

PS02-04/20 Annual Review of Cell Costs - East Wanneroo Cell 1 Developer Contributions Arrangements

File Ref: 23145V03 – 20/99616
Responsible Officer: Director Planning and Sustainability
Disclosure of Interest: Nil
Attachments: 4

Issue

To consider the 2019/20 Annual Review of costs for the East Wanneroo Cell 1 Developer Contributions Arrangements for the purpose of public advertising.

Background

The Cell 1 Developer Contribution Arrangements are subject to an Annual Review process to ensure that the cost contribution amount is correctly set to ensure the collection of sufficient funds to cover the cost of infrastructure items as per Schedule 6 of DPS 2.

The purpose of the Developer Contribution Arrangements for Cell 1 is to coordinate the provision of standard subdivision infrastructure on behalf of developers within the East Wanneroo Cell 1 Agreed Structure Plan (**ASP**). The ASP contains the suburbs of Ashby and Tapping (**Attachment 1**) and is predominately developed (96%) with the exception of several original market gardens, balance title lots and existing house lots that are yet to contribute towards their infrastructure obligations for this Cell.

The provisions outlined in Part 9 and Schedule 6 of DPS 2 provides the statutory basis for the management and implementation of the Cell 1 Developer Contributions Arrangements. In accordance with Clause 9.11.1 of DPS 2, the City is required to annually review the Cell Costs prior to the commencement of each new financial year.

Council last adopted the Cell 1 (2018/2019) Annual Review of Cell Costs at its meeting on 4 June 2019 (Report PS02-06/19), where it was resolved:-

“That Council:-

1. *APPROVES the methodology for the Annual Review of costs for East Wanneroo Cell 1 by utilising the total ‘estimated excess funds at full development’ as a basis for calculating the revised Infrastructure Cost per Lot (ICPL) for remaining landowners;*
2. *APPROVES the revised rate of \$1,862,500 as the proposed average englobo value per hectare for East Wanneroo Cell 1 in accordance with Clause 9.14.3 of District Planning Scheme No. 2;*
3. *APPROVES the revised Infrastructure Cost per Lot (ICPL) of \$18,018.64 for East Wanneroo Cell 1 in accordance with Clause 9.11.5 of District Planning Scheme No. 2;*
4. *APPROVES the amount of \$25,772,309 as the estimated portion of excess funds at full development that is applicable to those landowners that have already made a contribution and AUTHORIZES:*
 - a) *A partial return of estimated excess funds of \$22,679,632 pending development of all the land in Cell and finalisation of the return of excess requirements in accordance with Clause 9.13.3 of District Planning Scheme No. 2, or as otherwise agreed by Council;*

- b) *The retention of a contingency amount of \$3,092,677 (12% of applicable estimated excess) in a Cell 1 account and restricted for this purpose, pending the remaining estimated contributions being received; and*
- c) *Subject to each respective contributing landowner executing a Deed of Acknowledgement and Agreement, paying the respective landowner the apportionment of excess funds (\$22,679,632) based on each respective landowner's total contributions (total ICPL paid) as a proportion of the total contributions estimated at full development.*
5. *NOTES the findings of the Transactional Internal Review for Cell 1.*
6. *APPROVES the financial adjustments, modifications and payments as identified in the Transactional Internal Review to facilitate the Annual Review recommendations; and*
7. *NOTES the deletion of the underpass located immediately south of the intersection of Bonanella Entrance and Pinjar Road."*

The methodology agreed by Council apportions the total estimated excess funds at full development (\$26,772,872) between previous subdividers (up to 4 June 2019) and future subdividers based upon the total number of Infrastructure Cost Per Lot (ICPL) payments.

This methodology is generally consistent with the provisions of DPS 2, which provides for the return of excess funds at full development.

- Previous contributors' entitlement based on 3,297 ICPL payments (\$25,772,309); and
- Future subdividers estimated ICPL payment of 128 (\$1,000,563).

In relation to Council's decision of 4 June 2019 to return part of the estimated excess funds, the City has made significant progress in returning estimated excess funds to contributing landowners. Administration has now returned \$19,974,321 to contributing landowners with \$2,705,311 remaining to complete the 'Tranche 1' payment (total \$22,679,632), which is expected to be completed by the end of the financial year. The process involves validation of entitlement, proof of identity and the execution of individual legal agreements (deeds of agreement).

