infrastructure costs to Cell 9 and \$2.5 million across the broader DCP area. A change of this magnitude warrants a higher level scrutiny than what has been undertaken. On this basis, it is requested that Schedule 6 of DPS 2 should be amended accordingly to clarify the precise extent of infrastructure to be included into the DCP and that the amendment should be considered and approved by the WAPC and the Minister for Planning before the costs are adjusted.</p> <ul style="list-style-type: none"> The reimbursement of excess funds is not clearly defined in DPS 2 and Perron supports the City's intention to prepare an amendment to provide greater clarity on the methodology to return excess funds. In regard to a future amendment, the City's attention is drawn to section 6.7.2.13 of the 2019 draft SPP 3.6 which provides a clear basis for the reimbursement of excess funds. 	<ul style="list-style-type: none"> Noted – The City is currently awaiting the finalisation of draft SPP 3.6 and will utilise the policy in the review and preparation of any required amendments to DPS 2 as part of improving the operational provisions of DPS 2. 	
7	Parcel Property Pty Ltd Property Subject of Submission – Lot 2 Driver Road Darch	Cell 6	<ul style="list-style-type: none"> Parcel has recently purchased Lot 2 Driver Road, Darch, which is proposed to accommodate an excess of 275 lots (Residential and Business) as well as the provision of a 4.8142Ha Public Open Space (POS). The current per lot cost of \$24,679 proposed to be maintained is acceptable now. The collection of \$24,679, based on an overall density of 9 lots per Hectare may have been reasonable at the creation of the DCP. However, the increase in density across the Cell in subsequent years has the obvious effect of overcharging the scheme. Parcel does not protest these charges at this point and understands the City's decision to roll the current charges based on a lack of certainty surrounding future development. We confirm that we are comfortable with \$2,150,000/Ha and believe the Solatium should be maintained and applied to this refund at the appropriate time. I note that while this was not included in the Council Agenda item, it is currently publicly available on the website. An adjustment was made to this table in June 2019. We are not sure what this adjustment was 	<ul style="list-style-type: none"> Noted Noted Noted The ICPL rate table on the City's websites refers to June 2019 in relation to the date the Cell 1 annual review was adopted by Council and is 	Nil

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<p>and seek clarification from the City as to what was changed. We refer to the "header" at the top of the table.</p> <ul style="list-style-type: none"> Parcel cautiously welcomes the rectification of incorrect accounting, despite the increase in cost to the Cell 6 Scheme. How can the City incorrectly account for a quantum of charge approximately \$4M? Can the City ensure safeguards are in place to prevent this from occurring again? Does the City have a mechanism in the scheme to change the bottom line charge of Cell 6 by this quantum? In relation to the addition of Environmental Offsets at \$278,310, can the City provide advice as to how this amount has been calculated? Parcel Property, through numerous other land developments has paid Environmental Offsets. Most recently, a clearing permit for an excess of 15Ha was provided with Offset charges being much lower. Parcel does not agree to the imposition of these offsets without additional information being provided. What is the current bank balance for Cell 6? On review of the Income and Expenditure Summary we assume that the City currently has approximately \$28,399,122 at bank (Payments made to date less Expenditure to date). How much interest is being accrued on the current bank balance and are these funds to be used to offset future charges? Can the City provide a cash flow to demonstrate that this is the case? If there are significant funds at bank, the accrued interest should be offset yearly and recognised in subsequent DCP reviews. Notwithstanding the uncertainty around development time frames due to Lots 1 and 2 Driver Road Darch, nursery sites, caravan park and other un-developed properties. Can the City provide an update on triggers that would facilitate the closure of the Cell 6 DCP? Based on the assumed cash at bank, can the City confirm that there are enough funds at bank to cover all outstanding items within the Cell 6 DCP? On review of the Income and Expenditure Summary, all outstanding expenditure can be spent whilst remaining a surplus of approximately \$6M. Parcel has requested that the City provide payment in full for the POS at transfer as opposed to this amount 	<p>relevant to Cell 1 only.</p> <ul style="list-style-type: none"> The City has implemented numerous improvements to DCP operation, including monthly reconciliation of accounts. The correction will occur upon Councils agreement to make the adjustment and is consistent with DPS 2 requirements to utilise actual expenditure on cell works. Refer comments section of this report and Attachment 6. The current balance is defined in the Income and Expenditure Summary table attached to the 4 June Council report as \$28,399,122. Interest returns fluctuates annually, however to date \$11.825 million in interest has been generated on the cell account over the life of the DCP. This interest forms part of the cell funds balance and is credited monthly to the account. The East Wanneroo Cells do not have an operational period (unlike more recent DCP's) and closure is currently anticipated upon the development or subdivision of all the land in the cell. Whilst the cell currently has adequate funds to complete the 'estimated' remaining cell works there remains over \$22 million in remaining expenditure. The City has identified that there is a potential for excess funds to be generated and has recommended that the ICPL be retained at this time pending further consideration of wind-up provisions of the scheme, finalisation of draft SPP 3.6 and greater accountability over the remaining cell works costs and estimated income. The City has been undertaking discussions with parcel Property as an 	

