
PS03-03/20 Yanchep-Two Rocks Development Contribution Plan - Annual Review of Costs

File Ref: 23156V02 – 20/62008
Responsible Officer: Director Planning and Sustainability
Disclosure of Interest: Nil
Attachments: 4

Issue

To consider the revised cost estimates for the Yanchep-Two Rocks Development Contribution Plan (DCP).

Background

Amendment No. 122 to District Planning Scheme No. 2 was gazetted in September 2014 and introduced the DCP provisions into DPS 2. The Yanchep-Two Rocks Development Contribution Plan and Cost Apportionment Schedule were subsequently adopted by Council in April 2015 (PD07-04/15). The DCP identifies various community facilities and provides estimates on the total cost, estimated contributions and the timing for the delivery of infrastructure within the Yanchep-Two Rocks area, including:

- Yanchep Surf Life Saving Club;
- Yanchep District Open Space (Splendid Park); and
- Capricorn Coastal Node Facilities.

The DCP is subject to an annual review requirement to ensure that the cost contribution is correctly set to ensure the collection of sufficient funds to cover the cost of approved infrastructure items over the life of the DCP.

To assist in stakeholder engagement, the Yanchep-Two Rocks Development Contribution Plan Advisory Committee (TAC) was established to inform the implementation of the DCP. The TAC provides information to the City on the number of new dwellings created during the review period and predictions for dwelling yields in future years. It also provides advice on cost estimates for infrastructure, land valuations and the design, timing and preferred location of facilities.

The TAC consists of representatives of Parcel Property, Peet, Yanchep Beach Joint Venture (YBJV), Development WA, Primewest, Capricorn Village Joint Venture (CVJV), Fini Group, and Korda Mentha in accordance with the Terms of Reference agreed by Council on 10 November 2015 (PS07-11/15).

Council on 24 July 2018 resolved to increase the Yanchep-Two Rocks DCP cost contribution amount from \$2,780 per dwelling to \$3,485 per dwelling. On 13 November 2018, Council considered Amendment 166 to DPS 2 and resolved to extend the operating period of the DCP from 10 years to 16 years and approved the revised costs, subject to the gazettal of Amendment 166.

On the 18 June 2019, Amendment 166 to DPS 2 was gazetted and the cost per dwelling reduced from \$3,485 to \$3,175 (current rate). In addition to extending the operation period to 16 years, the annual review of costs introduced the 'ID Forecast' projections to estimate future dwelling yields rather than the use of landowner estimates, which were proven to be overly optimistic. Due to the current slow market conditions in the development sector, however, it is noted that even the ID Forecast projections are currently higher than the number of dwellings being created on the ground.

Detail

Technical Advisory Committee

At the meeting on 20 November 2019, the TAC considered the outcomes of the annual review for the Yanchep-Two Rocks DCP (as outlined in **Attachment 1**) and agreed that Council should proceed to advertise the revised costs in accordance with the provisions of DPS 2.

In addition, the TAC considered the 'disbanding' of the Committee in favour of a less formal working group and meet only as required; and the City undertaking further discussions with CVJV in relation to the coastal node design and associated DCP costs. The TAC also requested further updates to the landowners on the progress of the land acquisition for the Yanchep District Open Space/Splendid Park and other cost factors (including borrowing), in accordance with the consultation requirements of DPS 2.

The TAC was formed under the *Local Government Act 1995* and has no delegation for decision-making. There is no elected member representation and all matters requiring Council consideration require a separate report to Council, in accordance with DPS 2. The various landowner memberships, in effect, terminated on the day of the Ordinary Council elections in accordance with its Terms of Reference.

The majority of the infrastructure works have been completed with the only significant remaining costs being associated with the Capricorn Coastal Node and land compensation for the Yanchep District Open Space/Splendid Park. The provisions of DPS 2 provide the statutory basis for consultation and consideration of costs as part of the annual review process, which will be reported to Council on an annual basis. The disbanding of the Yanchep-Two Rocks TAC is therefore supported without the need to seek further membership. The intent to disband the TAC will be advertised to landowners along with the annual review of costs and reported back to Council in due course.

Infrastructure costs

A summary of the updated cost estimates for each facility is detailed below. The below costs include the actuals to date and the estimated remaining costs.