In line with Council's decision, the City has withheld a contingency amount of \$3,092,677 (12%) of the total estimated excess of \$25,772,309. Individual returns for contributing landowners were apportioned based on the total value of their contributions to the total value of contributions received up to 4th of June 2019. In accordance with the above approach, future subdividers will receive their portion of the estimated excess (\$1,000,563) through a reduction in the ICPL rate from \$25,835.54 to \$18,018.64 (2019), which has been shared between the estimated remaining lot yield of 128 lots.

In accordance with DPS 2, future Annual Reviews will have regard for actual lot creation since the last review, estimated remaining lot yield, the ICPL to be applied to remaining landowners and any other relevant factors. The Annual Review includes updated expenditure (actuals) incurred since the last annual review on 4 June 2019 up to 31 December 2019 and the revised estimated costs for the remaining cell works, as depicted in the Detail section of this report.

Detail

The Annual Review has considered and was informed by the following considerations:

- Revised valuation prepared by a valuation panel for the purposes of estimating; remaining expenditure and compensation for remaining landowners;
- Actual expenditure since the last annual review up to 31 December 2019;
- Revised cost estimates for remaining cell Works and Administration costs using latest information available;
- Updated income/ interest and remaining estimated income; and
- Revision of ICPL rates.

Administration has prepared the Annual Review of costs and is seeking endorsement by the Audit and Risk Committee, prior to Council's consideration (refer **Attachment 2**).

The following represents the required cost factors that form the basis of the Annual Review.

Land Valuation

A land valuation was conducted in accordance with the provisions of DPS 2 and a consensus land valuation obtained for Cell 1 from the valuation panel (refer **Attachment 3**).

The recommended change to land values is considered to be relatively minor, with a reduction in land value of \$25,000 (\$27,500 inclusive of solatium) as per the following table.

EAST WANNER00 CELL	Agreed Land Adopted 4 June 2019 (Report PS02-06/19)		Proposed Land Values (2020) - 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		
1	\$1,912,500	\$2,103,750	\$1,887,500	\$2,076,250	- \$25,000	- \$27,500

Remaining Cell Cost Estimates

The remaining estimated expenses include capital works, public open space (**POS**), historic public open space credits, administration charges and developer balances pre-2007/2008, resulting in total remaining estimated expenses of \$2,545,278, as per the following table:

Remaining Estimated Expenses	
Capital Works	\$ 381,764
Public Open Space	\$ 1,258,208
Historic Public Open Space Credits	\$ 562,853
Administration Charges	\$ 212,634
Developers Balances Pre 2007/2008	\$ 129,820
	\$ 2,545,278

- *Capital Works*

The Pinjar Road duplication project was funded through state grants, municipal funds and Cell 1. This project is fundamentally complete; however, the final costs will not be available until 30 June 2020 when the project is finalised and closed.

The total estimated cost of these remaining construction works is \$381,764 and includes:

- A dual use pathway from Da Vinci Park/ Pinjar Road - \$100,000;
- Pathway link (Bonannella Ent to Seurat Loop) - \$20,000;
- Remaining Pinjar Road duplication funding from Cell 1 - \$253,739 (pending final costs); and
- Environmental offsets (associated with Pinjar Road construction) – The estimated remaining expenditure is \$8,025.28 and forms part of the district distributor road costs in the annual review calculation table.

It should be noted that some of the works included in the previous Annual Review have been deleted resulting in a reduction in the Cell Costs. The deleted works include.

- A footpath between Bonanella Entrance and Caporn Street, as it cannot be constructed due to vegetation required to be retained under the City's Environmental Offset Management Plans; and
- A drainage sump of 1,655m² located within Lot 1665 Wanneroo Road, as the sump is not required due to the consolidation of drainage to the north of the proposed sump site.

- *Public Open Space (POS) Acquisition*

0.6060 hectares of POS to be acquired of with an estimated value of value of \$1,258,207.50

- *Historic Public Open Space Credits*

Historic POS credits refer to compensation payable to specific landowners in the Cell for POS reserves provided prior to the urbanisation of an area and which form part of the relevant structure plan's 10% POS provision. In this regard, there remains only one credit for historic POS, which equates to \$562,852.50.