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<p>being "offset" against future DCP charges. This issue is of extreme importance to Parcel and as such we consider it prudent to formally request that arrangements be made, preferably legal and ratified by Council or CEO. This will facilitate the full payment for 4.8142Ha of POS land at the point of transfer from Parcel to the City. Parcel acknowledges that Environmental and Planning works are required to be completed prior to the creation of the POS land; however this does not prevent the creation of a Deed confirming the above.</p> <ul style="list-style-type: none"> There is currently no allowance for the provision of landscaping within the Cell 6 DCP. The POS land to be provided within Lot 2 Driver Road, Darch is intended to serve a broader district purpose. The City has confirmed that there is a high demand for community sporting facilities within the Darch/Madeley area. Considering the District demand for this facility, Parcel requests that arrangements be made to allocate funds from the surplus DCP to the landscaping of this POS. There is a direct "need and nexus" for the provision of this infrastructure and a strong argument for its inclusion. Given that Cell 6 has a forecast surplus of \$15.17M, it is considered that funds can be afforded for the landscaping of this park. Parcel intends to provide for the POS early within the development and seeks the opportunity to meet with the City to discuss a path forward to construction. Should this item be included in the DCP, Parcel would be willing to consider a "works in kind" arrangement for the landscaping of this POS. Notwithstanding the City's Policies for the construction of POS areas (notable Sporting Park, in this instance) Parcel has provided a detailed cost estimate to provide for the installation of irrigation, turf, trees and bollards to the POS. There is no allocation for play equipment in this pricing as it is purely intended to service the immediate sporting demand. We provide this costing schedule (equating to \$1,665,559). 	<p>operational consideration. This site has significant (unresolved) factors associated with the historic use of the site for landfill and is currently restricted by the Agreed Structure Plan as a 'Landfill Precinct'. It is anticipated that the landowners will continue to work with the City and other government agencies to achieve a residential certification and Administration will consider appropriate arrangements to finalise the cell works and future contributions in this regard.</p> <ul style="list-style-type: none"> The City can only utilise cell funds for the purposes define in DP's 2 and does not include POS development costs (land acquisition only). Notwithstanding, if excess funds do occur and a landowners entitlement cannot be verified or the landowner located, then it is possible that any residual excesses could be applied in accordance with Clause 9.13.3 of DPS 2, which specifies that "subject to the approval of the Minister of Planning, either towards further improvements and facilities within the Cell or transferred to the Cell Account of an abutting Cell where insufficient funds will be received to complete Cell Works that are common to both Cells". Noted – It is acknowledged that the City will continue to work with the landowner to achieve appropriate and economical outcomes for the affected landowner, the City and local residents in accordance with the provisions of DPS 2. 	
8	Oscar Drescher	All Cells	<ul style="list-style-type: none"> Request to extend submission period until 2 August 2019 in relation land valuation. 	<ul style="list-style-type: none"> An extension was given until 29 July, however a further submission was not provided. 	Nil
9	Stockland	Cells 2 & 9	<ul style="list-style-type: none"> Stockland is a significant landowner for the remaining area to be developed in Cell 2, having acquired Lot 1040 Wanneroo Road, Sinagra in late 2017. It is 	<ul style="list-style-type: none"> The methodology for charging ICPL contribution is defined in DPS 2 and is premised on lot creation and/or lot 	Cell 9 – Refer revised calculation – Attachment 4

