



AGENDA

**FOR BUDGET AND FINANCE COMMITTEE MEETING TO BE HELD ON
17 JULY 2017 AT CONCLUSION OF POLICY AND PLANNING COMMITTEE
IN THE COUNCIL CHAMBER, 12 JAMES STREET, SALISBURY**

MEMBERS

Cr R Zahra (Chairman)
Mayor G Aldridge
Cr D Balaza
Cr S Bedford
Cr B Brug
Cr D Bryant
Cr C Buchanan
Cr G Caruso
Cr L Caruso
Cr R Cook
Cr E Gill (Deputy Chairman)
Cr D Pilkington
Cr D Proleta
Cr S Reardon
Cr G Reynolds
Cr S White
Cr J Woodman

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
General Manager City Infrastructure, Mr M van der Pennen
General Manager Community Development, Ms P Webb
Manager Governance, Ms T Norman
Manager Communications and Customer Relations, Mr M Bennington
Team Leader Corporate Communications, Mr C Treloar
Governance Coordinator, Ms J Rowett
Governance Support Officer, Ms K Boyd

APOLOGIES

Apologies have been received from Cr D Bryant and Cr S White.

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Budget and Finance Committee Meeting held on 05 June 2017.

REPORTS

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OTHER BUSINESS

CLOSE



**MINUTES OF BUDGET AND FINANCE COMMITTEE MEETING HELD IN THE
COUNCIL CHAMBER, 12 JAMES STREET, SALISBURY ON**

5 JUNE 2017

MEMBERS PRESENT

Cr R Zahra (Chairman)
Mayor G Aldridge
Cr D Balaza
Cr B Brug (*from 6:32 pm*)
Cr G Caruso
Cr L Caruso
Cr R Cook
Cr E Gill (Deputy Chairman)
Cr D Pilkington
Cr G Reynolds
Cr S White
Cr J Woodman

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
General Manager City Infrastructure, Mr M van der Pennen
General Manager Community Development, Ms P Webb
Manager Governance, Ms T Norman
Manager Communications and Customer Relations, Mr M Bennington
Manager Financial Services, Ms K George
Governance Support Officer, Ms K Boyd

The meeting commenced at 6:31pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

Apologies were received from Cr D Bryant, Cr C Buchanan and Cr D Proleta.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Mayor G Aldridge
Seconded Cr G Caruso

The Minutes of the Budget and Finance Committee Meeting held on 15 May 2017, be taken and read as confirmed.

CARRIED

Moved Cr L Caruso
Seconded Cr G Reynolds

The Minutes of the Confidential Budget and Finance Committee Meeting held on 15 May 2017, be taken and read as confirmed.

CARRIED

Cr Brug entered the meeting at 6:32 pm.

REPORTS

Administration

6.0.1 Future Reports for the Budget and Finance Committee

Moved Cr L Caruso
Seconded Cr G Caruso

1. The information be received.

CARRIED

Annual Plan and Budget

6.4.1 Annual Plan Public Consultation Report

Moved Cr G Caruso
Seconded Mayor G Aldridge

1. Information be received and draft responses to submissions be endorsed for provision to the respondents.

CARRIED

Rating Matters

6.6.1 Budget Update

Cr R Cook declared a material conflict of interest on the basis of owning a business in St Kilda. Cr R Cook left the meeting at 06:33 pm.

Cr Balaza declared a perceived conflict of interest on the basis of his employment. Cr Balaza managed the conflict by remaining in the meeting and not voting on the item.

Moved Cr G Caruso

Seconded Cr J Woodman

1. Information be received and it be noted that the following recent resolutions of Council have been reflected in the Draft 2017/18 budget:-
 - NAN23482 LAN Esport Tournament (Resolution 1799/2017)
 - STN21461 Strategic Projects Program (Resolution 1799/2017)
 - STN23902 St Kilda Master Plan – Stage 2 Implementation (Resolution 1783/2017)
 - STN23922 Church Street (Resolution 1799/2017)
 - Confidential Item (Resolution 1824/2017)
2. As per the Third Quarter Budget Review, SYN19743 Lake Windemere Salisbury North \$450k be removed from the budget and be resubmitted at the conclusion of the feasibility study, when the project cost will be known.
3. PBN20017 Building Renewal Upgrade be reduced by \$200k to align the approved budget allocation for the Para Hills Community Hub for 2017/18 to \$2.3M.

CARRIED

The majority of members present voted IN FAVOUR of the MOTION.

Cr D Balaza DID NOT VOTE on the MOTION.

