

INFOPAGE

To: All Local Governments

**From: Tony Brown
Executive Manager Governance &
Organisational Services**

Date: 8 December 2017

Priority: High

Subject: Review of the Local Government Act 1995 - Department of Local Government, Sport & Cultural Industries Consultation Paper



IN BRIEF:

Operational Area:	Governance
Key Issues:	<ul style="list-style-type: none"> The Minister for Local Government launched the Governments Consultation Paper on Phase 1 of the Local Government Act Review on 8 November 2017. The Minister has advised that the first stage will focus on modernising Local Government, with the policy work and consultation to be completed in the first part of 2018 with a Bill in late 2018. Local Government feedback is requested on the Departments Paper to enable a sector response to be provided.
Action:	Feedback requested by 1 February 2018

WALGA distributed a discussion paper in July 2017, with the aim of obtaining the sectors issues for the Local Government Act review process. The final collated feedback was considered during the November/December 2017 round of Zone meetings and a decision made on sector positions at the 6 December WALGA State Council meeting.

Further to this process, the Department of Local Government, Sport and Cultural Industries has released a consultation paper seeking views on the future of Local Government as public consultation for phase one of the review of the Local Government Act kicks off.

The Departments paper seeks public comment on a range of issues including councillor conduct, Local Government transparency and accountability and accessibility of public information through the use of technology.

WALGA is requesting Local Governments to provide feedback on the Departments consultation paper by Thursday 1 February 2018.

To assist with feedback, please find attached a word version of the consultation paper and where there is a current sector position, it is provided in red.

Following receipt of the sectors feedback a State Council agenda item will be prepared that will be considered at the February 2018 round of Zone meetings and then a sector response established at the 7 March 2018 State Council meeting.

The Minister for Local Government has granted WALGA an extension to Friday 9 March to submit a response.

Any questions or queries can be referred to James McGovern, Manager Governance on 9213 2093, jmccgovern@walga.asn.au

For further information please contact:

Executive Manager Governance & Organisational Services, Tony Brown
on 9213 2051 or email tbrown@walga.asn.au.

GROWING OUR SOUTH – BRIDGE STREET AFFORDABLE HOUSING BUSINESS CASE DUE DILIGENCE.

In response to the Department of Regional Development's questions raised by the Due Diligence Assessment, the following information has been included in the Bridge Street Affordable Housing Business Case.

1) Project Sustainability

- i. (2.11.3) A specific long-term estimate of operational costs and revenues has been added to the Supporting Documents. This is based on the assumption of a 97% Occupancy Rate and minimum rents – i.e. 25% of a Centrelink pension. This conservative projection does account for the 30% of tenants from local waitlists who fall into the 'affordable' rather than the 'social' housing category and may have higher incomes.
- ii. (2.11.3) Alliance Housing will manage tenancies and ongoing maintenance of the units and will be required to fund all operational costs. Alliance will also be responsible for any ongoing operational losses.

2) Relationship with Alliance Housing

- i. A signed Memorandum of Understanding is included in the Supporting Documents.
- ii. (2.4) The Shire and Alliance have established a Memorandum of Understanding on the ongoing responsibilities of each organisation through the planning, construction and operational phases of the project (Supporting Document 21). Essentially these are as follows:

Project Stage	Responsible partner
Site remediation, planning and other approvals.	Shire
Design	Both (in the form of a Project Control Group made up of representatives of both organisations).
Construction	Both (Project Control Group)
Management of tenancies, maintenance	Alliance

Alliance Housing is a not-for-profit organisation comprising a team of operational staff whose activities are overseen by a 10-member Board.

The organisation was originally formed 1997, as the Bunbury Housing Association in response to a study which confirmed the lack of affordable, secure, good-standard housing in the region. In May 2012, Bunbury Housing Association registered the business name of Alliance Housing (WA). Alliance Housing is now makes significant contribution to the South West Region and houses more than 200 adults and children in 100 houses. This includes

eleven houses in Busselton and 12 Community Disability Housing Program houses. Its staff have extensive experience in the operation and management of community housing units, with individual staff members specialising in business development, financial and administration management and tenancy and property management.

Alliance's income is generated through rents, including Commonwealth Rent Assistance. As a Community Housing organisation, it is required to meet the criteria set by the State Housing Authority. Income covers the cost of maintenance and refurbishment and any surpluses are re-invested in new housing projects in accordance with the organisations vision and mission.

Annual financial statements are audited annually both by an independent auditor and also by the State Housing Authority. Alliance is required to set an annual budget for the Authority for approval by State Treasury.

Alliance's audited Statement of Financial Position for the 2014/15 year is provided (Supporting Document 22).

The Shire has experience in the management of major construction projects – for example:

- Tuia Lodge Aged Care Facility, stage 4 - \$4,160,000 (2015)
- The Donnybrook Medical Centre and Pathology Suite - \$1,608,000 (2011)
- Preston Retirement Village (11 units and community hall) - \$5,500,000 (2009)
- Tuia Lodge Aged Care Facility stage 3 - \$1,840,344 (2007).

The Shire's CEO and Manager of Development and Environmental Services both have experience in project management and hold relevant project management and planning qualifications. Also on staff are a qualified Principal Town Planner, Building Surveyor and engineering staff.

3) Cost Estimates

Contingency:

(2.11.2) The design contingency risk is low because of the very simple residential construction. Construction estimates have been prepared with partial elemental take off to ultimately justify a square-metre rate. The square-metre rate of around \$1400 is towards the upper end of the range generally expected for this type of Independent Living Unit and it is therefore expected that any design issue will be handled within the rate.

Current market conditions are resulting in the Shire receiving very competitive rates for various works, especially for a project of this size and scale, and it appears that these trends are set to continue for some time into the future, giving the Shire confidence in the contingency rates set.

- 4) All references to 'Appendices' or 'Attachments' have been removed and these referred to as 'Supporting Documents'. The following sentence has been inserted into 3.5:

"The following documents have informed the development of the Business Case. Copies of these supporting documents can be provided on request."



Government of **Western Australia**
Department of **Regional Development**



BUSINESS CASE
(2016-17)

FOR

Bridge Street Affordable Housing

**Shire of Donnybrook-Balingup
Alliance Housing
Joint Venture Partnership**

\$2,000,000

R01078-11 / A5010603

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Glossary of terms

In the context of this document:

Agency means a Western Australian State Government agency.

Applicant means the Organisation or Agency preparing a Business Case requesting Royalties for Regions funding for a project.

Business Case means the information prepared by the Applicant demonstrating the merits of the Project and substantiating the case for funding the Project.

Deliverables means the expected outputs and outcomes from the project.

Department means the Department of Regional Development.

Industry Participation Plan means a clear statement of the project proponent's commitment to The Building Local Industry Policy and an indication of how local industry participation will be maximised.

Innovation is the implementation of a new or significantly improved product (good or service) process, new marketing method or a new organisational method in business practices, or external relations¹.

Leveraged Funding is the additional cash funding obtained for the Project from other sources.

Option means a feasible, alternative delivery mechanism to the Project which was considered by the applicant when preparing the Business Case Proposal.

Organisation means an incorporated entity that is not an Agency. An organisation may be a not-for-profit entity, government trading enterprise or local government.

Project means the specific activities, works or services proposed in the Business Case for which Royalties for Regions funding is being sought.

Project Outcome means the intended impact that is expected as a result of undertaking the Project.

Project Output means the tangible end product(s) of the Project. For example, an infrastructure asset or the services delivered.

Royalties for Regions means the Western Australian State Government's Royalties for Regions program.

Stakeholder means a party with an interest in or who is affected by the Project.

Sustainability refers to the financial viability of a project and the means of support to the project beyond the life of Royalties for Regions funding for this project.

¹ Organisation for Economic Cooperation and Development and Development Statistical Office of the European Communities (2005 Third Edition) Oslo Manual Guidelines for collecting and interpreting innovation data, 3rd edition, OECD and European Commission, Paris.

1. EXECUTIVE SUMMARY

Shire of Donnybrook-Balingup (the Shire) and Alliance Housing (Alliance) propose to build 11 independent living units for tenants over the age of 55, or with special needs, on Shire-owned land in Donnybrook.

The total cost of the project is \$3.375 million, with \$2 million requested from Royalties for Regions, \$875,000 committed by Alliance Housing and \$500,000 committed by the Shire of Donnybrook-Balingup - \$250,000 of which represents the value of the land.

The 9 two-bedroom and 2 one-bedroom units will be built within walking distance of the Donnybrook central business district, IGA supermarket, river and parkland. There is an option to add two more units as part of a future Stage 2, and a further two units as part of Stage 3, bringing the total potential units constructed to 15.

The project will be delivered by the Shire and Alliance working in partnership, with funding support from the State Government. The Shire will provide the land and the cost of site remediation and act as lead agency during the construction phase. Alliance will manage ongoing tenancies and maintenance. The partnership between State and local government and the not for profit sector will ensure resources, assets and expertise are available to deliver a viable and sustainable project.

The Shire is responsible for providing planning approval and, while this process has not been completed, the Principal Town Planner has confirmed his view that the proposal will comply with the relevant planning framework. Recent approvals in the immediate locality as well as informal advice from the Department of Indigenous Affairs indicate that there will be no issues with Aboriginal Heritage. The same applies to Water Corporation approval. It is anticipated that this process will be completed within the first half of 2016/17, after which site work can commence.