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
	Property Subject of Submission – Corimbia Estate Landsdale (Cell 9) and Lot 1040 Wanneroo Road Sinagra (Cell 2)		<p>important that landowners who seek an increase in the Cell 2 density are not 'penalised', via contribution of an over-stated total infrastructure apportionment on a per lot basis.</p> <ul style="list-style-type: none"> Stockland notes that to avoid any large variability in the ICPL due to changes in density the remaining Cell 2 liability should maintain a 'Total Liability' approach across all remaining landholdings. Allowing for remaining landholdings to maintain a charge rate capped to 'today's calculation of total landholder liability' would ensure that a consistent infrastructure apportionment is aligned to both historical and future development by providing a known Total Liability for all landowners. This approach would be similar to an area based approach, however avoid any likely amendments being required to the Scheme. It would further 'avoid' a Net Excess being collected, as reflected in other comparative Cells in the Scheme area. This is due to fixing the apportionment of the current scheme charging across all landholdings. In doing so the City would only collect the appropriate amount from each future landowner. It is recommended to maintain the Cell 2 rate, fixed to its equivalent landholding and Total Liability for all owners - ensuring equality for all landowners, and encourage (not discourage) a greater population within the Cell, most notably within the Town Activity Centre. Interim Charge Position: It is noted that the June Council meeting resolved to hold an interim position with respect to the Cell 2 contribution charge rate. Stockland considers this appropriate at this time until further assessment of the Cell can be undertaken. Cell 9 review - Stockland notes that the methodology proposed to be used for Cell 9 varies to that proposed by the City over Cells 4,5,6 and Cell 1 (Cell 1 being subject to separate review process). It is currently being proposed to adjust and apportion a lower ICPL rate across the remaining development within Cell 9, whereas within Cells 1, 4, 5 & 6 it is determined to maintain a consistent ICPL charge rate, and to return any identified excess to landowners. Stockland views that this change in methodology for Cell 9 creates an inequitable charging basis across the 9 Scheme areas. Whilst different cells reflect unique infrastructure requirements, an inconsistent approach is not appropriate, and further creates an inequitable ICPL within the specific Cell 9 area, across different landowners. The approach proposed for Cell 9 	<p>potential. It is recognised that this could translate into additional contributions be paid for increased density development.</p> <ul style="list-style-type: none"> The City is required to calculate and charge landowners in accordance with the requirements of DPS 2. The City acknowledges that Stockland has approached to the City to finalise its contribution obligations by 'offsetting' cell works (POS land provision) and finalising the contribution liability. The finalisation of cell costs can assist the cells accountability by fixing costs/income relevant to a particular landholding. Further consideration to formalising the landowner's obligations through a deed of release (prior to subdivision or development) will occur as an operational consideration and does not affect the annual review of costs. The annual review is required to ensure adequate funds will be received to complete the cell works over the course of the DCP and will increase, decrease or remain the same depending upon the cells gross costs. An individual landowner's liability will only be fixed when payment has been accounted for. The annual review is proposing a small increase in the ICPL rate from \$24,361.96 to \$26,936. Refer response 5 (dot point 5) or comments section of the report. 	

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<p>essentially apportions a higher contribution for the provision of infrastructure to pioneer / earlier developments, and lessens the apportionment of these charges on latter developments. Whilst this methodology can occur as a standard practice in administering a Contribution Scheme, it can only be done equitably if it is undertaken as part of a regular annual review basis. Given this review is the first review period to be undertaken since 2006, it is now in equitable to revise this methodology for Cell9, on this basis and at this time. It is requested that the current Cell9 ICPL rate is maintained until the completion of the Cell, consistent with maintaining an equitable ICPL across all landowners, under a consistent methodology for all Cell areas, whereby this will create an excess that can then be returned to all landowners at an appropriate time (at the earliest possible timing).</p>		
10	<p>Partco Development Holdings Max Baumwol</p> <p>Property Subject of Submission – Lots 71 and 72 Queensway Road Landsdale</p>	Cell 9	<ul style="list-style-type: none"> Partco have created over 116 lots in East Wanneroo Cell 9 and paid contributions at \$32,205 per lot. Developers in Cell 9 will now only have to pay \$21,733 per lots. Partco paid \$1,094,970 for 34 lots just a few months ago (February 2019) at \$32,205 per lot and this is manifestly unfair and lacks any sense of propriety, particularly where the City has acknowledged a breach of the statutory provisions of DPS 2 to annually review, the rates have not been reviewed since 2006 and have been proven to be excessive in relation to Cell 9. There has been savings made in actual expenses and Cell 9 has been creating more lots than estimated. Cell 9 was adopted in 2015 and the reduction in the contribution rate is considered acceptable, however this should include a refund of excess funds that were paid at the higher ICPL rate. Alternatively, the rate should not be reduced and retained at the current rate for remaining landowners until the final costs are known and excess returned to all landowners equitably. 	<ul style="list-style-type: none"> Refer response 5 (dot point 5) or comments section of the report. A reduction in the ICPL would be affected by any return of excess funds to contributing landowners and therefore these issues are not mutually exclusive. Noted – Refer comments section of this report. 	Cell 9 – Refer revised calculation – Attachment 4
11	<p>Mr Philip Stannard (Chieti Place Land Development Pty Ltd)</p> <p>Mr Jim Giumelli (Borbey Pty Ltd)</p> <p>Mr Kevin Jeavons (the Kingsway Syndicate)</p>	Cell 6	<ul style="list-style-type: none"> Supports deletion of underpasses and requests clarification on the timing for an Amendment to DPS 2 to improve statutory provisions in relation to estimated lot yields and return of excess provisions. The \$10,653,449 appearing in the summary table of the Council report does not reconcile with the net municipal recoupment in the preceding table, which 	<ul style="list-style-type: none"> Noted – Subsequent to public advertising the WAPC released a draft version of SPP 3.6 proposing a range of improvements to the operational management of DCP's. The City is awaiting a final determination on SPP 3.6 to enable a consistent approach can be applied and ultimately accepted by the WAPC. Noted – Text in the 4 June Council report references Project Accounting errors, Offsets, Interpretation and 	Nil

