



## **Notice of Commercial Services Committee Meeting**

Notice is hereby given that a Commercial Services Committee Meeting will be held in the Ballina Shire Council Chambers, 40 Cherry Street, Ballina on **Monday 24 June 2013 commencing at 4.30 pm.**

### **Business**

1. Apologies
2. Declarations of Interest
3. Deputations
4. Committee Reports

A handwritten signature in black ink, appearing to read 'Paul Hickey', with a long horizontal line underneath.

Paul Hickey  
**General Manager**

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1. Apologies
  2. Declarations of Interest
  3. Deputations
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**1. Apologies**

**2. Declarations of Interest**

**3. Deputations**

## **4.1 Ballina Surf Club - Management and Funding Update**

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### **4. Committee Reports**

#### **4.1 Ballina Surf Club - Management and Funding Update**

<b>Delivery Program Objective</b>	Commercial Services To provide an update on the status of the construction of the new Ballina Surf Club building.
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#### **Background**

The construction of the new Council owned community facility at Lighthouse Beach, Ballina, which includes space for the Ballina Surf Club, meeting / function rooms and a café is now nearing completion. There have been a number of on-going discussions with various parties in respect to the day to day operation of this facility and the purpose of this report is to provide an update on those discussions. Also with the project nearing completion a better picture of the status of the total budget is available.

#### **Key Issues**

- Status of project
- Management arrangements
- Funding

#### **Information**

There are eight main components to this project, five of which relate to the main building (refer to floor plans attached) and three to the surrounding infrastructure:

#### ***Building***

- a) Ground Floor – Includes surf club facilities such as an office, viewing room, meeting rooms and storage areas
- b) Upstairs - Meeting rooms / function rooms
- c) Upstairs - Gym area
- d) Upstairs - Café
- e) Ground Floor - Kiosk

#### ***Associated Infrastructure***

- f) Storage shed – This shed is yet to be commenced as it requires the realignment of Compton Drive.
- g) Car parking – 70 spaces still to be constructed
- h) Compton Drive realignment – Work to commence once the Aboriginal Land Title claims are extinguished from land traversed by the realignment.

#### 4.1 **Ballina Surf Club - Management and Funding Update**

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In respect to items f) to h) preparations are underway to start the Compton Drive realignment as the Land Title Claims, which were holding up this work, are now in the process of being withdrawn and amended.

This means the road works and car parking should be completed by November 2013 and tenders will then be called for the construction of the storage shed early in 2014. This will allow construction to commence after the holiday season. The Compton Drive and car parking works will be undertaken by Council day labour, as this is considered to be a far more expedient solution than tendering, and day labour is considered to be as cost effective as contractors.

In respect to the management of the surf club building, which is largely complete, there have been on-going discussions with the Ballina Surf Club on how best to manage the facility. These discussions originally arose in May 2011 when Council received a report on the re-design of the building, along with options for management. At that point in time, the Surf Club had expressed an interest in managing the entire facility, with possibly the exclusion of the cafe. The resolution arising from the May 2011 Ordinary meeting was as follows:

1. *That Council authorises the lodgement of an amended development application, for the Ballina Surf Club, based on a location closer to the beach as per attachment two to this report.*
2. *That in respect to this amended application Council's preference is to retain control over the areas referred to as the café, function rooms and first floor amenities and the building design is to proceed on that basis, as Council considers that this will result in a more functional building for all members of the community.*
3. *In respect to point two it is acknowledged that Council will call expressions of interest for the lease of the café and management of the function centre and the Ballina Surf Club will be entitled to lodge a submission for those management rights.*
4. *Council confirms that any revenues generated from the café and function centre are to be internally restricted by Council for expenditure on the maintenance of the building and other surf club related activities. The distribution of these funds will be determined by Council on an annual basis.*
5. *In respect to point two, Council authorises the General Manager to continue discussions with the Ballina Surf Club that allow the Club to have access to these facilities on a regular basis, and at no cost, no matter whether they have the management rights or not. These arrangements will be subject to a further report to Council and the preparation of a legal agreement once consensus has been reached on those arrangements.*
6. *That in respect to the latest estimated building cost for the project Council confirms that 10% is considered to be a reasonable contingency for budgeting purposes and the current concept plans are to be revised to ensure that the total estimated building cost is within the funding available of \$5.8 million, including fit-out.*

#### 4.1 Ballina Surf Club - Management and Funding Update

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The May 2011 report outlined concerns in respect to the management of the facility by the Ballina Surf Club, as per the following extract from the report:

- *The management of the function room, which will also be used as meeting rooms for the public, is not a core responsibility of the Club. This then places a greater demand on what are voluntary resources.*
- *Any professional management of the function rooms requires systems in place to promote and manage bookings, cleaning etc. The Club has not yet demonstrated that it can implement the systems or infrastructure to provide this service.*
- *The enthusiasm of Sporting Club Executives change over time and even through the current Executive may wish to manage the facility, this may not always be the case. This raises concerns about consistent professional management over a longer period of time. Essentially the previous building became derelict as the Club's commitment to the building decreased.*
- *Typically, when a sporting group manages a facility, the community perception, rightly or wrongly, is that the facility is solely or primarily for that group. This then creates reluctance from the broader community to use that facility.*
- *There is a risk that the function rooms will become utilised for a range of surf club paraphernalia which could reduce the effectiveness of the rooms and space available for hire.*
- *If Club members are accessing the rooms constantly this could result in sand, salt water etc being a constant management issue.*
- *The down stairs area, as per the concept plans, provides significant space for Club members to meet, conduct training, store items and to socialise.*
- *There is a strong link between the functions room, the café and the upstairs amenities in the current design and each of these areas need to integrate to operate effectively. As there is a high level of integration this then creates difficulty in clearly defining roles if the Surf Club is managing part of this upstairs area. This can then create on-going management issues.*
- *The current design has been able to segregate Club members from the general public by providing complete access to the ground floor and the entrance to the gym is also from the ground floor. It will not be able to provide this segregation if the Club manages the function rooms.*
- *The Federal Government is providing \$2.3 million in funding and has made it clear in discussions with Council staff that the facility should benefit the broader community and not just the Club.*
- *Council is providing over \$3 million in funding and it is important that Council also maximises the broader community use.*
- *Council staff do not see the function room as a large income generator as this is typically not the case with similar facilities. The key objective is to ensure maximum community use of the building with any income generated being a secondary benefit.*

The sentiments outlined in that original report have not changed and there are two main objectives Council is striving to achieve in respect to the management of this facility:

1. Maximise community use and
2. Ensure that the building is adequately maintained into the future.

#### **4.1 Ballina Surf Club - Management and Funding Update**

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In respect to the first point it is essential that Council ensures that this community owned facility is not seen by the broader community as purely a surf club building. If there is a perception that it is for the use of one group, within the community, it will not result in that broader community use. Therefore on going management and marketing / branding of the facility is important.

In respect to maintenance, with a building cost of approximately \$5 million, and located in an extreme marine environment, the possible life of this building could be reduced from the normal 100 years to something like 50. This is effectively what happened with the previous building, which due to a lack of pro-active management, ultimately only lasted around 40 years.

If a straight line depreciation model is applied Council needs to ensure at least \$100,000 is available per annum for on-going maintenance. This is a significant commitment considering all the other financial pressures on Council.

To address point one, the management model proposed is based on:

- Ballina Surf Club – Provided with a licence for the ground floor facilities and the upstairs gym for the use of their members
- Meeting / Function Rooms – Forms part of Council's facilities management program. This will ensure the rooms are available for community and / or commercial use and this model creates further economies of scale due to Council's management of similar facilities (Lennox Head Cultural and Community Centre, ALEC, Kentwell Community Centre etc).

The original resolution in May 2011 identified that Council would call tenders for the management of the meeting / function rooms along with the café. However since that resolution Council has resolved to manage the Lennox Head Cultural and Community Centre with our own staff and the recent organisation structure report has highlighted the need for a dedicated community facilities management team within Council.

Due to these changes it is now appropriate for Council to manage the meeting / function rooms as we have staff with skills in this area, along with internal systems in place to manage the facilities.

- Café – Expressions of interest (EOI) are in the process of being called for the operation of this facility. The EOI is offering a term of five years with two by five year options to the tenant. This term will enable the tenant to recover the substantial costs of fitting out the café.

One issue considered for this EOI was whether or not the cafe operator should have the right to be the sole provider of food for functions in the meeting / function rooms (i.e. similar to the Northern Rivers Community Gallery). The preference was not to provide this option as it was considered important for Council to clearly differentiate between these rooms and the café. Also the sole provider concept could, at times, result in the hire of the meeting / functions being unaffordable for community groups.

#### 4.1 Ballina Surf Club - Management and Funding Update

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Council's Facilities staff advises there is a real shortage of meeting space in Ballina and we do not want to compromise any use of these rooms by restricting the availability of food and refreshments to potential users.

The café EOI is relatively open ended and once submissions close it will be a matter for Council to assess the various proposals submitted to then determine the preferred method of operation for the café.

- Kiosk – There are varying views how best to manage this element of the building. Essentially the Ballina Surf Club has stated their case as per the following extract from an email to Council:

*The Club seeks control of the kiosk, to trade in foods and beverage sales as it considers appropriate, recognising that the kiosk does not accommodate trade wastes and hence naturally limiting some food delivery choices. Not everyone wants to pay café rates for coffee, pies etc. and not everyone will be comfortable in wandering up to the café to grab a coffee in board shorts, swimmers when the café is full of lunchtime diners. Stated differently - if it is acceptable for another operator to conduct such trade through the kiosk, it is unreasonable and a constraint of trade to impose the proposed restrictions against the Club, whilst previously communicating that such trade options would carry an apparent benefit for the proposed Café lessee or other commercial operators.*

The difficulty with there being no restrictions or no delineation as to what can be sold through the kiosk is that it creates uncertainty for the future café operator and it could well lead to conflict between the operations of the cafe and the kiosk.

Council staff have a preference for the café and kiosk to be operated by the same operator to allow economies to be generated from the operation of both facilities and to eliminate the risk of conflict in having two operators.

A large part of the Ballina Surf Club motive appears aimed at generating revenue for their Club and the loss of the kiosk would eliminate this revenue source.

Following discussions with the Surf Club and to move forward on this issue the EOI process provides an opportunity for respondents to tender for the café alone or the café and kiosk. The EOI has flagged that if a respondent does not wish to operate the kiosk then the Ballina Surf Club will be the operator of the kiosk.

The Surf Club's preference for the type of trade they wish to see delivered from the kiosk has been identified in the EOI and if the preferred tenant does not wish to operate the kiosk there will need to be negotiations between all the parties prior to finalising any lease for the café and kiosk.

There is a risk this will result in an operator submitting a lower tender figure for the café due to uncertainties that exist with the kiosk, however as the Surf Club was not prepared to compromise on this issue, the preference was to go to the market and then assess the responses. Hopefully, once those responses are received, agreement can be reached between the Surf Club and the preferred operator.



## 4.1 Ballina Surf Club - Management and Funding Update

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In respect to rental income, if there is one operator / tenant for both the café and kiosk, Council could consider transferring the rental, or part thereof, from the lease of the kiosk to the Ballina Surf Club. This then assists the Club with the generation of the revenue they are seeking.

As to predicted opening hours for the kiosk the Surf Club have advised as follows:

*“ the dates will alter slightly each year subject to the official opening and closing of the season. The club generally commences operation in the first week of October and runs through to the weekend after Anzac Day (end of April)*

*We would expect that the kiosk would be open every weekend including public holidays from 9.00am until 3.00pm. (obviously if it is a good day and the crowds are still on the beach it would be up to the operator to determine whether it is profitable to remain open). We patrol Christmas Day however understand that this would be at the discretion of the operator.*

*There are days when the beach is closed due to surf conditions and we would be flexible regarding opening times on these days. Some days with the wind and rain we would not expect it to be open however there are days after a flood, huge swell where the weather has cleared but unsafe to swim. These days again would be at the discretion of the operator.*

*Now that we have a club the Branch will expect that we will hold a Surf Carnival during the season. Up till now they have understood our constraints and have not required us to put on an event. On these days it may be viable for the kiosk to open earlier and trade later depending on numbers. It would be good to have a relationship with the operator to open on these days (earlier and later) subject to plenty of warning.”*

Finally it was also accepted that the Surf Club will wish to conduct their occasional BBQs for nippers / members and this would be carried out on the grassed area beside the Club. This again may have some impact on the café operator.

In summary all of these issues will need to be worked through once the responses to the EOI for the café and kiosk close, with the EOI to be advertised shortly.

A further issue that has arisen following discussions with the executive of the Ballina Surf Club is clarification as to whether the building is a surf club first and a community building second. For example a recent email from the Club stated as follows:

*Sadly, there is a reflection from the meeting that the Board considers the message they hear of Council staff that this is not a surf lifesaving facility rather, this is a "community owned building" with attached commercially beneficial café and function facilities, and our occupation is incidental to Council's primary view of the building.*

As per the contents of this report it is acknowledged that the primary tenant of the building is surf lifesaving however it is paramount that Council maximise community use and minimise any gap between the on-going maintenance expense and the revenue stream. All actions being taken by Council staff are directed at achieving these outcomes.

## 4.1 **Ballina Surf Club - Management and Funding Update**

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The other matter that this raises is the naming of the facility. To maximise community use a broader name that does not focus entirely on surf lifesaving is an option. Examples that have been suggested include the:

- Pop Denison Centre - Pop Denison is a former prominent citizen who was the original president of the Ballina Surf Club
- Ballina Lighthouse Centre
- Ballina Surf Centre
- Aboriginal Name

Alternatively the building can be called the Ballina Surf Club, which is simple and will most likely be the most frequent term used. No plans have been formulated to officially name the building, as yet, and as occurred with the Kentwell Centre there is no immediate naming urgency.

It may well be that once the café is operating, there will be three distinct names or components to the building (i.e. café, function / meeting rooms and surf club).

Councillors may wish to provide direction, as part of this report, as to which option is to be pursued for naming purposes, however the preferred approach is to wait until the café arrangements are finalised before making a final decision.

### **Ballina Surf Club – Tenure Conditions**

In respect to the tenure of the building by the Ballina Surf Club the Reserve Trust report for the meeting prior to the Commercial Services meeting outlined that Council was pursuing a 20 year lease of the Crown Reserve. It therefore makes sense for the Surf Club to be offered the same term.

The agreement with the Surf Club will actually be a 20 year licence (or sub-licence), not a lease. The differences between a lease and a licence are set out as follows.

#### Lease

- A Lease is a transfer of right to enjoyment (exclusive possession) of that property from the lessor to the lessee, made for a certain term in consideration of a fee subject to the terms set out in the lease agreement
- A lease grants exclusive possession for a fixed period (term)
- A lease creates an interest in the land which can be transferred to the lessee for the period of the lease
- A lease can be transferred (assigned) to another party and if registered on the title is binding on a new owner of the land. In the instance of Crown land this is subject to Minister's consent.
- A lease is not revocable (other than subject to any conditions set out in the lease (e.g. a redevelopment clause).

#### Licence

- A Licence is the granting of a permission to use the land in consideration of a fee subject to the conditions set out in the licence
- A licence does not grant exclusive possession

#### 4.1 Ballina Surf Club - Management and Funding Update

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- A licence does not create or transfer an interest in the land
- A licence is not transferable
- A licence is revocable
- A subdivision is not required for the licenced area

Essentially licences are used for community groups occupying Council facilities as these tenure arrangements are not provided for the commercial benefit of the tenant, but rather to ensure community use by the particular group with the licence.

Also Council does not envisage these licences being transferred to another party due to the subsidised conditions that typically apply to a licence. Leases, on the other hand, are needed for commercial tenancies, as they allow the business to be on-sold.

One key issue that will need to be covered in the licence with the Surf Club is clarification in respect to on-going maintenance of the building. The normal conditions applicable for a licensee would be as follows:

- Day to day minor maintenance of the ground floor. Plate glass breakage should be covered by the occupant's insurance.
- Cleaning – ground floor areas and first floor gym and windows – for this building the windows will need to be washed down at least weekly due to high salt levels
- Consumption charges for water, garbage and wastewater - this excludes the public toilets and outdoor areas which are separately metered to Council for water consumption
- Electricity and telephone services for ground floor
- Building contents and public liability insurance.

This would leave Council responsible for:

- Fixed charges for water and wastewater
- Rates
- Building insurance – includes building and permanent fixtures
- Maintenance of gardens
- Mowing of reserve areas, as required
- Major maintenance and capital improvements
- Security
- Air conditioning maintenance and running costs.

These standard conditions would appear to all be relevant for this facility, although the management of the kiosk still needs to be clarified once the EOI's for the café close.