Cr R Cook returned to the meeting at 06:34 pm.

Cr D Balaza left the meeting at 06:36 pm.

Cr D Balaza returned to the meeting at 06:38 pm.

6.6.2 Rating Strategy 2017/18

Moved Cr E Gill

Seconded Cr G Reynolds

1. Information be received.
2. A rate increase based on a 3.00% average increase in residential rates (including the minimum) and a 3.00% increase for Commercial and Industrial properties with a 41.1% differential, and a 30% differential on vacant land, be endorsed as the basis for setting rates in 2017/18.

With leave of the meeting and consent of the seconder Cr E Gill
VARIED the MOTION as follows

1. Information be received.
2. A rate increase based on a 3.00% average increase in residential rates (including the minimum) and a 3.00% increase for Commercial and Industrial properties with a 51.1% differential, and a 30% differential on vacant land, be endorsed as the basis for setting rates in 2017/18.
3. Further information be provided in relation to the impact of a reduction of the differential rate to 46.7% for commercial and industrial properties.

CARRIED

6.6.3 Globe Derby Community Club Separate Rate

Moved Mayor G Aldridge

Seconded Cr J Woodman

1. The proposed separate rate of \$100 per share in common land, 63 shares in total, in the relevant area for the Globe Derby Community Club for 2017/18, be endorsed in principle, and a formal resolution be brought forward to the June 2017 Council meeting for adoption of the rate.

CARRIED

6.6.4 Salisbury City Centre Business Association Separate Rate

Cr D Balaza declared a material conflict of interest on the basis of being a Board member of the Salisbury City Centre Business Association. Cr D Balaza left the meeting at 06:50 pm.

Moved Cr E Gill

Seconded Mayor G Aldridge

1. The separate rate proposal to raise \$161,950 (excluding GST) as requested by the Salisbury City Centre Business Association be supported and that this be subject to formal declaration at the June 2017 Council meeting.
2. The Salisbury City Centre Business Association be supported to keep its member database up to date through the provision of assessment record details of those subject to the separate rate at the time of generating the first quarter rates notice at no charge to the Association, and periodically throughout the year as may be requested by the Association.

CARRIED

Cr D Balaza returned to the meeting at 06:53 pm.

6.6.5 Rate Rebate Policy and Endorsement of Discretionary Rebates for 2017/18 and 2018/19

Mayor G Aldridge left the meeting at 06:57 pm.

Mayor G Aldridge returned to the meeting at 07:02 pm.

Moved Cr S White

Seconded Mayor G Aldridge

1. Discretionary rebates be provided for 2017/2018 to 2018/2019 as follows:
 - a. Meals on Wheels 25% discretionary rate rebate (noting that total rebate is 100%, given 75% mandatory rate rebate is required)
 - b. A A Harvey, A W Harvey and John Street Salisbury Pty Ltd (Northern Volunteering SA Inc) 100% discretionary rate rebate
 - c. SA Water (St Kilda Tram Museum Depot) 100% discretionary rate rebate
 - d. Military Vehicle Preservation Society of SA Inc (National Military Vehicle Museum) 100% discretionary rebate
 - e. Australian Migrant Resource Centre 75% discretionary rate rebate
 - f. Marra Murrangga Kumangka Inc 75% discretionary rate rebate
2. The Rate Rebate Policy as set out in Attachment 1 (Item No. 6.6.5, Budget and Finance Committee, 15/05/2017) be endorsed.

CARRIED

OTHER BUSINESS

Nil

The meeting closed at 7:06pm.

CHAIRMAN.....

DATE.....

ITEM	6.0.1
	BUDGET AND FINANCE COMMITTEE
DATE	17 July 2017
HEADING	Future Reports for the Budget and Finance Committee
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	This item details reports to be presented to the Budget and Finance Committee as a result of a previous Council resolution. If reports have been deferred to a subsequent month, this will be indicated, along with a reason for the deferral.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 Historically, a list of resolutions requiring a future report to Council has been presented to each committee for noting.

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
 - 2.1.1 Report authors and General Managers.
- 2.2 External
 - 2.2.1 Nil.