The Net Present Value of the project is estimated to be \$0.5 million, with a Benefit Cost Ratio of 1.14. The project has been identified as economically desirable at a 7% discount rate with the benefits outweighing the costs, and an Internal Rate of Return of 8.7%. Social and community benefits are significant and include retaining population, allowing people to 'age in place', a contribution to an age-friendly community, improved accessibility, independent living and a reduction in housing poverty for seniors.

The project provides an opportunity to engage local building companies and tradespeople to construct the units, and for local tradespeople to undertake ongoing maintenance. It is anticipated that 5-6 full time equivalent jobs will be created during the construction phase (one year).

2. PROJECT SCOPE AND EVALUATION

2.1. Project Purpose

- 1 The project aims to assist people over 55 and/or with special needs to 'age in place' that is, to remain in their community in low-maintenance, purpose-built, affordable housing designed to accommodate their needs.
- 2 The project aims to contribute to:-
 - housing infrastructure needs (as identified in the South West's Affordable Housing Strategy);
 - the reduction of local and public housing waitlists;
 - sustained demand for local goods and services which in turn provides more employment opportunities in the region;
 - the sustainability and vibrancy of Donnybrook as a country town; and

- social capability – that is, people will have the choice to continue living closer to support networks in places they feel connected, instead of having to relocate to a city or bigger town.
 - a more age-friendly community through the provision of appropriate and affordable accommodation.
- 3 This project will ensure the forecast 30 per cent increase in the older population demographic (65 years and over) for the South West Region is sufficiently planned and provided for in this community.

2.2. Royalties for Regions Funding Amount

The total value of the project is \$3,375,000. The amount requested from Royalties for Regions is \$2,000,000.

	2017/18 (\$ millions)	2018/19 (\$ millions)	2019/2020 \$	TOTAL (\$ millions)
Royalties for Regions		\$1,800,000	\$200,000	\$2,000,000
Leveraged Funds - Alliance Housing	\$875,000			\$875,000
Shire of Donnybrook-Balingup (land contribution)	\$250,000			\$250,000
Shire of Donnybrook-Balingup (funds for site works)	\$250,000			\$250,000
Total	\$1,375,000	\$1,800,000	\$200,000	\$3,375,000

2.3. Project Description

The Bridge Street Affordable Housing Development comprises the construction of 11 new units for tenants over 55 or with special needs. The units will be built on Shire-owned land within walking distance of the Donnybrook central business district, IGA supermarket and café complex, river and parkland. Provision is made for two - and possibly four - additional units to be added to the complex at a later date.

The cost for 13 units was higher than anticipated so the development will proceed in stages, starting with 11 units in order to maintain budget set out in the Concept Proposal.

A geotechnical assessment has identified the need for remediation work to be done at the site. This will be done by the Shire in 2017/18 and is expected to take 4-6 weeks. Construction of the units can then proceed in 2018/19 – a process that will be overseen by the Project Control Group comprising (but not limited to) the CEO of the Shire of Donnybrook-Balingup, CEO of Alliance Housing WA and the contracted building project manager.

The units have been design to accommodate older people and/or those with special needs. Construction will comply with the Australian standard AS 4299 – 1995 Adaptable Housing Standards, enabling fittings to be altered with minimal effort to make any unit disabled-ready at any time. At this stage 9 two-bedroom and 2 one-bedroom units are planned for stage one, but the mix is flexible. This will be determined and finalised during the QS and detailed design phase, due to commence in February 2018. A site plan is included below:



Project Site Plan showing staged development (Supporting Document 14b)



Project site location, Bridge Street, Donnybrook

The Shire will lease the land to Alliance Housing at no cost for a period of 50 years, adding a caveat to the Title for that period to restrict use of the land to accommodation for seniors and those with special needs. Alliance Housing will manage all tenancies and the ongoing maintenance of the units.

Tenancies will be allocated from the State Housing Authority waitlist and/or locally held waitlists with the Shire.

Joint Venture Partner, Alliance Housing has a Community Housing Agreement with the State Housing Authority stipulating 70% of tenancies for this project must be filled from the authority's waitlist, with the remaining 30% coming from locally held waitlists. Of the 70% intake from the authority's waitlist, 50% will be taken from the emergency list and 50% from the 'wait-turn' list. The waiting times for these lists in the region are currently two years for emergency and seven years for 'wait turn'. It is anticipated that the units will be filled immediately. If there are insufficient numbers on the locally held waitlists, then the portion of tenants from the authority's waitlists can be increased.

Tenancies will initially be for three months, to ensure that the tenant is happy with their unit and is adhering to the requirements of the Tenancy Handbook and Residential Tenancies Act. Thereafter, tenancies can continue for as long as the tenant wants to stay, is meeting their obligations and remains eligible.

Rents will be no more than 25% of an individual's total income earned, either through employment or benefits. Alliance reviews rents every six months as a matter of course but if a tenant's circumstances change (e.g. income is reduced) and immediate alteration can be made to the rent.

It is anticipated that the majority of rents will be paid via a Centrelink deduction but individuals may elect to make other arrangements if they wish. In Alliance's experience most opt for the Centrelink deduction where applicable, as this is easier for them. The bond will be equivalent to four weeks' rent.

All rents are deposited into a specific income account. Following a month-end report, rental incomes are then transferred into an operating account, from which maintenance expenses can be withdrawn. The separation of these two accounts ensures full traceability of payments.

The project will see the State Government, Local Government and the not-for-profit sector working together to meet the needs of the Donnybrook-Balingup community. This approach will ensure assets, resources, and relevant expertise are available to deliver the project from concept to construction, to ongoing management and governance.

Alliance Housing is a nominated Regional Growth Provider with the clear direction to develop a range of affordable housing products throughout the South West Region. This joint venture will be one of the first of its kind between Community Housing Providers in the State and the project will become a demonstration of an effective solution to a growing community need.

2.4. Background

History

It is one of the Shire's strategic objectives to improve and increase the range of aged care and disability services, facilities and housing (see Supporting Document 7).

Currently the Shire owns and operates

- Tuia Lodge - a 40-place residential aged care facility;

- Langley Villas and Minninup Cottages - 21 well-aged rental units in Donnybrook (some in partnership with WA Housing Authority);
- Preston Retirement Village - a 13-unit retirement village, comprising 2-3 bedrooms sold on a 'lease for life' basis (four more units to be added soon).

Consistent demand for the rental units, wait lists and increasing number of people in the Shire reaching retirement age prompted Council to consider increasing the number of available rental units in the Shire.

The Partnership

The Shire and Alliance have established a Memorandum of Understanding on the ongoing responsibilities of each organisation through the planning, construction and operational phases of the project (Supporting Document 21). Essentially these are as follows:

Project Stage	Responsible partner
Site remediation, planning and other approvals.	Shire
Design	Both (in the form of a Project Control Group made up of representatives of both organisations).
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Alliance Housing is a not-for-profit organisation comprising a team of operational staff whose activities are overseen by a 10-member Board.

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- Tuia Lodge Aged Care Facility stage 3 - \$1,840,344 (2007).

The Shire's CEO and Manager of Development and Environmental Services both have experience in project management and hold relevant project management and planning qualifications. Also on staff are a qualified Principal Town Planner, Building Surveyor and engineering staff.

Current Status:

- The land is owned by the Shire of Donnybrook-Balingup. It is zoned R30 and has more than sufficient capacity for 11 – 15 units.
- The Donnybrook-Balingup Shire Council confirmed its support to provide land and site preparation at its Ordinary Council Meeting on 26 August 2015 (combined total value \$500,000) based on a model whereby the land is leased to joint venture partners Alliance Housing, with a caveat applied to the title to ensure security of tenure for 50 years.
- A geotechnical survey has been completed and the Shire will carry out site remediation to ensure the site is ready for development in the first quarter of 2017/18.
- Planning Approval will be provided by the Shire of Donnybrook-Balingup Principal Town Planner. No issues with this are anticipated (see Supporting Document 2).
- A Bushfire Attack Level assessment has been completed (see Supporting Document 3).
- Aboriginal Heritage – The Shire is awaiting formal advice on this, however, based on the approval for the neighbouring property (Preston Retirement Village) and informal advice, no issues are anticipated.
- Department of Water – The Shire is awaiting formal advice on this. Construction will take place above the flood plain and, based on previous advice for this locality, no issues are anticipated.
- An architect has prepared schematic plans, elevations and commissioned a preliminary cost estimate (QS) report (see Supporting Document 12).
- Alliance Housing's ability to raise funds of \$875,000 is confirmed (see Supporting Document 6).
- The Shire is ready to go to tender for site works and construction.

2.5. Policy and Strategic Framework

The project aligns with ***Royalties for Regions Act 2009***, the object of which is to promote and facilitate economic, business and social development in regional Western Australia through the operation of the Fund. Specifically, Section 9(1)(a):

To provide infrastructure and services in regional Western Australia.