The Surf Club also wishes Council to consider their use of the meeting / function rooms. Following discussions with the Surf Club they are seeking the following use, at no charge:

- One week night per month (Monday, Tuesday, Wednesday or Thursday)
- Three nights per annum (Friday or Saturday) for presentations etc

#### 4.1 Ballina Surf Club - Management and Funding Update

The proposed fees for the hire of the entire meeting rooms, for community groups, are \$75 for two hours or \$250 for six hours in peak periods (Friday to Sunday) and \$45 for two hours and \$150 for six hours in off peak periods (rest of week).

The level of free hire by the Surf Club is considered acceptable and it will be important for the Club to book their preferred dates well in advance to ensure there is no clash with other bookings.

#### Construction Costs and Funding

The latest expenditure update and estimate for the total project is follows:

Description	Expended to Date	Remaining Expend	Total
<b>Main Building</b>			
Building Contract	3,179,773	64,827	3,244,600
Building Variations	232,305	32,110	264,415
<b>Sub Total</b>	<b>3,179,773</b>	<b>64,827</b>	<b>3,509,015</b>
<b>Consultant's Fees</b>			
Architect	169,320	10,000	179,320
Planning	26,190	4,000	30,190
Engineering and Project Mgmt	279,779	20,000	299,779
Electrical / Mechanical Engineering	58,178	10,000	68,178
Specialist Sub Consultants	53,619	10,000	63,619
<b>Sub Total</b>	<b>587,086</b>	<b>54,000</b>	<b>641,086</b>
<b>Other Costs</b>			
Council / DPI Fees	305,176	20,000	325,176
Credit on Council Section 94 Contributions	0	(48,788)	(48,788)
Legal Fees	63,569	5,000	68,569
Miscellaneous Fees	49,955	5,000	54,955
Council Field Staff	12,150	2,000	14,150
Aboriginal Art Garden	0	25,000	25,000
Internal Art Work	0	5,000	5,000
Temporary Low Voltage Connection	0	11,500	11,500
Electrical Substation	0	100,000	100,000
<b>Sub Total</b>	<b>430,850</b>	<b>124,712</b>	<b>555,562</b>
<b>Total – Main Building</b>	<b>4,197,709</b>	<b>244,539</b>	<b>4,705,663</b>
<b>Other infrastructure works to be completed</b>			
Furniture for Function / Meeting Rooms	0	30,000	30,000
Land Acquisition for road reserve – approx 4,000 sq metres @ \$10	0	40,000	40,000
Stairs from Shared Pathway to front	0	50,000	50,000
Boat Shed (QS cost plan)	0	290,000	290,000
Car Park (70 spaces @ \$3,000/space) est.	0	210,000	210,000
Compton Drive (Updated Council Estimate)	0	750,000	750,000
Professional Fees (approximately 5% of value)	0	65,000	65,000
<b>Total – Works to be completed</b>	<b>0</b>	<b>1,435,000</b>	<b>1,435,000</b>

These updated figures result in a total project cost of \$6.140 million (i.e. main building \$4.706m and \$1.435m for other infrastructure).

The budget Council has been working to is \$5.8 million with funding sourced from the Federal Government (\$2.3 million), Ballina Surf Club (\$300,000) and Council (\$3.2 million).

#### **4.1 Ballina Surf Club - Management and Funding Update**

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Even though the latest project cost update of \$6.140 million is higher than the figure of \$5.8 million there is actually not a short fall in the current budget as Council has previously allocated funding to this project for works completed in earlier years.

The above summary of expenditure to date includes all costs that have been incurred since this project was commenced. As Council will be aware the project was essentially restarted in 2011 when it was agreed to relocate the building closer to Lighthouse Beach. In total Council has allocated funding of approximately \$6.295 million (i.e. 2010/11 \$49,500, 2011/12 \$745,696 and 2012/13 \$5,500,000) to the project.

What this means is that based on the 2012/13 budget of \$5.5 million, Council should be able to save approximately \$155,000 based on a revised total project cost of \$6,140,000 (i.e. \$6.295m less \$6.140m).

At this stage it is not recommended that the budget be reduced as there still could be variations in the remaining works (i.e. road, boat shed, increase in land acquisition costs etc). Also a few of the variations to the building contract relate to requests from the Ballina Surf Club and subject to final agreement Council will be looking for a reimbursement for these costs of up to \$50,000 from the Club.

In respect to details of the expenditure to date and remaining works, as per the earlier table, items of interest include:

##### *Works completed or underway*

- Building variations – Total variations for the building contract now stand at \$264,415. The major variations to date are summarised in the following table and these figures should be read in conjunction with the schedule included as the final attachment to this report that also notes savings made in the course of construction.

## 4.1 Ballina Surf Club - Management and Funding Update

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No.	Variation	Comments	Cost
1.	Additional construction piles	Needs for such works only became apparent once piling works commenced and specific site conditions became known.	19,921
2.	Additional civil and hydraulic works	Changes requires by Council's Civil Services post issuance of CC drawings and documents.	31,766
3.	Galvanise structural steel	Once piling works were completed and high degree of risk dissipated from the Project; discretionary works such as this could proceed.	49,498
4.	High level glazing and controls to function room.	As per Section J building code requirements issued after contractor had priced works and signed contract.	30,400
5.	Door hardware cost overrun	These costs exceeded the provisional cost allowance as noted in the contract.	14,712
6.	Level 2 air-conditioning	These works could not proceed until the Aboriginal land claims were resolved and cabling for a transformer to be installed could proceed on the affected land. Not included in original contract as there was a risk the works would never proceed.	95,627
7.	Acoustic upgrade to function / meeting rooms	Once piling works were completed and high degree of risk dissipated from the Project; discretionary works such as this could proceed. This work was undertaken to ensure that the noise impact on the function / meeting rooms was minimised.	31,005
<b>Total</b>			<b>\$272,929</b>

- Council and Department of Primary Industry Fees – A total of \$305,156 has been paid to date for statutory fees. The majority of these fees have been paid as internal payments to Council (therefore they do not represent an actual outlay from Council)
- Credit on Council Section 94 Contributions – Council's Section 94 Plans allow credits or exemptions to be approved for certain contributions for community buildings. An application has been forwarded to the Development and Environmental Health Group for approval of an exemption for this building due to its community use
- Legal Fees – The expenditure on legal fees has been significant as Council has worked through the Land Title Claim issues

### *Works still to commence*

- Furniture and Equipment – With Council managing the function / meeting rooms an allowance is now needed for furniture for those rooms.
- Aboriginal Art Garden – Council staff have been liaising with JALI in regards to incorporating Aboriginal art work into a garden near the entrance to the first floor. The estimated cost of these works is in the order of \$25,000. A grant application for \$25,000 to cover the cost of these works has been prepared and lodged on behalf of JALI. Should this application be successful, the \$25,000 or part thereof can be deducted from the budget.

## **4.1 Ballina Surf Club - Management and Funding Update**

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- Land Acquisition – Council is required to compulsorily acquire land from the State Government for the Compton Drive realignment. As the land has no dwelling entitlement it is hoped that the value is minimal and for the purposes of this report a \$10 per square metre rate has been included. This figure could well be much higher than this estimate and an independent valuer will be used to determine the value.
- Stairs from Pathway – One improvement to the building is the inclusion of stairs from the eastern side of the pathway around the front of the building to improve access. The \$50,000 estimate has been provided by Council's Civil Services Group and this work is optional. If Council wished to save money the work could be deleted.
- Boat Shed – The quantity surveyor estimate for this work is now around two years old and there remains a risk that the actual tendered price may come in higher than budget.
- Car Park and Compton Drive –These figures represent conservative estimates from the Civil Services Group. The original budget for Compton Drive was \$600,000 however based on latest costs and with a reasonable contingency of 10%, the revised estimate is now \$750,000.

### **Legal / Resource / Financial Implications**

As per the information section of this report the funding allocated by Council remains adequate for this project and it is hoped savings can be made.

### **Consultation**

This project has required extensive negotiations with a wide range of parties including the NSW Department of Primary Industries (Crown Lands), JALI Land Council and the Ballina Surf Club.

### **Options**

There are two main issues canvassed in this report being the tenure arrangements for the building and the overall project budget.

In respect to the tenure arrangements the proposal is to provide the Ballina Surf Club with a 20 year sub-licence based on standard terms and conditions, as outlined in this report. The options are to support this approach or provide an alternative approach such as a shorter term or to vary the responsibilities for the Club and / or Council.

The recommendation is to support the 20 year term which should be consistent with Council's tenure of the Crown Reserve. Similarly it is recommended that Council apply the standard terms and conditions for a licence in respect to matters such as rates, charges, maintenance etc, as per the contents of this report.

As to the lease terms and conditions for the café and / or kiosk this will be the subject of a further report to Council once the EOI's close and are evaluated.

#### **4.1 Ballina Surf Club - Management and Funding Update**

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In respect to the overall budget the latest information is that there should be savings to the budget allocated to the project with any funds left over to be retained in the Council's Community Infrastructure Reserve, to finance other community infrastructure projects. This comment is still subject to confirmation of the tender costs for the boat shed, the land acquisition costs and the actual construction for Compton Drive and the car parking. Therefore no change is recommended to the budget at this point in time.

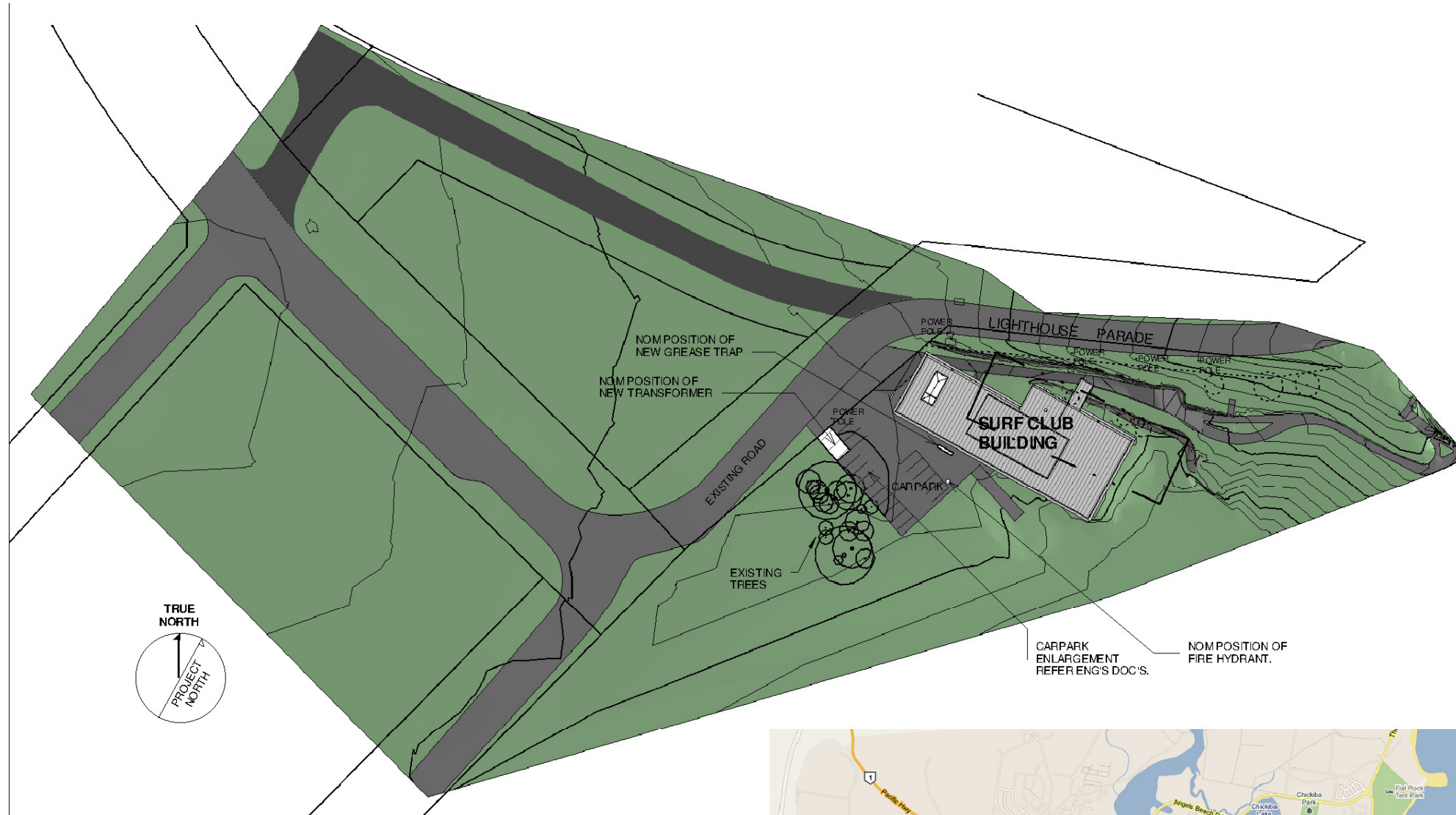
#### **RECOMMENDATIONS**

1. That in respect to the occupation of the Ballina Surf Club building, Council approves the offer of a 20 year sub-licence to the Ballina Lighthouse and Lismore Surf Lifesaving Club, based on the standard terms and conditions as outlined within this report. Council approves the attaching of the Council seal to this sub-licence.
2. That Council confirms that this sub-licence agreement will entitle the Ballina Lighthouse and Lismore Surf Lifesaving Club to use of the upstairs function / meetings rooms without paying a hire charge (other costs such as cleaning still applicable) based on one week night per month (Monday to Thursday) and three nights per annum (Friday or Saturday) for presentations etc.
3. That Council notes the occupation of the café and kiosk will be the subject of a further report once the expressions of interest process closes.
4. That Council notes the contents of the current status of the budget for the Ballina Surf Club building.

#### **Attachment(s)**

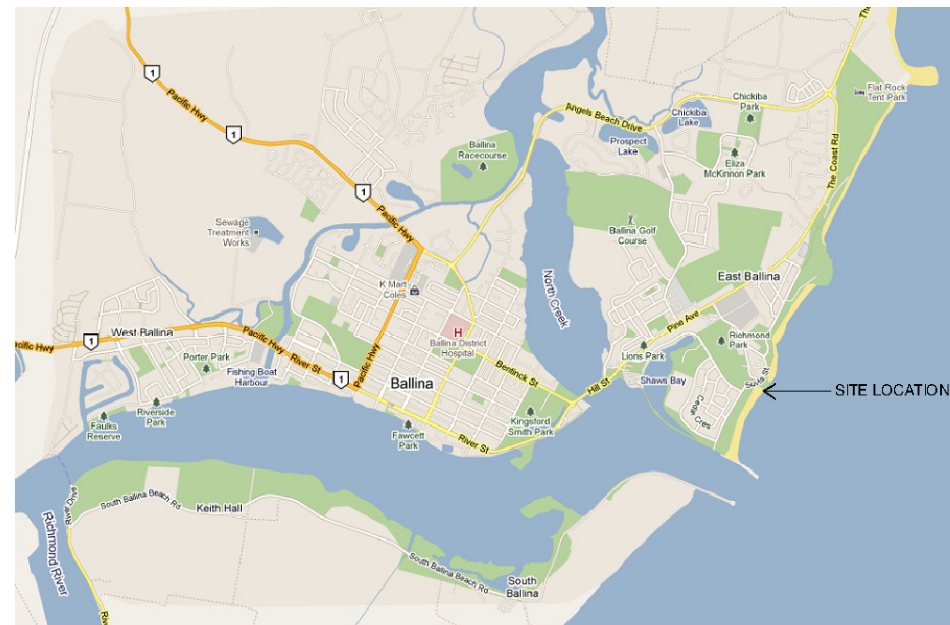
1. Location & Site Plan
2. Ground Floor Plan
3. First Floor Plan
4. Elevations
5. Building Perspective
6. Variation Summary





**1 SITE PLAN**  
02 01 1 : 1000

**NOTE:**  
BUILDING DESIGN ADDRESSED RELEVANT  
RECOMMENDATIONS CONTAINED WITHIN N.S.W.  
POLICE CRIME PREVENTION PLAN 13 APRIL 2012



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**NOTES**  
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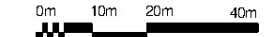
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**BL & LSC NEW CLUB**