Facility	2018/2019 Approved Costs	2019/2020 Annual Review	Difference
Yanchep Surf Life Saving Club	\$7,961,163	\$7,939,850	-\$21,313
Yanchep District Open Space			
- Land	\$6,400,000	\$6,080,000	-\$320,000
- Oval groundworks	\$2,873,996	\$2,873,996	0
- Oval landscaping	\$5,308,188	\$5,318,646	\$10,458
- Pavilion	\$3,039,028	\$2,781,721	-\$246,849
Capricorn Coastal Node Facilities	\$2,289,531	\$2,158,873	-\$130,658
TOTAL	\$27,871,906	\$27,153,086	-\$718,820

Loans to fund Infrastructure

On behalf of the DCP, the City has borrowed funds from the Commonwealth Bank of Australia, equating to \$9 million currently. Further borrowing of approximately \$4.6 million will be required over the next 12 months to facilitate the DCP's portion of the land acquisition of Yanchep District Open Space/Splendid Park (\$4.2mil) and to make a cost apportionment adjustment between the City and the DCP, which is based on the total estimated dwelling yield proposed in the annual review.

The remaining interest payment of \$3,627,301 has been included into the cost apportionment table. This borrowing cost relates to the total estimated loan servicing cost for the life of the DCP with the repayment of the principal borrowing not occurring until the end of the operational period (2030).

The remaining Coastal Node cost (\$2,158,873) does not form part of the borrowing projections, as further borrowing by the DCP beyond current commitments is not recommended due to the high levels of borrowing already incurred. This position may be re-considered if market conditions improve during the operational period of the DCP.

To minimise any additional borrowing, the City will continue to liaise with CVJV who are progressing with the remaining coastal node design and construction works, as scheduled in the Capital Expenditure Plan (CEP) of the DCP for 2021/2022.

Consultation

As outlined above, the TAC was consulted in November 2019 on the outcomes of the annual review and accepted the findings of the review for the purpose of landowner consultation under DPS 2.

Clause 11.6 of Schedule 14 of DPS 2 requires that where the review recommends that costs increase, the City shall invite comment from affected landowners for a period of not less than 28 days before making any decision to increase the costs that will apply through the DCP.

In accordance with Clause 11.7 of Schedule 14 of DPS 2, Council is required to consider any submissions received and within 90 days decide whether or not to increase the costs applicable through the DCPs. As the DCP contribution rate is recommended to be increased, Administration will prepare a subsequent report for Council (post-advertising) to consider the submissions received and to adopt the revised costs.

Comment

The majority of infrastructure spending has been completed through the City's capital works programme, with the main exception being land compensation payable to the landowner (YBJV) for Yanchep District Open Space/Splendid Park, the Yanchep Coastal Code works and minor landscaping works associated with the Yanchep Surf Life Saving Club.

- *Yanchep Surf Life Saving Club* – This project is predominately complete with the exception of \$56,000 required for the remaining rehabilitation works, which are scheduled for the 2019/2020 financial year. All other costs have been finalised and included into the cost estimates (actual costs). The total estimated cost for these works is \$7,939,850 (including remaining rehabilitation works), which represents a minor reduction to the cost estimates used in 2018/2019 (\$7,961,163) by \$21,313.
- *Yanchep District Open Space* – Construction costs including oval groundworks, landscaping and pavilion construction were completed for \$10,974,363, with no remaining expenditure. A saving of \$246,849 was achieved for the pavilion component of this cost. The acquisition of the Yanchep District Open Space/Splendid Park land is due to be completed by April 2020 in accordance with the agreement between the City and YBJV. The current land valuation was prepared by Independent Valuers of WA and recommends a reduction in the land value from \$6,400,000 to \$6,080,000 (refer Attachment 2). The land acquisition discussions are ongoing with consideration for the recent valuation and the City's agreement with YBJV. In accordance with clauses 12.3 and 12.4 of Amendment 122 to DPS 2, YBJV may object to the valuation and request a review of the valuation, and if after the review the parties do not agree the valuation, YBJV may apply to the State Administrative Tribunal for review of the valuation under part 14 of the Planning and Development Act 2005.