3. REPORT

3.1 The following table outlines the reports to be presented to the Budget and Finance Committee as a result of a Council resolution:

Meeting Item	Heading and Resolution	Officer
29/04/2013 6.4.4	Fees and Charges Report - Waste Transfer Station 3. Subject to endorsement of the creation of the Program Review Sub Committee, the Program Review Sub Committee consider the cost structure and fee structure for residents/commercial vs. non-Salisbury residents/commercial accessing services at the Waste Transfer Station. Due: September 2017	Sam Kenny
28/11/2016 6.0.2-PRSC2	Program Review Update 3. Following the conclusion of the current schedule of program review activity a report outlining the status of work undertaken by the Program Review Committee, including achievements, benefits and issues encountered through the course of the program review process be prepared. Due: October 2017	Charles Mansueto
24/04/2017 6.2.1	Financial Indicators 2. The Operating Ranges for Financial Sustainability Indicators be reviewed as part of considering future Long Term Financial Plan updates. Due: October 2017	Kate George
24/04/2017 6.8.1	Project Budget Delegations 4. The Project Budget Delegation be reviewed during the 2018/19 Budget process. Due: April 2018	Kate George
22/05/2017 6.0.2-PRSC1	Strategic Development Projects Program Review Update 1. That the update report be noted, and the matters arising from consideration of the report by the Sub-Committee be addressed in the final draft report to the Program Review Sub-Committee in July 2017 on the Strategic Development Projects Program Review. Due: July 2017 Deferred to: August 2017 Reason: The program review has been deferred to August 2017 to provide for collation of consultation feedback as part of the report.	Chantal Milton
22/05/2017 6.0.2-PRSC2	Future Considerations of Program Review 2. That a further report be brought back prior to the conclusion of the current schedule of Program Reviews that incorporates the committee's feedback on options available to Council to assess ongoing program and service needs. Due: August 2017	Charles Mansueto

4. CONCLUSION / PROPOSAL

- 4.1 Future reports for the Budget and Finance Committee have been reviewed and are presented to Council for noting.

CO-ORDINATION

Officer:	EXEC GROUP	GMCI	GMBE	GMCID
Date:	10/07/2017	03/07/2017		

ITEM	6.0.2
	BUDGET AND FINANCE COMMITTEE
HEADING	Minutes of the Program Review Sub Committee meeting held on Monday 10 July 2017
AUTHOR	Charles Mansueto, General Manager Business Excellence, Business Excellence
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	The minutes and recommendations of the Program Review Sub Committee meeting held on Monday 10 July 2017 are presented for Budget and Finance Committee's consideration.

RECOMMENDATION

1. The information contained in the Program Review Sub Committee Minutes of the meeting held on 10 July 2017 be received and noted and that the following recommendations contained therein be adopted by Council:

PRSC1 Program Review Findings Financial Services Division

1. That recommendations from the Financial Services Division Compliance Audit, Benchmarking Study and Customer Survey be noted and the implementation be monitored by the Chief Executive Officer and the General Manager Business Excellence.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Minutes Program Review Sub Committee - 10 July 2017

CO-ORDINATION

Officer: GMBE
Date: 12/07/2017



**MINUTES OF PROGRAM REVIEW SUB COMMITTEE MEETING HELD IN
COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY ON**

10 JULY 2017

MEMBERS PRESENT

Cr E Gill (Chairman)
Cr S Bedford
Cr B Brug (*from 6:57 pm*)
Cr D Bryant
Cr G Caruso
Cr L Caruso (Deputy Chairman)
Cr D Proleta
Cr R Zahra

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Manager Governance, Ms T Norman

The meeting commenced at 6.51pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

An apology was received from Mayor G Aldridge.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr L Caruso
Seconded Cr G Caruso

The Minutes of the Program Review Sub Committee Meeting held on 13 June 2017, be taken and read as confirmed.

CARRIED

REPORTS

PRSC1 Program Review Findings Financial Services Division

Cr B Brug entered the meeting at 06:57 pm.

Moved Cr R Zahra
Seconded Cr L Caruso

1. That recommendations from the Financial Services Division Compliance Audit, Benchmarking Study and Customer Survey be noted and the implementation be monitored by the Chief Executive Officer and the General Manager Business Excellence.

CARRIED

OTHER BUSINESS

Nil

CLOSE

The meeting closed at 7.12pm.

CHAIRMAN.....

DATE.....