It also aligns with:

Strategic Objective	How the project aligns with objective:
<p>SWDC Blueprint 4.3.3 – affordable housing and active ageing.</p> <p><i>“Ensuring a diverse range of affordable housing options is a key part of a region on excellence.”</i></p> <p><i>“There is a need to target appropriate accommodation for seniors from independent living through to high care.”</i></p> <p><i>“A regional of excellence will ensure older people can retain independence through access to transport, walkability-based town centres, access to medical and health services and active recreation spaces.”</i></p> <p><i>“Expanded lifestyle choices including more vibrant and sustainable country towns.”</i></p>	<p>Contributes to the objective of ensuring a diverse range of affordable housing. Specifically targets appropriate accommodation for seniors to live independently.</p> <p>Allows older people to retain independence with walking distance access to town centre, active recreation spaces, bus service to Bunbury, and with access to medical and allied health services in the town.</p> <p>Expands lifestyle choices and contributes to the vibrancy and sustainability of a country town.</p>
<p>SWDC Blueprint 4.3.4 - inclusion and collaboration in developing outcomes.</p>	<p>It is a stated objective of Alliance Housing (WA) to encourage tenant participation in the development, design and management of the accommodation provided by Alliance Housing (WA).</p> <p>This is done through existing tenant surveys, newsletters and general correspondence, plus consultation with agencies involved with people with disabilities.</p>
<p>State Planning Strategy 2050, 3.2. <i>Affordable housing development which is responsive to changing needs of the community, particularly for people with disabilities and seniors.</i></p>	<p>The proposed units will have wide doorways, turning circles (wheelchairs) and level floors throughout. Handrails and hobless shower recesses will also be included as part of the design brief. Each unit will have a lock-up car port and courtyard. The site is adjacent to the Preston Retirement Village and the potential exists to extend and/or share the community hall (social, art & craft activities, library etc.).</p>

<p>South West Development Commission Active Ageing Project 2010, <i>Recommendation 7.3 – Strengthen the role of local governments in development of local housing and infrastructure to address the needs of the ageing population.</i></p>	<p>This project combines the strengths of the partners – local government has the land, the ability to do site works and the experience in project management. Alliance Housing has experience and expertise in the ongoing management of tenancies and community housing.</p>
<p>State Housing Authority’s Affordable Housing Strategy of 2010-2020 <i>Government has endorsed a new minimum target of 30,000 homes by 2020. That’s another 10,000 affordable homes in the next five years.</i></p>	<p>This project is being developed as a partnership between the State Government (as potential funder), local government (provision of land) and Alliance Housing as a partner with the Housing Authority through signed agreement. As such it will contribute to the Housing Authority’s target for 10,000 affordable homes in the next five years.</p>
<p>Shire of Donnybrook-Balingup’s Strategic Community Plan Outcome 3.1 to improve and increase the range of aged care and disability housing.</p>	<p>The Strategic Community Plan was developed with extensive community input and adopted by Council in April 2013. The plan was reviewed in 2015 and this outcome remained one of its key objectives. This project aligns directly to this objective.</p>
<p>Alliance Housing Mission - To be a stable and significant provider of good quality, affordable and accessible housing in the South West of WA to people seeking an alternative to mainstream housing.</p>	<p>This project will increase the number of affordable and accessible homes managed by Alliance Housing (WA), thereby strengthening the presence of this not-for-profit organisation in the region.</p>
<p>Shire of Donnybrook-Balingup Aged Friendly Community Study August 2014, Recommendation 20 – That the Shire of Donnybrook-Balingup in partnership with relevant state government agencies community groups and the private sector continue and increase commitment to develop and provide flexible, innovative and affordable housing options for senior residents to allow them to ‘age in place’.</p>	<p>This project is directly aligned with this objective. The objective was set by the target group – that is, seniors within the Donnybrook-Balingup Shire.</p>

<p>Growing Donnybrook-Balingup</p> <p><i>Growing Donnybrook-Balingup is an affirmative action plan that documents an aspirational community vision and strategy, free from statutory requirements. The plan contains strategic initiatives, based on low, medium and high growth scenarios. In all three scenarios, the 'provision of broad housing choice with greater affordable housing options', as well as 'extended aged and disabled facilities' are targets.</i></p>	<p>The project aligns with this aspirational action plan, which has the support of business and the community.</p>
<p>Demographic imperative: <i>The average age of residents in the Shire of Donnybrook-Balingup is 44 years – eight years higher than the State average. 16.1% of the Shire's population is over 65, in the State this figure is 12.5%. (ABS Census data 2011).</i></p>	<p>Individuals and couples on the State Housing Authority waitlist can wait up to 7 years for suitable accommodation.</p> <p>There are currently 27 applicants (both singles and couples) on local waitlists as at 18/8/2016. All well-aged rental accommodation in the Shire is occupied.</p>
<p>Housing Action Network - Councils need to continue and further collaboration with community housing sector: planning, land and support.</p>	<p>The proposal is a joint project between a local government agency and community housing organisation.</p>

2.5.1. Alignment to the Royalties for Regions Policy Objectives

Royalties for Regions Policy Objective	Project Specific Performance Measurement Areas
<p>Building capacity in regional communities</p>	<p>The project</p> <ul style="list-style-type: none"> • builds Community Infrastructure by increasing the number of community-owned rental units. • increases Community Capability by giving vulnerable people an option to live independently and remain in their community.
<p>Retaining benefits in regional communities</p>	<p>Helps population retention in a country town by providing purpose-built, affordable housing, in the absence of which older residents and those with special needs would have to move elsewhere. By retaining family members in their</p>

	<p>community, other family members and friends are more likely to stay.</p> <p>While not itself a Volunteering Initiative, the project is expected to support the retention of elderly volunteers within the Shire. The value of social and civic participation due to the retention of elderly residents is imperative to the sustainability of country towns.</p>
Improving services to regional communities	Disability access initiatives – the units comply with the Australian Standard AS 4299 – 1995 Adaptable Housing Standards.
Attaining Sustainability	<p>Assists Population Diversity by retaining older people and those with special needs in the community.</p> <p>New Job Creation Initiative – The equivalent of 5-6 full time jobs will be created during the construction phase. The industry norm is that for every on-site construction job there is an incremental job from a related service provider off-site. There will be benefit for local tradespeople maintaining the development on an ongoing basis.</p>

2.5.2. Alignment to Related Strategic Imperatives

Alignment with the Shire of Donnybrook-Balingup Strategic Plan

Outcome 3.1 - to improve and increase the range of aged care and disability housing. The Shire's Long Term Financial Plan (10-15 years) and Asset Management Plan are currently under review. This project will be included for the 2018/19 financial year as part of that review process.

Alignment with Alliance Housing (WA) mission and vision

Alliance Housing's mission is *'to be a stable and significant provider of good quality, affordable and accessible housing in the South West of WA to people seeking an alternative to mainstream housing. Alliance Housing (WA) is committed to the provision of excellent service and best outcomes for its tenants. Clients and prospective tenants will have easy access to Alliance Housing staff and will be treated with courtesy and respect'*.

Its specific objectives are to:

- Relieve housing related poverty.
- Provide and manage quality, secure, affordable housing for people on low to moderate incomes.
- Encourage tenant participation in the development, design and management of the accommodation provided by Alliance Housing (WA).

Alignment with Western Australian Regional Development Trust themes (WARDT).

The project aligns with the WARDT theme - **Retaining aged populations in the country.**

Tenancies for the project will be taken from the Housing Authority's waitlist and local waitlists. While the former is not a 'local' waitlist, it includes potential tenants from all areas, including Donnybrook-Balingup and neighbouring shires.

A 2013 survey² based on 76 housing attributes (as identified by the Grattan Report) placed 'a safe neighbourhood, affordability, easy access to shops, secure dwelling, air conditioning and near family and friends' among in the top 15 factors. Amongst the older demographic, 'near family and friends' was the most important attribute. This project ticks all of the above boxes, but importantly will allow older people to remain amongst friends and family. Their remaining in the community may encourage their friends and families to do the same.

2.6. Project Deliverables

	Outputs	Performance Measure	Performance Measure method
1	Construction of 11 units (stage one)	Local Planning Scheme, Building Codes and Regulations, Australian Standards.	All regulatory requirements and relevant standards met. Inspections by qualified building surveyor.
2	Units built to Australian standard AS 4299 – 1995 Adaptable Housing Standards.	Accessibility and/or adaptability for tenants with disability	Certification by registered building surveyor.
3	Parking	Sufficient parking for tenants and visitors	Parking bays meet Local Planning Scheme requirements. Inspection by Principal Town Planner during and at completion of construction.
4	Landscaping (low water use / low maintenance)	Common areas and individual courtyards suitably landscaped, including reticulation	Inspection by Parks and Gardens Team Leader during and at completion of construction.
5	Walkways	Accessible, safe	Inspection by Parks and Gardens Team Leader during and at completion of construction.
6	Affordable Housing Scheme	Title caveat, agreement between partners, ongoing tenancy plans, processes and agreements ready and maintenance schedules in place.	Professional legal assessment of Title documents and partnership agreement; signed by all parties. Tenancy agreements prepared and ready at completion of construction and handover.

² "What Matters Most" survey for 'The Housing We'd Choose: a study for Perth and Peel, May 2013'

	Outcomes	Performance Measure	Performance Measure method	RfR Outcomes
1	Meet the need for more affordable housing for seniors.	Reduction in the number of people on Housing Authority and local wait lists.	Monitoring the number of local people taken from State Housing Authority wait list; and the number of people on local wait lists.	Improving services to regional communities
2	Population retention	Whether tenants would otherwise have had to leave the community.	Initial tenant survey.	Building capacity in regional communities
3	Safer housing (as a result of being purpose-built, accessible and close to services).		Twice-yearly tenant survey to ascertain: Extent to which they access community home care and other services. Extent to which tenants feel safe.	Building capacity in regional communities
4	Improvement in the quality of life for seniors and allowing them to age in place.	<p>Contribution to Improved Health and Well Being</p> <ul style="list-style-type: none"> • The extent to which the housing makes Donnybrook more age-friendly. • The extent to which it enables residents to participate in the local community. • The extent to which residents feel that living in the complex has allowed them to stay active and independent for longer. • Extent to which tenants are able to access home care services. 	Significant statistical increase in the health and well-being index of tenants based on a twice-yearly tenant survey.	Improving services to regional communities

	Outcomes	Performance Measure	Performance Measure method	RfR Outcomes
5	Improved facilities for people with disability.	Contribution to Increased Accessibility for Underrepresented People (people with disability). Contribution to diversity.	Monitoring of age and ability range of tenants; their satisfaction with accessibility of the units; Based on twice-yearly tenant survey.	Improving services to regional communities
6	Reduction in housing-related poverty ³ .	Financial Self Sustainability Extent to which tenants feel they can afford the rent (no more than 25% of the tenant's income). Ease with which tenants can advise management about changes in financial circumstances.	Twice-yearly tenant survey. Methods used by tenants to tell Alliance Housing about a change in their circumstances.	Building capacity in regional communities;

2.7. Stakeholder Engagement

South West Development Commission

During 2015 and 2016 the proponents have consulted extensively with the South West Development Commission between July 2015 and today to ensure the project is developed in accordance with relevant regional strategies.