- *Capricorn Coastal Node Facilities* – The detailed design and relevant approvals are being progressed by CVJV in consultation with the City and the Western Australian Planning Commission (WAPC). A minor reduction in the estimated costs from \$2,289,531 to \$2,158,873 was recommended by quantity surveyors Donald Cant Watts Corke (refer **Attachment 3**). The coastal node cost estimates were based on a ‘template’ design for infrastructure works. However, CVJV has recently obtained detailed planning approval from the WAPC for the coastal node development, which is scheduled for construction in the 2020/2021 financial year. The City will use the detailed design costs to determine a reasonable scope of works that may be included based on the original template design and will report the findings to Council and affected landowners as part of the next annual review in 2021. In the recent meeting with CVJV it was discussed that this would be prefunded by CVJV as the DCP has not scheduled this cost until 2021/2022.

Despite a decrease in the overall costs of \$718,820, the annual review recommends that the contribution rate increases from \$3,175.25 to \$3,398.77. The increase is associated with a lower than expected dwelling creation and a reduction in the total estimated dwelling yield from 10,868 to 10,220 by 2030. In this regard, dwelling creation is still tracking below the ID Forecasts for the area in this financial year, which is likely to result in further increases to rates and the City’s proportion of the infrastructure costs, unless dwelling yields increase into the future during the operation period of the DCP (2030). This will depend on the recovery of the housing market and the improvement of the State’s economy.

It should be noted that Administration has based the 2019/2020 budget on the estimated dwelling yields recommended in the ID forecast and has not lowered the income estimates in the budget as part of the mid-year review due to the significant uncertainty regarding dwelling creation for the remainder of the financial year, where a further 300 dwellings would need to be created to align with the ID Forecast of 348 dwellings (48 dwellings created to date) by 30 June 2020.

Although the term "dwelling" is used, the intent in the DCP is that it relates to a built dwelling. However, where contributions are to be made on subdivisions, the term dwelling may also be taken to mean the number of lots. Where multiple or grouped dwelling sites are proposed, their contributions will be based on the initial subdivided lot, as well as any additional planned dwellings at the time of application for planning approval.

Statutory Compliance

The annual review process, including consultation requirements, is outlined in DPS 2. It is noted that in terms of the provisions of DPS 2, landowners may object to the amount of a cost contribution and request a review by an independent expert. If this does not result in the cost contribution being acceptable to the landowners then landowners can request that the cost contribution be determined through a process of arbitration. A similar right exists for the process of determining the value of any land to be acquired through the DCP.

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

The above risks relating to the issue contained within this report have been identified and considered within the City's Strategic Risk Registers. The Annual review of the DCP will assist in addressing the impacts of the strategic risk relating to Long Term Financial Planning (LTFP) as it will ensure that appropriate budget monitoring, timing and provisions are considered. In addition, the strategic risk relating to Stakeholder Relationships will apply as a key element in the DCP review process to maintain effective engagement with relevant stakeholders.

Policy Implications

Nil

Financial Implications

The annual review of costs has recommended a decrease in total costs by \$718,820. This is primarily due to a reduction in the final costs for the Yanchep Surf Life Saving Club and District Open Space/Splendid Park. It should be noted that the final land acquisition costs for Splendid Park will not be known until April 2020 at the earliest and could be subject to determination by the State Administrative Tribunal in accordance with DPS 2 if disputed by the landowner. Despite the decrease in the overall costs, the annual review recommends that the contribution rate increase from \$3,175.25 to \$3,398.77. The increase is associated with a continued lower than expected level of dwelling creation in this DCP area and reduction in the total estimated dwelling yield from 10,868 to 10,220.

The cost of DCP facilities is required to be equitably apportioned between the City and developing landowners. This apportionment is required to reflect the proportionate contribution of the existing community (3089 dwellings) and new development (7131 dwellings estimated) towards the need for the facilities. This cost apportionment methodology was endorsed by Council and is set out in the DCP Report and Cost Apportionment Schedule.

The apportionment methodology was based on the 'user pays' principles and results in the City's and DCP liability changing each year depending upon the total estimated dwelling yield. The apportionment of costs is adjusted annually between the City and DCP to reflect this cost sharing methodology.

The annual review recommends a revised apportionment, where the City's obligation will increase from 28.42% to 30.23% and the DCP obligation will reduce from 71.58% to 69.77% to reflect the total estimated dwelling yield, as per the following.

- Existing community / City contribution - 30.23% of total DCP Cost (3089 dwellings)
- New growth / Development contribution - 69.77% of total DCP Cost (7131)

This cost apportionment between the City and the DCP directly related to the total dwelling yield estimate, which has reduced from 10,868 to 10,220, since the last review and consists of actuals to date and the remaining dwelling yield forecast for the remainder of the DCP operational period. Variations in the total dwelling yield will in-turn impact on the development contribution rate, as well as the City's proportion of municipal funding.