LOT 379 DP 7556684

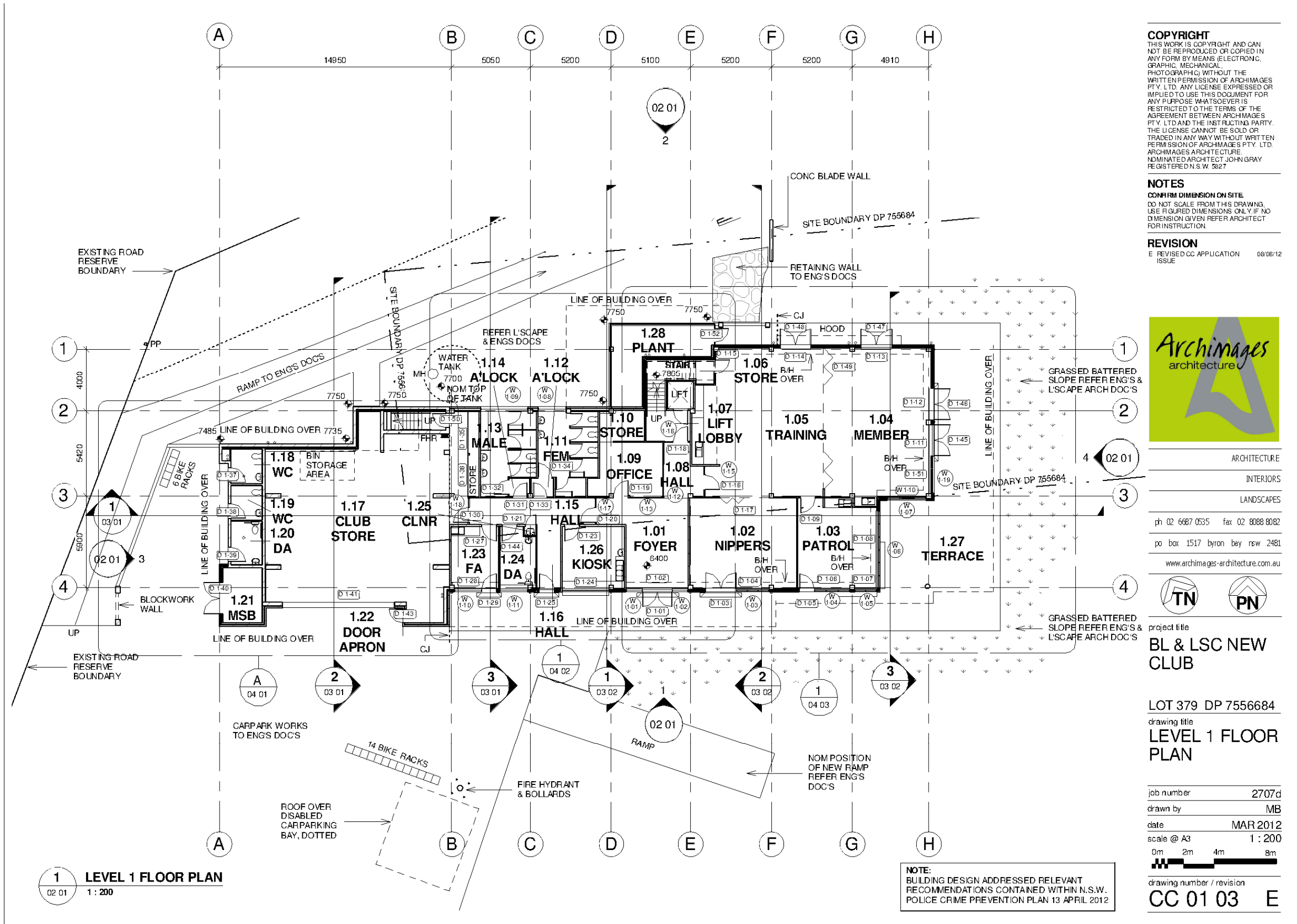
drawing title  
**SITE & LOCATION PLANS**

job number 2707d  
drawn by MB

date MAR 2012  
scale @ A3 1 : 1000



drawing number / revision  
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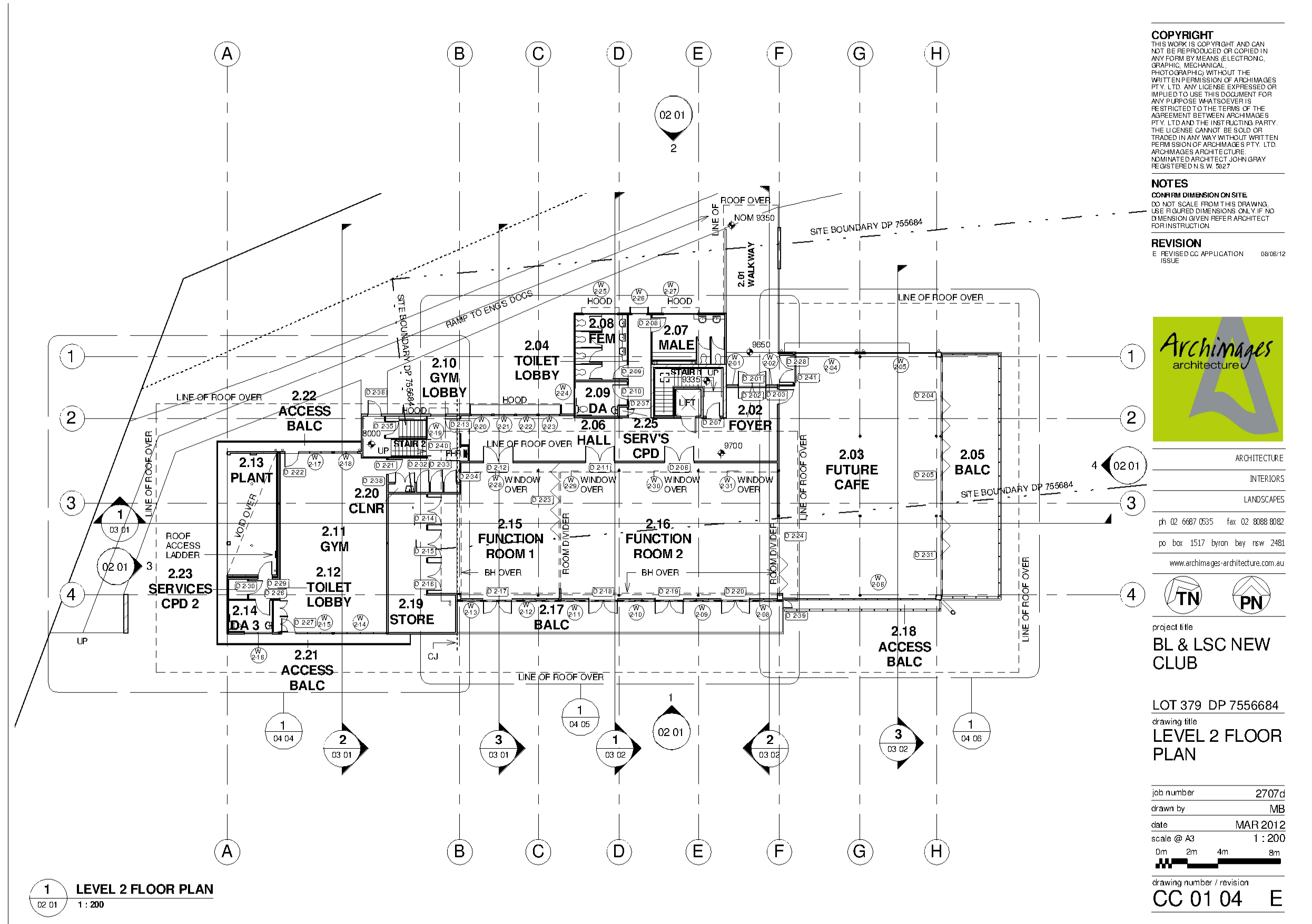


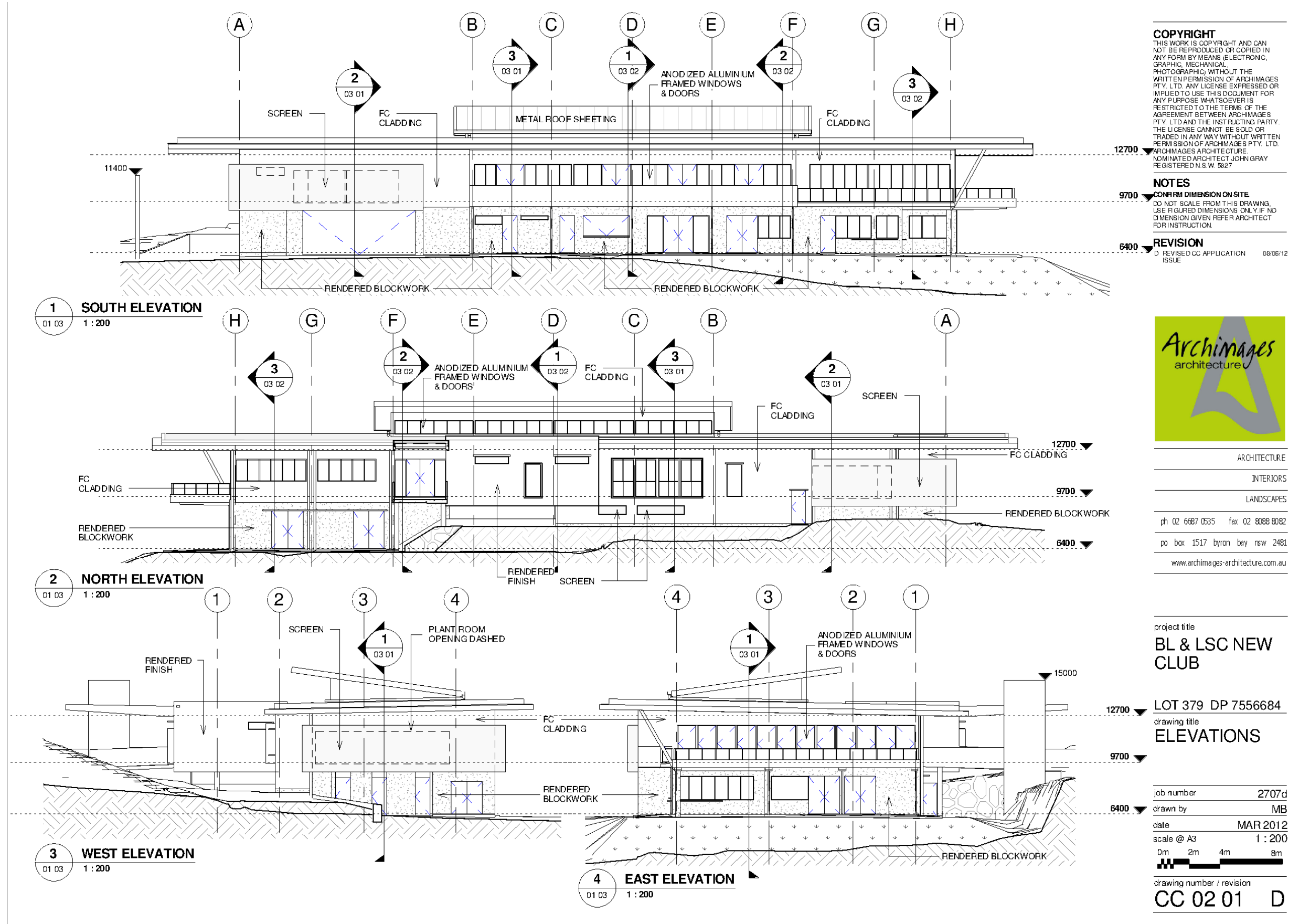
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**BL & LSC NEW CLUB**

LOT 379 DP 7556684  
drawing title  
**LEVEL 1 FLOOR PLAN**

job number 2707d  
drawn by MB  
date MAR 2012  
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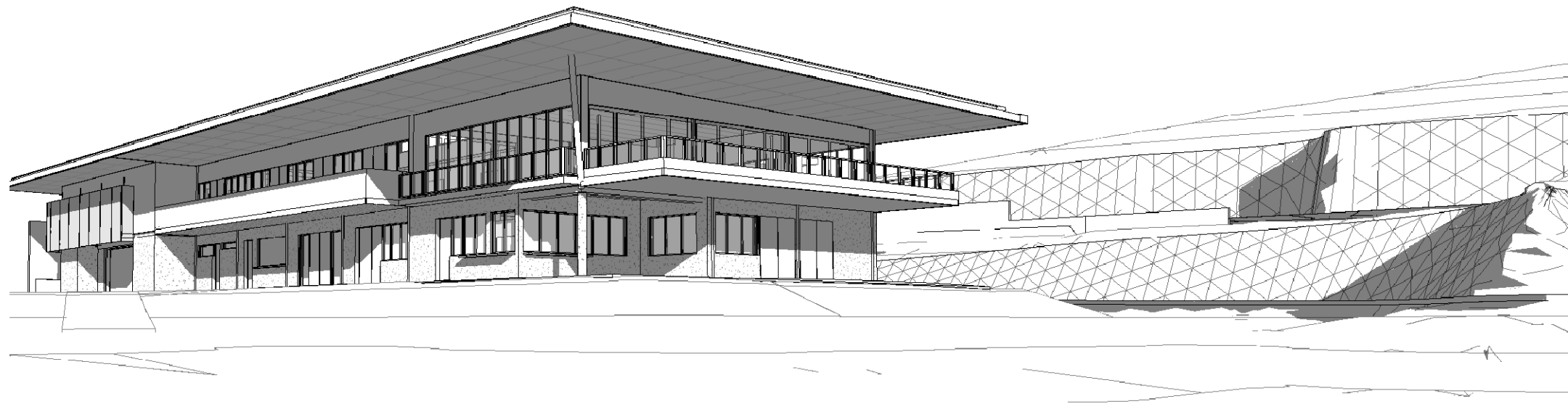
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**BL & LSC NEW CLUB**

LOT 379 DP 7556684  
drawing title  
**ELEVATIONS**

job number 2707d  
drawn by MB  
date MAR 2012  
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CONSTRUCTION CERTIFICATE APPLICATION  
PROPOSED NEW  
BALLINA LIGHTHOUSE & LISMORE SURF  
LIFESAVING CLUB,  
BALLINA, N.S.W.  
LOT 379 DP 755684



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## VARIATION SUMMARY

Job Name : BALLINA SURF CLUB		Job Description		
Client's Name: Ballina Shire Council		New Ballina Light House & Lismore Surf Life Saving Club		
Var No.	Variation Description	Note	Status	Variation Total
1	ADDITIONAL 4NO CFA PILES	COMPLETE	APPROVED	19,921
2	CYCLEWAY ADDITIONAL SUBSOIL DRAINAGE & SURFACE PREP	COMPLETE	APPROVED	4,082
3	PRESSURE & FLOW TEST EXISTING SEWER RISING MAIN	COMPLETE	APPROVED	2,420
4	LIFT AUTO DOORS	COMPLETE	APPROVED	3,168
5	PILING RISK & CONTINGENCY PROVISIONAL SUM ADJUSTMENT	COMPLETE	APPROVED	-23,244
6	NOTCH OUT PURLINS TO LOWER ROOF HEIGHT	COMPLETE	APPROVED	3,036
7	ADD TIMBER BATTENS TO GRIDS A & H FOR ROOF SHEET FIXINGS	COMPLETE	APPROVED	3,846
8	HYDRAULIC & CIVIL FOR CONSTRUCTION DWG CHANGES	IN PROGRESS	APPROVED	31,766
9	ADDITIONAL 2NO STRUCTURAL STEEL COLUMNS	COMPLETE	NO CHARGE	
10	STRUCTURAL STEEL HD GALV SURFACE TREATMENT	COMPLETE	APPROVED	49,498
11	FUTURE PROOFING CONDUITS IN LEVEL 2 SLAB BEAMS	COMPLETE	APPROVED	602
12	FUNCTION ROOM SOUTH ELEVATION GLAZING RW30/32 UPGRADE	COMPLETE	APPROVED	4,480
13	FUNCTION ROOM HIGH LEVEL GLAZING RW40 UPGRADE INCL. ELECTRONIC CONTROLS	COMPLETE	APPROVED	30,500
14	FEATURE BLADE WALL LIGHTING	COMPLETE	APPROVED	2,349
15	GLAZING PRESSURE EQUALISATION ANGLES	COMPLETE	APPROVED	2,783
16	FUNCTION ROOM DOOR FRAMES CHANGED FROM TIMBER TO ALUMINIUM	COMPLETE	PENDING	1,958
17	WATERPROOF TIMBER FRAMES IN GLAZING OPENINGS	COMPLETE	APPROVED	1,364
18	LEVEL 1 WALL FRAMES CHANGED FROM BRICK TO TIMBER	COMPLETE	APPROVED	-330
19	HOSE COCK CUPBOARD & BLADE WALL HOSE COCK	COMPLETE	PENDING	4,469
20	ALTERNATIVE COLOURED CONCRETE	IN PROGRESS	APPROVED	-3,000
21	INCREASE CYCLEWAY WIDTH	COMPLETE	PENDING	2,408
22	BOX GUTTER FRAMING ADMENDED	COMPLETE	NO CHARGE	
23	MODIFY STRUCTURAL STEEL WINDOW HEAD CONNECTIONS	COMPLETE	NO CHARGE	
24	DOORWAY STRIP DRAINS	IN PROGRESS	PENDING	-3,350
25	BOAT WASH HOSE COCK UPGRADE	COMPLETE	NO CHARGE	

