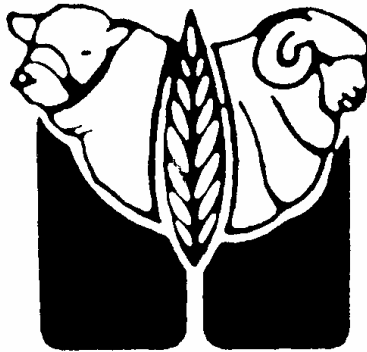


MINUTES



**SPECIAL MEETING
HELD**

**TUESDAY, 1 MARCH 2011
COMMENCED AT 7.40PM**

AT

**SHIRE OF BOYUP BROOK
ABEL STREET – BOYUP BROOK**

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1. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED

1.1 Attendance

Cr T Ginnane JP Shire President
Cr M Giles Deputy Shire President
Cr E Biddle
Cr E Muncey
Cr P Marshall
Cr B O'Hare
Cr T Oversby

STAFF: Mr Alan Lamb (Chief Executive Officer)

1.2 Apologies

Cr T Doust

1.3 Leave of Absence

2. PUBLIC QUESTION TIME

2.1 Response to Previous Public Questions Taken on Notice
Nil

2.2 Public Question Time
Nil

3. APPLICATIONS FOR LEAVE OF ABSENCE

4. MATTERS REQUIRING A DECISION

Declarations of impartiality were made by Crs Giles, Oversby and Biddle and the CEO.

4.1 Boyup Brook Country Music Club's request for a pledge of financial support

Location:	N/A
Applicant:	Boyup Brook Country Music Club
File:	
Disclosure of Officer Interest:	The author is a member of the club and so makes a declaration of impartiality.
Date:	
Author:	Alan Lamb – Chief Executive Officer
Authorizing Officer:	Not applicable
Attachments:	Report to February meeting of Council, letter of request, sheet setting out project cost estimates, set of audited accounts, copy of feasibility assessment and business case, concept drawing, project plan, expression of interest to Department of Regional Development and Lands, self supporting loan repayment affordability assessment, 2010 festival statistics, certificate of incorporation.

SUMMARY

The purpose is to bring this matter back before Council, as directed, with additional information and a recommendation that Council pledge support subject to other funding request being approved.

BACKGROUND

Because of the amount of detail in the attachments and the previous report no additional information will be provided under this heading except for advising of Council's resolution from its February meeting on this matter which was as follows:

That the matter of the Boyup Brook Country Music Club's request for a letter pledging support for its Country Music and Arts Centre for Excellence be referred back to the Chief Executive Officer to seek an application from the Boyup Brook Country Music Club that details what financial and other assistance it is requesting, that the application be supported by copies of audited financial statements. That the Chief Executive Officer prepare a report detailing full costing of the requested contribution for presentation to a special meeting of Council to be held to deal with this request.

COMMENT

It will be noted from the attached letter of application that the Club seeks the following support:

- \$150,000 Self supporting loan
- \$150,000 Cash contribution
- \$150,000 value of in kind support (i.e. planning approval and earthworks)

Stepping back and looking at the big picture in the first instance, the request is for a pledge of the support listed and so any agreement to provide the support would be subject to the Club gaining the required funds from other sources and going ahead with the project. Other factors to consider are that a self supporting loan whilst it is a Council liability it is offset by an agreement by another party to pay the debt. In essence then there is a level of exposure if the Club fails to make payments but it is

suggested that this would not be great and Council could seek to have the loan secured against the Club's land assets (at least in part, it is noted that the book value of the lot the Club owns is \$70,434, the current market value will no doubt be more than this).

With regard to the cash and in kind contributions, these could be spread over a number of financial years to reduce the impact and options in this area will be explored further in this report.

Council might then see that the request is for \$300,000 in cash and kind and for assistance to raise a loan of a further \$150,000. The latter could be seen as having no impact on the operating costs of Council.

Taking each aspect of the request in turn, the self supporting loan could be secured by a deed (a legally binding commitment to repay) as is the case with most clubs because they don't generally have real assets, or against the land assets of the Club. It is suggested that decisions on the form of security could be left till there is a need to deal with this (i.e. the project goes ahead).

No doubt Council would want to see that the Club could meet the loan repayment costs and there will be an attached sheet prepared by the Club that demonstrates this. It was not had at the time of preparing this report and so the following is provided:

Based on a principal of \$150,000, an interest rate of 6% and a term of 10 years the annual repayment of interest and principal is in the order of \$20,000. Looking at the Clubs audited accounts there was a \$25,709 profit for the year ended 13 March 2010 and after adjusting for non cash and extra ordinary items, all things being equal, there is the expectation that the Club could meet the \$20,000 annual repayment. Looking at the project plan attachment pages 6 and 7 detail operational income and expenditure projections for three years. These show a net of \$48,000 in year 1 and a net income of \$76,734 in year 3. Costs not shown are the loan repayment, say \$20,000 per year, and funds that should be set aside to do major maintenance and eventual rebuilding. It is suggested though, that if the building project goes ahead with significant State Government funding assistance then any replacement would not go ahead unless it was similarly supported. So we are then left with major maintenance, refurbishments etc. Based on a new direction indicated by Department of Sport and Recreation officers to move toward funding other than new works (i.e. they talked of things such as replacement synthetic surfaces etc) it is possible that the Club could look to funding assistance with these sorts of costs as well. Taking a prudent approach though and allowing for funds to be set-aside annually to meet the bigger maintenance items (air conditioner, hot water system etc replacements, refurbishments etc) the net income of \$70,000 odd less the loan repayment of \$20,000, that is the remaining \$50,000, should be sufficient to facilitate this. All of this is based on the Club's projections of cost and income.