The annual review recommendation results in a greater contribution rate to landowners (increase of \$224 per dwelling) and an increase in the City's proportion of the facility costs from \$7,469,531 to \$7,522,336 (increase of \$52,805).

It should be noted that the City directly funds its proportion of the project costs at the time of construction and therefore loan borrowing costs and Administration costs are met entirely by the DCP.

The recommendations of the annual review were reviewed by the City's external auditors William Buck in January 2020 and a copy of their findings has been included as **Attachment 4**. The audit opinion is 'the DCP costs incurred, estimates for remaining development works, and proposed CPD rate of \$3,398.77 (as per DPS 2 CPD formula) were fairly stated and in compliance to DPS 2 and SPP 3.6'.

Voting Requirements

Simple Majority

Recommendation

That Council:-

As RECOMMENDED by the Audit and Risk Committee meeting held on 18 February 2020;

1. **NOTES** the outcome of the annual review of the Yanchep-Two Rocks Development Contribution Plan as depicted in Attachment 1;
2. **ENDORSES** the revised Yanchep-Two Rocks Development Contribution Plan cost estimates in accordance with Clause 11.4 of *District Planning Scheme No. 2* as outlined in Attachment 1, including:-
 - a) A decrease in the total infrastructure costs from \$27,871,906 to 27,153,086 as outlined in Attachment 1;
 - b) An increase in the cost per dwelling from \$3,175.25 to \$3,398.77, as depicted in Attachment 1; and
 - c) Pursuant to Clause 11.6 of Schedule 14 of *District Planning Scheme No. 2* **NOTIFIES** affected landowners of the recommendations of the Annual Review and **INVITES** comment in writing from those landowners for a period of 28 days, including the request for the termination of the Yanchep Two Rocks Technical Advisory Committee; and
3. **NOTES** that the Yanchep-Two Rocks Development Contribution Plan Technical Advisory Committee **SUPPORTS** the approach set out in 2 above.

Attachments:

1	Attachment 1 - YTR DCP Annual Review 2019 Attachment	19/500375	Minuted
2	Attachment 2 - YTR Valuation 2019	19/500413	
3	Attachment 3 - Community Facilities Cost Report - September 2019 (Final Issue) (2)	19/455969	
4	Attachment 4 - WILLIAM BUCK EXTERNAL AUDIT	19/501344	

Infrastructure Item	Projected Costs			Catchment					Cost Apportionment					
	Total Cost	Grants & Other Contributions	Net Project Cost	Existing Dwellings pre-LPP 3.3	Lots/Dwellings contributed under LPP 3.3	Dwellings Contributed to date	New Dwellings to 2030	Total Catchment	City Contribution (%)	City Cost (\$)	DCP Contribution (%)	DCP Cost (\$)	Estimated Remaining Dwelling Yield	Cost per Dwelling
YANCHEP TWO ROCKS DCP														
Facility Costs														
Surf Life Saving Club, Yanchepp Lagoon	\$ 7,939,850	\$ 500,000	\$ 7,439,850	3089	541	828	5762	10220	30.23%	\$ 2,248,698	69.77%	\$ 5,191,152	5762	\$ 900.93
Coastal Node Facilities, Capricorn Coastal Node	\$ 2,158,873	\$ -	\$ 2,158,873	3089	541	828	5762	10220	30.23%	\$ 652,520	69.77%	\$ 1,506,353	5762	\$ 261.43
Public Open Space (Active), Yanchepp Metropolitan Centre														
- Oval groundworks	\$ 2,873,996	\$ -	\$ 2,873,996	3089	541	828	5762	10220	30.23%	\$ 868,667	69.77%	\$ 2,005,329	5762	\$ 348.03
- Oval landscaping	\$ 5,318,646	\$ 975,000	\$ 4,343,646	3089	541	828	5762	10220	30.23%	\$ 1,312,869	69.77%	\$ 3,030,777	5762	\$ 525.99
- Pavilion	\$ 2,781,721	\$ 790,333	\$ 1,991,388	3089	541	828	5762	10220	30.23%	\$ 601,898	69.77%	\$ 1,389,490	5762	\$ 241.15
- Land Costs	\$ 6,080,000	\$ -	\$ 6,080,000	3089	541	828	5762	10220	30.23%	\$ 1,837,683	69.77%	\$ 4,242,317	5762	\$ 736.26
Sub Total Facility Costs	\$ 27,153,086	\$ 2,265,333	\$ 24,887,753							\$ 7,522,336		\$ 17,365,417		\$ 3,013.78
Administration Costs														
Estimated Loan Servicing Costs - to 2030	\$ 3,627,301	\$ -	\$ 3,627,301						0.00%	\$ -	100.00%	\$ 3,627,301	5762	\$ 629.52
Estimated Administration Costs (Administer the DCP) (\$70,500 p.a.)	\$ 765,263	\$ -	\$ 765,263						0.00%	\$ -	100.00%	\$ 765,263	5762	\$ 132.81
Sub Total Administrative Costs	\$4,392,564.11	\$ -	\$4,392,564.11							\$ -		\$ 4,392,564	5,762	\$ 762.33
Income/Expenses up to 31 October 2019														
Collected contributions										\$ -		-\$ 3,037,122	5762	-\$ 527.10
Interest										\$ -		-\$ 156,626	5762	-\$ 27.18
Existing loan costs												\$ 709,889	5762	\$ 123.20
Existing admin costs												\$ 309,588	5762	\$ 53.73
Sub Total Deductions										\$ -		-\$ 2,174,272	5,762	-\$ 377.35
TOTAL										\$ 7,522,336		\$ 19,583,710	5,762	\$3,398.77