BENNETT CONSTRUCTIONS  
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Date of Printing: 22/May/13  
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### VARIATION SUMMARY

Job Name :	<u>BALLINA SURF CLUB</u>	Job Description
Client's Name :	<u>Ballina Shire Council</u>	New Ballina Light House & Lismore Surf Life Saving Club

Var No.	Variation Description	Note	Status	Variation Total
26	LEVEL 1 WINDOW HEAD RE-DESIGN	COMPLETE	APPROVED	2,571
27	ALTERNATIVE OPERABLE WALL	IN PROGRESS	APPROVED	-5,000
28	MODIFICATIONS TO WALKWAY ROOF STRUCTURAL STEEL	COMPLETE	APPROVED	5,469
29	DOOR HARDWARE COST OVERRUN	COMPLETE	APPROVED	14,712
30	FUNCTION ROOM WALL FRAME UPGRADES	COMPLETE	TBS	
31	SURF CLUB ADDITIONAL ELECTRICAL SERVICES	COMPLETE	APPROVED	8,144
32	SURF CLUB ADDITIONAL HYDRAULIC SERVICES	COMPLETE	PENDING	3,620
33	LEVEL 1 90MM BLOCK CORE FILLING	COMPLETE	APPROVED	1,359
34	EXTEND BOX GUTTER	COMPLETE	APPROVED	1,276
35	DOWNPIPE RELOCATION TO GYM 4TH ELEVATION	COMPLETE	APPROVED	495
36	LEVEL 2 MALE WC WALL BUILD-OUT	COMPLETE	NO CHARGE	
37	DELETE ROLLER SHUTTERS BEHIND GLAZING & ADD SECURITY CABLING	COMPLETE	PENDING	-16,065
38	GRATES TO DOWNPIPE STORMWATER DRAINAGE	COMPLETE	APPROVED	952
39	ADDITIONAL ELECTRIC STRIKES	COMPLETE	PENDING	23,900
40	KIOSK, FIRST AID ROOM & DISABLED TOILET CEILING	COMPLETE	APPROVED	3,110
41	KIOSK BENCH DESIGN CHANGE	COMPLETE	NO CHARGE	
42	SURF CLUB EXTERNAL PA SYSTEM	COMPLETE	APPROVED	7,215
43	LEVEL 2 ATR CONDITIONING	IN PROGRESS	TBS	95,627
44	COUNCIL FUNCTION ROOM PA SYSTEM CABLING	COMPLETE	PENDING	4,071
45	SURF CLUB INTERNAL PA SYSTEM	COMPLETE	APPROVED	9,656
46	FUNCTION ROOM RW49 ACOUSTIC UPGRADES	COMPLETE	APPROVED	31,005
47	LEVEL 2 FOYER, HALL & TOILET LOBBY FLOOR COVERING RE-SELECTION	IN PROGRESS	PENDING	1,698
48	DELETE LEVEL 2 SOFFIT ANTI-GRAFFITI PAINT	COMPLETE	PENDING	4,535
49	RENDER WALKWAY BRIDGE & FEATURE BLADE WALL	COMPLETE	PENDING	5,412
50	ADDITIONAL CIVIL DRAINAGE	COMPLETE	APPROVED	1,047
51	SWITCHBOARD 40AMP BREAKER	IN PROGRESS	APPROVED	1,320

BENNETT CONSTRUCTIONS  
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Page: 2

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## VARIATION SUMMARY

Job Name:	<u>BALLINA SURF CLUB</u>	<u>Job Description</u>
Client's Name:	<u>Ballina Shire Council</u>	New Ballina Light House & Lismore Surf Life Saving Club

Var No.	Variation Description	Note	Status	Variation Total
52	WESTERN SCREEN M05 PROV SUM ADJUSTMENT	IN PROGRESS	PENDING	5,954
53	ADDITIONAL FIRE EXTINGUISHERS & FIRE BLANKET	COMPLETE	APPROVED	352
54	BRIDGE WALKWAY BALUSTRADE & HANDRAILS	IN PROGRESS	TBS	3,542
55	STORMWATER JUNCTION TO EXISTING MAIN	COMPLETE	APPROVED	1,936
56	DELETE ASPHALT PAVEMENTS	COMPLETE	APPROVED	-14,310
57	EXTEND FIRST FLOOR PLANT ROOM LOUVRE SCREEN	COMPLETE	APPROVED	1,109
58	MASTER KEYING CHANGES	IN PROGRESS	APPROVED	1,848
59	DELETE GAS BOTTLE ENCLOSURE	COMPLETE	PENDING	-750
60	WESTERN BLADE SIGN WALL	IN PROGRESS	TBS	
61	SUPAWOOD BLACK FABRIC BACKING	COMPLETE	PENDING	1,547
62	TILE SUPPLY PROV SUM ADJUSTMENT	COMPLETE	PENDING	-7,040
63	SOFT LANDSCAPING SUBCONTRACTOR CHANGE & PLANT DELETION	COMPLETE	APPROVED	-4,633
64	DELETE BIKE SAFE HANDRAIL PROV SUM	COMPLETE	APPROVED	-10,000
65	DELETE CAR PARK FURNITURE PROV SUM	COMPLETE	APPROVED	-15,000
66	TACTILE SUPPLY PROV SUM ADJUSTMENT	COMPLETE	PENDING	584
67	BALCONY BALUSTRADE PROV SUM ADJUSTMENT	COMPLETE	PENDING	3,496
68	ROCK ARMOURING PROV SUM ADJUSTMENT	IN PROGRESS	TBS	-50,567
69	STAIR 2 METALWORK CHANGE	COMPLETE	TBS	
70	WINDOW HOOD PROV SUM ADJUSTMENT	COMPLETE	TBS	
71	SIGNAGE CHANGES AND PROV SUM ADJUSTMENT	IN PROGRESS	TBS	
72	PI LIGHT FITTING CHANGES	WAITING DIRECTION	TBS	
73	SOD & WATER HEATER POWER SUPPLY & UPGRADES	COMPLETE	TBS	

Contract Total Including G.S.T.:	\$ 3,569,060
Variation Total:	262,923
G.S.T. 10.00%:	26,292
Variation Total Including G.S.T.:	289,215
Final Total Including G.S.T.:	\$ 3,858,275



## 4.2 Ballina Gallery Cafe - Update

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### 4.2 Ballina Gallery Cafe - Update

**Delivery Program** Commercial Services

**Objective** To provide an update on discussions with the operator of the Gallery Cafe following Council's decision not to proceed with improvements to the cafe at the May 2013 Ordinary meeting.

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#### **Background**

At the May 2013 Ordinary meeting Council considered a report on the Gallery Café whereby it was proposed to undertake alterations to the building to enhance the operations of the café. As a result of that report Council resolved as follows:

*That this matter be deferred until Council determines its preferred options for the entire precinct.*

Due to the possibility of Council acquiring the adjoining Fire Station the preferred option was to wait until that acquisition was finalised and Council had determined its long term strategy for the precinct prior to making a determination on any improvements to the cafe.

Following the conveying of this resolution to the café operator the operator has again expressed concerns over the viability of their business, particularly with inclement weather, and has subsequently amended their proposal. The purpose of this report is to determine whether Council wishes to consider the amended proposal.

#### **Key Issues**

- Ongoing viability of the Gallery Café
- Cost / benefit of proposed building alterations and funding for same

#### **Information**

The report to the May Ordinary meeting outlined that the lessees, Mr & Mrs Hamblin, currently hold a sub-lease over the Ballina Gallery Café, the terms and conditions for which are summarised as follows:

<b>Term</b>	5 + 5 years
<b>Commencement Date</b>	12 January 2009
<b>Current Rental</b>	\$25,020 p.a. + GST
<b>Rent Reviews</b>	Annual CPI Reviews. Review to market upon exercise of option to renew sub-lease.
<b>Premises</b>	Kitchen, deck area, Gallery one and yard area (see copy of plan attached hereto)
<b>Special Conditions</b>	The Sub-Lessee has the use of the Gallery rooms for up to 20 functions per year where such use does not conflict with exhibitions. The Sub-Lessee has exclusive catering rights to functions held in the Gallery

## 4.2 Ballina Gallery Cafe - Update

---

The alterations proposed in the May report included:

- Removal of three windows on the north wall
- Install bi-fold doors similar to the existing external doors to the café
- Undertake make good works as required
- Undertake electrical works as required
- Install the appropriate material in Gallery One to improve acoustics
- Undertake works to reduce “wind tunnelling” through the Gallery
- Install new steps and handrail from deck to grassed area
- Install small awning over door openings to provide weather protection to the timber floors
- Construct two low rise walls, approximately 500mm high, on the eastern and western boundaries of the grassed area forecourt area to better define the Café’s area and improve its presentation

A copy of the sketch plan attached to the May report is included as the first attachment to this report. The cost of these works was estimated at \$55,000 plus GST, inclusive of professional fees and development application fees.

The proposal to fund these improvements was as follows:

- a) Council funds the cost of the works to a maximum of \$60,000 + GST (This allows \$5,000 for contingencies)
- b) The cost of the works is amortised over a period of ten years at an interest rate of 5.00% p.a.
- c) The amortised cost of \$7,770 p.a. is added to the current rental of rental \$25,020 p.a. and indexed annually to CPI movements
- d) The current sub-lease with the Hamblins is varied by adding an additional option period of five years to the current term; i.e. five plus five years from 12 January, 2014
- e) All other lease terms and conditions to remain as per the current sub-lease agreement.

The May report also identified that Council’s Gallery Co-ordinator had requested that consideration be given to undertaking the following works:

- Installation of a new reception desk in the foyer (allowing an existing second entry into Gallery one to be utilised). This second entry is currently blocked by the existing reception desk. A copy of the concept plan for this work is included as the second attachment to this report.

The logic behind this proposal was that if Council was undertaking alteration works then these works could be considered to determine whether building efficiencies can be gained.

The Gallery Co-ordinator is of the opinion that the full potential of the northern wall of Gallery one would be realised by a redesign of the gallery reception desk.

A conservative estimate for this work was up to \$20,000.

## 4.2 Ballina Gallery Cafe - Update

---

The resolution from the May meeting was subsequently conveyed to the Mr and Mrs Hamblin and they have expressed significant concerns that the alterations, if they do not proceed, will have a detrimental impact on their viability particularly if the recent spate of wet weather continues.

A number of the concerns expressed by Councillors have been conveyed to the Hamblins and in response they have asked whether Council would consider the following changes to the original proposal:

- Delete the two low rise walls – saving \$10,000
- Amend the acoustic adjustments for Gallery One from wall and floor improvements to essentially the provision of an appropriate carpet. This is considered to be reasonable compromise by both the Hamblins and Council's Gallery Co-ordinator
- Inclusion of appropriate signage to clarify the two main components of the building (minimal cost)
- Revised total budget of \$40,000 (with likelihood that savings can still be made in this estimate)
- Change to special conditions – The Gallery Café operator will provide a monthly sponsorship of a case of wine for the exhibition openings resulting in a reduced cost for participants to those openings. The retail value of this sponsorship is estimated at \$3,500.
- Loan Repayment – Council is currently able to borrow loan funds at fixed interest rates of around 5.5% for a ten year period. The proposal is to refinance the Council expenditure through a ten year loan repayment by the tenant at 5.5% based on the actual expenditure incurred. For example a \$40,000 loan repayment at 5.5% equates to \$5,306 per annum, or approximately \$100 per week. The 5.5% is higher than originally proposed. This loan repayment will also be indexed by CPI each year as per the original proposal. The operator will be able to repay this loan quicker if they so wish. It is proposed to treat this as a separate financial arrangement to the lease thereby avoiding any issues with the building being on crown land.

Concerns have also previously been expressed in respect to the current rental amount. It is important to acknowledge that the lease conditions require a review to market every time a five year option is exercised. Even if the lease is extended Council is still in a position to review the rental every five years.

Another important point is that the majority of the current leased area is open to the weather (i.e. grassed area and verandah). This means inclement weather can significantly curtail the viability of the business and with Gallery One having poor acoustics and a lack of accessibility this highlights the financial risk any operator faces for this business.

In respect to the market value of the rent, Tweed Shire Council recently called tenders for the lease of their café at the Tweed River Art Gallery. The subsequent lease for that café was agreed at \$30,000 (GST inclusive) for three years, with a three year option.

This figure, which is for a regional gallery with much higher attendance levels, is more than comparable to the current lease for the Ballina Gallery Café (for further details refer to the Tweed Shire Council website: [tweed.nsw.gov.au](http://tweed.nsw.gov.au) – refer to Ordinary meeting agenda dated 16 May 2013).

## 4.2 Ballina Gallery Cafe - Update

---

For the other cafes operated by Council the current leases are approximately \$50,000 plus GST for the Fawcett Park café and \$40,000 plus GST for Shelly Beach. Both of these sites have enclosed buildings, albeit that the Shelly Beach figure is for land rental only.

### **Legal / Resource / Financial Implications**

Funds to cover the cost of proposed works would be funded from Council's Commercial Opportunities Reserve and repaid to same.

### **Consultation**

Council staff have undertaken negotiations with the Hamblins and consultation has also occurred with the Gallery Co-ordinator.

### **Options**

As Council has previously resolved to defer this matter the recommendation that follows is to note the contents of this report.

However it was important for the amendments to the original proposal to be submitted to Council to ensure Councillors were aware of the latest information available. The tenants are also concerned it could be up to two years before Council is in a position to occupy the Fire Station, if that sale proceeds, as the new station still needs to be built.

Based on these concerns and if the proposal, as amended, was now considered satisfactory, an alternative recommendation could be as follows:

- 1. Council authorises the General Manager to proceed with the revised refurbishment works for the Ballina Gallery Cafe as outlined in this report (i.e. alterations to Gallery 1) subject to points two and three below.*
- 2. The works in point one are subject to the sub-lessee varying the existing lease agreement as per the revised terms and conditions outlined within this report.*
- 3. That Council approves a maximum of \$40,000 in funding from the Commercial Opportunities Reserve to undertake the refurbishment works.*
- 4. Council authorises the Council seal to be attached to the sub-lease documentation and any other related documents.*
- 5. Council also approves a maximum of \$15,000 in funding from the Commercial Opportunities Reserve to undertake refurbishment works to the reception and foyer area of the Northern Rivers Community Gallery to improve the overall functionality of the gallery, as detailed within this report.*

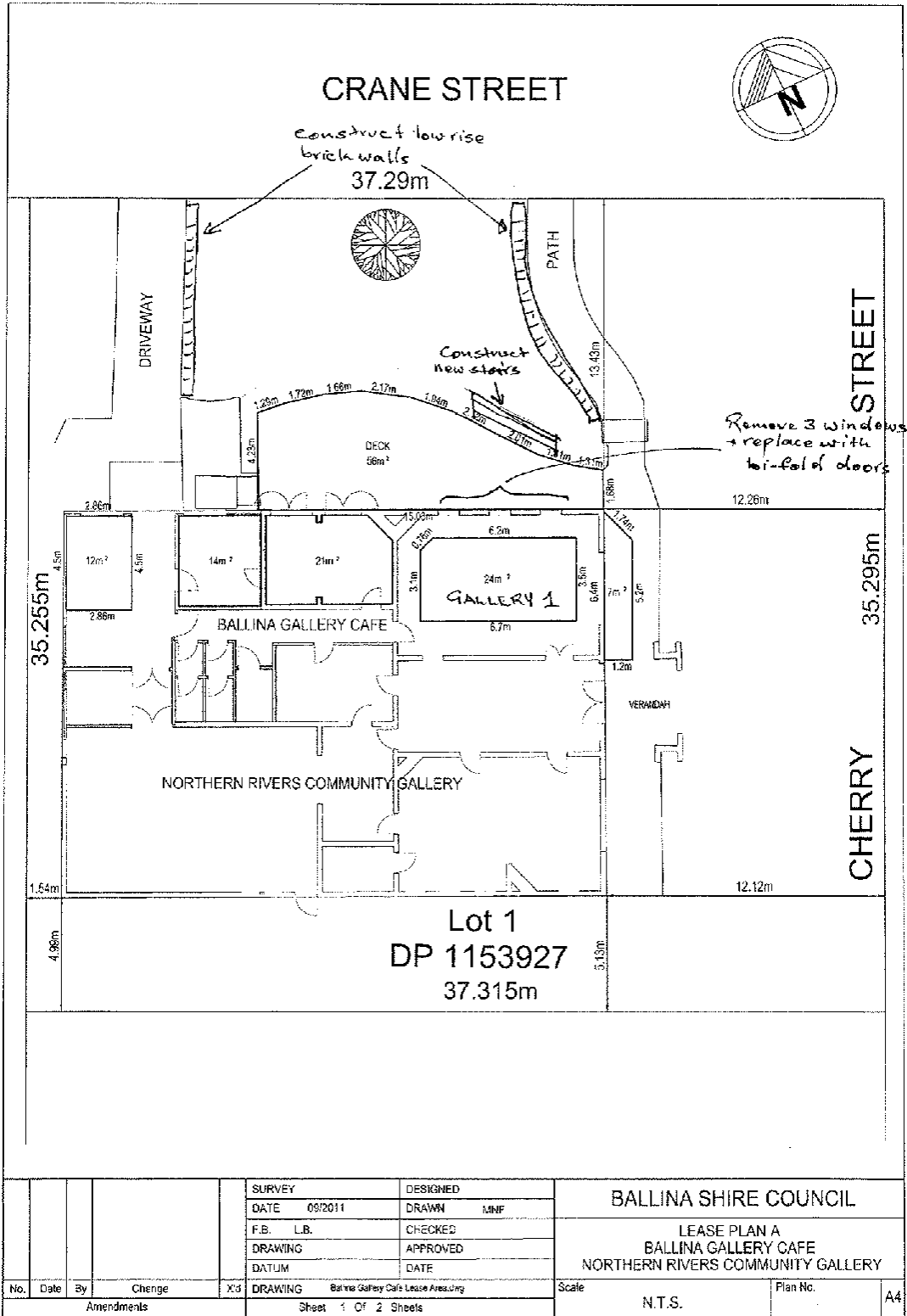
Point five provides the latest estimates for the works required by the Gallery Co-ordinator and this item can either be included or excluded from this revised recommendation.