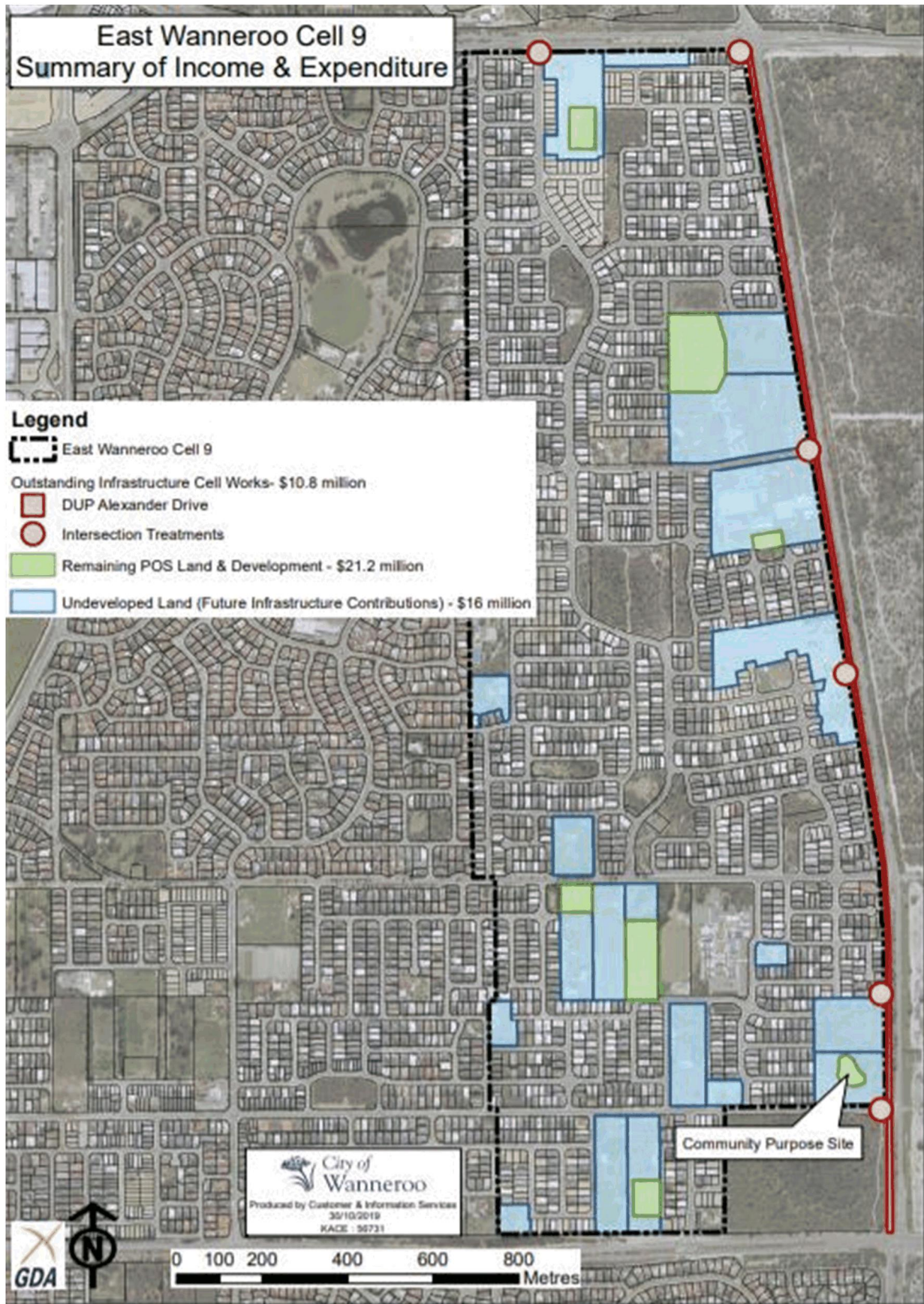
No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<p>refers to Project Accounting Errors (\$3,106,690), Environmental Offsets (omissions) (3,552,608); Interpretation of Cell Works (2,539,116) and interest adjustments (\$2,211, 987). These corrections sum to \$11,410,401 not \$10,653,449 –what implications will this have on the land value and infrastructure costs.</p> <ul style="list-style-type: none"> • Total net recoupment for Cell 6 of \$4,171,854 does not reconcile with the total listed \$4,171,853 – why? • Table for Cells 5 and 6 both refer to a recoupment of \$2,350,301 to Cells 1 and 2 for ‘Mirrabooka Avenue’ (incorrectly charged). Does this mean the total charge is \$4,700,602? Why are Cells 5 and 6 being charged the same amount when Cell 5 has a greater liability to continue to Mirrabooka Avenue? Please clarify that this recoupment only applies to 50% of the cost of Mirrabooka Ave between Hepburn and Furniss Road, as per Schedule 6 of DPS 2. 	<p>Interest adjustments. These amounts included draft adjustments for Cell 3, which was removed from the annual review shortly before presentation to Council and incorrectly included to original figures in the body of the text. Notwithstanding, the adjustment table and annual review calculations did include the correct amount of \$10,653,449 and therefore there is no implications on the proposed land valuation or infrastructure costs. These figures have been corrected in the background section of this report, as per the following: Project Accounting Errors (\$2,718,723), Environmental Offsets (omissions) (3,552,608): Interpretation of Cell Works (2,539,116) and interest adjustments (\$1,843,002). These corrections sum to \$10,653,449.</p> <ul style="list-style-type: none"> • This is a minor rounding error and has no material impact on the annual review of cell costs. • The City omitted to charge the construction costs of Mirrabooka Ave – Landsdale (PR-1311) incurred from the financial year 2007/2008 to 2011/2012 to Cells 5 and 6. Cell 5 and Cell 6’s Bank Account are currently overstated by \$2,350,301 respectively and Municipal Account is correspondingly understated by a combined total of \$4,700,602. The recoupment of \$4,700,602 is \$2,350,301 from Cell 5 and \$2,350,301 from Cell 6 to Municipal Account. <p>The apportionment of the cost is accordance to Clause 3 Specific Cell Works of Schedule 6 of DPS2 applicable to Cells 5 and 6, as per Schedule 6 of DPS 2, which specifies -</p> <p><i>Mirrabooka Avenue (between Hepburn Avenue and Furniss Road)</i> <i>* 50% of the total cost to acquire the ultimate road reserve land;</i> <i>* 50% of the total cost of constructing the full earthworks, one carriageway and all structures.”</i></p>	