Looking at the cash and in kind support requested. At a meeting with Club representatives it was suggested that instead of giving in kind support to a total value it may be better to give a cash contribution and for the Club to pay relevant fees, private works charges etc and it is recommended that this be the tack taken.

At the last Council meeting it was noted that some of the estimated charges on the project cost estimate sheet, as supplied by the Club, may not be correct. It is also noted though that the Architect has been prudent in allowing for contingencies (\$865,925). This and the relatively minor differences between what we estimate the fees would be and what has been allowed makes the potential variances matters of no concern.

It is important though that if Council is to give in kind support and if this includes building and planning fees then Council needs to have an accurate feel for what it is donating. The following sets out our calculation of relevant fees:

- Planning application – based on development cost, total estimated costs net of GST \$7,500,000 less planning etc fees of \$36,000 = \$7,464,000.
Fee for \$5m = \$11,550
Fee for \$2,464,000 @ 0.12%/ \$ = \$ 2,956.80
Total fee \$14,506.80
- Building application fee – based on building cost net of GST.
\$7,500,000 less external works (but including site works) \$290,000,
License fees \$36,000, furniture and fittings \$160,000, = \$7,014,000.
Fee on \$7,014,000 (not a class 1 or 10 building) @ 0.2%/ \$ =
\$14,028

Other relevant fees that Council would charge but pay to other entities are Building Registration Board fee of \$40, and BCITF fee (0.2% of building cost including GST) \$15,430.80. It should be noted that estimates for fees are based on cost on information provided plus current fee structures both of which are subject to change.

If Council chooses to opt for in kind support for works and waiving of fees then it is recommended that these be capped to a total value of \$150,000 as requested. There is no need then to look further at the detail of what the individual costs might be. The option of providing a cash contribution of \$150,000 then charging as normal is far simpler, reflects the true position in Council's financial records (i.e. the donation is recorded as such as is fee income and private works activity), and the Clubs funding application would show a total cash contribution of \$300,000 plus a self supporting loan (which may be better for it).

The next step is to look at how Council might fund the contribution if the pledge is called upon. It is noted that the Club's project timetable (page 11 of the Project Plan) the building work commencing in June/July 2012 and so Council could stage its cash contribution over a number of financial years (i.e. some from 2011/12 and 2012/13). It is suggested that if Council opts for the Administration preferred option of donating \$150,000 in cash instead of in kind then this should be done in 2011/12 and it is expected that this would be offset by fees (in the order of \$28,000) and private works (in the order of \$122,000) income. The impact on that year's budget, in cash terms, would then be \$122,000 (i.e. the fees represent income foregone).

Taking the \$122,000 above and adding the additional \$150,000 sought we are looking at an amount of \$272,000 to fund. It is noted that loan 107, Hospital Upgrade will be fully paid by a final payment to be made 4 March 2013. The amount borrowed was \$146,612, interest 6.72% and the term 15 years. The annual cost (principal and interest) on this loan is \$15,664.56. It is suggested that a \$150,000 loan could be structured to result in a similar annual repayment cost. If the funds were borrowed in the first half of 2013 the first payment (i.e. loans are usually taken out with six monthly repayments in arrears) would be due in 2013/14 and so there be no additional impact from the new loan other than that the repayments would continue over an extended period. This then leaves the \$122,000 which could be met by taking out a loan, setting aside funds in 2011/12, or the like. As much of the \$122,000 would be works done by Shire crews and machinery the impact would be a reduction to the amount of works that could be done or other projects. Council may wish to view the works done on the Club's project as a reduction to own resource works program and if so there would be no need to look to find these funds (i.e. the annual works planning is based on costs to employ staff and use plant and these costs are allocated to the various projects Council selects to undertake, in this scenario the Club's project would take the place of Council projects).

It is put that the forgoing shows what the cost would be and opportunities to fund them so the next issue is should the contribution be made. It is suggested that if the Club can attract the sort of funding it will require to complete its project, the project will put a great deal of beneficial focus on Boyup Brook, the new structure will be a focal point and may stimulate other investment in the area.

It is recommended that Council authorise the Chief Executive Officer to provide a letter of support to the Country Music Club Boyup Brook for its funding applications for its proposed Country Music and Arts Centre for Excellence that includes a commitment to provide \$300,000 funding support and a \$150,000 self supporting loan, contingent on the Club being successful with its funding applications and the project proceeding in the form as has been put to Council.

CONSULTATION

The matter has been to Council before and the author has spoken with the Club's representatives.

STATUTORY OBLIGATIONS

Nil

POLICY IMPLICATIONS

Nil

BUDGET/FINANCIAL IMPLICATIONS

Nil at this time

STRATEGIC IMPLICATIONS

Nil

SUSTAINABILITY IMPLICATIONS

- **Environmental**
There are no known significant environmental issues.
- **Economic**
There are no known significant economic issues.
- **Social**
There are no known significant social issues.

VOTING REQUIREMENTS

Absolute majority

COUNCIL DECISION & OFFICER RECOMMENDATION

Moved: Cr Biddle

Seconded: Cr Oversby

That Council authorise the Chief Executive Officer to provide a letter of support to the Country Music Club Boyup Brook for its funding applications for its proposed Country Music and Arts Centre for Excellence that includes a commitment to provide \$300,000 funding support and a \$150,000 self supporting loan, contingent on the Club being successful with its funding applications and the project proceeding in the form as has been put to Council.

6/1 Carried

Cr Muncey called for votes to be recorded:

For

Cr T Ginnane

Cr M Giles

Cr E Biddle

Cr P Marshall

Cr B O'Hare

Cr T Oversby

Against

Cr E Muncey

CLOSURE

There being no further business the meeting was declared closed at 8.30pm.