



**BUSINESS PLAN**

**For**

**Major Land Transaction and**

**Major Trading Undertaking**

Shire of Trayning

Kununoppin Hospital Staff Housing

February 2023

## **INTRODUCTION**

The purpose of this Business Plan is to:

1. inform the community the Shire of Trayning proposes to borrow funds to develop group housing on Lots 152 and 152 on DP88163, Hughes Street Kununoppin (Crown Reserve 47088 vested in the Shire of Trayning) and lease it to WA Country Health Services;
2. provide opportunity for the community to consider and make informed submissions on the Business Plan; and
3. satisfy the requirements of Section 3.59 of the Local Government Act 1995.

### **Kununoppin Hospital Staff Housing**

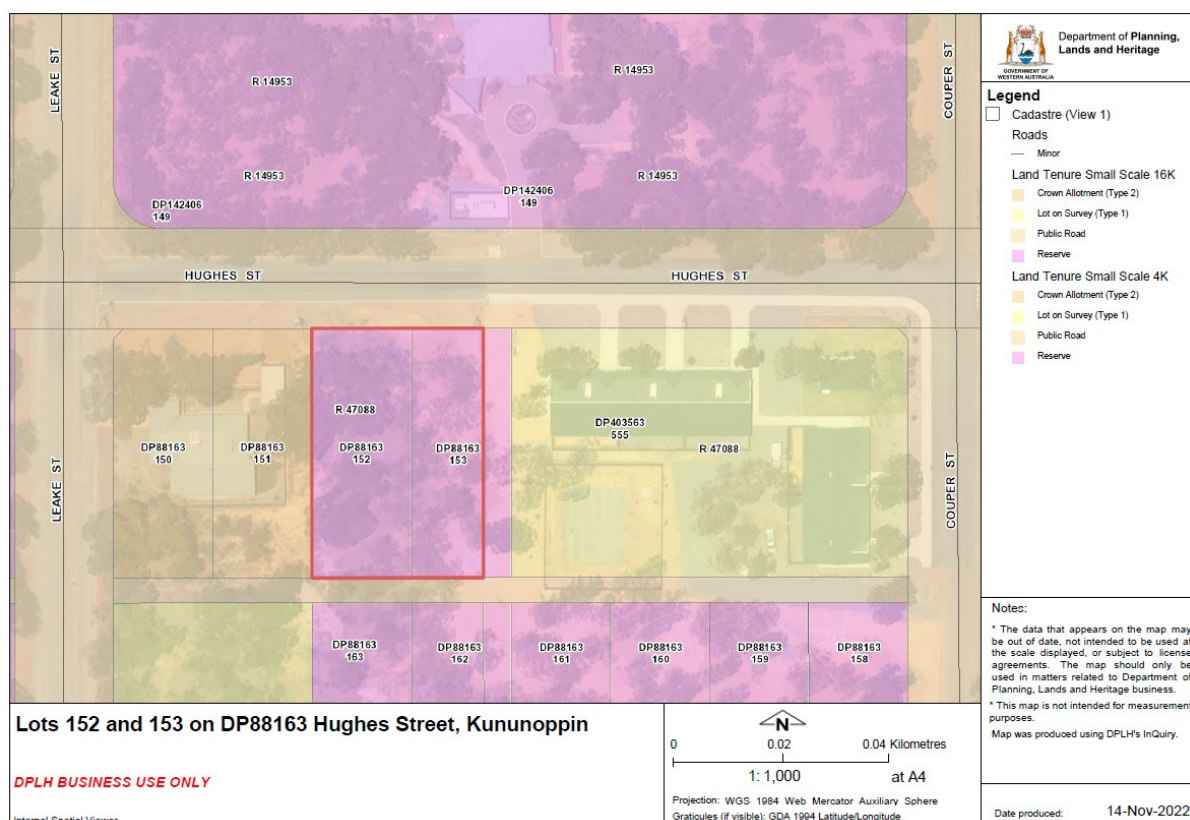
The Kununoppin Hospital Staff Housing will consist of:

- Five 2 bedroom, 2 bathroom units with self-contained kitchen, lounge, laundry and carport
- Shared outdoor BBQ area including shade shelter and table setting
- Fencing and low maintenance landscaping

The Shire of Trayning is proposing to borrow funds to construct the units and lease the property to the WA Country Health Service for 10 years on a cost recovery basis.