Your Reference: Authority to Value Dated 6 August 2019
Our Reference: 201908003 LR:lr
Date of Issue: 25 September 2019
Enquiries: Luke Russell Ph 08 9271 9500



VALUATION – ENGLOBO PARCEL



Lot 8000 Splendid Avenue, Yanchep WA 6035

Prepared for City of Wanneroo
23 Dundobar Road, Wanneroo WA 6065

Attention Phil Bland, Land Acquisition Officer

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INDEPENDENT VALUERS OF WESTERN AUSTRALIA PTY LTD (ACN 147 630 064)
ATF LAMBERT TRADING TRUST (ABN 14 131 536 781)



Lot 8000 Splendid Avenue, Yanchep WA 6035

EXECUTIVE SUMMARY



Property Address	Lot 8000 Splendid Avenue, Yanchep WA 6035	
Title	Land Identifier	Lot 8000 on Deposited Plan 406263
	Certificate of Title	Volume 2950, Folio 640 & 641
Registered Proprietor	This is a share title and the registered proprietors are as follows: <ul style="list-style-type: none"> • New Orion Investments Pty Ltd as sole proprietor of ½ undivided shares of Lot 8000 on Deposited Plan 406263 • St Andrews Private Estate Pty Ltd as sole proprietor of ½ undivided shares of Lot 8000 on Deposited Plan 406263 	
Encumbrances	See main report	
Last Sale of Subject	None known within last 3 years	
Current Contract of Sale	None known	
Client's Estimate of Value	None known	
Planning	Local Authority	City of Wanneroo
	LG Zone	Urban Development
	MRS Zone	Urban
	Structure Plan Zone	Strategic Open Space
Brief Description As Is	A 12.8040 portion of residential englobo land (now public open space) that has been subdivided from a significantly larger englobo parent parcel of 110.9926ha.	
General Comments	The subject parent lot has been subdivided since the original agreement was made between the City of Wanneroo (the City) and Yanchep Beach Joint Venture (YBJV). The original parent lot was Lot 602 on Deposited Plan 56101 with a total area of 110.9926ha. The parent lot has since been subdivided and the subject portion is now known as Lot 8000 on Deposited Plan 406263 with a total area of 12.8040ha. However, as the original agreement was made while the subject portion was part of Lot 602, we have adopted the original parent lot (Lot 602), when calculating the pro rata englobo rate, in order to determine the market value of the subject portion.	