**RECOMMENDATION**


That Council notes the contents of this report on the latest information available in respect to alterations to the Ballina Gallery Café.

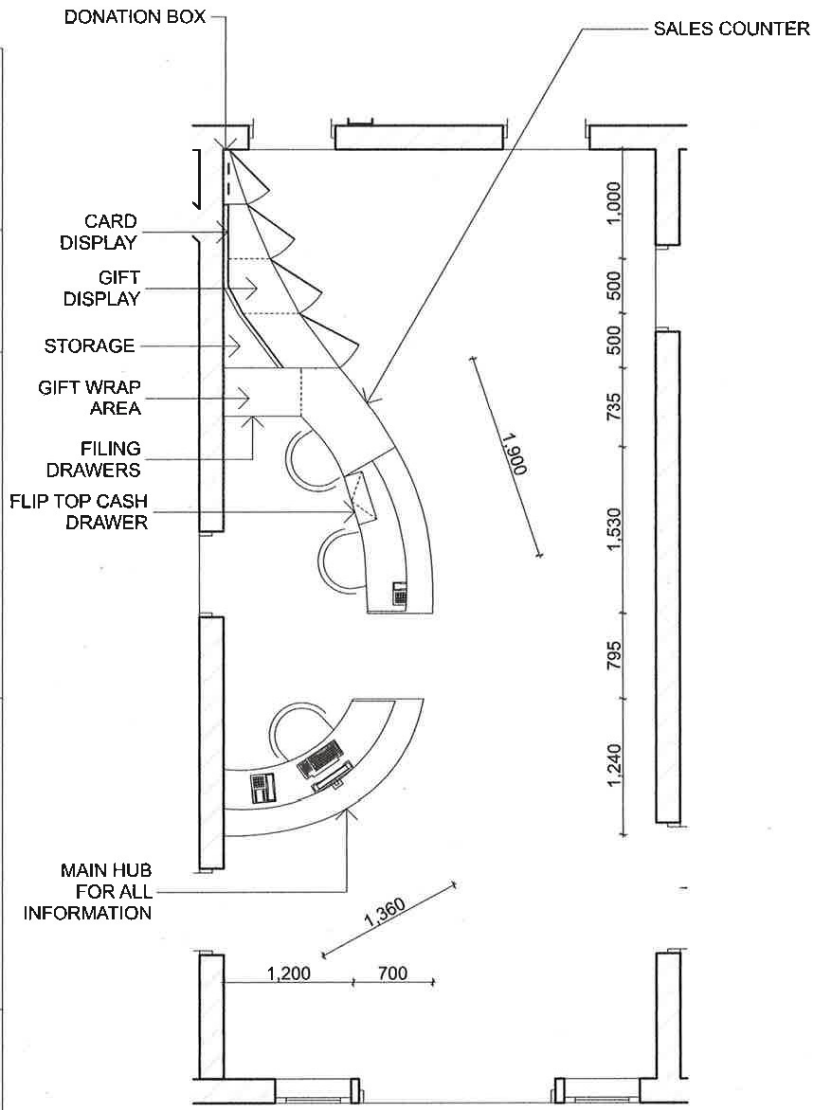
**Attachment(s)**

1. Plan of kitchen, deck area, Gallery 1 and yard area
2. Proposed Sketch Plan and Concept Plans - Reception area

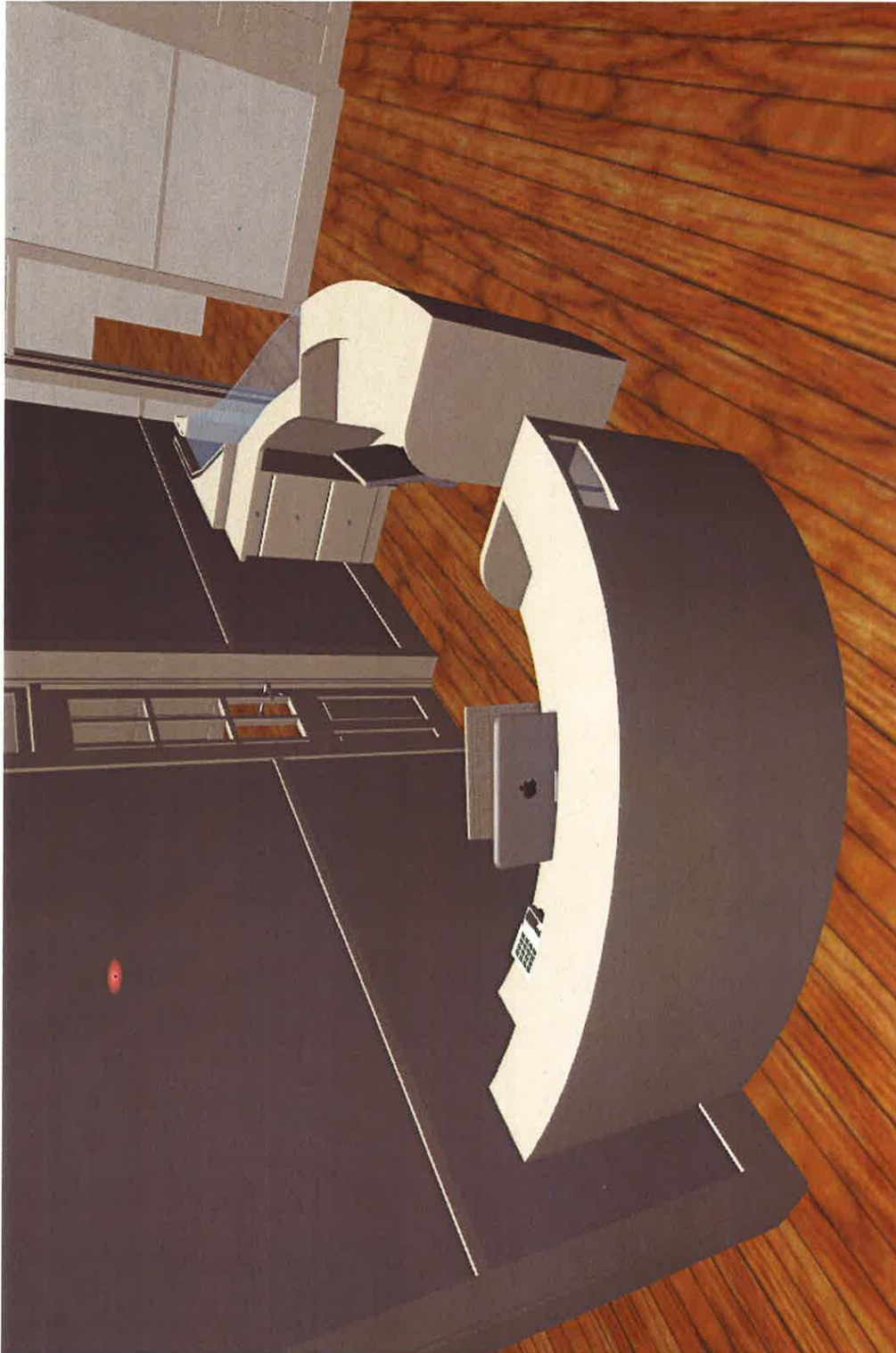


					SURVEY		DESIGNED		<b>BALLINA SHIRE COUNCIL</b> LEASE PLAN A BALLINA GALLERY CAFE NORTHERN RIVERS COMMUNITY GALLERY		
					DATE 09/2011		DRAWN MNP				
					F.B. LB.		CHECKED				
					DRAWING		APPROVED				
					DATUM		DATE				
No.	Date	By	Change	X3	DRAWING Ballina Gallery Cafe Lease Area.urg			Scale	N.T.S.	Plan No.	A4
Amendments					Sheet 1 Of 2 Sheets						

<p>ISSUE No. <b>B</b></p> <p>DRAWING No. <b>A.03.3</b></p>
<p>DRAWINGS SCALE 1:50 @ A4</p> <p>DATE 8/03/12</p>
<p>DESCRIPTION</p> <p><b>COUNTER PLAN</b></p> <p>PROPOSED COUNTER</p>
<p><b>PRELIMINARY CONCEPT</b></p> <p>CLIENT: NORTHERN RIVERS COMMUNITY GALLERY ADDRESS: 44 CHERRY ST. BALLINA</p>
<p>137 Dawson St. Lismore, NSW, 2480 PH: 02 66 228393 Mobile: 0410 528968 www.nwdesign.com.au ABN 40 996 879 765</p>  <p><b>NW Design</b></p>



**1** COUNTER PLAN  
1:50

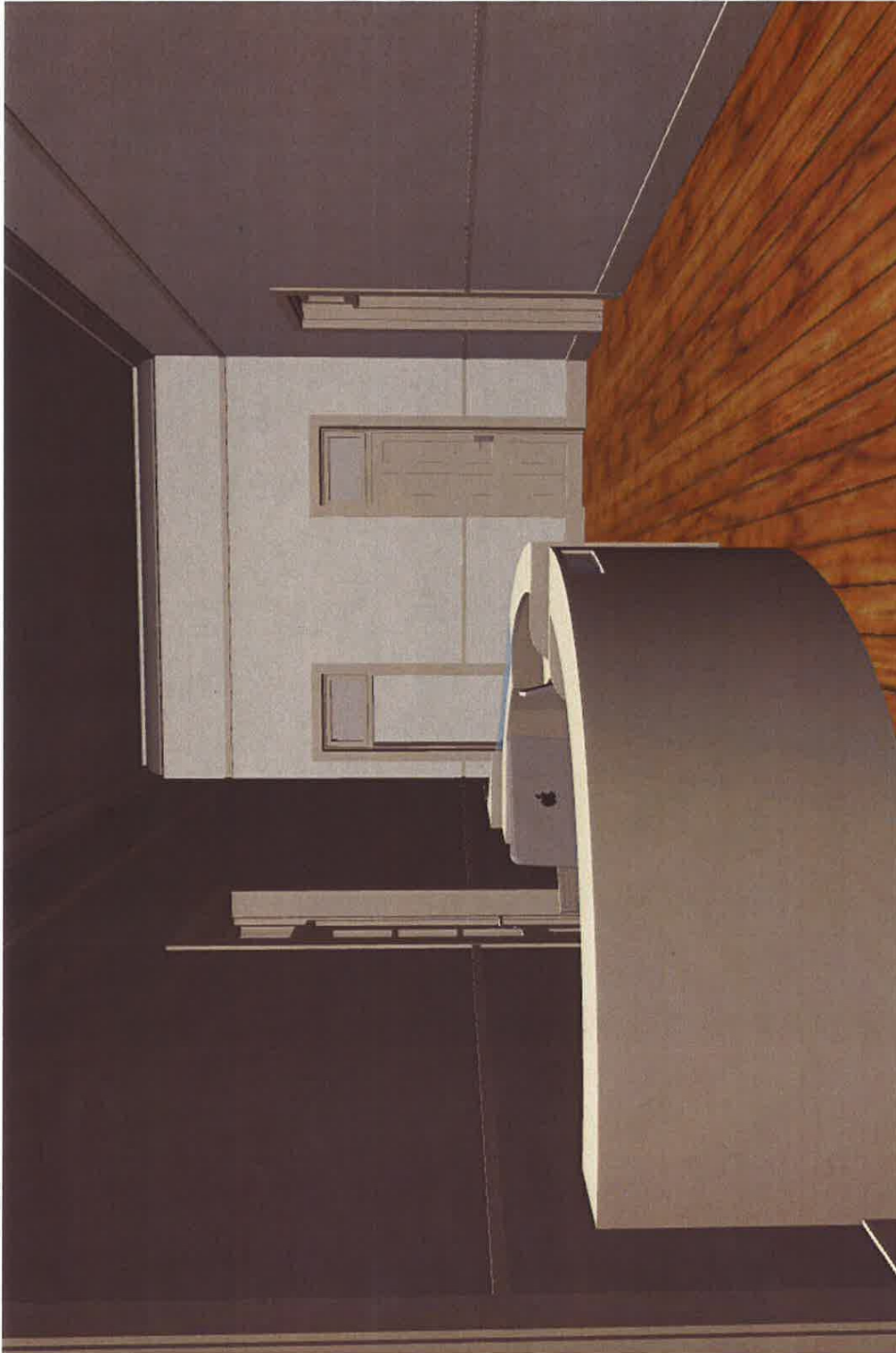


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### 4.3 Dredging and Quarry Reserves

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#### 4.3 Dredging and Quarry Reserves

**Delivery Program** Commercial Services

**Objective** To obtain Council approval to allocate funding in the 2013/14 Operational Plan to further advance an examination of dredging in North Creek and the expansion of the existing Council quarries.

---

#### **Background**

At the June 2013 Ordinary Meeting Council will adopt the Operational Plan and associated budget for 2013/14. In recent months Council has been examining the option of dredging North Creek along with receiving a presentation on options to expand our existing quarry operations.

The purpose of this report is to obtain Council approval to allocate funding in the 2013/14 budget to further advance these projects.

#### **Key Issues**

- Budget allocation
- Cost benefits

#### **Information**

##### *Dredging - North Creek*

Council's Income Diversification briefings identified that dredging of North Creek might provide revenue opportunities for Council. It is understood that when private dredging was conducted in North Creek in the 1970s and 1980s there were significant financial benefits gained by the licence holder.

Discussions on this issue have identified that the use of the sand from North Creek could assist Council with the filling required for our significant landholdings at the Southern Cross Industrial Estate. It may also improve access for recreational boats in North Creek and any surplus sand could possibly be on-sold by Council.

The research undertaken to date has demonstrated that BMT WBM Pty. Ltd., who undertake Council's flood and coastal erosion modeling, is of the opinion that obtaining dredging approvals could cost up to \$300,000 once all necessary studies, etc are completed.

However feedback from Mr Gerard Tuckerman, from Great Lakes Council, who are undertaking dredging, indicate that Council may be able to obtain approvals by expending less than \$50,000, albeit that this does depend on the level of information available and the areas in question.

In respect to the actual operation of the dredging facility likely costs that Council would face include:

### 4.3 Dredging and Quarry Reserves

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- Site establishment - \$20,000
- Material removal from site - \$20,000
- Pumping – Approximately \$7.80 per cubic metre
- Excavate deposition area – Approximately \$2.70 per cubic metre
- Bund walls for deposition area - \$7,500
- Transport sand - \$10 per cubic metre - or extended pumping of sand for short distance - \$2 to \$7 per cubic metre
- Royalty – negotiated with the NSW State Government
- Along with various other impacts to be considered as part of approval process.

Discussions were also held with Mr Rod King, from National Dredging Pty. Ltd, as they undertake the dredging works for Great Lakes Council. Mr King, who is based in Maclean, met Council staff in Ballina and examined the possibility of directly dredging sand from North Creek to the Southern Cross Industrial Estate, which would avoid the need for any transportation costs.

Mr King confirmed that this was feasible and with Council having a ready made site for the deposition area, being the Southern Cross Estate, this again helps with improving the viability of the entire proposal.

National Dredging Services has now been sold to Dredging Solutions Pty. Ltd., which is a larger Sydney based firm, but Mr King and representatives from Dredging Solutions remain available to discuss options with Council at any time.