- *Administration Costs*

Administration cost estimates have been calculated to be \$53,160 per annum and include internal staff costs, consultancy, auditing, valuation and advertising costs associated with the management of the Cell. This is an estimate based on previous years expenditure, however only actuals will be charged to the Cell when known. The estimated Administration costs have been projected over the remaining (estimated) operational period 2019 to 2023, equating \$212,634.

It has been assumed that the Cell will be completed by 2023 on the basis that all land has been developed or a determination by Council made that the Cell be closed. The City will continue to review the operational period of the Cell and associated administration costs at each Annual Review until such time as the Cell is closed or all the land has been developed.

- *Allowance for Outstanding Developer Balances*

In reconciling the Cell accounts last year, Administration identified an outstanding credit of \$129,820 to some developers, which is pending review of the historic subdivision information to resolve by Administration. This matter has been captured as an internal management action and will be completed prior to the next annual review for Cell 1.

Cell 1 Income

The Cell 1 income considered by the Annual Review includes income already received as well as estimated income as follows:

- *Income Received:*

Cell 1 has received \$59,925,278 in contributions and interest generated on the Cell 1 account up to 31 December 2019. No additional contribution payments have been received since the last annual review (4 June 2019) with the exception of interest income.

- *Remaining Lot Yield Estimates:*

Remaining estimated lot yield has increased from 128 to 131 remaining lots, resulting in an increase in the total estimated income for the Cell of \$54,056 since the last Annual Review and equating to a total remaining estimated income of \$2,360,442.

- *Total Estimated Income for Cell 1:*

This is a combination of income received and remaining estimated income and equates to \$62,285,720.

Infrastructure Cost Per Lot (ICPL) Rate

As outlined above, at the last Annual Review in June 2019 Council approved a partial return of excess funds to previous contributors and the undeveloped landowners received a benefit from the estimated excess funds through a reduction in the ICPL rate. In effect, contributors prior to 4 June 2019 received a partial cash reimbursement (refund) and future subdividers would receive a reduction in the ICPL payment to mitigate any further returns of excess funds to those landowners yet to develop.

The additional excess funds identified in this Annual Review equates to \$397,683, which is mainly due to interest income and a reduction in the required infrastructure that needs to be provided in the Cell. This is in addition to the \$3,092,677 contingency, which mostly consists of future estimated income.

If Council applied the same methodology as the last review the estimated total excess at full development would increase to \$3,490,360, which could otherwise enable a minor reduction in the ICPL rate from \$18,018.64 to \$17,902.63 (approximately \$116.00 per ICPL) as a portion of the estimated Cell 1 excess liability that could be applied to the future landowners through a reduction in the ICPL in the same manner as the previous review.

However, given there remains uncertainty over future income and remaining Cell work costs (which could potentially increase in the future), it is recommended that Council retain the current ICPL rate of \$18,018.64 and only note the potential increase in estimated excess funds to contributing landowners, pending greater certainty over remaining income and Cell costs through a future annual review.

Notwithstanding the above, the City's Annual Financial Statements for the year ending 30 June 2019 was audited by the Office of the Auditor General and identified that the Cell 1 balance already contains \$882,408 more than required to complete the cell works.

Auditing

The recommendations of the Annual Review were audited by the City's external auditors William Buck in March 2020 and a copy of their Audit Report has been included in **Attachment 4**.

Requests for Further Return of Excess Funds by Major Landowners

Council's decision in June 2019 to return excess funds (the 'Tranche 1' refund) was conditional to the retention of \$3,092,677 (12% of applicable estimated excess and covering the total expected income by full development) as a contingency pending the remaining estimated contributions being received (at full development of the Cell). This arrangement was reflected in the legal agreements with the landowners and the City, where the landowners accepted and acknowledged the outcome of the review of Cell 1 as detailed in the resolution of Council on 4 June 2019.

As mentioned before, no further subdivisions have taken place since the Tranche 1 payment in 2019 and thus no contributions have been received.

The major landowners in Cell 1 (Peet, Satterley and Cedar Woods) have made requests to the City for a further payment of the estimated excess funds (the 'Tranche 2' refund), prior to all remaining income being received.

The potential payment of a Tranche 2 refund is a decision for Council and will be formally considered when it considers all the submissions following advertising of the annual review. Council's decision will be informed by submissions made, and after considering all relevant options and potential implications for the City. It is noted that in accordance with the provisions of the City's DPS 2, the City is not legally required to return excess funds prior to full development (the close of the Cell).