ITEM	6.1.1
	BUDGET AND FINANCE COMMITTEE
DATE	17 July 2017
HEADING	Council Finance Report - June 2017
AUTHORS	Kate George, Manager Financial Services, Business Excellence Tim Aplin, Senior Accountant, Business Excellence
CITY PLAN LINKS	4.2 Develop strong capability and commitment to continually improve Council's performance. 4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	This report provides some key financial data as at 30 June 2017 for the information of Council as part of its stewardship role.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

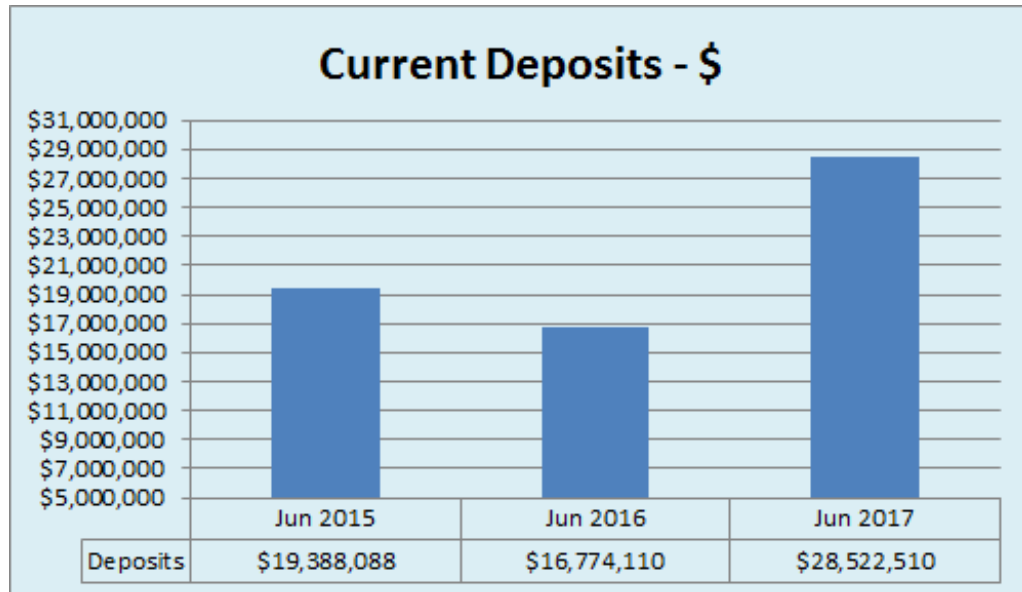
- 1.1 Council's Treasury Policy requires that a report be prepared detailing fixed borrowings and variable borrowings at the end of the preceding month, together with all investments held, their terms and interest rates. Also included is a summary of Reserve Balances and Rates and Debtor Information. The policy requires that the timing of these reports be November, February and May, with the end of year report as soon as practical as part of the end of financial year reporting.

2. REPORT

- 2.1 Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings are invested in accordance with Council's Treasury Policy. These investments are split between short term deposits with the Local Government Finance Authority (with variable maturity dates from 30-60 days) or at call with the National Australia Bank. Investments are selected taking into account which delivers the best value, having regard to investment returns, transaction costs and other relevant factors.

2.2 Investments as at 30 June 2017

Date	Institution	%	Term-Days	Maturity	Value
14 Jun 2017	LGFA	1.70	14 Jul 2017	30 Days	\$3,500,000
19 Jun 2017	LGFA	1.70	19 Jul 2017	30 Days	\$5,000,000
26 Jun 2017	LGFA	1.65	26 Jul 2017	30 Days	\$2,500,000
30 Jun 2017	LGFA	1.50	30 Jun 2017	At Call	\$634,818
30 Jun 2017	NAB	2.00	30 Jun 2017	At Call	\$16,887,692
30-Jun-2016	\$16,774,110				\$28,522,510



- 2.3 An increased level of cash investments at 30 June 2017, when compared to prior years is a result of Property Development sales over the last few months being significantly higher than in prior years, \$8,562k as at 30 June 2016 compared to \$12,350k as at 30 June 2017, with a difference of \$3,788k. Further the Federal Government to pay two quarters of the 2017/18 Financial Assistance Grant and Untied Local Roads Funding in advance totaling \$3,995k on 9 June 2017, which was not paid in advance in 2016 Financial Year

