

**BUSINESS PLAN
FOR
Major Trading Undertaking**

Shire of Lake Grace
Lake Grace Hospital Staff Housing



APRIL 2024

INTRODUCTION

The purpose of this Business Plan is to:

1. inform the community the Shire of Lake Grace proposes to borrow funds to develop group housing on No. 84 (Lot 209) Bennett Street, Lake Grace 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.

Lake Grace Hospital Staff Housing

The Lake Grace Hospital Staff Housing will consist of:

- Two 2 bedroom, 2 bathroom units with self-contained kitchen, lounge, laundry and carport
- Fencing and low maintenance landscaping

The Shire of Lake Grace is proposing to borrow funds to construct the units and lease the property to the WA Country Health Service for 15 years with the intention for a further 15 years on a cost recovery basis.

PROPERTY DETAILS

Land Tenure	Freehold to the Shire of Lake Grace registered 24 November 2023.
Address	No. 84 Bennett Street, Lake Grace
Title Particulars	Lot 209 on DP 169216 Vol 2178 / Folio 957
Total Land Area	1,060 m ²
Zoning	Zoned R20 Residential under Local Planning Scheme No.4. Under the Town Planning Scheme group dwellings are allowed if the lots are large enough and comply with the 450m ² average lot size requirement for each new dwelling.

BACKGROUND

The Lake Grace Hospital provides the following services to the district:

Services provided include:

- 24/7 emergency care
- Aboriginal health services
- Allied health services including:
 - Dietetics
 - Occupational therapy
 - Physiotherapy
 - Social work
 - Speech pathology
- Acute inpatient care
- Child development services
- Child health clinics
- Community midwife services
- Commonwealth Home Support Program
- Health promotion and education)
- Mental health services
- Outpatient services
- Palliative care
- Residential aged care
- School health services
- Telehealth

In recent years the Lake Grace Hospital is finding it increasingly difficult to find suitable accommodation to cater for its' staff. Predominately for overnight stays or overflow when other housing options are not available, the hospital houses agency nurses and visiting professionals in the nurses' quarters adjacent to the Lake Grace Hospital building.

The housing facilities adjacent to the Lake Grace Hospital are aged and do not meet staff and visitor expectations. This is proving unsustainable and is severely hampering the gain and retention of nurses and ancillary staff to the hospital

The Western Australia Country Health Service is interested in leasing suitable facilities off other government agencies or private investors through their country housing investment partnership program.

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 / Tender process carried out and lease agreement signed prior to construction contract being awarded.
Finished product does not meet WACHS approval	Extreme financial impact (>\$150K)	Unlikely	The project will be on a turn key basis. WACHS has pre-approved the plans
Procurement/contract suitability	Extreme financial impact (>\$150K)	Unlikely	Undertaken by experienced Shire senior management with the option of seeking specialist advice to develop documentation for procurement & contracts if required
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	Loan term is set to match the Lease term and to match cost recovery term at the agreed lease fee for 15 years will be set between the Shire and WACHS. At the conclusion of the 15 year period the Shire can renegotiate a further term or otherwise have the option to sell the assets or lease to another party.

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 as being an amount that is the lesser of –

- a) \$2,000,000; or
- b) 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year.

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

- a) \$2,000,000; or
- b) 10% of the lowest operating expenditure described as follows;
 - The operating expenditure incurred by the local government from its municipal fund in the last completed financial year; and
 - The operating expenditure likely to be incurred by the local government from its municipal fund in the current financial year; and
 - The operating expenditure likely to be incurred by the local government from its municipal fund in the financial year after the current financial year.

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.

In this scenario the Major Trading Undertaking applies. The Shire owns in freehold the property proposed to be developed at No. 84 (Lot 209) Bennett Street, Lake Grace.

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 Lake Grace Hospital is not expected to impact on the other facilities and services offered by the Shire. It will create a minor, ongoing increase in workload for Shire staff in relation to property management and financial service which can be accommodated within the existing staffing resources.

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

According to ABS (2021) statistics, the median rent for housing in the Shire of Lake Grace was \$180.00 per week. Currently the demand for rental accommodation exceeds supply across the Shire and the Hospital is trying to house staff in dated facilities that are at the end of their useful life and/or through the Shire and private landlords which is placing pressures on the Shire and private landlords being able to provide housing for staff employees and short stay accommodation for tourists and contract workers.

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 Lake Grace Hospital will improve their ability to attract and retain suitable staff. This is expected to assist the Hospital remain a viable facility and associated allied health services and for the Shire to continue to attract and retain a local GP.

c) Expected financial effect on the Shire

In order to engage in this investment partnership the Shire of Lake Grace is required to take out a 15 year loan from the State Treasury. The investment model prescribed by the WA Country Health Services is based on a 25 year cost recovery scenario over an initial 15 year lease. The provision of housing to the WA Country Health Service for staff at the Lake Grace Hospital is expected to be 'cost neutral' to the Shire. The cost to finance, develop and maintain the properties will be recovered over the initial 15 year lease as follows (subject to minor adjustments):

Capital Cost to develop property	\$1,000,000
Borrowing Costs	\$ 383,144.64
Annual operating/maintenance costs (over 25 years)	<u>\$ 500,000</u>
Total cost over 25 years	<u>\$1,883,144.64</u>

Monthly lease – 300 months @ \$6,227 month
Equates to weekly rent per unit of \$784.64

At the end of the 15 year lease period, the Shire anticipates to have the opportunity to continue leasing the facilities to the WA Country Health Service, or other parties,

enabling a cost neutral scenario to the Shire or selling the assets offering the potential to provide a positive income stream in the future.

d) Expected effect on the Shire's Strategic Community Plan

The Shire of Lake Grace 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.

Strategic Community Plan (2023-2033)

The construction of residential dwellings for the Lake Grace Hospital supports the following section of the Shire's Strategic Community Plan 2023 – 2033

SOCIAL OBJECTIVE

6.1 Maintain and enhance services and infrastructure that meets the needs of the community.

7.2 Provide and advocate for medical and health services.

ECONOMY

2.3 Investigate and support housing market opportunities

We advocate for improved State Government and Public Housing stock.

LEADERSHIP

8.2 Promote and advocate for the community and district

9.1 Maintain accountability and financial responsibility through effective planning

Future versions of the Long Term Financial Plan, Asset Management Plan and Housing 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.

The initial development of the property will also be undertaken in-house by Shire employees through the Shire's Procurement Policy framework with specialist external advice sought as required.

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

Nil.

LODGEMENT OF SUBMISSIONS

Submissions on the intended development and disposition are to be made in writing and to be received no later than 5.00pm 5th June 2024.

Submissions to be addressed to;

Alan George
Chief Executive Officer
Shire of Lake Grace

**PO Box 50
Lake Grace WA 6353**

Submissions may be submitted electronically to shire@lakegrace.wa.gov.au