It is noted that if Council were to consider a Tranche 2 payment the available excess funds identified in the City's 2018/19 statutory financial statements for Cell 1 was \$882,408 (noting that the City has already returned and/or allowed for the return of \$22,679,632 to Cell 1 landowners). Should a further payment of \$882,408 be authorised by Council then this would need to be distributed proportionally and in the same manner as the Tranche 1 payment to the landowners who have already contributed in Cell 1, prior to 4 June 2019.

If Council approves a further reimbursement to Cell 1 contributors prior to closing the Cell, Administration proposes to acknowledge the Deed of Agreements entered into by those Cell 1 contributors and will confirm the legal entity details are the same (whether company, association or individual) prior to actioning any reimbursement.

Comment

Part 9 and Schedule 6 of DPS 2 set out the provisions for the management and implementation of the East Wanneroo Developer Contributions Arrangements. In accordance with these provisions, the City is required to annually review the Cell Costs and Council is to determine whether to increase, decrease, or maintain the current ICPL rates as a result of the review.

At the last annual review of costs on the 4th of June 2019 Council identified a significant amount of excess funds had been collected for Cell 1 and resolved to make a partial return of the estimated excess at full development (Tranche 1) and apply a reduction in the ICPL rate based on future landowners share of the estimated excess (e.g. reduce the Cells excess liability for future subdividers by reducing the contribution payment). In this regard, it was acknowledged that the provisions of DPS2 provide a methodology that recognises that all contributing landowners are entitled to any excess Cell funds that remain after the development of all the land in the cell and therefore.

- Reduce the current ICPL for Cell 1 by the extent of the remaining landowner's portion of the estimated excess;
- Facilitate a partial return of the estimated excess to those landowners that have already made a contribution (Tranche 1); and
- Retain a contingency (\$3,092,677) from those landowners that have already made a contribution to ensure adequate funds remain within the cell to account for and complete the cell works (pending the receipt of future contributions from landowners yet to develop).

The current annual review has identified a potential increase in the total estimated excess in Cell 1 funds due to additional interest generated on the cell account and the deletion of some cell works, as part of this annual review (\$397,683). This amount is in addition to the contingency amount of \$3,092,677, which has been retained in accordance with Council resolution of 4th of June 2019, pending the receipt of future income and completion of the cell work.

DPS 2 requires the City to complete an annual review of the Cells within 12 months of the previous review (4 June 2019). The City has progressed this review to comply with DPS 2, however it must be noted that the actual expenditure since the last annual review cannot be confirmed until the end of year closure for this financial year. This will be completed as part of the City's Audited Financial Statements by the Office of the Auditor General, which is not anticipated until September 2020.

In this regard, the City intends completing a further annual review for Cell 1 this year (to include the certified end of year financials), which will then align with the annual review timeframes of other East Wanneroo Cells in December 2020.

Given the uncertainty regarding the Cell actuals and remaining estimated income, rather than recommending an increase in the cell contingency or a reduction in the ICPL rate, the City is recommending that the ICPL rate be retained the same as last year.

Under clause 9.13.3, Council is not required to return the excess funds until full development of the cell, where all costs and income have been validated. At the last annual review, Council resolved to make a partial return to address a significant extent of excess funds (in this cell) and to mitigate the reputation risk associated with the lack of annual review for an extended period, prior to 4 June 2019.

The City is also considering options on how to close or wind-up a cell; The DPLH is proposing significant changes to State Planning Policy 3.6 (**SPP 3.6**), which may translate into amendments to the *Planning and Development Act 2005* and associated Regulations and has the potential to affect the operational period associated with the East Wanneroo Developer Contribution Arrangements. Administration will give further consideration to this matter and is seeking clarification from the DPLH on when the final SPP 3.6 will be gazetted.

Consultation

In accordance with the relevant provisions of DPS2, the City is required to advertise the proposed land values for a period of 28 days and the revision of Cell Costs for a period of 42 days respectively. Advertising must be carried out by means of advertisements in local newspapers, letters sent to affected landowners and a notice published on the City's website.

In accordance with the above and following Council's endorsement of the Annual Review, Administration will proceed with advertising for a period of 28 and 42 days respectively.