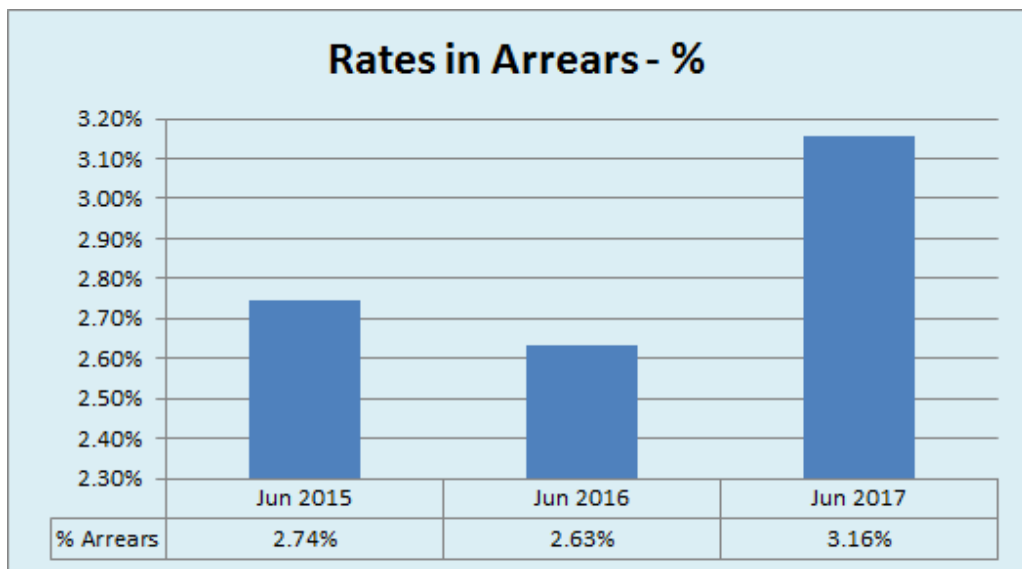
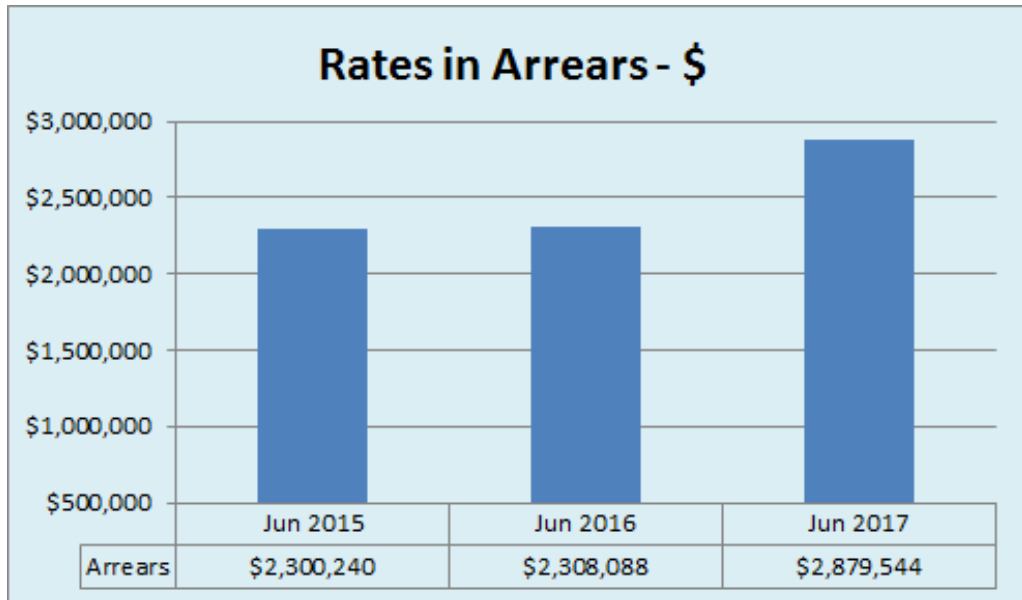
2.4 Reserves as at 30 June 2017

	Opening Balance as at 1/07/2016	Transfer to Reserves YTD	Transfer from Reserves YTD	Current Balance
Plant Replacement Reserve	928,584	0	49,476	879,108
Open Space Reserve	1,771,322	84,100	810,000	1,045,422
Car Parking Reserve	943,714	14,496	0	958,210
Business Unit Reserve	1,881,424	0	0	1,881,424
Property Disposal Reserve	4,418,098	0	0	4,418,098
Subdivision Reserve	1,586,767	114,128	97,858	1,603,037
Cemetery Maintenance Reserve	866,013	13,266	0	879,279
Mausoleum Perpetual Care Fund	690,412	77,698	0	768,110