Lot 8000 Splendid Avenue, Yanchep WA 6035

	It appears that the intent of the purchase/sale of the required parcel was that it formed part of the larger subdivision. Any reduction in the area of the parent lot should not affect the approach to valuation and consequent change in value of the required parcel.
Purpose	Market Value for Two Rocks Developer Contribution Scheme
Interest Valued (Freehold)	An estate in fee simple subject to encumbrances which affect the use or value of the land (if any) registered on the Title at the date of search and subject to current leases (fee simple in reversion) and special conditions noted elsewhere in this report.
Date of Inspection	12 September 2019
Date of Valuation	9 September 2019
Market Value "As Is"	\$6,080,000 (Six Million and Eighty Thousand Dollars, GST Exclusive)

INDEPENDENT VALUERS OF WESTERN AUSTRALIA

VALUER	Luke Russell AAPI Valuer Certified Practising Valuer Licensed Valuer 44756 (WA)	
AUTHORISED FOR ISSUE	Ross Lambert AAPI Managing Director Certified Practising Valuer Licensed Valuer 44131 (WA)	

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All data provided in this summary are wholly reliant on and must be read in conjunction with the information provided in the following report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.

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Community Facilities at Alkimos - Eglinton & Yanchep Two Rocks - Development Contribution Plans 2019 Updated Estimates

September 2019

CONFIDENTIAL

Client:	City of Wanneroo
DCWC Project No.	W19098

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DOCUMENT CONTROL

VERSION

Version	Date	Purpose	Author
1.0	26/08/2019	2019 Desktop Update	MS
2.0	25/09/2019	2019 Desktop Update	MS

DISTRIBUTION

Name	Organisation	Date	Method
M. Hudson	City of Wanneroo	25/09/2019	Email
J. Hafenscher	City of Wanneroo	25/09/2019	Email

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Executive Summary

All costs in this report exclude GST unless stated otherwise.

The City of Wanneroo prepared a Community Facilities Plan (CFP) in 2011 for the Northern Coastal Growth Corridor (incorporating the Alkimos - Eglinton and Yanchep – Two Rocks district areas) which identified the need for provision of community facilities of varying type and scale.

DCWC has been commissioned to review and update the previously issued estimates dated March 2016 and August 2018 respectively. The update is predicated on a desktop update only of the escalation allowances with all design information assumed unchanged from that which was previously issued.

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Basis of Cost Plan

Schedule of Input Information

The following information was used in the preparation of the indicative elemental cost plan:

- City of Wanneroo email(s) correspondence dated 31st July 2019;
- The previously issued report dated August 2018 and the information contained therein; and
- For the purposes of the escalation update the Australian Institute of Quantity Surveyors Construction Cost Index Forecast (CCIF) Perth, WA has been utilised (June Quarter 2019)

Methodology

The indicative cost estimates are based on escalation up to August 2020. The escalation will need to be reviewed upon the development of the programme for delivering the facilities which will take place over a significant period.

Exclusions

The following costs are excluded:

- GST.
- Government and Local Authority Charges (except for the Development Application fee).
- Government apprentice training scheme contribution.
- City of Wanneroo costs and consultant's fees associated with the preparation of the Development Contribution Plan and programme delivery.
- Loose furniture and equipment.
- Public art.
- Unforeseen ground conditions.
- Land costs for the Multipurpose Hardcourts, Public Open Spaces for Alkimos, Eglinton and Alkimos Surf Life Saving Club.
- Financing costs.

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Cost Plan Summary

Facilities Located in Alkimos Eglinton & Two Rocks

Ref	Facility	GFA (m2)	Rate (\$/m2)	Total (\$)	Comments
	<i>Eglinton District Centre</i>				
1	Library District	1,547	4,689	7,253,863	Land cost Included
2	Community Centre District	1,449	3,837	5,560,100	Land cost Included
3a	Public Open Space District Pavilion	1,005	2,446	2,458,447	Land cost Excluded
3b	Public Open Space District Oval			4,294,906	Land cost Excluded
4	Indoor Recreation Centre District	3,116	3,456	10,769,638	Land cost Included
5	Multipurpose Hard Courts District			2,907,779	Land cost Excluded
	<i>Alkimos</i>				
6	Multipurpose Hard Courts District			2,907,779	Land cost Excluded
7	Indoor Recreation Centre District	3,116	3,346	10,427,475	Land cost Included
8	Surf Life Saving Club	1,166	4,143	4,830,686	Land cost Excluded
9a	Public Open Space District Pavilion	1,005	2,446	2,458,447	Land cost Excluded
9b	Public Open Space District Oval			4,294,906	Land cost Excluded
10	Community Secondary Centre	1,449	3,837	5,560,100	Land cost Included
11	Library Secondary Centre	1,547	4,689	7,253,863	Land cost Included
	<i>Yanchep Two Rocks</i>				
12	Beach Activity Community Facilities			2,158,873	Land cost Excluded

The cost plan summary is included in [attachment 1](#)

Cost Risks and Degree of Uncertainty

The indicative cost estimates for some of the facilities are based on previously issued conceptual drawings and a design brief, for other facilities, cost plans were developed from the required functional areas within the Design Model with no specific design information other than for the reference scheme. There is therefore an inherent level of cost uncertainty involved in utilising these indicative cost plans during any negotiations with developers to assess their contributions towards the DCP.