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<ul style="list-style-type: none"> • Attachment 2 in the Council report refers to “Detailed listing of Transactional Audit Recommendations” why does the comment in the first item refer to Cell 7. • Journal corrections for Cell 6 refer to \$565,363, however the corresponding amount in Attachment 7 is \$565,365. • The fifth item in the table refers to “Additional street lighting between intersections and roundabout at Kingsway incorrectly recorded. This description is ambiguous and unacceptable to justify the associated \$1.034 million charge to Cell 6 – More information required. • The table refers to “Construction costs of PR-1311”. This is vague and does not provide for interrogation of the stated costs. More information required on PR-1311, is the cost shared equally between cells 5 and 6, does this split accord with DPS 2, why are the comments different between cells 5 and 6 in the Transactional Audit Recommendations Table in the Council report of 4 June 2019, is the City suggesting a total recoupment of \$5,194,595.86 from cells 5 and 6, why do the figures in the table differ between Cells 5 and 6 (albeit only 14 cents), how is the recoupment from Cell 6 reconciled in Table 7. 	<p>It should be noted that this project only relates to the section of Mirrabooka avenue that abuts both cells equally and not the section located north of Furniss Road, which is subject to a different cost apportionment as per DPS 2.</p> <ul style="list-style-type: none"> • This is a typographical error and should refer to Cell 6. • Noted and Agreed • The City’s Internal Transactional Audit has identified works not previously charged to the cell under the proper interpretation of cell works. The works refer to street lighting along Hartman Drive that were previously charged to municipal under ‘additional street lighting’ as part of PR (Project) 1387. Also refer comments section of this report under “Principles and methodology for interpreting Cell Works”. There were also \$432,564.26 of incorrect debit journals reversed from Cell 6 so the net allocation to Cell 6 was \$601,747.80. • PR-1311 relates to the Mirrabooka Avenue single carriageway construction. The internal Transactional Audit identified that \$98,107.47 charged to GL – 717876-9399-431 in 2008 via BJ 07/08- 600 as construction costs for the construction project for Mirrabooka Ave in Landsdale from Hepburn Avenue to Heathfield Drive/Madeley Drive (PR-1311). However, these amounts were not recorded as income in work order/project cost for PR-1311 because PR numbers were missing as analysis code in the processed journals. Since the seventh item (\$2,597,298) in the table is taking up all expenses funded by Municipal from work order/project for PR 1311, these amounts need to be removed from Cell 6. <p>This project is shared equally (refer dot point 4) and is in accordance with DPS</p>	