- 2.5 Reserves are a device used to ensure that Council has sufficient funds allocated for specific purposes. Transfers to the Reserves represent amounts received as contributions, indicative interest adjustments and property disposal proceeds. Transfers from the Reserves represent the funding being applied to specific projects, or to reduce loan borrowing requirements.
- 2.6 At 30 June 2017 the most significant movements are the transfers from the Plant Replacement Reserve \$49k for replacement items purchased throughout the year. This reserve has a significant balance with a majority of this being expected to be transferred back to general equity as part of year end, resulting from the non-replacement of plant and equipment identified as no longer being required throughout various Program Reviews. It should be noted the schedule replacement of plant items are now funded as a new initiative bid each year.
- 2.7 Also impacting are transfers from the Open Space Reserve \$810k for New Initiative Bids relating to Underdown Park Salisbury North \$350k, The Paddocks Para Hills West \$60k and Mawson Lakes Interchange \$400k, all endorsed as part of the 2016/17 Budget. There has also been a refund of Developer subdivision contributions \$98k as a result of the developer conducting the works themselves at the Glades Development, Parafield Gardens.
- 2.8 Other movements include amounts transferred to the Open Space Reserve of \$84k (contributions received of \$68k and interest allocated of \$16k) and amounts transferred to the Subdivision Works Reserve of \$114k (contributions received of \$89k and interest allocated of \$25k) representing developer contributions received. Interest is apportioned on the balances of the Reserves on a monthly basis, with the Plant Replacement, Property Disposal and the Business Unit Reserves being the only exceptions.

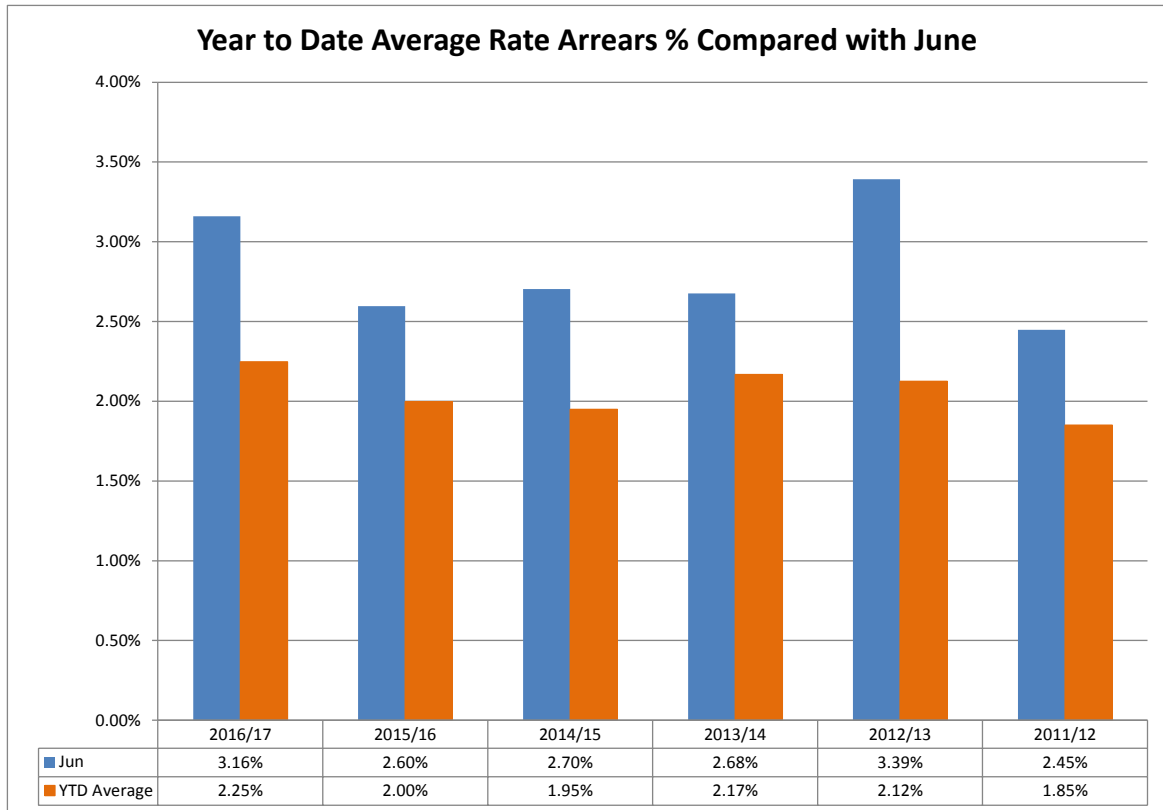
2.9 Recovery of Rates

	No of Accounts	\$	%
Outstanding Balance as at 30 June 2017		2,174,468	2.38%
Outstanding Balance as at 30 June 2016		1,896,165	2.16%
Outstanding Rates Arrears as at 30 June 2017	4,455	2,879,544	3.16%
Outstanding Rates Arrears as at 30 June 2016	3,941	2,308,088	2.63%



2.10 The level of Council Rates in arrears at 30 June 2017 is 3.16%, which is above the target maximum level for Rates Arrears of 2.5%, with there being no specific factors causing this. The standard process is that Rates Arrears are followed up on a daily basis and quarterly files are sent to Council’s debt collection agency.