Statutory Compliance

The City is currently meeting its obligations under Clause 9.11.1 of DPS 2 to review Cell Costs on an annual basis. The completion of the Annual Review as outlined in this report further allows Cell 1 to meet its statutory obligations for the next financial year in accordance with DPS 2.

As the City has been undertaking external audits of City accounts, inclusive of the Cell 1 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

The above risks relating to the annual review of the East Wanneroo Cells has been identified and considered within the City's existing Strategic risk register.

Policy Implications

Nil

Financial Implications

The Cell 1 Annual Review Cost Table (**Attachment 2**) identifies a potential increase in the Cells estimated excess funds at full development of \$397,683. This proposed figure takes into account the estimated income, account expenditure to date (as at 31 December 2019), the remaining Tranche 1 landowner returns (\$22,679,632) and the contingency (\$3,092,677) retained by the City, pending future estimated Cell income and expenditure.

The annual review is not a formal set of financial statements and that the contingency amounts were established based on Council's previous approval, hence there is no accounting or compliance to DPS requirements to transfer the additional excess amount of \$397,683 to the contingency amounts.

It is also noted that under DPS 2 the Council has no obligation to return excess funds until the development of the land in the Cell.

The audit undertaken by William Buck is appended as **Attachment 4**.

Voting Requirements

Simple Majority

Recommendation

That Council, as **RECOMMENDED** by the Audit and Risk Committee meeting held on 17 March 2020:

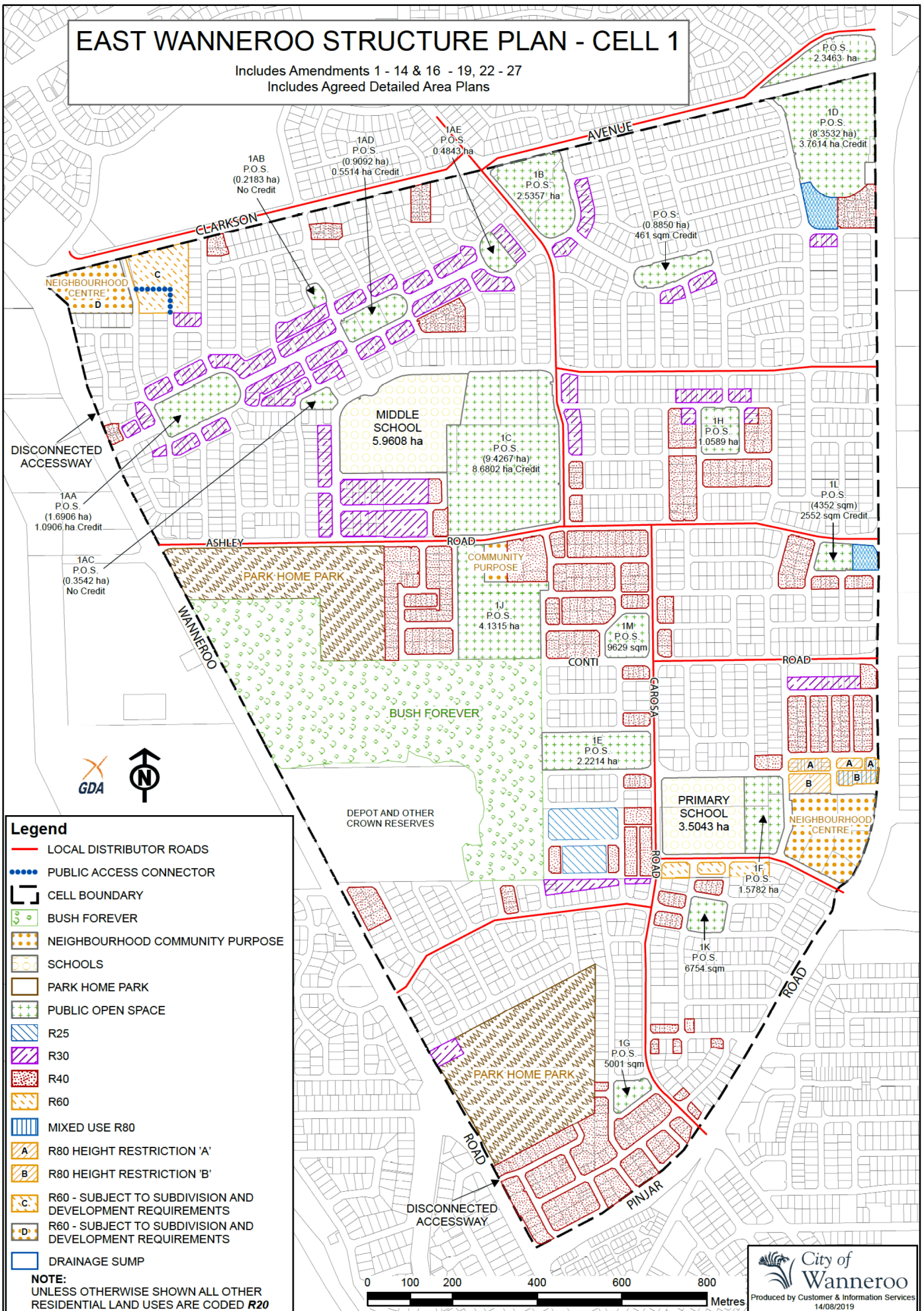
1. **NOTES the outcome of the 2019/2020 Annual Review of Cell Costs for the East Wanneroo Cell 1 Development Contribution Arrangements as depicted in Attachment 2;**
2. **NOTES that landowners requesting a Tranche 2 payment will have the ability to make submissions on the annual review of Cell Costs, return methodology and the recommended Infrastructure Cost Per Lot rate during the public consultation process and this can be considered with all other submissions received;**
3. **ADVERTISE the revised average englobo value of \$2,076,250 (including solatium) per hectare for East Wanneroo Cell 1 for a period of 28 days in accordance with Clause 9.14.3 of District Planning Scheme No. 2; and**
4. **ADVERTISE the Infrastructure Cost Per Lot of \$18,018.64 for the East Wanneroo Cell 1 for a period of 42 days, in accordance with Clause 9.11.5 of District Planning Scheme No. 2.**