## PROPERTY DETAILS

Land Tenure	Crown Reserve 47088 vested in the Shire of Trayning for the purpose of Hospital And Residential Precinct Area
Address	Lots 152-153, Hughes Street Kununoppin
Title Particulars	Lots 152 and 153 on DP88163 Currently Crown Reserve 47088 vested in the Shire of Trayning
Total Land Area	1,740.148 m <sup>2</sup>
Zoning	Zoned R10/30 Residential under Local Planning Scheme No. 1. Grouped dwellings are a permitted use under the Town Planning Scheme.



## BACKGROUND

The Kununoppin Hospital provides the following services to the district:

- permanent residential aged care
- 24/7 Emergency Departments
- Acute inpatient care
- Outpatient services
- Telehealth Services (inpatient and outpatient)
- Commonwealth Home Support Program services
- Palliative care
- Aboriginal health services
- Allied health services including dietetics, occupational therapy, physiotherapy, social work and speech pathology
- Child development services

- Child health clinics
- Community midwife services
- Health promotion and education
- School health services
- Mental health services

The hospital currently houses staff and visiting professionals in accommodation facilities adjacent to the hospital. The facilities are aged and do not meet staff and visitor expectations. The Western Australia Country Health Service is interested in leasing suitable facilities off other government agencies or private investors.

#### RISK ASSESSMENT

Potential Risk	Potential Impact	Likelihood	Mitigation
WACHS pulls out of project	Extreme financial impact (>\$150K)	Rare	Signed lease agreement before committing to expenditure
Significant cost overruns	Extreme financial impact (>\$150K)	Unlikely	RFQ process carried out and lease agreement signed prior to construction contract being awarded. Project budget includes contingency amount
Finished product does not meet WACHS approval	Extreme financial impact (>\$150K)	Unlikely	WACHS involvement in RFQ development and assessment
Procurement/contract suitability	Extreme financial impact (>\$150K)	Unlikely	Specialist be engaged to develop documentation for procurement & contracts
Lease is not renewed by WACHS and investment not fully recovered. Shire is liable for any repayments without or with significantly less rental income.	Extreme financial impact (>\$150K)	Possible	Lease term to match cost recovery term at the agreed lease fee

#### LEGISLATIVE REQUIREMENTS

Section 3.59 of the Local Government Act 1995 details the process governing Commercial Enterprises by local governments, including Major Land Transactions and Major Trading Undertakings.

A Major Land Transaction is defined by the Act to be a land transaction that is not exempt under the Act, and where the total value of:

- The consideration under the transaction; and
- Anything done by the local government for achieving the purposes of the transaction; is more, or is worth more, than \$2 million.

A Major Trading Undertaking is defined as a trading undertaking that:

- a) in the last completed financial year, involved; or
- b) in the current financial year or the financial year after the current financial year, is likely to involve; expenditure by the local government of more than \$5 million for the purposes of this definition.

The Trading Undertaking means an activity carried on by a local government with a view to producing profit. Before the Shire enters into a Major Land Transaction or commences a Major Trading Undertaking, it is required to prepare a Business Plan that includes an overall assessment of Major Trading Undertaking and Major Land Transaction including:

- a) expected effect on the provision of facilities and services by the Shire;
- b) expected effect on other persons providing facilities and services in the district;
- c) expected financial effect on the Shire;
- d) expected effect on the Shire's Plan for the future;
- e) the ability of the Shire to manage the performance of the transactions; and
- f) any other matter prescribed for the purposes of the subsection.