The Commission has assisted with advice and funding (through the Royalties for Regions Community Chest Fund) towards engaging an architect to provide concept drawings and quantity surveying.

State Housing Authority

The State Housing Authority is fully aware of and supports this project. Alliance Housing has had extensive discussions with the Authority regarding development and has prepared a 10-year budget, based on the Authority's template, showing projected income and expenses.

Health Focus Group

In 2015 the Shire established a Health Focus Group made up of representatives from the WA Country Health Service, general practitioners, physiotherapist, dentist, pharmacist, aged care facility, Donnybrook Police, and Community Home Care. An issue raised by Community Home Care centred on the difficulty associated with providing domestic assistance and home

³ Anglicare Australia's 2015 Rental Affordability Snapshot – poverty rate significantly higher for seniors who don't own their own home.

maintenance to elderly people, especially those living on larger properties some distance from town, where travel costs quickly exhaust the amount allocated to each client. The availability of more housing for seniors in the town in new homes would reduce the amount of help needed and travel time needed at the same time as making it safer for seniors thereby reducing accidents and mental stress.

Aged Friendly Community Study 2015

In 2014 the Shire of Donnybrook–Balingup undertook an Age Friendly Community Study with the support and assistance of the South West Development Commission. The study aimed to engage with the community to gain an understanding, based on the experience and opinions of older people, their carers and service providers, about the age-friendliness of facilities, services and life within the Shire.

To gain this understanding the Shire held a series of workshops, one-on-one interviews with a broad cross section of the demographic of the Shire, including service providers and not-for-profit organisations operating in the area. This information gathering was supported by on-line and hard copy surveys.

The major demographic participating in the study was the 65-75 year age group, from Donnybrook and Balingup as well as the Shire's smaller settlements and rural properties.

The Study made three recommendations relevant to this project:

1. That the Shire of Donnybrook Balingup encourage the construction of affordable accommodation.
2. That the Shire of Donnybrook-Balingup in partnership with relevant state government agencies community groups and the private sector continue and increase commitment to develop and provide flexible, innovative and affordable housing options for senior residents to allow them to 'age in place'.
3. That the Shire of Donnybrook-Balingup liaise with service providers to support "clustering" of services and facilities utilised by seniors within easy access of senior specific housing.

The project directly addresses 1) and 2) and will make it easier for service providers to support the clustering of services, since the development itself is part of a grouping of seniors' housing, being adjacent to the Preston Village Retirement Home.

Letters of Support

Locally, the Donnybrook Seniors Club and Chamber of Commerce have been briefed about the project and have written letters of support. Letters of support have also been received from:

- Community Housing Industry Association
- Shelter WA
- Danjangerup Cottages Inc. Committee
- Mick Murray MLA, Member for Collie Preston
- Hon Terry Redman MLA, Member for Warren Blackwood
- Hon Colin Holt MLC, Member for South West Region
- Bunbury Aged Persons Housing Collective (Inc.)
- Donnybrook Social Club (Seniors) Inc.
- Donnybrook-Balingup Chamber of Commerce Inc.

Preston Retirement Village

Extensive engagement is planned with residents of the neighbouring Preston Village. Schematic drawings are an essential tool in this engagement, but have only recently been made available, which is why this process is yet to take place. Preston Village residents and their families will be invited to a series of information sessions at the Preston Village Community Hall to:-

- Show the plans and proposed construction timeline
- Consult the residents about the interface between the Village and the new development – e.g. walk-through / closed / fence with gate / wall etc.
- Potential for hiring out the Community Hall to Bridge Street residents and/or shared use of the library and other hall facilities.
- Ask residents to identify any concerns or issues.

Comments from Preston Village residents will be fed into the planning approval process and the design of the interface between the two developments altered accordingly.

2.8. Critical Assumptions

- That funding is available from Royalties for Regions within the 2018/19 financial year.
- That the terms of the partnership (State and Local Government, Alliance Housing) don't change.
- That six out of the 11 households (12/20 residents) would otherwise relocate from the Donnybrook-Balingup Shire without the development in order to access suitable housing and services in larger centres. (See also CBA 3.3.3 - Sensitivity Analysis).

2.9. Economic and Financial Analyses

AEC Group Ltd was engaged to prepare a Cost Benefit Analysis (CBA) relating to the project. AEC is an international company specialising in innovative and evidence based analysis to inform strategic decision making. The CBA looked at the full lifecycle costs of the project over a 30-year period. The analysis indicates considerable benefits will be generated by the project through a number of potential avenues, including:

- Increased amenity through the provision of appropriate and affordable senior's accommodation
- Retained activity and expenditure within the local economy through:
 - Expenditure from households that would otherwise be forced to relocate to larger centres
 - Visitor expenditure from non-local visitors attending development residents
 - Retained home and aged care services within the community
 - Local employment through operations and maintenance of the aged care facility
- Reduced travel burdens for care workers by consolidating aged care facilities into the township of Donnybrook.

At a discount rate of 4.0% the Net Present Value (NPV) of the project is estimated to be \$1.9 million, with a Benefit Cost Ratio (BCR) of 1.49, which implies an economic return in present value terms of \$1.49 for every dollar cos.

At a discount rate of 7.0%, the NPV is estimated to be \$0.5 million, with a BCR of 1.14, which implies an economic return in present value terms of \$1.14 for every dollar cost.

The analysis identifies the project would be deemed economically desirable at a 4 % and 7.0% discount rate, with the benefits outweighing the costs.

The project has an Internal Rate of Return (IRR) of 8.7%.

The terms of the lease of land from the Shire of Donnybrook-Balingup to Alliance Housing are yet to be negotiated. These terms will have an impact on the residual value of the asset.

A detailed summary of the CBA is at Supporting Document 11 for further reference.

2.10. Assessment of Options

Options analysis:

▪ Option 1: Do nothing

The Do Nothing option will result in a continued shortage of appropriate dwellings in the region that is highly likely to increase into the future if there is no supply intervention. It will also see the relocation of over 55s and/or those with a disability away from Donnybrook – or remaining in unsuitable housing.

Experience in managing tenancies for the existing 21 well-aged home units in Donnybrook shows many elderly people wish to 'downsize' in terms of block size and distance from the town centre. Remaining on these properties:

- Reduces their ability to access services such as Community Home Care.
- Increases the likelihood of falls and accidents as they negotiate inappropriately-designed houses and continue to try to manage large gardens or properties – with associated hospital and health service costs.
- Increases mental stress and isolation.
- Reduces ability to 'get involved' – particularly as a volunteer. A significant portion of volunteers in Donnybrook come from the over 55 age group. As well as the financial and social benefits provided to the community, volunteers are happier, healthier and sleep better than those who don't volunteer and sustained volunteering is associated with better mental stress. (*Volunteering Australia – Key facts and statistics about volunteering in Australia, April 2015*).

▪ Option 2: Partial Investment

This option would result in a staged development of five to six units - delaying availability and ultimately risking the lack of retention of these people within the community as they would be forced to look elsewhere for affordable housing.

Value for money is also negatively affected as the per-unit cost of site works and mobilising construction worker is higher. Economies of scale are obtained through the construction of a higher number of units at one time.

▪ Option 3: Full Investment for Stage One

This option would see 11 units constructed and additional affordable housing provided in a timely fashion, allowing cost savings on construction by building all units concurrently, and lowering the project risk. The total cost, including land, site remediation and construction is \$3,375 million.

Option 3 is the preferred option as it carries the most benefit for both social and economic dividends for Donnybrook and the wider South West region and allows time and cost savings.

Without this development, the Shire of Donnybrook-Balingup will continue to suffer a significant shortage of affordable aged care accommodation. This would force vulnerable aged persons to consider leaving the region, including family support and social networks in order to access appropriate and affordable accommodation and care.

There has also been consideration of other alternate approaches (options) such as the conversion of alternate existing accommodation, or assets, however there are no realistic scenarios for this to occur in Donnybrook without providing inappropriate accommodation, and care. On this basis, Option 3 has been the only scenario developed for analysis of costs and outcomes, utilising a cost effective and viable scale being a Stage 1 of 11 units. Any further reduction in scale will significantly reduce the feasibility of the project, and needs of the Shire and Seniors community.

2.11. Funding Strategy

The total project budget is \$3,375,000 (ex GST), which includes the following leveraged funds and asset contributions:

- Land by the Shire (\$250,000);
- Siteworks funding of \$250,000 by the Shire; and
- Construction funding of \$875,000 by Alliance.

The project will utilise Shire funds and a portion of the RFR funding for completion of the siteworks and remediation contract (total of \$455,000), which will occur in Q1 of the FY18/19. The remainder of funding will be utilised for the construction of the units which will commence in Q2 of FY18/19 and finish in Q2 of the FY19/20.