With Council having to pay at least \$25 per cubic metre for the transport of fill to the Southern Cross Estate for its most recent development, it does appear that there are financial benefits in obtaining a licence to dredge for North Creek, with the Southern Cross Estate being a ready made repository for that sand.

Based on the advice from Great Lakes Council the next step Council needs to undertake is to investigate and / or initiate the approval process. This involves the appointment of expert consultants to help Council obtain those approvals.

Therefore the question that now needs to be answered is whether Council wishes to expend public monies to further investigate these approvals? The advice from Great Lakes is that \$50,000 may be more than adequate, albeit that BMT WMB estimate that the approval expenditure may need to be far higher.

#### *Quarry Expansion*

A number of Councillors had the benefit of a recent briefing on options for the future of the Council owned Tuckombil and Stokers quarries. In summary that briefing confirmed significant resources remain available in the quarries and new approvals could provide Council with a significant resource for well into the 21<sup>st</sup> century. The verbal advice from the expert consultant providing the briefing was that up to \$300,000 may need to be expended to obtain those approvals.

### **4.3 Dredging and Quarry Reserves**

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The Civil Services Group will be providing a report on the various options for the quarries to the July or August meeting, however with Council about to adopt the 2013/14 Operational Plan it is recommended that Council consider approving the allocation of \$300,000 as a nominal figure in the 2013/14 budget.

The primary reason for this is that it ensures that this expenditure is flagged in our budget and it provides a more realistic picture of what the balance of the quarry reserve could be during 2013/14.

Even though it may be considered pre-emptive to include this figure in the budget, subject to the more formal report being reported to Council, it is considered reasonable to at least flag this expenditure as a project Council is considering for 2013/14.

If the \$300,000 is included in the adopted budget it would be on the proviso that no funds would be expended until a direction was provided by Council from the July or August meeting report.

#### **Legal / Resource / Financial Implications**

It is proposed to fund both of these items from Council's quarry reserve. The estimated balance for this reserve as at 30 June 2014 is \$1.624 million.

#### **Consultation**

In respect to dredging, consultation has been on-going with councils that undertake dredging and professional firms that providing dredging services or consultancies related to dredging.

#### **Options**

In respect to dredging North Creek the options are:

- a) allocate up to \$50,000 in the 2013/14 Operational Plan to allow consultants to be engaged to further advance the feasibility and approval process or
- b) seek further information prior to allocating funds or
- c) not proceed with any investigations

It is considered that Council has carried out as much in the way of preliminary investigations as is possible, without any funding being available to conduct the more detailed investigations required. To this point the concept of dredging North Creek appears to remain viable, both from a financial and recreational perspective and as such the preferred option is to allocate funding to further advance our research.



### **4.3 Dredging and Quarry Reserves**

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In respect to the quarry expansion, the options are:

- a) allocate a nominal \$300,000 to finance the expenditure needed for the approval process for the expansion of the quarries. This allocation would be on the proviso that no funds are expended until Council provides a clear direction on the future of the quarries as part of the quarry options report, which should be submitted to the July or August meeting or
- b) not allocate any funds and wait for the future report which will provide more detailed information on this issue.

The preference is to include the \$300,000 in the 2013/14 Operational Plan as this highlights to the public that Council will be considering the expenditure of these monies as part of the 2013/14 budget.

#### **RECOMMENDATIONS**

1. That Council approves an allocation of \$50,000 from the Quarry Reserve in the 2013/14 Operational Plan and budget to commence a more detailed feasibility assessment, along with any associated approvals, for dredging in North Creek, Ballina.
2. That Council approves an allocation of \$300,000 from the Quarry Reserve in the 2013/14 Operational Plan and budget as a nominal amount to recognise that Council may seek approvals for the expansion of the Council owned Tuckombil and Stokers quarries in 2013/14. The expenditure of these funds is subject to Council endorsing the commencement of this work following its consideration of the independent assessment completed on the operation of both these quarries, with that report scheduled to be submitted to Council at the July or August 2013 Ordinary meetings.

#### **Attachment(s)**

Nil

#### 4.4 **89 - 91 Tamar Street, Ballina**

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#### 4.4 **89 - 91 Tamar Street, Ballina**

**Delivery Program** Commercial Services

**Objective** To seek Council's endorsement to undertake air-conditioning upgrade works and vary the current lease terms and conditions.

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#### **Background**

89-91 Tamar Street, Ballina is one of Council's major commercial property assets. The building was designed and pre-let to NSW State Department of Community Services ("DOCS") now known as Family and Community Services ("FACS"). The lease details are summarised as follows:

Lease Term	6 + 4 + 4 years
Lease Commencement Date	25 January, 2008
Commencement Rental	\$649,012 p.a + GST
Current Rental	\$689,670 p.a. + GST
Property Outgoings	Lessee pays increases in property outgoings over and above a set base date.
Rent Reviews	Reviews to market every two years and upon exercise of option to renew lease.

The building was handed over to the tenant as per their specification and ready for fitout works, i.e. open clear span space with carpeted floors, painted walls, suspended ceilings incorporating recessed fluorescent lighting and ducted air-conditioning.

In undertaking fitout works, the tenant's air-conditioning sub-contractor made modifications to the air-conditioning system to enable it to service partitioned offices.

In late 2011 State Property Authority ("SPA"), acting on behalf of FACS, approached Council advising that the existing air-conditioning was not performing to the satisfaction of FACS and requested that it be upgraded. Complaints had been made to SPA from staff working in the building claiming that the system was difficult to balance in regards to maintaining constant airflows and temperatures over the two floors of the building. The building comprises a lettable area of 2,012m<sup>2</sup>.

SPA commissioned Interior Engineering to prepare a report on the building's air-conditioning system, and provided a copy of same to Council. This report proposed that the air-conditioning works be upgraded at an estimated cost of approximately \$290,000 + GST.

SPA recognized that some the problems with the air-conditioning works were caused as a result of the fitout works undertaken by FACS's sub-contractors. SPA therefore proposed that the upgrade costs be split 50/50 between FACS and Council; i.e. approximately \$150,000 each.

After some negotiations, in 2012 Council staff advised SPA that Council may consider this proposal on the following basis:

1. Council commissions its own services consultant to review the air-conditioned system.
2. The costs of any upgrade works are split 50/50 between landlord and tenant.
3. That all air-conditioning plant and equipment becomes the property of Council to ensure that it is adequately maintained.
4. The current lease term be extended until 24 January, 2018.
5. The rental be increased to \$702,530 p.a. + GST effective from 25 January, 2012 (any back rental to be paid).
6. Each party to pay their own legal cost for amendments to vary the current lease.

All points were agreed with the exception of Point 2. SPA wanted to contain FACS's contribution to \$150,000 + GST. This point was also agreed to subject Council obtaining its own building services report and a resolution from Council to proceed with the proposal.

The report that follows canvasses the merits of this proposal.

#### **Key Issues**

- Need for upgrade of air-conditioning system
- Equitable distribution of costs
- Lease conditions

#### **Information**

Following on from reaching agreement, in principle, to the terms and conditions outlined above, Council staff engaged BCA consultants to:

- a. Undertake a review of the Interior Engineering commissioned by SPA; and
- b. Conduct an independent review of the performance of the air-conditioning system and make the appropriate recommendations on any remedial works required.

BCA were initially engaged by Council to design the air-conditioning and ventilation system for the building. BCA's review found that the air-conditioning requires modification and upgrading due to:

- c. Previous works undertaken by FACS's sub-contractors during fitout of the building; and
- d. That during construction of the building when FACS (DOCS) requested that the size of the building be increased from 1,500m<sup>2</sup> to 2,012m<sup>2</sup>, the air-conditioning system should have been upgraded accordingly.

Subsequent meetings were held with BCA, SPA and FACS. The scope of remedial works was agreed and Council then instructed BCA to prepare a specification of works to enable Council to call tenders for same.

A request for tender (RFT 674) was issued in May 2013 and closed on 12 June, 2013. The four responses received ranged in price from \$262,489 + GST to \$318,700 + GST and will form the subject of a separate report to Council. That report is a tender report which is being submitted to the June Council meeting. Therefore any decision in respect to this report will also be dependent upon Council's decision in respect to the tender process.

The tenders received take into account that works will have to be undertaken in stages, and in some cases outside normal business hours, to minimize the disruption to FACS's staff.

### **Legal / Resource / Financial Implications**

#### **Legal**

Council's solicitor's have reviewed the current lease and prepared a deed of amendment to extend the term of the current lease and facilitate the proposed air-conditioning works being done. The proposed works will not commence until Council resolves to proceed with the proposal, accept the tender and all legal documents are executed by both parties.

#### **Financial**

Up to 30 June, 2013 Council has received approximately \$3,700,000 in rental income from this Property. The initial development cost of the building including construction costs, professional fees, development contributions equate to approximately \$4,695,000. The works were funded from Council's commercial property reserves.

Since completion of construction Council has expended funds on general repairs and maintenance but no major capital works have been undertaken.

Subject to receiving BCA's report on the tenders received for the proposed works, the following budget has been prepared:

Estimated cost of works as per tender; say	300,000
Add: Professional fees and contingencies; say (10%)	<u>30,000</u>
	330,000
Less: FACS's cash contribution	<u>150,000</u>
BSC project budget	<u>\$180,000</u>

Funds will need to be sourced from the Commercial Opportunities Reserve to finance these works.

#### **Consultation**

Negotiations have been undertaken with SPA and FACS. Independent technical advice has been obtained from BCA consultants.

### Options

1. Council resolves to proceed with the proposed air-conditioning upgrade works generally in accordance with BCA's specifications and that Council approves a maximum of \$180,000 in funding from the Commercial Opportunities Reserve to fund the cost of such works.

This Option is recommended as it is considered to be a reasonable investment in securing a longer lease term over the building to a blue chip tenant.

The expenditure of up to \$180,000 will ensure an annual rental return to Council of at least \$702,000 p.a. + GST over the next four years; i.e. in excess of \$2,800,000 + GST. On top of this the lease also then contains the two four year options.

A long term lease to a blue chip tenant with all building services issues resolves will add to the capital value of the asset.

2. Council can resolve not to proceed with the proposed air-conditioning upgrade works.

This Option is not recommended as it jeopardises the value of the asset; i.e. FACS may not exercise their option to renew the lease in 2014. This will in turn create uncertainty in regards to rental etc. The risk of FACS not agreeing to an extension is low, in that there is limited office space available to suit their needs, however it is important that Council work in a positive manner with tenants of this scale.

### RECOMMENDATIONS

1. That Council approves an allocation of \$180,000 from the Commercial Opportunities Reserve to finance an upgrade of the air-conditioning at 89-91 Tamar Street, Ballina, as per the contents of this report.
2. The expenditure of these funds is subject to:
  - a) Council accepting a tender for these works at the June 2013 Ordinary meeting
  - b) Extension to the existing lease term to January 2018
  - c) Rental being increased to \$702,530 p.a. + GST effective from 25 January, 2012 with any back rental to be paid.
  - d) Each party to pay their own legal cost for amendments to vary the current lease.

That Council authorises the Council seal to be attached to the lease documentation and any other related documents.

### Attachment(s)

Nil

#### **4.5 Lease Proposal - 135 River Street, Ballina**

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#### **4.5 Lease Proposal - 135 River Street, Ballina**

**Delivery Program** Commercial Services

**Objective** To seek Council's concurrence to lease 135 River Street, Ballina, a shop forming part of the Wigmore Arcade Complex.

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#### **Background**

135 River Street is a 99.5m<sup>2</sup> shop forming part of the Wigmore Arcade Complex and is vacant at present. The shop was previously leased by Frangipani Life Style (womens' fashion). LJ Hooker Ballina have introduced a prospective long term tenant for the premises. This lease proposal forms the subject of this report.

#### **Key Issues**

- Leasing the subject premises to the prospective tenant will not compromise the current design proposal to renovate and refurbish the arcade component of the Wigmore Arcade Complex.

#### **Information**

The prospective tenant will be a new business to Ballina and wishes to take up premises in the Wigmore Arcade Complex as they consider it a superior retail location with good access to parking. The lease terms and conditions negotiated with the prospective tenant are contained in the confidential report elsewhere in this agenda. The prospective tenant has not requested Council to contribute to make good or fitout works.

#### **Legal / Resource / Financial Implications**

The Wigmore Arcade Complex is classified as operational under the Local Government Act 1993 and as such Council is able to enter into a lease over the subject premises.

#### **Consultation**

Negotiations to lease the subject premises have been undertaken and concluded with the prospective tenant.

#### **Options**

The purpose of this report is to obtain Council approval to lease the subject premises to the prospective tenant. The leasing details are subject to a separate confidential report. In respect to the leasing of the subject premises the options are to approve or not approve the proposed lease. The recommendation is to approve the proposed lease.

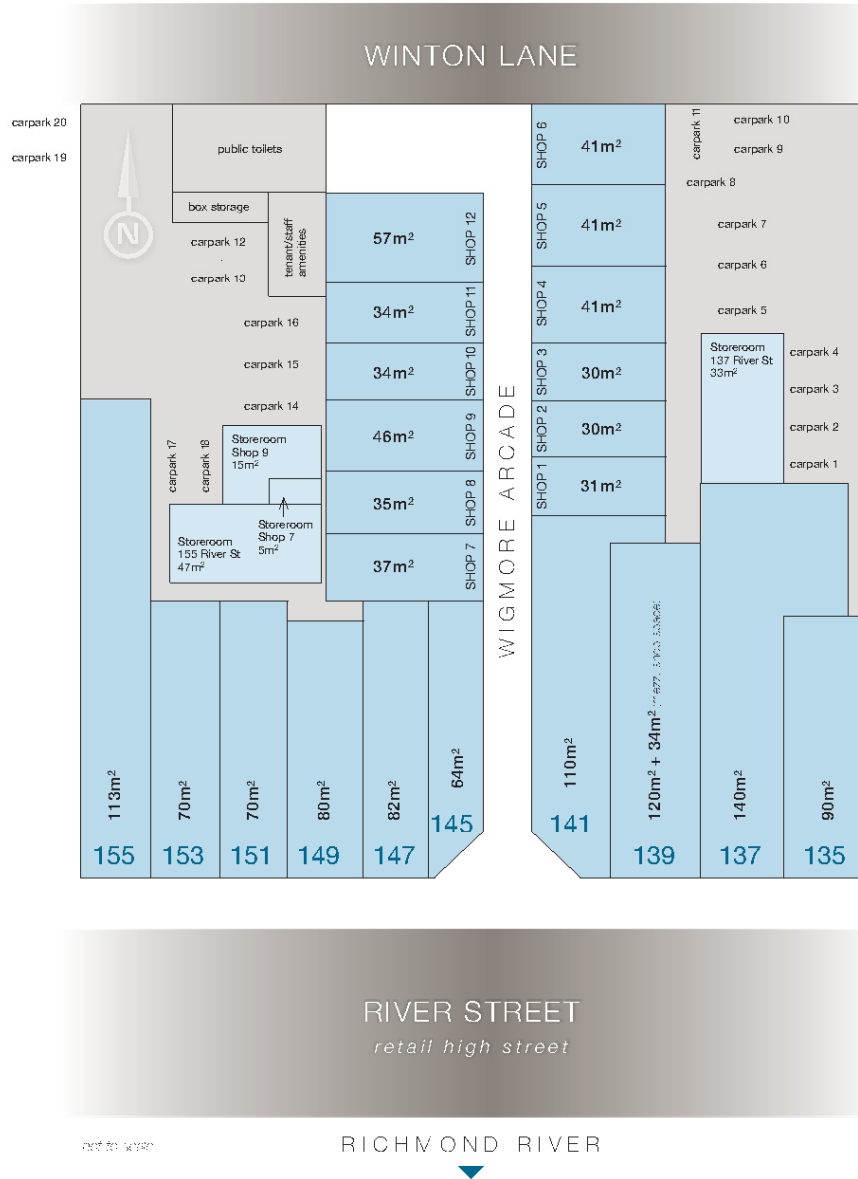
**RECOMMENDATIONS**

1. That Council approves the lease of 135 River Street, Ballina as outlined within this report, subject to the terms and conditions to be determined as per the confidential report elsewhere in this agenda.
2. That Council authorises the Council seal to be attached to the lease documentation and any other related documents.

**Attachment(s)**

1. Wigmore Arcade Complex Leasing Plan

## Wigmore Arcade Leasing Plan





#### **4.6 Lease Proposal - 149 River Street, Ballina**

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#### **4.6 Lease Proposal - 149 River Street, Ballina**

**Delivery Program** Commercial Services

**Objective** To seek Council's concurrence to lease 149 River Street, Ballina, a shop forming part of the Wigmore Arcade Complex.