Attachments:

1	Attachment 1 - Cell 1 Agreed Structure Plan	19/508532	
2	Attachment 2 - Cell 1 - Summary of Income and Expenditure 2020 (Final)	20/91976	Minuted
3	Attachment 3 - Cell 1 Valuation - 2020	19/508602	
4	Attachment 4 - Final Cell 1 - Annual Cost Review Audit Report (William Buck)	20/92693	

EAST WANNEROO STRUCTURE PLAN - CELL 1

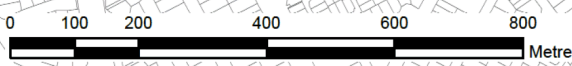
Includes Amendments 1 - 14 & 16 - 19, 22 - 27
Includes Agreed Detailed Area Plans



Legend

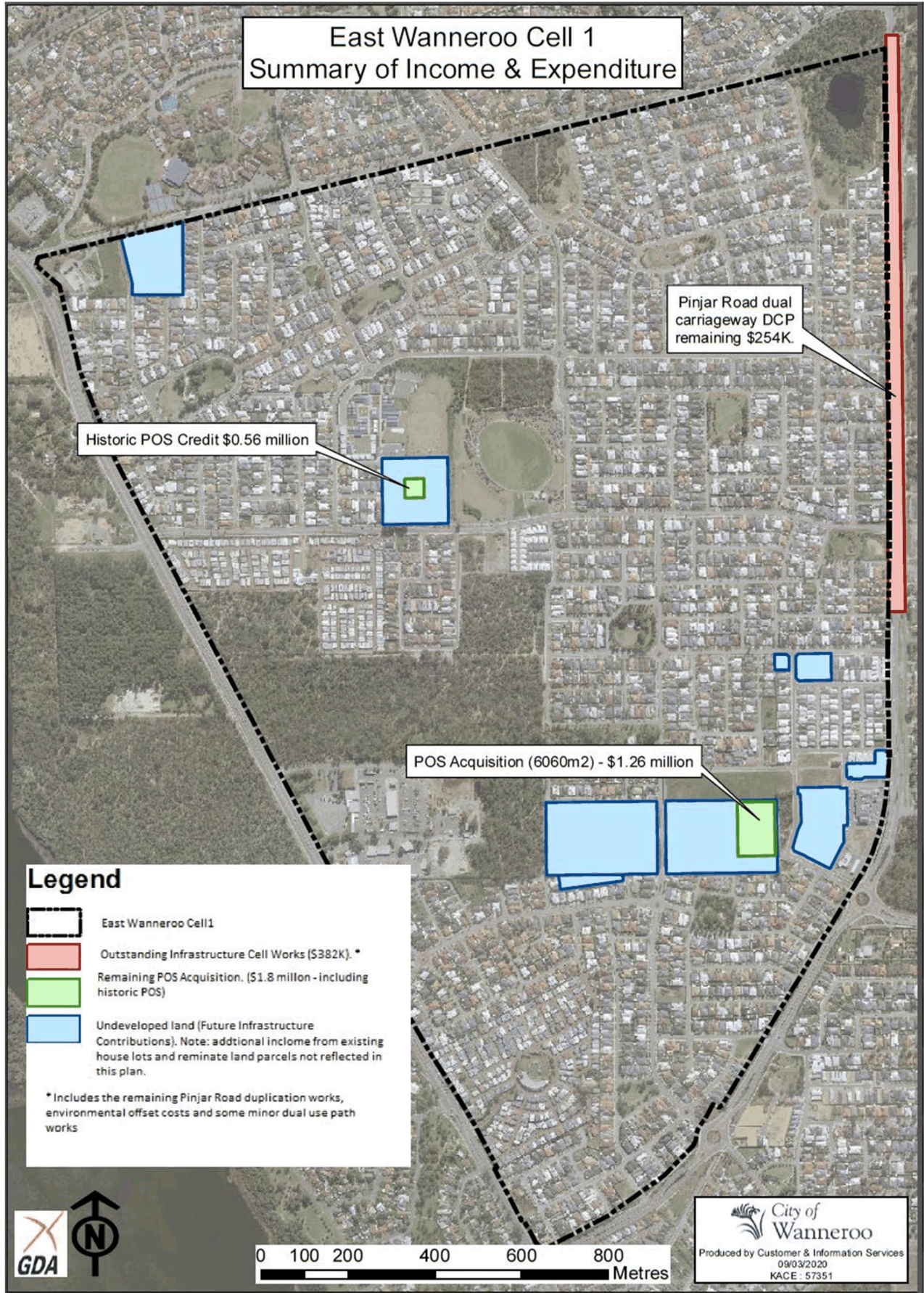
- LOCAL DISTRIBUTOR ROADS
- PUBLIC ACCESS CONNECTOR
- CELL BOUNDARY
- BUSH FOREVER
- NEIGHBOURHOOD COMMUNITY PURPOSE
- SCHOOLS
- PARK HOME PARK
- PUBLIC OPEN SPACE
- R25
- R30
- R40
- R60
- MIXED USE R80
- R80 HEIGHT RESTRICTION 'A'
- R80 HEIGHT RESTRICTION 'B'
- R60 - SUBJECT TO SUBDIVISION AND DEVELOPMENT REQUIREMENTS
- R60 - SUBJECT TO SUBDIVISION AND DEVELOPMENT REQUIREMENTS
- DRAINAGE SUMP