2.11 Rate arrears are cyclical in that they peak in the month rate installments fall due, with June being an installment month, and then trend down for the next two months, meaning that rate arrears at a point in time may be distorted, and that the average rate arrears normalizes the cyclical impacts. The graph below depicts the average year to date rate arrears, with the average to June being 2.25%, which is also below the target of 2.5%.



2.12 Other Debtors as at 30 June 2017

Debtor Type	Current	30 – 60 days	60 - 90 days	Over 90 days	Total
Sundry	1,342,008	37,274	7,717	17,666	1,404,665
Salisbury Water	0	4,863	0	0	4,863
Inflammable Undergrowth	0	0	0	1,288	1,288
Additional Bins	2,704	1,085	115	230	4,134
Health Licensing Fees	7,410	2,028	763	2,208	12,409
Property Management	27,338	41,946	18,476	8,137	95,897
TOTAL	1,379,460	87,196	27,071	29,529	1,523,256

2.13 The above aged analysis represents sundry amounts that are owing to Council as at 30 June 2017. The Sundry Debtors current balance of \$1,342,008 includes a large Invoice \$1,077,262 issued on 29 June 2017, being Black Spot funding for the intersection of RM Williams Drive and Wrights Road (eastern entrance) in

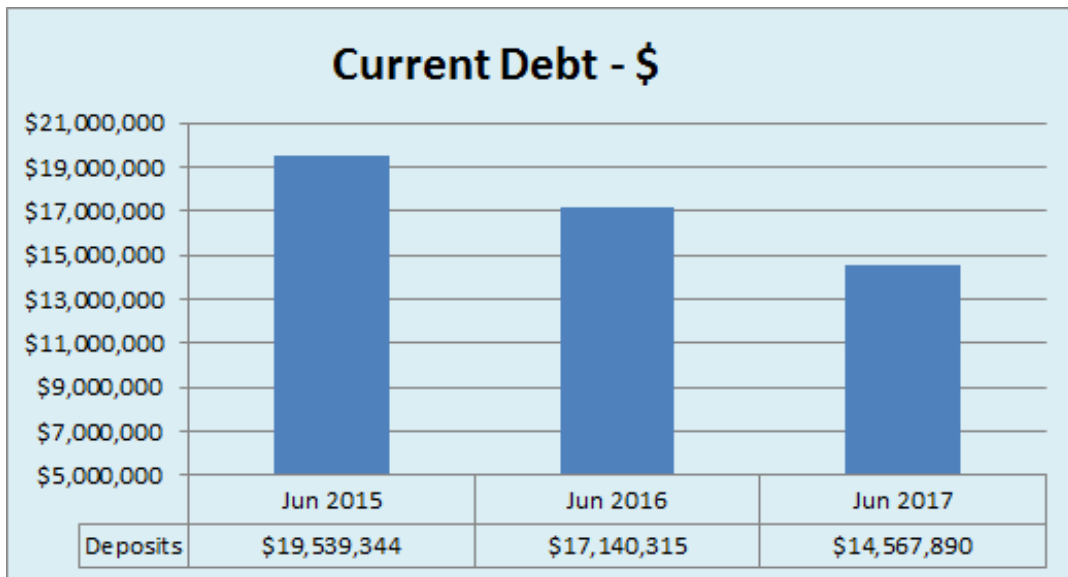
Walkley Heights from the Department of Planning Transport and Infrastructure. This is due to be received by the end of July 2017.

- 2.14 The above aged analysis also represents other amounts that are owing to Council from a variety of sources that are outstanding as at 30 June 2017. Debts outstanding greater than 90 days account for 1.93% of the total outstanding balance, however excluding the large Invoice raised on 29 June 2017 (Refer Para 2.13), the percentage of accounts over 90 days is 6.62%. Debts that are outstanding for greater than 30 days are subject to council's debt collection procedures, which could include internal follow up and ultimately legal action through Councils debt collection agency.