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#### **Background**

149 River Street, a 83.6m<sup>2</sup> shop forming part of the Wigmore Arcade Complex has been occupied on a casual leasing basis by Mr Richard Beckers, who has been operating a surf shop out of the premises for the past few months. An incumbent from the Arcade section of the Wigmore Complex wishes to relocate to the premises and take up a long term lease for same.

#### **Key Issues**

- Leasing the subject premises to the prospective tenant will not compromise the current design proposal to renovate and refurbish the arcade component of the Wigmore Arcade Complex.

#### **Information**

The prospective tenant wishes to take up premises on the River Street component of the Wigmore Arcade Complex as they consider it a superior retail location and wish to secure a long term lease. The lease terms and conditions negotiated with the prospective tenant are contained in the confidential report elsewhere in this agenda.

#### **Legal / Resource / Financial Implications**

The Wigmore Arcade Complex is classified as operational under the Local Government Act 1993 and as such Council is able to enter into a lease over the subject premises.

#### **Consultation**

Negotiations to lease the subject premises have been undertaken and concluded with the prospective tenant.

#### **Options**

The purpose of this report is to obtain Council approval to lease the subject premises to the prospective tenant. The leasing details are subject to a separate confidential report. In respect to the leasing of the subject premises the options are to approve or not approve the proposed lease. The recommendation is to approve the proposed lease.

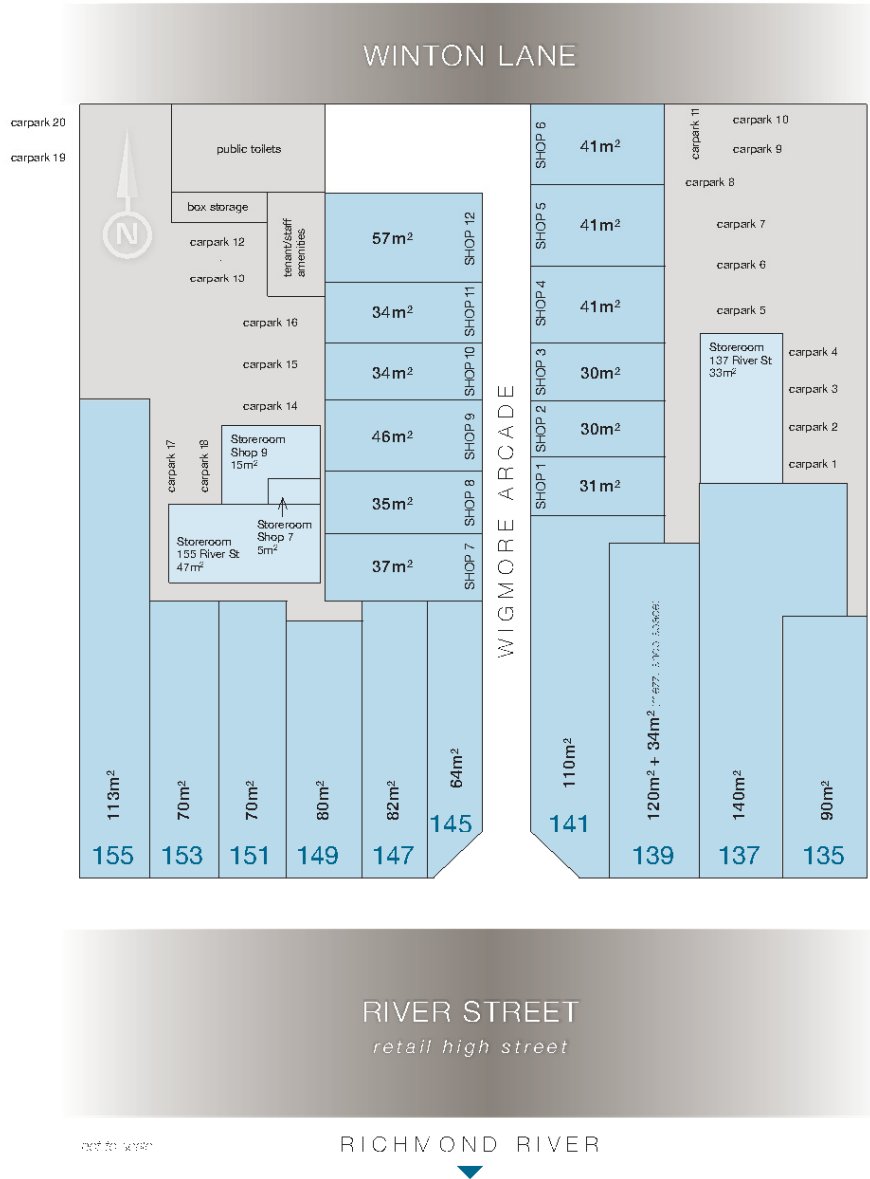
**RECOMMENDATIONS**

1. That Council approves the lease of 149 River Street, Ballina as outlined within this report, subject to the terms and conditions to be determined as per the confidential report elsewhere in this agenda.
2. That Council authorises the Council seal to be attached to the lease documentation and any other related documents.

**Attachment(s)**

1. Wigmore Arcade Complex Leasing Plan

### Wigmore Arcade Leasing Plan



## **4.7 Property Reserves - Future Cash Flows**

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### **4.7 Property Reserves - Future Cash Flows**

**Delivery Program** Commercial Services

**Objective** To provide an update on the predicted cash flows for the Council's property reserves.

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#### **Background**

Council's three major property reserves being the Community Infrastructure, Commercial Opportunities and Industrial Land Development reserves represent a major revenue source for Council's capital expenditure program. Due to their importance it is essential that Council is fully informed of the on-going movements in those reserves and the predicted cash flows.

The purpose of this report is to provide an update on the reserves.

#### **Key Issues**

- Funds available
- Projects under consideration
- Assumptions

#### **Information**

For the purposes of this report updated cash flows have been provided for the three major property reserves and that information is included as attachments to this report.

A summary of the information in each cash flow is as follows.

#### ***Community Infrastructure Reserve (attachment one)***

For 2012/13 all figures in the cash flow should be achieved or in the case of projects such as the Ballina Surf Club, Coastguard Tower and Ballina Sports Centre, any unexpended monies will be rolled over into 2013/14.

The major concern with this reserve is that based on our current commitments the reserve is actually overdrawn and remains overdrawn until the end of 2014/15.

Importantly the reserve is overdrawn even with revenues included in 2013/14 from:

- a grant of \$800,000 for Coastguard Tower(i.e. 50%) – Council remains hopeful that this may be an outcome from the Federal election and this assumption has been included for budgeting purposes.
- \$250,000 (being 50%) of the sale of the land adjoining the BP to NSW Fire Brigades. This sale has been approved by Council, albeit that settlement has not yet occurred.

#### 4.7 Property Reserves - Future Cash Flows

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- \$630,000 from land sale proceeds for the balance of the ARC residual land. This represents a dividend of 50% to this reserve with the balance being transferred to the Industrial Land (Property Development) Reserve. Council approved a sale of \$570,000 at the May Ordinary meeting for part of this land, which will result in \$285,000 being returned to the Community Infrastructure Reserve in 2013/14, when this sale should settle. The remainder of the funds will need to be raised through the sale of the balance of the land.
- \$700,000 from the settlement of the insurance claim for the Lennox Head Cultural and Community Centre. This claim continues to be dragged out by the insurer and their solicitors, with Council's legal team pursuing arbitration to force a settlement.

These are considered to be realistic and conservative forecasts for 2013/14 however the key point is that projects such as the Coastguard Tower and the swimming pool improvements (all identified in 2013/14) should not commence until a number of these income items are actually realised.

To highlight the importance of this, if the two land sales and the insurance claim are not settled in 2013/14, this would result in the reserve being a further \$1.5 million overdrawn (over \$2.2 million in total). The overdrawn balance is actually offset by the balances held in the other reserves, as at the end of the financial year, and this is more clearly shown in attachment number four, which is the consolidated results for all three reserves.

Other key assumptions for the Community Infrastructure Reserve cash flow include

- reduction in the section 94 contributions recouped per annum – With the two BBRC programs operating and a continuing decline in development activity a conservative figure of \$100,000 plus CPI has been included for 2013/14 onwards
- some rental income from Wigmore Arcade has been included from 2015/16 onwards. It is hoped that as rental income for the Arcade returns to its original levels, that rather than just funding day to day services from this income, as has traditionally occurred, part of the income is quarantined into this reserve. This reduces Council's reliance on this income for our core services and at the same time provides increased income for community infrastructure
- a community infrastructure dividend is included from 2015/16 onwards. This actually represents profits generated from our property development activities and further information is provided on this later in this report.

From 2016/17 onwards the closing balance for this reserve increases significantly and at that time the excess funding will be allocated to future community infrastructure projects. No projects have been identified for the purposes of this report due to the large number of assumptions applied in the cash flow and the number of years before that balance is received.

The key message from this cash flow is that the availability of monies from this reserve, for at least the next three to four years, is extremely limited.

## 4.7 Property Reserves - Future Cash Flows

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### *Commercial Opportunities Reserve (attachment two)*

The movements for 2012/13 are relatively minimal and all should be achieved. The only exception could be the \$20,000 allocated for the refurbishment of the Fawcett Park café with these funds likely to be expended in 2013/14.

In respect to the forecast movements for 2013/14 the only income forecast is interest generated on the reserve during the year, along with an internal loan repayment.

The forecast expenditure movements are:

- \$1,684,000 – being the current estimate for the remaining works for the Wollongbar Sports Fields project – Council's commercial property reserve has extensively funded this project (i.e. over \$3 million from the commercial property portfolio) on the assumption that the reserve will be reimbursed from the sale of the Russellton Tennis Court site, along with future land sales at the Wollongbar Urban Expansion Area (WUEA). This issue is canvassed in more detail in discussions on the Industrial Land Development reserve later in this report.
- Contingency - \$259,800 – During 2013/14 the funds in this reserve are largely exhausted and this figure has been included to balance the reserve back to nil. With Council still to commence, or finalise, major projects such as the Ballina Surf Club, Wollongbar Sports Fields, Coastguard Tower etc it was considered reasonable to retain a contingency allowance in this reserve for these works. This is particularly relevant seeing the Community Infrastructure Reserve is overdrawn.
- Shellys on the Beach - \$300,000 – Council has resolved to acquire the Crown Reserve portion of this leased property and this is a preliminary estimate for the value of the land. This proposal is still being worked though with the Department of Primary Industries.
- Ballina Gallery – Refurbishment – Council has deferred any action on this item, however as there is a report in this agenda considering the allocation of \$55,000 to this project, it was considered appropriate, for the purposes of this report, to provide a worse case scenario (i.e. Council approving the funding).
- 89-91 Tamar Street Refurbishment – As per the earlier report in this agenda, with this funding being subject to Council endorsing that report.
- 139 River Street – Refurbishment – Council has previously resolved to fund this expenditure in respect to the commencement of a new tenancy for this property, which is part of the Wigmore Arcade Complex.
- Fawcett Park Café – Refurbishment – Council has previously resolved to fund this expenditure, in respect to the commencement of a new tenancy for this property, along with improvements to the public toilets.

#### **4.7 Property Reserves - Future Cash Flows**

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As mentioned this reserve will be exhausted by the end of 2013/14 and it is recommended later in this report that Council reduces the property reserves from three to two, being one for Community Infrastructure and one for Property Development activities.

##### ***Industrial Land Development Reserve (rebadged Property Development Reserve) (attachment three)***

This reserve is being applied to a wide range of property related projects, not only industrial land activities. With the Commercial Opportunities Reserve likely to be fully expended by the end of 2013/14 it makes sense to have two distinct reserves; one being for Community Infrastructure and one being for Property Development activities (residential, industrial and commercial properties). This then provides a clearer delineation between which funds should be sourced from each reserve as currently it is fairly ambiguous, at times, whether funds should be sourced from the Industrial Land, Commercial Opportunities or Community Infrastructure Reserve.

In respect to movements for 2012/13 all income and expenditure items reflect approved sales or actual expenditures for the year.

In respect to 2013/14 onwards key assumptions are:

- Sales – Southern Cross - \$300,000 per annum – This represents a conservative estimate for the sale of one industrial lot per annum.
- Sales – Russellton - \$200,000 per annum – This also represents a conservative estimate for the sale of industrial lot per annum.
- Sale – Russellton (Major Sale) - \$1,500,000 – Council is conducting extensive negotiations with interested parties in respect to the possible sale of a large tract of land at this Estate. Staff are confident this sale will proceed and a conservative estimate has been included for budgeting purposes in 2014/15.
- Sales – WUEA – It has been assumed that Council will have sixteen lots developed for sale in 2013/14, with the sale of that land then commencing in 2014/15. The 16 lots represents the southern parcel of land owned by Council, with this land not subject to the rezoning process that is currently occurring for the northern parcel of Council owned land.

The expenditure for development of this land is included in 2013/14 (i.e. refer to cash outlays - \$1,800,000 – average of approximately \$120,000 development costs per lot). Sales income has been based on 16 lots at \$160,000 in 2014/15 and then 15, 15 and 20 lots at \$160,000 in 2015/16 to 2017/18. Development costs have also been included for each year in the cash outlays.

- Sale – Balance Skennars Head Lot – This is conservative estimate for the sale of this residual land with Council having resolved to investigate the rezoning of the land.
- Sale – Alstonville Tennis Courts - \$2,000,000 – This represents the sale of the tennis court site in 2014/15. This sale is subject to the tennis courts being relocated to the Wollongbar Sports Fields site.

#### **4.7 Property Reserves - Future Cash Flows**

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- Operating Expenditure – These figures reflect the various operating expenses incurred annually for Council’s land holdings.
- Wigmore Arcade – A nominal figure has been included in 2014/15 for this project. This expenditure is subject to more detailed analysis of this entire project and subsequent reporting to Council. As it is a major project under consideration it was important to recognise expenditure in our future budgets.
- WUEA Development – As per the earlier comments an allowance of approximately \$120,000 per lot has been included for the development of residential lots at the WUEA. The expenditure of these funds will be dependent on actual sales.
- Southern Cross – Development – No development expenditure has been included for this Estate until 2017/18 as Council already has lots developed and for sale. If the rate of sale increases then the future development costs will need to be brought forward.
- Russellton – Development – As with Southern Cross development costs have been tied to possible sales. The figure of \$1,900,000 in 2013/14 represents the likely cost of developing part of the next stage of this Estate, with this figure including a significant one-off cost for a sewer pump station and stormwater retention basin. These two items will service the entire next stage of this development (i.e. 30 lots) however less than 30 lots will initially be developed for sale. The exact details of this development will be subject to a further report to Council.
- Community Infrastructure Dividend – This line has been included to highlight the magnitude of funds that can be transferred to the Community Infrastructure Reserve as future land sales proceed. The transfers are a nominal amount with the aim being to retain this reserve with an average minimal balance of around \$3 million. This line item is then shown as income in the Community Infrastructure Reserve cash flow as outlined earlier in this report.
- Dividend – General Fund – Council’s property operations continue to provide an annual dividend to Council’s recurrent operations and this figure represents that dividend. From a financial management perspective staff would like to see this dividend eliminated over time as it is not the best financial management practice to have funding for recurrent expenditure rely on property income streams, as property income can vary from year to year. Council is already taking a dividend from this reserve through the above mentioned Community Infrastructure Dividend and we need to ensure that we do not drain the property reserves as this will impact on our ability to undertake future projects, both from a property development and community infrastructure perspective.



## **4.7 Property Reserves - Future Cash Flows**

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### ***Total Property Reserves (attachment four)***

The final attachment to this report is the consolidated movements for all three reserves. What this summary highlights is the large amount of activity, both from an income and expenditure perspective, which originates from Council's property reserves. This consolidated summary also helps to show what the total consolidated closing balance for all three reserves is each year. It is essential that the consolidated balance remains positive to provide funding for our future projects.

### **Legal / Resource / Financial Implications**

This entire report is focused on the financial movements within Council's property reserves.

### **Consultation**

There has been significant consultation with the various Council staff involved in projects identified in this report.

### **Options**

The primary purpose of this report is to inform Council of the cash flow movements anticipated in Council's property reserves for the next few years. A number of assumptions have been applied in the preparation of the cash flows and many of the items listed will be submitted to Council for further consideration prior to any works commencing.

As it is important for Council to have accurate long term financial plans in place the preferred option is for Council to endorse the inclusion of the forecast cash flows in our long term financial plan. As Council will be adopting the 2013/14 Operational Plan at the June 2013 Ordinary meeting the endorsement of these cash flows will allow this information to be included in that Plan.

The other options available are to not support the inclusion of the forecast cash flows in our long term financial plan or to amend the cash flows. The cash flows do provide a good opportunity for Council to discuss the various projects under consideration and Councillors may wish to seek further information on projects listed or to consider other works.

The actual recommendation is for inclusion of the cash flows in Council's long term financial plan, as the attachments represent the most up to date forecasts, at this point in time, for the reserves.