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<ul style="list-style-type: none"> • Please provide details of the environmental costs (\$278,310) listed in the ninth item of the table to justify those costs being charged to Cell 6. • Table 7 refers to a Gross estimated Remaining Income of \$13,346,654. Based on the current ICPL of \$24,679 and an estimated lot yield of 541, when multiplied the amount differs by \$4,685, what is the reason for the discrepancy, albeit immaterial? • DPS 2 prescribes 9 lots per hectare for estimating future income for the cell, however evidence and history indicates that actual yield is nearly double. This means that the remaining estimated income would be double that depicted in the review and would increase from \$13.3 million to \$26.7 million. 	<p>2. The 'description' of the works in the Transactional Audit Recommendation Table are the same for both cells 5 and 6 and whilst the comments are different they are both technically correct in that the works are required to be charged equally between cells 5 and 6, which equates to a total recoupment of \$5,194,595.86. There is a minor variation between the cells due to a rounding being applied to one cell and not the other resulting in a difference of 14 cents.</p> <p>The adjustments can be reconciled with the annual review table. Under Transactional Audit Finding first item - Mirrabooka Ave - Incorrectly Charged to Cell 1 and 2 showed \$2,350,301. This equals to the combination of the seventh and the tenth item under Cell 6 in Attachment 2 of the 4 June report (i.e. \$2,597,298 - \$246,996 = \$2,350,302 rounding – actual figures are \$2,597,297.86 and \$246,996.44).</p> <ul style="list-style-type: none"> • This figure was extracted from the City's expenditure using actual capital and staffing costs records. The offset management plan has required \$241,856.87 of capital costs and \$36,453.23 of associated staffing costs (total \$278,310.10). Also refer Attachment 6. • The estimated lot yield calculation is rounded. Without rounding, the amount would equate to 540.81 lots. • The City is required to utilise the estimated lot yield of 9 lots per/ha as defined in DPS 2. The annual review identifies that this cell is likely to receive additional lot creation resulting in an estimated excess in cell funds at full development. However, it should be noted that the lot yields are based on the net residential area of a cell (447 hectares for Cell 6) and that the cell 6 records indicate that lot yield is occurring at approximately 11.5 lots per hectare (i.e. 89% developed of 447 hectares is 398 hectares developed). 	

No	Submitter	Cell	Submitter Comment	Administration Response	Modification
			<ul style="list-style-type: none"> • Adequate funds exist in the Cell 6 account to complete the remaining cell works add to this a possible increased lot yield income of \$26.7 million and excess of \$30 million could be achieved. Against this background, we request that the City administer a partial return of excess funds in Cell 6, as occurred for Cell 1. • The City has already accounted for receiving the \$10.65 million in estimated total net municipal recoupment? 	<p>4568 contributions received divided by 398 hectares = 11.5 lot per hectare. Consideration for increasing the estimated lot yield can only be made through an amendment to DPS 2, which has been considered as a possible option for the cells. However, due to several factors in this cell that could affect the future development potential of some landholdings and the unknown implications of draft SPP 3.6, the City is recommending that the ICPL rate for this cell be retained.</p> <ul style="list-style-type: none"> • As noted above, the City can only recognise income estimates that align with the estimated lot yields for the cell as defined in DPS 2, which indicates a potential excess of over \$15 million if all land in the cell develops. The cell still has over \$22 million in remaining cell works and there are factors that could potentially affect the cell from receiving the remaining income. The methodology used in Cell 1 excluded future income estimates from the return, which if applied to this cell now would not translate into a return (also refer above dot point). • Correct, the City has accounted for \$10.65 million in the financial year 2018/19 as the net municipal recoupment. 	