2.11.1. Total Budget

The following is a breakdown of the total project budget, noting key sources of funding.

Item of Expenditure	Budget (\$)	Source of Funds	Quality of estimates	Has the Funding been Secured?
Land	250,000	Shire of D-B	Internal Valuation records.	Yes
Siteworks & Remediation Unit	455,000	Shire of D-B and Royalties for Regions	Quantity Surveyor and Engineer	Partial*
Construction***	2,670,000	Alliance and Royalties for Regions	Quantity Surveyor	Partial**
Total Budget	3,375,000			

* The siteworks and remediation costs currently have \$250,000 secured and allocated by the Shire of Donnybrook-Balingup. The residual funds will be sourced via RfR funds.

** \$875,000 is secured for the construction of the units via Alliance Housing, subject to approval of RfR funding. The residual costs will be secured by RfR funds.

***Note, the unit construction figures in the quote prepared by RBB (Supporting Document 12) include consultants – e.g. architects, professional fees and project management (depending on the procurement approach i.e. superintendent role by an architect).

2.11.2. Royalties for Regions Funding Amount

The following schedule identifies the estimated cash flow requirements for the Royalties for Regions contributions only, noting that all contributions by the development JV would be drawn prior aside from funds required to complete the siteworks which will be sourced from the RfR funds (~\$205,000).

Item of Expenditure	2017/2018 \$	2018/2019 \$	2019/2020 \$	Total 2018 to 2020 \$
Siteworks & Remediation	-	205,000	-	205,000
Unit Construction	-	1,595,000	200,000	1,795,000
Total	-	1,800,000	200,000	2,000,000

Note: the above figures are estimated only based on the identified program. The figures include allowance for contingency, escalation and professional fees. Should the timeframe for construction of the units be contained to the FY2019, all Royalties for Regions funds would be required within this period.

Contingency:

The design contingency risk is low because of the very simple residential construction. Construction estimates have been prepared with partial elemental take off to ultimately justify a square-metre rate. The square-metre rate of around \$1400 is towards the upper end of the range generally expected for this type of Independent Living Unit and it is therefore expected that any design issue will be handled within the rate.

Current market conditions are resulting in the Shire receiving very competitive rates for various works, especially for a project of this size and scale, and it appears that these trends are set to continue for some time into the future, giving the Shire confidence in the contingency rates set.

2.11.3. Sustainability and Ongoing Viability

Alliance Housing will manage tenancies and ongoing maintenance of the units and will be required to fund all operational costs. Alliance will also be responsible for any ongoing operational losses.

Maintenance:

Maintenance is categorized as follows:

- Reactive: Emergency situations (electrical/gas leaks etc.) are attended to within 3 hours;
- Routine: Issues such as flyscreens/broken windows etc. are attended to within 24 hours;
- Long Term: Issues such as painting, gutter replacement are planned over time based on accumulated data. Generally, units are painted every 15 years, and carpets and hot water systems replaced every 10 years.

In accordance with State Housing Authority practice, 9% of income is allocated towards long-term maintenance.

New housing is initially covered by way of a six (6) months builder's maintenance with a twenty (20) year structural guarantee on new construction.

Provision is also made for long term maintenance including upgrades to housing amenity which could include kitchens, bathrooms and other high use areas of the homes. Funding is always based on a slightly over generous spend but always tightly managed.

Income and expenditure:

Alliance prepares an annual budget, approved by the Board, with expected maintenance costs based on historical data and the age of homes. Alliance is also required to prepare a 10-year budget for the State Housing Authority including projected rental contributions, maintenance costs and loan repayments.

The 2015-2025 budget (Supporting Document 9A) has been submitted to the State Housing Authority, shows the addition of 13 Bridge Street units from 2018/19. The budget is currently being reviewed with the construction year and number of units changed accordingly.

Supporting Document 9B sets out the 10 year operational budget for the constructed units. This is based on the assumption of a 97% Occupancy Rate and minimum rents – i.e. 25% of a Centrelink pension. This conservative projection does account for the 30% of tenants from local waitlists who fall into the 'affordable' rather than the 'social' housing category and may have higher incomes.

Alliance's performance is assessed annually through tenant surveys. Alliance achieved a 97% satisfaction rate in its 2015/2016 survey.

2.12. Project Timeframe and Key Milestones

The following is a summary of the project program noting the key milestone dates (completion) and activities. A project Gantt chart is available as a Supporting Document.

Main Activities / Milestone	Milestone Date	Responsibility
RfR Funding Approval	Aug-17	SWDC
Appoint Design Consultants	Feb-18	Shire of D-B / Alliance
Finalise Schematic Design	April-18	Shire of D-B / Alliance
Development Approval	May-18	Shire of D-B / Alliance
Finalise Design & Documentation	July-18	Shire of D-B / Alliance
Building Permit Issued	Aug-18	Shire of D-B
Award Siteworks Contract	Aug-18	Shire of D-B / Alliance
Award Main Contract	Sept-18	Shire of D-B / Alliance
Practical Completion	Nov-19	

2.13. Risk Analysis

The Shire's Risk Matrix for risk assessment and acceptance criteria has been developed with the assistance of specialist risk management staff from the Local Government Insurance Scheme and is based on the standard *AS/NZS ISO 31000:2009 Risk Management*. A copy of the Risk assessment and acceptance criteria is included in the Supporting Documents.

	Risk	Risk Category	Consequence Rating	Likelihood	Risk Classification	Controls
1	Funding not secured	Financial	Catastrophic	Possible	High	Understanding objectives of funding body; well-planned project; sound business case - Adequate
2	Political – change of support for project by elected members	Reputation	Moderate	Possible	Moderate	Continued communications / briefings / analysis of options.

	Risk	Risk Category	Consequence Rating	Likelihood	Risk Classification	Controls
3	Joint venture partner pulls funding contribution / ceases to participate.	Funding Service Interruption	Minor	Rare	Low	Binding agreement between partners; partner's contribution held in trust; alternative provider identified.
4	Problems with the site – unknown hazards in fill	Financial	Minor	Possible	Low	Geotechnical survey. Site remediation.
5	Risk to the project of noise impacts during construction	Reputation	Insignificant	Likely	Low	Compliance with noise regulations; stakeholder engagement prior to construction.
6	Construction overruns	Service Interruption	Moderate	Possible	Moderate	Overrun clauses in building contract; selecting a reputable Builder.
7	Cost Overruns	Financial	Moderate	Possible	Moderate	Quantity Surveying; cost overrun clauses in building contract; selecting a reputable builder.
8	Builder goes bust	Service Interruption	Moderate	Possible	Moderate	Select reputable builder; payments in stages, final payment withheld until post completion
9	Unclear lines of reporting / responsibilities	Service Interruption	Moderate	Rare	Low	Binding agreement between partners; establishment of Project Control Group with agreed responsibilities formalised.

	Risk	Risk Category	Consequence Rating	Likelihood	Risk Classification	Controls
10	Real or perceived competition with other developments	Reputation	Minor	Unlikely	Low	Extensive consultation with neighbouring retirement village (a different product so no competition.
11	Buildings affected by floods	Financial Service Interruption	Major	Rare	Low	Build above the flood plain; consultation with Department of Water; relevant approvals.
12	Inadequate demand for units to be filled immediately.	Financial	Moderate	Rare	Low	If no potential tenants on local waitlists, increase quota from State Housing Authority waitlist.
13	Tenancy vacancies – loss of income	Financial	Minor	Unlikely	Low	Need for development well-researched, based on existing waitlists, population and demographic projections.
14	Rental monies insufficient to cover ongoing maintenance costs.	Financial	Rare	Minor	Low	Alliance Housing existing and tested rent and maintenance strategies will be applied.

2.14. Local Content

Contract planning, tendering and contract management will be managed by the Project Control Group, with the Shire of Donnybrook-Balingup as the lead agency. As such, full, fair and reasonable opportunity will be given to businesses from the local area and region, in accordance with the Shire's *Purchasing and Tender Policy* and *Regional Price Preference Policy*. The latter gives a 5% price preference to construction service suppliers who are located within the Shire of Donnybrook-Balingup, and 2.5% to suppliers based in the Shire of Boyup-Brook.

The Purchasing and Tender Policy principles of Value for Money and Sustainable Procurement generally favour suppliers from the region because of improved efficiencies and reduced travel costs.

Ongoing maintenance will be carried out by tradespeople from the Donnybrook area, if available, or from Bunbury.

2.15. Aboriginal Participation

The Shire has an Equity & Diversity Management Plan which is designed to create a more creative and skilled workforce, and a positive, equitable environment in which all staff can work effectively without fear of discrimination or harassment. All employment decisions are made in accordance with EEO guidelines.

2.16. State Funded Infrastructure and Apprenticeship Participation

The Shire of Donnybrook-Balingup offers apprenticeships in its Works and Services Team, notably horticulture. It is highly likely an apprentice would be involved in the landscaping and ongoing maintenance of the project gardens. The Shire would be open to engaging and apprenticeship in other areas to assist with the project, if practicable.