**RECOMMENDATIONS**

1. That Council approves the inclusion of the attached forecast cash flows for Council's property reserves in our long term financial plan.
2. That Council approves the renaming of the Industrial Land Development Reserve to the Property Development Reserve to more accurately reflect the various movements within this reserve.

**Attachment(s)**

1. Cash Flow - Community Infrastructure Reserve - 10 Year Financial Plan
2. Cash Flow - Commercial Opportunities Reserve - 10 Year Financial Plan
3. Cash Flow - Property Development Reserve - 10 Year Financial Plan
4. Cash Flow - Total Property Reserves - 10 Year Financial Plan

Cash Flows - Community Infrastructure Reserve - 10 Year Financial Plan - Updated as at 18 June 2013												
Item	2011/12 Actual	2012/13 (Estimate)	2013/14 (Estimate)	2014/15 (Estimate)	2015/16 (Estimate)	2016/17 (Estimate)	2017/18 (Estimate)	2018/19 (Estimate)	2019/20 (Estimate)	2020/21 (Estimate)	2021/22 (Estimate)	2022/23 (Estimate)
<b>Opening Balance</b>	<b>917,300</b>	<b>909,300</b>	<b>(1,651,100)</b>	<b>(747,700)</b>	<b>(325,200)</b>	<b>634,200</b>	<b>1,647,000</b>	<b>4,243,100</b>	<b>5,626,100</b>	<b>7,409,700</b>	<b>9,286,300</b>	<b>11,252,100</b>
<b>Add: Cash Inflows</b>												
Interest Accrued	177,000	20,000	0	0	0	16,000	41,000	106,000	141,000	185,000	232,000	281,000
Grant - Marine Rescue Tower (50%)	0	0	800,000	0	0	0	0	0	0	0	0	0
Rental - ARC (50%)	156,000	158,800	163,500	168,400	173,500	178,600	184,100	189,600	195,200	201,100	207,100	213,300
Rental - 89 Tamar St (100%)	641,000	686,300	698,500	719,400	740,900	763,000	785,800	809,300	833,600	858,500	884,200	910,700
Rental - Fawcett Pk (100%)	65,000	0	44,000	68,700	70,700	72,800	74,900	77,100	79,400	81,800	84,200	86,700
Rental - Wigmore Arcade (Target 50%)	0	0	0	0	110,000	220,000	350,000	360,000	370,000	380,000	390,000	400,000
Sale - Harvey Norman Sale (Part)	1,780,000	0	0	0	0	0	0	0	0	0	0	0
Sale - Southern Cross Sale	400,000	0	0	0	0	0	0	0	0	0	0	0
Sale - Land Adjoining BP (50%)	0	0	250,000	0	0	0	0	0	0	0	0	0
Sales - ARC Residual (50%)	0	250,000	630,000	0	0	0	0	0	0	0	0	0
Insurance Claim - Lennox Head C.C.	0	0	700,000	0	0	0	0	0	0	0	0	0
Rate - Roundabouts (30%)	308,000	0	0	0	0	0	0	0	0	0	0	0
Community Infrastructure Dividend	0	0	0	0	400,000	300,000	1,700,000	300,000	300,000	300,000	300,000	300,000
Section 94 - Recouped	325,000	450,000	100,000	103,000	106,000	109,000	112,000	115,000	118,000	122,000	126,000	130,000
<b>Sub Total</b>	<b>3,852,000</b>	<b>1,565,100</b>	<b>3,386,000</b>	<b>1,059,500</b>	<b>1,601,100</b>	<b>1,659,400</b>	<b>3,247,800</b>	<b>1,957,000</b>	<b>2,037,200</b>	<b>2,128,400</b>	<b>2,223,500</b>	<b>2,321,700</b>
<b>Less: Cash Outlays</b>												
<b>Operating Expenditure</b>												
Loan Repayments	428,100	501,500	632,600	637,000	641,700	646,600	651,700	574,000	253,600	251,800	257,700	171,200
Development Application Refund	27,000	0	0	0	0	0	0	0	0	0	0	0
Plan - Captain Cook Park	60,000	0	0	0	0	0	0	0	0	0	0	0
Donations	0	5,000	0	0	0	0	0	0	0	0	0	0
Property Investigations	20,000	18,000	0	0	0	0	0	0	0	0	0	0
Sharpes Beach Masterplan	40,000	0	0	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>575,100</b>	<b>524,500</b>	<b>632,600</b>	<b>637,000</b>	<b>641,700</b>	<b>646,600</b>	<b>651,700</b>	<b>574,000</b>	<b>253,600</b>	<b>251,800</b>	<b>257,700</b>	<b>171,200</b>
<b>Capital Expenditure</b>												
Animal Shelter	280,000	0	0	0	0	0	0	0	0	0	0	0
Ballina Sports Centre	34,000	409,000	0	0	0	0	0	0	0	0	0	0
Coastal Path / Walk	324,900	0	0	0	0	0	0	0	0	0	0	0
Coastguard Tower	0	150,000	1,600,000	0	0	0	0	0	0	0	0	0
Hockey Field	0	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Rural Fire Shed	0	70,000	0	0	0	0	0	0	0	0	0	0
Lennox Head C.C.	382,000	72,000	0	0	0	0	0	0	0	0	0	0
Main St - Alstonville	0	0	0	0	0	0	0	0	0	0	0	0
Main St - Ballina	1,500,000	0	0	0	0	0	0	0	0	0	0	0
Newrybar Hall	5,000	0	0	0	0	0	0	0	0	0	0	0
Street Lighting	13,000	0	0	0	0	0	0	0	0	0	0	0
Surf Club - Ballina	746,000	2,900,000	0	0	0	0	0	0	0	0	0	0
Swimming Pool - Ballina	0	0	200,000	0	0	0	0	0	0	0	0	0
Swimming Pool - Alstonville	0	0	50,000	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>3,284,900</b>	<b>3,601,000</b>	<b>1,850,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Outlays</b>	<b>3,860,000</b>	<b>4,125,500</b>	<b>2,482,600</b>	<b>637,000</b>	<b>641,700</b>	<b>646,600</b>	<b>651,700</b>	<b>574,000</b>	<b>253,600</b>	<b>251,800</b>	<b>257,700</b>	<b>171,200</b>
<b>Closing Balance</b>	<b>909,300</b>	<b>(1,651,100)</b>	<b>(747,700)</b>	<b>(325,200)</b>	<b>634,200</b>	<b>1,647,000</b>	<b>4,243,100</b>	<b>5,626,100</b>	<b>7,409,700</b>	<b>9,286,300</b>	<b>11,252,100</b>	<b>13,402,600</b>

Cash Flow - Commercial Opportunities Reserve - 10 Year Financial Plan - Updated as at 18 June 2013												
Item	2011/12 Actual	2012/13 (Estimate)	2013/14 (Estimate)	2014/15 (Estimate)	2015/16 (Estimate)	2016/17 (Estimate)	2017/18 (Estimate)	2018/19 (Estimate)	2019/20 (Estimate)	2020/21 (Estimate)	2021/22 (Estimate)	2022/23 (Estimate)
<b>Opening Balance</b>	<b>3,536,500</b>	<b>2,350,200</b>	<b>2,475,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Add: Cash Inflows</b>												
Interest Accrued	178,000	100,000	95,000	0	0	0	0	0	0	0	0	0
Section 94 Recoupments	122,200	0	0	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Street Lighting	33,000	50,000	53,500	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Flat Rock	41,000	41,300	0	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Plant	33,500	33,800	0	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>407,700</b>	<b>225,100</b>	<b>148,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Less: Cash Outlays</b>												
<b>Operating Expenditure</b>												
Sports Fields - Skennars - Approvals	21,000	20,000	0	0	0	0	0	0	0	0	0	0
Henderson Farm - Consents	0	60,000	0	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>21,000</b>	<b>80,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Expenditure</b>												
Sports Fields - Wollongbar	1,573,000	0	1,684,000	0	0	0	0	0	0	0	0	0
Contingency - Wollongbar / Surf Club / Tower	0	0	259,800	0	0	0	0	0	0	0	0	0
Shellys on the Beach - Land Purchase	0	0	300,000	0	0	0	0	0	0	0	0	0
Ballery Gallery - Refurbishment	0	0	55,000	0	0	0	0	0	0	0	0	0
89-91 Tamar Street - Refurbishment (Air-con)	0	0	180,000	0	0	0	0	0	0	0	0	0
139 River Street - Refurbishment	0	0	50,000	0	0	0	0	0	0	0	0	0
Fawcett Park Café - Refurbishment	0	20,000	95,000	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>1,573,000</b>	<b>20,000</b>	<b>2,623,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Outlays</b>	<b>1,594,000</b>	<b>100,000</b>	<b>2,623,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing Balance</b>	<b>2,350,200</b>	<b>2,475,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Cash Flow - Property Development Reserve - 10 Year Financial Plan - Updated as at 18 June 2013												
Item	2011/12 Actual	2012/13 (Estimate)	2013/14 (Estimate)	2014/15 (Estimate)	2015/16 (Estimate)	2016/17 (Estimate)	2017/18 (Estimate)	2018/19 (Estimate)	2019/20 (Estimate)	2020/21 (Estimate)	2021/22 (Estimate)	2022/23 (Estimate)
<b>Opening Balance</b>	<b>303,500</b>	<b>4,438,100</b>	<b>4,389,500</b>	<b>831,000</b>	<b>2,816,600</b>	<b>3,092,100</b>	<b>3,008,700</b>	<b>3,007,300</b>	<b>3,035,800</b>	<b>3,061,000</b>	<b>3,076,800</b>	<b>3,089,700</b>
<b>Add: Cash Inflows</b>												
Interest Accrued	261,000	190,000	65,000	21,000	70,000	77,000	75,000	75,000	76,000	77,000	77,000	77,000
Rental - Norfolk Homes	133,600	134,800	138,000	142,200	146,500	150,900	155,500	160,200	165,100	170,100	175,300	180,600
Rental Income - ARC (50%)	156,000	158,800	163,500	168,400	173,500	178,600	184,100	189,600	195,200	201,100	207,100	213,300
Internal Loans Repaid - Waste	288,500	0	0	0	0	0	0	0	0	0	0	0
Sale - Harvey Norman	3,819,500	0	0	0	0	0	0	0	0	0	0	0
Sales - Southern Cross (Standard Lots)	426,500	0	300,000	300,000	300,000	300,000	310,000	310,000	310,000	310,000	310,000	310,000
Sales - Russellton (Standard Lots)	0	413,000	0	200,000	200,000	200,000	200,000	206,000	206,000	206,000	206,000	206,000
Sale - Russellton (Major Sale)	0	0	0	1,500,000	0	0	0	0	0	0	0	0
Sales - WUEA (Standard Lots)	0	0	0	2,560,000	2,400,000	2,400,000	3,200,000	0	0	0	0	0
Sale - Balance Skennars Hd	0	0	0	400,000	0	0	0	0	0	0	0	0
Sale - Alstonville Tennis Courts	0	0	0	2,000,000	0	0	0	0	0	0	0	0
Sale - Land Adjoining BP (50%)	0	0	250,000	0	0	0	0	0	0	0	0	0
Sales - ARC Residual (50%)	0	255,000	625,000	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>5,085,100</b>	<b>1,151,600</b>	<b>1,541,500</b>	<b>7,291,600</b>	<b>3,290,000</b>	<b>3,306,500</b>	<b>4,124,600</b>	<b>940,800</b>	<b>952,300</b>	<b>964,200</b>	<b>975,400</b>	<b>986,900</b>
<b>Less: Cash Outlays</b>												
<b>Operating Expenditure</b>												
North Creek Dredging	5,000	0	0	0	0	0	0	0	0	0	0	0
Southern Cross - Masterplan	63,000	110,000	0	0	0	0	0	0	0	0	0	0
Southern Cross - Operating Exps	65,600	66,000	65,000	67,000	69,200	71,400	73,700	76,000	78,400	80,800	83,300	85,900
Russellton - Operating Exps	35,400	11,000	13,000	89,400	29,900	30,400	16,500	15,400	15,900	16,400	16,900	17,500
WUEA - Operating Expenses	7,200	15,000	35,000	138,500	133,300	134,500	167,700	41,000	42,400	43,800	45,200	46,600
Internal Overheads - Southern Cross	132,400	110,000	69,000	71,100	73,200	75,400	77,700	80,000	82,400	84,900	87,400	90,000
Internal Overheads - Russellton	60,000	75,000	66,000	68,000	70,000	72,100	74,300	76,500	78,800	81,200	83,600	86,100
Internal Overheads - WUEA	0	0	75,000	77,300	79,600	82,000	84,500	87,000	89,600	92,300	95,100	98,000
<b>Sub Total</b>	<b>368,600</b>	<b>387,000</b>	<b>323,000</b>	<b>511,300</b>	<b>455,200</b>	<b>465,800</b>	<b>494,400</b>	<b>375,900</b>	<b>387,500</b>	<b>399,400</b>	<b>411,500</b>	<b>424,100</b>
<b>Capital Expenditure</b>												
Animal Shelter	0	0	370,000	0	0	0	0	0	0	0	0	0
Bridge Club Sale Legals	42,000	0	0	0	0	0	0	0	0	0	0	0
Wigmore Arcade	0	0	0	2,500,000	0	0	0	0	0	0	0	0
ARC Residual - Selling Costs	0	100,000	130,000	0	0	0	0	0	0	0	0	0
WUEA - Development	0	100,000	1,800,000	1,650,000	1,650,000	2,200,000	0	0	0	0	0	0
Southern Cross - Development	198,000	65,000	0	0	0	0	1,600,000	0	0	0	0	0
Russellton - Development	60,400	30,000	1,900,000	0	0	0	0	0	0	0	0	0
Community Infrastructure Dividend	0	0	0	0	400,000	300,000	1,700,000	300,000	300,000	300,000	300,000	300,000
<b>Sub Total</b>	<b>300,400</b>	<b>295,000</b>	<b>4,200,000</b>	<b>4,150,000</b>	<b>2,050,000</b>	<b>2,500,000</b>	<b>3,300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>
<b>Dividends</b>												
General Fund	281,500	518,200	577,000	644,700	509,300	424,100	331,600	236,400	239,600	249,000	251,000	253,300
<b>Total Outlays</b>	<b>950,500</b>	<b>1,200,200</b>	<b>5,100,000</b>	<b>5,306,000</b>	<b>3,014,500</b>	<b>3,389,900</b>	<b>4,126,000</b>	<b>912,300</b>	<b>927,100</b>	<b>948,400</b>	<b>962,500</b>	<b>977,400</b>
<b>Closing Balance</b>	<b>4,438,100</b>	<b>4,389,500</b>	<b>831,000</b>	<b>2,816,600</b>	<b>3,092,100</b>	<b>3,008,700</b>	<b>3,007,300</b>	<b>3,035,800</b>	<b>3,061,000</b>	<b>3,076,800</b>	<b>3,089,700</b>	<b>3,099,200</b>



**5. Confidential Session**

In accordance with Section 9 (2A) of the Local Government Act 1993, the General Manager is of the opinion that the matters included in the Confidential Business Paper, and detailed below are likely to be considered when the meeting is closed to the public.

Section 10A(4) of the Local Government Act, 1993 provides that members of the public are allowed to make representations to or at a meeting, before any part of the meeting is closed to the public, as to whether that part of the meeting should be closed.

A brief summary of each of the reports recommended for consideration in confidential session follows:

**5.1 Lease Terms - 135 River Street, Ballina**

Council is in the process of negotiating lease terms and conditions for a Council owned shop at Wigmore Arcade and this report contains details of the terms and conditions.

**5.2 Lease Terms - 149 River Street, Ballina**

Council is in the process of negotiating lease terms and conditions for a Council owned shop at Wigmore Arcade and this report contains details of the terms and conditions.

**RECOMMENDATION**

That Council moves into committee of the whole with the meeting closed to the public, to consider the following items in accordance with Section 10A (2) of the Local Government Act 1993.

**5.1 Lease Terms - 135 River Street, Ballina**

**Reason for Confidentiality**

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the Local Government Act 1993. which permits the meeting to be closed to the public for business relating to the following:-

- c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business

and in accordance with 10D(2)(c), on balance, the discussion of the matter in an open meeting is not considered to be in the public interest because it would put Council at a competitive disadvantage in attempting to maximise the commercial return to the community for this property.

**5.2 Lease Terms - 149 River Street, Ballina**

**Reason for Confidentiality**

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the Local Government Act 1993. which permits the meeting to be closed to the public for business relating to the following:-

- c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business

and in accordance with 10D(2)(c), on balance, the discussion of the matter in an open meeting is not considered to be in the public interest because it would put Council at a competitive disadvantage in attempting to maximise the commercial return to the community for this property.