The main cost risks in using the indicative cost plans to arrive at the developers cost contributions include the following:

COST RISK	MITIGATION
The building areas exceed the area assumed in the Design Model	A planning contingency of 5% has been included in the where no concept design is in place.
The building form and type of construction differs from the assumptions used to determine the building costs	A design contingency of 10% has been included in the cost plan for this risk.
The external works areas exceed the assumptions used to determine the external works costs	A planning and design contingency of 5% respectively has been included in the cost plan for Multipurpose Hardcourts and Alkimos SLS Club
Existing site conditions result in high costs of site preparation	Allowance will need to be made for this risk during negotiations with the developers otherwise the construction contingency will need to be sufficient enough.
Land costs exceeding the indicative costs provided in 2016	The purpose of providing land costs is for the apportionment of costs between the developers therefore they retain the risk.
Escalation in building costs after August 2020 until construction commences	Allowance will need to be made for this risk during negotiations with the developers.
Uncompetitive tender market at time of tender	Allowance will need to be made for this risk during negotiations with the developers.
Project delays, particularly in obtaining funding and approval to proceed	Allowance will need to be made for this risk during negotiations with the developers
Change in Building regulations to more stringent requirements resulting in construction cost increases	A design contingency of 10% has been included in the cost plan for this risk.

**DONALD
CANT
WATTS
CORKE**

Attachments

List of attachments

1. Cost Plan Summary

Independent Auditors' Report to the City of Wanneroo ("the City") on the Annual Cost Review for Yanchep Two Rocks Development Contribution Plan

Scope

We have performed an audit of the Annual Cost Review of Yanchep Two Rocks Development Contribution Plan ("DCP") and reviewed the methodology used in calculating and estimating the costs for the remaining DCP works, to establish the accuracy of the Annual Cost Review of Yanchep Two Rocks DCP as per the requirement under the District Planning Scheme No. 2 ("DPS 2") and provide independent certification of such costs. Our audit of annual costs covered transactions from inception to 31 October 2019, while ascertaining that the actual expenditure incurred gives a true and fair view and ensure that the assumptions used in the estimations of DCP costs are in accordance with the DPS 2 and State Planning Policy 3.6 ("SPP 3.6").

The City's Responsibilities

The City is responsible for ensuring that the DCP costs incurred, estimated and the Cost Per Dwellings ("CPD") charged are in accordance with the DPS 2 and related regulations, policies and procedures. The City is responsible for ensuring that all DCP cost records are free of misstatements and omissions, and establish adequate internal controls for DCP cost incurring, estimating and the calculation of CPD 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 DCP 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 behaviour.

Auditor's Responsibilities

Our responsibility is to express an opinion on the reasonability of the methodology used, in calculating and estimating costs for the remaining works, and assess the documentation provided to certify that the 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, CPD 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 DCP costs incurred and estimations made for the remaining DCP 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 DCP 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 and SPP 3.6.

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 performed any market evaluation for estimated costs and relied on the third-party report of Donald Cant Watts Corke for validating the reliability of estimated cost of works.
- We have not performed a market property valuation for land costs and relied on the third-party report of Independent Valuers of Western Australia for validating the reliability of the land costs.
- We have relied on the number of lots as outlined on the individual Landgate Deposited Plan ("DP") maps as provided by the City to determine each DP total number of lots.

Audit Opinion

In our opinion, other than stated under the Limitation of Scope Paragraph above, in all material respects, the DCP costs incurred, estimated for remaining development works, and proposed CPD rate of \$3,398.77 (as per DPS 2 CPD formula) were fairly stated and in compliance to DPS 2 and SPP 3.6.

Basis of accounting and restriction of distribution

Without modifying our opinion, we draw your attention to Schedule 15 Developer Contribution Plan of DPS 2, which describes the basis of funding, method of calculating contribution and the CPD 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.

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

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

CM

Conley Manifis
Director

Dated this 20th day of January 2020