3. IMPLEMENTATION STRATEGY

3.1. Communication Plan

Stakeholders –

SWDC and/or funding body
 Donnybrook-Balingup Elected members and staff
 Alliance Housing Board and staff
 State Housing Authority
 Member for Collie-Preston (post March 2017 election)
 Member for Warren-Blackwood
 Members of the Legislative Council for the South West Region
 Donnybrook Seniors
 Chamber of Commerce
 Preston Retirement Village residents (neighbouring property)
 Owners and patrons of the Backpackers (neighbouring property)
 Other neighbours
 Donnybrook Ratepayers
 Architect
 Builders
 Local tradespeople and maintenance services

Stakeholder	Information to be communicated	Frequency	Medium
Elected Representatives Alliance Housing (WA) Board	Project deliverables, project progress reports, details of funding – by Project Control Group.	Upon project initiation and monthly thereafter	Council Information Bulletin (monthly), Councillor Briefing Sessions (monthly), Concept Forums and Full Council Meetings
State Housing Authority	Progress of project development and likely completion date.	On project initiation and six monthly thereafter.	Email, telephone/face to face meeting.
Preston Village residents	Meetings to identify issues and consult on preferred interface between the two developments	2-3 meetings prior to finalisation of plans	Letters, followed by face to face meetings in the Preston Village Community Hall. Follow up meetings with individuals if necessary.

Stakeholder	Information to be communicated	Frequency	Medium
Donnybrook Backpackers and other neighbours	Meetings to identify issues and consult on preferred interface between the two developments	2-3 meetings prior to finalisation of plans	Letter followed by onsite meetings.
Chief Executive Officer – Ben Rose Alliance CEO – Mike Bateman SWDC	Draft Business and Project Plan including appendices Problems and proposed actions	First update Monthly and/or as required	Meeting, email and hard copy
Funding Bodies	Business Plan including appendices	First advice	Meeting, email and hard copy
Chief Executive Officer – Ben Rose	Business Plan including appendices Problems and proposed actions	Second update As required	Meeting, email and hard copy
Donnybrook-Balingup Ratepayers/Community	Proposed plan, project deliverables, project progress reports, details of funding and acknowledgement of funding bodies.	Once project is confirmed, and at each major stage.	Council Meeting Minutes, Council column in local newspaper, articles in Council-supported Preston Press, radio interviews, website, Annual Meeting of Electors (December).
Construction Companies	Tender process	At commencement of tender process	Website, email, Press advertisement. Documentation in accordance with Local Government (Functions & General) Regulations.
Funding Bodies	Project Status Update	Second advice	Meeting, email and hard copy
Funding Bodies	Project Progress Report	Third advice	Meeting, email and hard copy
Funding Bodies State Housing Authority	Project Completion Report	Fourth advice	Meeting, email and hard copy
Opening Event	Acknowledgement of funders; Country; contributions.	Once; acknowledgement of funding ongoing (see below).	Event with associated media.

Acknowledgements of Funding received during and after construction:

- Acknowledge the funding support of the State Government RfR program on all material and at all announcements relating to the funded project, including newsletters, media statements, presentations, speeches, milestone celebrations, publications and correspondence.

- Acknowledge the funding support of the State government RfR program through authorised and appropriate use the RfR logo on all promotional materials, including signage, banners, plaques, websites and advertising.
- Actively provide opportunities to promote the funded project and the RfR program, including official launches, openings, stakeholder forums and project displays, in consultation with DRD.
- One Style B sign erected in an area of high visibility to the general public on the most prominent public-facing side of the project location.

3.2. Project Management

Given that this project is being delivered by both the Shire of Donnybrook-Balingup and their Strategic Partner Alliance, the objectives identified for the project were developed as follows:

Shire of Donnybrook-Balingup Objectives

- To ensure that any redevelopment planning and plans for the Development focus on the broader precinct, whilst being cognisant of the needs and aspirations of the community from surrounding areas;
- To promote the efficient and effective planning and use of land within the Shire's municipality;
- To improve and increase the community's opportunities for seniors housing;

Alliance Project Objectives

- To maintain and renew the asset;
- To create an ability to provide and enhance seniors housing and services;
- Ensure that the facilities are provided to the best practical standard;
- To create an ability to maintain operational success through appropriate and viable facilities;

Project Delivery Requirements

In order to achieve these objectives, the following project delivery requirements have been identified:

- Develop a design that focuses on creating a facility which meets the current and future seniors living needs;
- Develop a design that focuses on high levels of accessibility;
- Remain within the capital budget as agreed to by the Project Control Group (PCG);
- Coordinate and deliver the works in accordance with the PCG approved project program;
- Ensure that the project is delivered in a transparent manner;
- Satisfy the Shire's Sustainability and Environmental Policies with the design;
- Ensure that Whole of Life costing is taken into account;
- Meet or exceed the sustainability principles best practice through designs and construction methodologies that are energy and water efficient, use passive solar design, natural ventilation and renewable energy;
- Undertake appropriate levels of consultation with relevant stakeholders; and
- Develop the facility as part of an overall harmonised precinct design which provide positive outcomes and benefit to all stakeholders.

The project will be delivered as a joint venture between the Shire and Alliance Housing. The day-to-day project management will be the responsibility of either a representative of the Shire as the main project delivery authority, or potentially the lead architect as superintendent. The final procurement strategy in this regard will be reviewed and agreed by the strategic partners, once funding is approved.

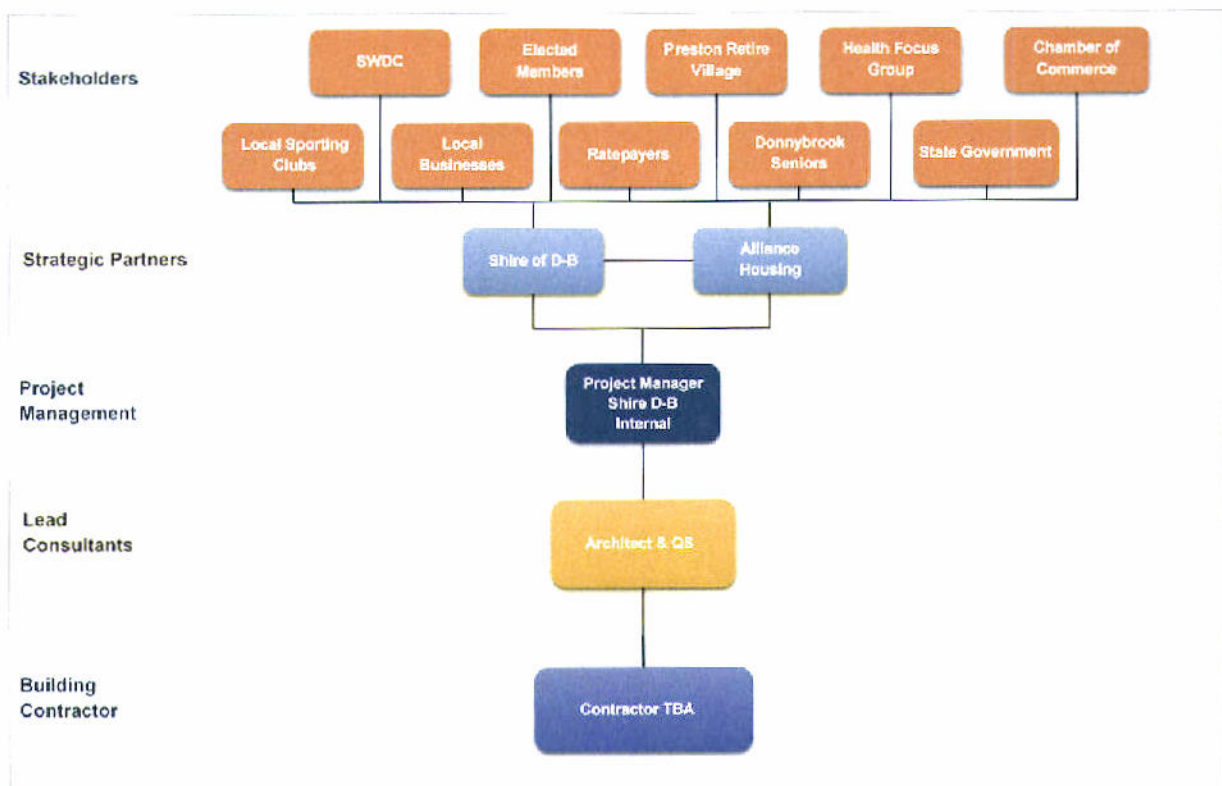
The key aim of the project delivery is to maintain a transparent and viable process utilising the most appropriate skills and capability within the Joint Venture and consultant team.

To support and oversee the project management role, a Project Control Group (PCG) will be established represented by the Shire and Alliance Housing to govern all delivery requirements (see Section 3.3).

A separate Gantt chart (Supporting Document 18) has also being developed for reference. The program at present adopts a traditional delivery procurement approach (100% design), which may also need to be reviewed on funding approval to ensure it aligns with the capabilities of the team and program requirements.

3.3. Project Governance

The following is an outline of the organisational chart for the project, including the various stakeholders and project team members. The chart reflects the engagement of stakeholders with the Strategic Partners (Joint Venture), plus the proposed project delivery method with the project design team and contractor.



The project will be primarily governed by the PCG which will comprise of key representatives from the Shire and Alliance (Joint Venture), plus the project manager. Details of the meeting protocols and responsibilities of the PCG and other project delivery groups are detailed below.

Meeting	Frequency	Responsibility/ Attendees	Details
Project Control Group	Monthly	Shire CEO, Alliance, Project Manager	Arranged and minuted by the Project Manager on a monthly basis to provide all major approvals and establish the overall strategic direction to achieve the successful delivery of the project.