NOTE:
UNLESS OTHERWISE SHOWN ALL OTHER
RESIDENTIAL LAND USES ARE CODED **R20**



City of Wanneroo
 Produced by Customer & Information Services
 14/08/2019

East Wanneroo Cell 1 – Summary of Income and Expenditure



East Wanneroo Cell 1 – Summary of Income and Expenditure

EAST WANNEROO CELL 1 - ANNUAL REVIEW 2020		Amounts (\$)	COMMENTS
Expenditure			
Expenditure to Date (Actuals)			
Public Open Space (10%)		\$ 19,904,616	Land Acquisition and Historic POS Credits (where applicable)
District Distributor Roads		\$ 12,820,806.55	Land Acquisition and Construction Costs
Administration Costs		\$ 845,026	Salary Recoupment, Legal Fees, Consultants
Return of excess funds to Developers		\$ 22,679,632	Return to existing Landowners only - remaining receive reduced ICPL rate
Total		\$ 56,250,081	Current Cell 1 Balance is \$3,675,197 (Payment made to date less Expenditure to Date - 31/12/2019)
Remaining Expenditure (Estimated) - Annual Review			
Public Open Space (10%)		\$ 1,821,060	Approx 0.9 ha
District Distributor Roads		\$ 381,764	Remaining construction & acquisition costs (Roadworks and Drainage)
Administration Costs		\$ 212,634	Estimated for three years remaining
Developers Balances pre 2007/2008		\$ 129,820	Developers balances to be resolved by Dec 2020
Total		\$ 2,545,278	
Total Expenditure/Costs (Gross Costs)		\$ 58,795,359	Total Remaining Expenditure (Including Transactional Audit
Income			
Payments Made to Date			
Contributions and Interest		-\$ 59,795,458	All Income (funds) Received (includes interest)
Developers Balances pre 2007/2008		-\$ 129,820	Less historic unresolved credits to developers (unreconciled) - Pre 2006
Total		-\$ 59,925,278	
Gross Estimated Remaining Income			
Estimated Contributions at Current ICPL of \$18,018 at ELY of 131		-\$ 2,360,442	131 Lots at Estimated Lot Yield of 9 Per/Ha
Total Estimated Income		-\$ 62,285,720	
Estimated Cell Balance at Full Development			
Total Combined Expenditure/Costs (Gross Costs)		\$ 58,795,359	
Total Contingency Credit for Landowner (Already Paid - 3,297 ICPL payments)		\$ 3,092,677	Contingency for estimated Excess for Contributing landowners up to 4th June 2019, as approved by Council on 4 June 2019 (3,297 ICPL payments)
Total Combined Estimated Income		-\$ 62,285,720	
Net Excess/Shortfall at Current ICPL (\$18,018)		\$ 397,683	Potential Additional Estimated Excess at Full Development (Excluding Contingency Approved by Council 4 June 2019)
Revised ICPL Rate			
Current Infrastructure Cost Per Lot		\$ 18,018.64	
Proposed Revised ICPL to remain the same		\$ 18,018.64	

Background Information

- Cell Area – 340 ha
- Infrastructure Contributions Per Lot (ICPL) received - 3297
- Infrastructure Contributions Per Lot (ICPL) remaining - 131
- Remaining Area to be Developed – 4%
- Public Open Space Acquired – 27.83 ha
- POS Remaining – 0.6060ha (approx. \$1.258 million)
- Historic POS Credit – 0.2982 (approx.\$0.562 million)
- DDR Road acquisition and construction (\$0.382 million estimated remaining)
- Current contingency held (based on Council resolution of 4 June 2019 - \$3,092,677) for contributing landowners prior to 4 June 2019 (3,297 ICPL contributions paid).
- Additional excess funds at full development estimated to be \$397,683.
- Increased in potential excess funds (at full development) not included into the annual review and is pending investigation into final costs. As such, the ICPL rate for this cell is recommended to remain the same.



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Our Ref: V382-19

14 January 2020

City of Wanneroo
Locked Bag 1
WANNEROO WA 6945

Attention: Mr Phillip Bland
Land Acquisition Officer – Property Services

Dear Phillip

**Re: Provision of Valuation Services for
East Wanneroo Development Area – Cell 1**

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

Cell	Valuation Panel Recommendations \$ per hectare	10% Additional Value (Solatium) \$ per hectare
1	\$1,887,500	\$2,076,250

Kind regards.

Wayne Srhoy 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



Independent Auditors' Report to the City of Wanneroo ("the City") on the Annual Cost Review for Cell 1

Scope

We have performed an audit of the Annual Review of cell costs for Cell 1 and reviewed the methodology used in calculating and estimating cell costs for the remaining cell works, to certify that the cell costs are incurred and estimated as per the District Planning Scheme No. 2 ("DPS 2"). Our agreed scope of work included the audit of actual costs incurred and contributions received for the period beginning 1 April 2019 to ascertain that the actual expenditure incurred and contributions received up to 31 December 2019 gives a true and fair view and ensure that the assumptions used in the estimations of cell costs 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.

CHARTERED ACCOUNTANTS & ADVISORS

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williambuck.com



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 actual expenditure incurred and contributions received from Cell 1 from its inception to 31 March 2019. It is noted that Management commenced an internal transactional review for all Cells from their inception to 2017/2018. All findings regarding Cell 1 were previously reviewed and reported in the William Buck reports of factual findings issued in April 2017, February 2019 and May 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 1, as there is no such requirement stated in DPS 2 to consider SPP 3.6 for Cell 1.

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 proposed ICPL rate remain the same as its current rate of \$18,018.64 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.

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

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Conley Manifis
Director

Dated this 10th day of March 2020