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		
<i>Transactional Audit Findings</i>		
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
SubTotal	\$ 527,728	Municipal Recoupment Total \$527,728
<i>Expenditure to Date (Actuals)</i>		
Public Open Space (10%)	\$ 39,226,688	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads	\$ 5,321,316	Land Acquisition and Construction Costs
Administration Costs	\$ 1,308,832	Salary Recoupment, Legal Fees, Consultants
Total expenditure to date	\$ 46,384,564	Current Cell 9 Balance is \$21,616,872 (Payments made to date less Expenditure to Date)
<i>Remaining Expenditure (Estimated) - Annual Review</i>		
Public Open Space (10%)	\$ 20,826,990	Approx 5.4 ha and POS Development
District Distributor Roads	\$ 10,856,962	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs	\$ 280,000	Estimated - \$40k per annum for 7 years
Total	\$ 31,963,952	
Total Expenditure/Costs (Gross Costs)	\$ 78,348,516	Total Remaining Expenditure (Including Transactional Audit Adjustments)
Income		
<i>Payments Made to Date</i>		
Contributions and Interest	\$ 68,001,436	All Income (funds) Received (includes interest)
Total	\$ 68,001,436	
<i>Gross Estimated Remaining Income</i>		
Estimated Contributions at Current ICPL of \$32,205 at ELY of 498	\$ 16,023,900	498 Lots at Estimated Lot Yield of 13 Per/Ha
Total Estimated Income	\$ 84,025,337	
Estimated Cell Balance at Full Development		
Total Combined Expenditure/Costs (Gross Costs)	\$ 78,348,516	
Total Combined Estimated Income	\$ 84,025,337	
Net Excess/Shortfall at Current ICPL	\$ 5,676,820	Excess
Estimated Return at Full Development		
Estimated Credit per ICPL	\$ 2,258	
Estimated Credit for Landowner (Already Paid - 2,017 ICPL payments) - to be held until full development or closure	\$ 4,553,540	
Estimated Credit for Remaining Landowners (ELY - 498 ICPL payments)	\$ 1,123,280	
Revised ICPL Rate		
Current Infrastructure Cost Per Lot	\$ 32,205	
Proposed decrease in ICPL (estimated excess applied to reduce ICPL)	-\$ 2,258	
Proposed Infrastructure Cost Per Lot (ICPL)	\$ 29,947	

Background Information

- Cell Area – 215 ha (182 ha Net)
- Infrastructure Contributions Per Lot (ICPL) received - 2017
- Infrastructure Contributions Per Lot (ICPL) remaining - 498
- Remaining Area to be Developed – 20%
- Public Open Space Acquired – approx. 16 Ha
- POS Remaining – 5.4 ha (\$21.2 million)
- DDR Works (Various) - \$10.8 million

Comments

This cell is predominately (80%) developed, with only 498 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. An estimate of excess funds at full development has been calculated to facilitate the retention of potential excess funds for return to contributing landowners (that have contributed to date) and a

East Wanneroo Cell 9 – Summary of Income and Expenditure

reduction in the ICPL rate based on an apportionment of estimated excess to future subdividers. This results in \$4,553,540 to be retained for the future return to contributing landowners (subject to adjustment and final cell costs) and a reduction in the current ICPL of \$32,205 to \$29,947 for future subdividers (partial excess return applied through a reduction in the ICPL rate. This cell was adopted in 2015 and therefore consideration for potential excess funds was considered to be appropriate in this instance, however the return cannot be made until such time as greater certainty has been achieved on the remaining cell costs and income yet to be received.



Independent Auditors' Report to the City of Wanneroo ("the City") on the Annual Cost Review for Cell 9

Scope

We have performed an audit of the Annual Review of cell costs for Cell 9 following the City's subsequent changes in costs and methodology in compliance with District Planning Scheme No. 2 ("DPS 2"). Our agreed scope work included the audit of actual costs incurred during the period 1 April 2019 to 30 June 2019 and the review of the City's revised methodology of the cost estimations for the financial year ending 30 June 2019 and Infrastructure Cost Per Lot ("ICPL") calculation methodology to ascertain that the actual expenditure incurred gives a true and fair view and ensure that the assumptions used in the estimations of cell costs and ICPL are in accordance with the DPS 2.

The City's Responsibilities

The City is responsible for ensuring that the cell costs incurred, estimated and the Infrastructure Cost Per Lot ("ICPL") charged are in accordance with the DPS 2 and related regulations, policies and procedures. The City is responsible for ensuring that all cell cost records are free of misstatements and omissions, and establish adequate internal controls for cell cost incurring, estimating and the calculation of ICPL rates, and ensure that adequate financial records have been maintained. The City is responsible for providing all financial records and related data, other information, explanations and assistance necessary for the conduct of the audit of the cell cost reviews.