Project Working Group	Fortnightly as required	Project Manager Architect Quantity Surveyor	Chaired, arranged and minuted by the Project Manager on a fortnightly basis as required to provide technical advice on behalf of the Project partners and will be responsible for the commissioning of the Project and making key decisions within the parameters set by the PCG will reside here.
Site Meetings	As Required	Project Manager Architect Contractor Shire of D-B Alliance Other attendees as required	Arranged and minuted by the Project Manager. Review construction progress, quality, OH&S, design matters, risks and opportunities and other construction related issues to oversee the construction phase of the Project.
Community Consultation Meeting	As Required	Shire of D-B Project Manager / Others as required	Arranged and minuted by the SoDB. Community consultation meetings will be held as required to achieve input and provide feedback to local community stakeholders.
Other Meetings	Additional meetings may be convened with the appropriate project team members as required. These meetings may include: <ul style="list-style-type: none"> ▪ Stakeholder Workshops; ▪ Value Engineering Workshops; ▪ Risk Workshops; ▪ Sustainability Workshops; ▪ Buildability Appraisal Workshops; ▪ Specialist Design Workshops; ▪ Third Party Meetings, including but not limited to, end user, adjacent works Contractor, Statutory and Public Authorities. ▪ Close Out/Lessons Learnt Workshop 		

3.4. Procurement Strategy

Procurement of labour, materials, goods and services associated with this project will be in accordance with relevant procedures, specifically,

- the Shire's Regional Price Preference Policy,
- the Shire's Purchasing and Tenders Policy and
- the Western Australian Local Government Association's guidance notes in respect to procurement and preferred contractors.

3.5. Supporting Documents

The following documents have informed the development of the Business Case. Copies of these supporting documents can be provided on request.

1. Certificate of Title
2. Principal Town Planner letter
3. BAL Assessment
4. Geotechnical Report
5. Cost Estimate to undertake Geotechnical Report Recommendations
6. Alliance Housing – confirmation of funding contribution
7. Shire of Donnybrook-Balingup Strategic Community Plan (excerpt)
8. Alliance Housing Mission Statement

9. (A) Alliance Housing Budget, (B) 10 year projected budget for costs and income and (C) Project-specific long-term estimate of operational costs and revenues.
10. Letters of Support (9)
11. Cost Benefit Analysis – Report from AEC
12. Preliminary Cost Estimate (HMA Architects)
13. Aerial photograph of site
14. Site plans
15. Floor plans
16. Elevations
17. Shire of Donnybrook-Balingup Risk Assessment & Acceptance Criteria
18. Project Program (Gantt Chart)
19. Regional Price Preference Policy
20. Purchasing and Tender Policy
21. Memorandum of Understanding
22. Alliance Housing 2014/15 Annual Report including Statement of Financial Position

4. SIGNING OF BUSINESS CASE

4.1. Sign-off

I confirm that the information contained in this Business Case is true and correct.

**Business Case
Author**

Signed



Completed by

Lucy Bourne

Position

Governance Officer

Date

6 October 2016

CEO

Signed



Approved by

Damien Morgan

Position

A/Chief Executive Officer

Date

6 October 2016

Alliance Housing WA
Cash Flow / Budget Activity

Project Details : Donnybrook

Report Date: 6/10/2016

Alliance Housing (WA) - Budgeted Cash flow and Balance sheet report (10 years)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
CPI rate	1.5%									
Property										
Current number of Properties	11	11	11	11	11	11	11	11	11	11
Property growth over previous year	11	0	0	0	0	0	0	0	0	0
Average income per property pa (annual escalation CPI)	11720	11896	12075	12255	12440	12626	12816	13008	13203	13401
Income										
Property Rent (Current no of properties X Average income)	128924	130858	132821	134813	136835	138888	140971	143086	145232	147410
Bank Interest	10	10	10	10	10	10	10	10	10	10
Tenant Liability and other recoverable expenses	2725	2766	2807	2849	2892	2936	2980	3024	3070	3116
Property management fees charged to private owners	0	0	0	0	0	0	0	0	0	0
Total Income	131659	133634	135638	137673	139737	141833	143961	146120	148312	150536
Operating Expenses (Growth index =CPI + Property Growth percentage)										
Insurance claims	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Bad debts written off	500	508	516	523	531	539	547	555	564	572
Insurance	2800	2940	3087	3241	3403	3574	3752	3940	4137	4344
Tenant Liability	2197	2229	2262	2296	2331	2366	2401	2437	2474	2511
Property maintenance recurring	4950	5025	5100	5177	5255	5333	5413	5495	5577	5661
Rates service charges and Levies	8250	8663	9096	9550	10028	10529	11056	11609	12189	12798
Long term maintenance provision	0	0	0	0	0	0	0	2000	2000	2000
	19697	20365	21061	21788	22548	23341	24170	25035	25940	26885
Administrative Expenses (CPI Growth)										
Advertising	500	508	515	523	531	539	547	555	563	572
Accounting & Audit	436	442	449	455	462	469	476	483	491	498
Bank Charges	120	120	120	120	120	120	120	120	120	120
Centrelink deductions	261	265	269	273	277	281	285	290	294	299
Office cleaning	340	345	350	355	361	366	372	377	383	389
Consultants & Legal	2500	500	508	515	523	531	539	547	555	563
Computer & IT expenses	928	941	955	969	984	999	1014	1029	1044	1060
Electricity	328	333	338	343	348	353	359	364	370	375
Marketing/Web	200	203	206	209	212	215	219	222	225	229
Office expenses	490	498	505	513	521	529	536	545	553	561
Postage	218	221	224	228	231	235	238	242	245	249
Stationery, Printing & photocopying	423	429	435	442	449	455	462	469	476	483
Professional Indemnity & General Insurance	417	430	442	456	469	483	498	513	528	544
Loan account charges	45971	47191	48200	49287	50358	51424	52483	53547	54616	55690
Rent	3243	3291	3340	3390	3441	3493	3545	3599	3652	3707
Office improvements, repairs and maintenance	109	111	113	114	116	118	120	121	123	125
Security	87	88	89	91	92	93	95	96	98	99
Service Charges	1745	1772	1799	1826	1853	1881	1909	1938	1967	1996
Subscriptions Licences & Govt charges	109	111	113	114	116	118	120	121	123	125
Superannuation	2695	2735	2776	2818	2860	2903	2946	2991	3035	3081
Telephone/Fax	655	665	675	685	695	706	716	727	738	749
Staff uniforms	150	152	154	157	159	161	163	165	168	170
Staff Training & Expenses	355	360	365	371	376	382	388	394	400	406
Travel, accommodation & meals	27	28	28	29	29	30	30	31	31	32
Wages & Salaries	28354	28790	29222	29660	30105	30557	31015	31480	31952	32432
Workers Compensation	218	221	224	228	231	235	238	242	245	249
Motor vehicle and mileage	1036	1052	1068	1084	1100	1117	1133	1150	1168	1185
	91925	86802	83484	79955	76201	72209	67965	63456	58666	53579
Total Expenditure	111622	107166	104545	101744	98748	95551	92136	90492	86606	82465
Annual Surplus/Deficit	20037	26468	31094	35929	40989	46283	51825	55628	61705	68071
Plus										
New Loan - entered manually	875000	0	0	0	0	0	0	0	0	0
	895037	26468	31094	35929	40989	46283	51825	55628	61705	68071
Less										
Capital Expenditure	875000	0	0	0	0	0	0	0	0	0
Loan Repayment Principal Only	67695	71475	75466	79679	84128	88824	93783	99019	104548	110383
	942695	71475	75466	79679	84128	88824	93783	99019	104548	110383
Revised Surplus/deficit	-47658	-45007	-44372	-43750	-43139	-42541	-41958	-43391	-42843	-42312
Loan Account										
Opening Balance	875000	807305	735830	660364	580685	496557	407733	313950	214931	110383
Plus Drawdowns										
Plus Interest	45971	42191	38200	33987	29538	24842	19883	14647	9118	3283
Less Repayments	113666	113666	113666	113666	113666	113666	113666	113666	113666	113666
Closing Balance	807305	735830	660364	580685	496557	407733	313950	214931	110383	0
Assets										
Property at completion	375000	375000	375000	375000	375000	375000	375000	375000	375000	375000
Average rental income per property (Rental income divided by number of properties)	11720	11896	12075	12256	12440	12626	12816	13008	13203	13401
Average expenditure per property (Total expenditure divided by number of properties)	10147	9742	9504	9249	8977	8686	8376	8227	7873	7497
Average surplus/deficit per property	1573	2154	2571	3006	3462	3940	4440	4781	5330	5904

MEMORANDUM of UNDERSTANDING
Between
THE SHIRE OF DONNYBROOK-BALINGUP
and
ALLIANCE HOUSING

for the construction and management of affordable
housing units at

Lot 142 Bridge Street
DONNYBROOK WA 6253

This MEMORANDUM OF UNDERSTANDING is made on the sixth day of October 2016

BETWEEN:

THE SHIRE OF DONNYBROOK-BALINGUP ('the Shire') of PO Box 98 Donnybrook, WA 6239 and
ALLIANCE HOUSING WA ('Alliance'), of Unit 1, 30 Forrest Ave Bunbury, WA 6230.

BACKGROUND

- (A) Alliance is a not-for-profit organisation empowered through an agreement with the State Housing Authority ('the Authority') to provide affordable housing to tenants who are eligible by virtue of their low personal income and the compliance with eligibility criteria adopted by the Authority from time to time ('Eligible Tenants').
- (B) The Shire is the registered proprietor of the land described in item 2 of the Schedule ('the land').

IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

1. GENERAL

- (a) The Shire and Alliance hereby associate themselves in a joint venture for the purpose of designing, erecting, constructing, maintaining and managing upon the Land, 11 (and potentially up to 15) housing units for use as rental accommodation for Eligible Tenants referred to in BACKGROUND (A) ("the Project").
- (b) The Shire and Alliance shall at all times (b) and in all material respects observe, conform to and comply with the provisions of all applicable law, statutes and legislation and all rules, local laws and regulations made there under including but without limitation to the *Equal Opportunity Act 1984*, the *Housing Act 1980*, the *Residential Tenancies Act 1987* and the *Retirement Villages Act 1992*, and with the provisions of the Code of Practice for Retirement Villages administered by the Consumer Protection Division of the Department of Commerce.
- (c) In all advertising, promotion and publicity of the Project, the funding support of the State Government's Royalties for Regions program, and the nature of the project as a joint venture between the Shire and Alliance shall be acknowledged.

2. TERM, OPTIONS

- (a) This MOU shall take effect upon the date on which the Project commences and shall continue to remain in force for a period of fifty (50) years from that date.

- (b) Within a period of six (6) months prior to the expiration of this MOU, the Shire shall by notice in writing to Alliance either –
- i. advise Alliance that it intends to sell the Land, or use the Land for another purpose, thereby terminating this agreement, or
 - ii. request Alliance to negotiate a new agreement with respect to the continuation of the Project, or
 - iii. request Alliance to extend the term of this MOU for such further term of years as the Shire shall specify but not exceeding fifty (50) years, or
 - iv. provide Alliance with an option to purchase the Shire's interest in the Land and the Project at its current market value.
- (c) If the Shire and Alliance, after negotiations under clause 2(b)(ii) have concluded, are unable to agree on a MOU for the continuation of the Project, the Shire shall within six (6) months after conclusion of negotiations by notice in writing terminate this MOU and make its own determination as to whether to seek a new joint venture partner or terminate the project.
- (d) The Shire shall not at any time sell or transfer the Land except to Alliance or another association or body which is eligible to participate in the Project and has objects in its constitution or rules of association similar to those of Alliance.
- (e) The current market value referred to in this clause shall be determined by agreement of the Parties and, failing agreement within fourteen days after exercising this option, take the average of two valuations of the Land by two licensed valuers, one nominated by the Shire and the other nominated by Alliance, and this determination shall be final and binding upon the Parties.

3. FINANCING CONSTRUCTION OF THE UNITS

- (a) Alliance shall contribute towards the cost of constructing the units the sum specified in item 3 of the Schedule.
- (b) The Shire shall contribute the sum specified in item 4 of the Schedule towards the costs of the Project being the value of the Land provided by the Shire and a contribution towards the remediation of the Land ready for construction.
- (c) The remaining construction costs (\$2,000,000) shall be sought from the State Government Royalties for Regions Growing Our South Fund, administered by the Department for Regional Development (the 'funding body'). This MOU commences only upon confirmation of the successful application for these funds.

- (d) If the application for funding from the Funding Body is not successful, this MOU does not come into effect, but may be altered and applied to another funding application on written agreement by both parties.
- (e) If successful, the funds referred to in (a) and (c) will be deposited in the Shire's Municipal Fund account and during the construction phase of the Project the Shire will, from this account, make all necessary payments to consultants, building contractors, trades people, landscapers and other professionals and contractors whose services are engaged to construct the units, up to a total cost of \$3,125,000 (total cost of the project excluding land value).
- (f) If the total funds available for construction prove insufficient, the Shire and Alliance shall by negotiation identify additional funds to complete the project, or by negotiation agree to reduce the scope of the project.
- (g) The Shire shall be responsible for the acquittal of funding provided in (c) to the Funding Body.

4. CONSTRUCTION OF THE UNITS

- (a) A Project Control Group, comprising, but not limited to, the Chief Executive Officer of the Shire, the Chief Executive Officer of Alliance and/or their nominated representatives will, in conjunction with the appointed architect and other project consultants as deemed necessary by mutual agreement, develop plans and drawings for the construction of the Units.
- (b) Prior to the Project Control Group calling tenders and commencing the erection and construction of the Units, the Shire shall cause the Land to be properly compacted and cleared.
- (c) The Shire shall, on behalf of the Project Control Group, obtain all such approvals, consents, permits and licences as may be required by law for the construction of the Units, together with all such renewals and extensions thereof as may be required or necessary from time to time.
- (d) The Project Control Group shall manage construction of the units on the Land in accordance with the plans and drawings referred to in (a).

- (e) On completion of the units, the Shire and Alliance shall enter into a formal lease agreement whereby Alliance shall be and remain the registered proprietor of the land and shall continue to hold the Land in trust for the duration of the lease. The Shire shall be entitled to lodge an absolute Caveat upon the title to the Land to protect its interest therein and to limit the use of the land to that agreed in BACKGROUND (A) of this MOU.

5. TENANTS, RENTS

- (a) Alliance shall not use the Land or the Units except for the purpose of providing rental accommodation to Eligible Tenants (as defined in BACKGROUND (A)) who at the time of letting are registered either on the waiting list of the Authority, or the waiting list maintained by the Shire, or both.
- (b) In allocating the unoccupied Units to persons on the waiting list, Alliance shall give preference to Eligible Tenants in accordance with its Community Housing Agreement with the State Housing Authority.
- (c) Alliance shall charge a rental to all occupants of the Units in proportion to the personal income of the occupants in accordance with the Rent Setting Policy established for Social Housing, Affordable Housing and Community Disability Housing programs.
- (d) All rents shall be the property of and retained by Alliance.
- (e) Alliance shall at all times keep and maintain proper and accurate accounting records with respect to the project in accordance with the requirements placed upon it by the State Housing Authority.
- (f) Alliance shall not use or appropriate any income or profits derived from the leasing of the units in or towards any purpose other than the operation, maintenance, management and/or development of community housing units managed by Alliance.

6. MANAGEMENT

After completion of the construction of the units, throughout the term of continuance of this MOU and any subsequent lease agreement between the Parties, Alliance shall at all times and at its own expense be responsible for the operation and management of the Land and the Units thereon. Alliance will:

- (a) Prepare and have executed the appropriate leases for all tenants of the Units.

- (b) Carry out all necessary repairs and periodical maintenance and upgrading of the Units so that they are kept in good and substantial repair and condition and fit for occupation.
- (c) Attend to the payment of all costs of operating and maintaining the Units.
- (d) Keep and maintain the landscaping of the grounds and the common areas of the Units in good repair and neat and tidy.
- (e) At all times insure and keep insured against fire and all other applicable risks the Units and all improvements on the Land to their full insurable value and pay all premiums in respect to such insurance as and when the same shall fall due.
- (f) Effect and maintain adequate insurance against the liabilities of the Parties hereto with respect to workers' compensation, and public liability.
- (g) Ensure that adequate Workers Compensation and Public Liability insurance is effected by all contractors engaged on the Project.

7. VARIATION

This MOU may not be varied, altered, amended, renewed or extended except by further written agreement executed by both Parties.

8. ASSIGNMENT, SALE, TRANSFER

- (a) Neither party shall assign, sell, transfer, mortgage, charge, encumber or otherwise dispose of its interest in the Land, the Units, the Project or this MOU or any part thereof during the term of continuance of this Agreement without giving to the other party 3 months prior notice in writing of its intention to do so.
- (b) Neither party shall unreasonably withhold consent for the other party to assign, sell or transfer or otherwise dispose of its interest in the Land, the Units, the Project or this MOU or any part thereof if the interest is to be assigned, sold or transferred to a similar organisation which agrees to observe, perform and be bound by all the terms and conditions contained in this MOU.

9. ARBITRATION

Any dispute or disagreement between the parties arising under or in respect of this MOU or the interpretation of any term or provision of this MOU shall be referred to a single

arbitrator acceptable to both parties who shall determine such disagreement or dispute in accordance with the *Commercial Arbitration Act 1985*.

10. TERMINATION

11 In the event that

- (a) any judgement is obtained against Alliance in any court of law and the judgement remains unsatisfied or execution is levied or issued against any of the assets or property of Alliance;
- (b) an order is made or a resolution passed for winding up Alliance or if Alliance goes into receivership or if Alliance enters into a compromise or arrangement with its creditors, including an arrangement for reconstruction or amalgamation; or
- (c) Alliance ceases to be registered or incorporated in Western Australia or ceases or threatens to cease to conduct and operate the Units;

THEN immediately thereon or at any time thereafter the Shire may by notice in writing to Alliance terminate this Agreement and the provisions of clause 2 (c) shall apply.

THE SCHEDULE

Item 1. The Parties:

The Shire of Donnybrook-Balingup, PO Box 94, Donnybrook 6239.

Alliance Housing WA, Unit 1, 30 Forrest Ave Bunbury, WA 6230.

Item 2. Description of the Land:

The portion of Lot 142 Bridge Street, Donnybrook (Certificate of Title Volume 1138 Folio 264) that is to be developed for the construction of affordable home units, as shown on the attached site plan. The Land does not include the portion of Lot 142 between the development and the Preston River.

Item 3. Alliance's capital contribution - \$875,000.

Item 4. Shire's capital contribution -

Value of the Land - \$250,000

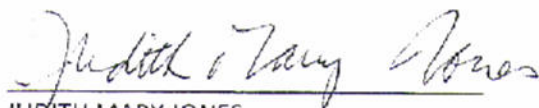
Cash Contribution towards site remediation - \$250,000

Signed for and on behalf of the Shire of Donnybrook-Balingup:



CHIEF EXECUTIVE OFFICER

Signed for and on behalf of the Alliance Housing WA:



JUDITH MARY JONES
Chairman