The Local Government Act 1995 also requires the Shire to give state-wide public notice that:

- the Shire proposes to enter into a Major Land Transaction and Major Trading Undertaking described in the notice; and
- a copy of the Business Plan may be inspected or obtained at any place specified in the notice.

The Shire is to make a copy of the Business Plan available for public inspection in accordance with the notice. The Shire is to also publish a copy of the Business Plan on its official website.

Submissions about the proposed land transaction or undertaking may be made to the Shire before a day to be specified in the notice, being a day that is not less than six weeks after the notice is given. After the last day for submissions, the Shire is to consider any submissions made and may decide by absolute majority to proceed with the undertaking and transaction as proposed or so that it is not significantly different from what was proposed.

## **ASSESSMENT OF TRANSACTION**

### **a) Expected effect on the provision of facilities and services by the Shire**

The provision of housing to the WA Country Health Service for staff at the Kununoppin Hospital is not expected to impact on the other facilities and services offered by the Shire, but will create a minor, ongoing increase in workload for Shire staff in relation to property management and financial services.

### **b) Expected effect on other persons providing facilities and services in the district**

According to ABS statistics, the median rent for housing in the Shire of Trayning is \$170 per week. Currently the demand for rental accommodation exceeds supply and the Hospital is housing staff in dated facilities that are at the end of their useful life.

It is not envisaged that developing new housing for WA Country Health Service will have a detrimental effect on any private landlords.

The provision of modern housing to staff working at the Kununoppin Hospital will improve their ability to attract and retain suitable staff. This is expected to assist the Hospital remain a viable facility.

**c) Expected financial effect on the Shire**

The provision of housing to the WA Country Health Service for staff at the Kununoppin Hospital is expected to be 'cost neutral' to the Shire. That is, the cost to finance, develop and maintain the properties will be recovered through the life of the 10 year lease as follows:

Capital Cost to develop property	\$1,800,000
Borrowing Costs (over 10 years)	500,000
Annual operating/maintenance costs (over 10 years)	<u>200,000</u>
Total cost over ten years	\$2,500,000
Monthly lease – 120 months @ \$/month	\$20,833
Equates to weekly rent per unit of \$961	

At the end of the ten year lease period, the Shire will have an opportunity to continue to lease the facilities to the WA Country Health Service, or other parties, which has the potential to provide a positive income stream in the future.

**d) Expected effect on the Shire's Plan for the future**

The Shire of Trayning Council Plan recognises the retention of medical services as a community priority and identifies the need for housing and rental stock to assist in the attraction and retention of the local workforce.

Future versions of the Council Plan, Long Term Financial Plan and Asset Management Plan will need to take into account the lease income, loan repayments and property maintenance.

**e) The ability of the Shire to manage the performance of the transactions**

The Shire can accommodate the ongoing management and maintenance of the properties within its current staffing levels however, the initial development of the property is outside of its current capacity.

If the project proceeds, the Shire will engage a procurement specialist to carry out the tender process for a 'turnkey' development, reducing the impact on the Shire's staff.

**f) Any other matter prescribed for the purposes of the subsection**

**Market Valuation**

In accordance with Section 3.58(4)(c) of the Local Government Act 1995, the Shire has obtained the market value of the disposition. A recent independent valuation indicates a market rental of \$49,400 to \$59,800 per annum.

## **LODGEMENT OF SUBMISSIONS**

Submissions on the intended development and disposition are to be made in writing and to be received no later than 10.00am, Tuesday, 7 April 2023.

Submissions to be addressed to the:

Chief Executive Officer  
Shire of Trayning  
PO Box 95  
TRAYNING WA 6488

Submissions may be submitted electronically to [ceo@trayning.wa.gov.au](mailto:ceo@trayning.wa.gov.au)