Compliance with Independence and Other Ethical Requirements

We have complied with the relevant independence and other ethical requirements relating to assurance engagements, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Auditor's Responsibilities

Our responsibility is to express an opinion on the reasonability of the methodology used, in calculating and estimating cell costs for the remaining cell works, and assess the documentation provided to certify that the cell costs are incurred and estimated as per the District Planning Scheme No. 2 ("DPS 2"). We conducted our audit in accordance with Auditing Standards. These Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the methodology used in forming the basis of cost incurring, ICPL rate calculation and estimation is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the methodology used in forming the basis on the relevance of cell costs incurred and estimations made for the remaining cell development works.

The procedures selected depend on the auditor's judgement including the assessment of the risks of material misstatement of the methodology used. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the methodology used in forming the basis of cost incurring and cell cost estimations in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the City, as well as the City's alignment to DPS 2.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Limitation on the scope

- We have not audited the accuracy and completeness of actual costs incurred up to 30 June 2018 and have accepted our previous audit results for the period 1 July 2018 to 31 March 2019.
- We have not performed any market valuation assessment of lands and relied on third party valuation reports of McGees Property signed by certified practicing valuers, for validating the reliability of land acquisition costs estimated.
- We have not applied any requirements of the State Planning Policy 3.6 ("SPP 3.6") for evaluating the cost review of Cell 9, as there is no such requirement stated in DPS 2 to consider SPP 3.6 for Cell 9.
- We have not received the Council approval (as required by Section 9.11 of DPS 2) for the revision of cell cost calculation methodology when it differs from the ICPL rate calculation formula per Section 9.6.3. We audited the ICPL rate calculation per Section 9.6.3 of DPS 2 with the ICPL rate calculation formula and based on the proposed ICPL rate calculation revised methodology recommended for Council approval per Section 9.11 of DPS 2.

Audit Opinion

In our opinion, other than stated under the Limitation of Scope Paragraph above, in all material respects, the cell costs incurred, estimated for remaining cell development works, and ICPL rate of \$20,796 (as per DPS 2 ICPL formula) and a revised ICPL rate of \$29,947 (as per the proposed ICPL rate calculation methodology) were fairly stated and in compliance to DPS 2.

Basis of accounting and restriction of distribution

Without modifying our opinion, we draw your attention to Part 8 Finance and Administration section of the DPS 2, which describes the basis of accounting and the City's methodology and basis used in cell cost incurring, cost estimation of future cell development works and calculating the proposed ICPL rate, for the purpose of reporting to the City. As a result, the methodology used in forming the basis of this may not be suitable for another purpose. Our report is intended solely for the City and should not be distributed or used by other parties' other than the City. The Audit Report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advices or any information contained within this Audit Report. This report replaces the report issued on 24th May 2019.

William Buck Audit (WA) Pty Ltd disclaim all liability to any party other than the City who choose to rely in any way on the contents of this Audit Report does so at their own risk.

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

A handwritten signature in black ink, appearing to be 'C Manifis', written over a light blue horizontal line.

Conley Manifis
Director
Dated this 7th day of November 2019

Hartman Drive Environmental Offset Costs

Year	Capital Costs of Offset Site	Staffing costs relating to the Offset Site	TOTAL
2008/2009	\$ -	\$ 5,371.10	\$ 5,371.10
2009/2010	\$ -	\$ 5,612.63	\$ 5,612.63
2010/2011	\$ 35,570.97	\$ 13,345.62	\$ 48,916.59
2011/2012	\$ 55,620.25	\$ 3,337.22	\$ 58,957.47
2012/2013	\$ 46,448.35	\$ 1,190.00	\$ 47,638.35
2013/2014	\$ 24,238.12	\$ 1,454.29	\$ 25,692.41
2014/2015	\$ 15,873.02	\$ 952.38	\$ 16,825.40
2015/2016	\$ 24,126.22	\$ 1,080.00	\$ 25,206.22
2016/2017	\$ 20,287.29	\$ 1,800.00	\$ 22,087.29
2017/2018	\$ 19,692.65	\$ 2,310.00	\$ 22,002.65
Actual to date	\$ 241,856.87	\$ 36,453.23	\$ 278,310
2018/2019	\$ 27,663.55	\$ 1,936.45	\$ 29,600.00
2019/2020	\$ 26,168.22	\$ 1,831.78	\$ 28,000.00
2020/2021	\$ 25,233.64	\$ 1,766.36	\$ 27,000.00
2021/2022	\$ -	\$ -	\$ -