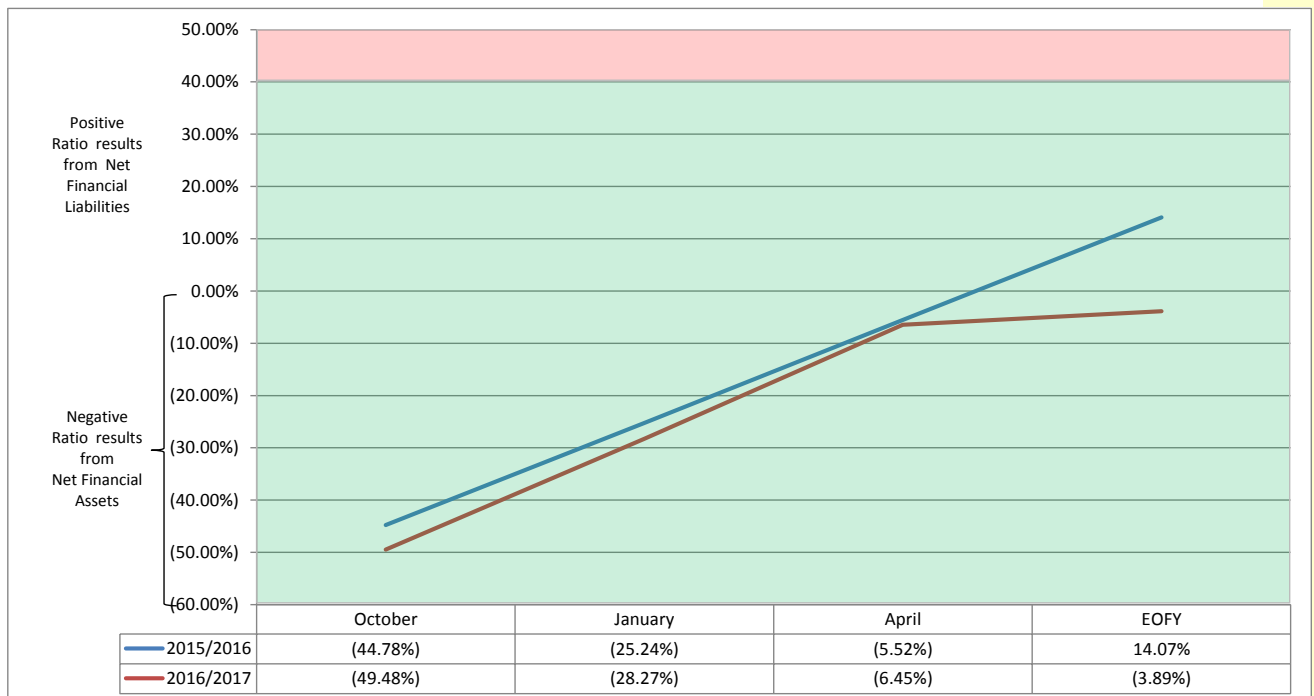
- 2.15 Loan Schedule as at 30 June 2017

Debenture Loans	
Principal Outstanding as at 1 July 2016	17,140,315
Loans Raised Year to Date	0
Repayments of Principal Year to Date	2,560,100
Loan Principal Outstanding - Debenture Loans	14,580,215
Cash Advance Debenture Borrowings (CADs)	
Total CAD's available	28,747,000
Current CAD's drawdown amount year to date	0
Balance of CAD's available	28,747,000
Interest Payments (Debenture Loans and CADs)	
Interest Payments - Debenture Loans	1,100,978
Interest Payments - CAD's	0
Total Interest Payments	1,100,978

- 2.16 The above Loan Schedule summarises the position on loans taken for Council purposes. Fixed Term Borrowings detail total movements this financial year, with payments to be made half yearly, the first payment made in December 2016 and again in June 2017.
- 2.17 As at 30 June 2017 there have been no drawdowns in relation to CAD's primarily due to Council's working capital and cash position associated with Property Development Sales that have occurred.
- 2.18 Not included in the above loan schedule is the \$500,000 Debenture Loan secured for special purpose borrowings, however this is offset by a \$500,000 Loan Receivable.
- 2.19 The table below shows the level of drawn down debt held by Council at the same time for the last three financial years and demonstrates a steady decrease in debt. This has resulted from Council's decision to utilise property development proceeds to offset borrowing requirements.



2.20 Net Financial Liabilities Ratio Comparison



2.21 The graph above shows the net financial liabilities ratio comparison for the 2016 and 2017 financial years as at the time of preparation of each Council finance report. Council’s endorsed range for the net financial liabilities ratio is less than 40%, which is represented by the green shaded area on the graph.

2.22 It should be noted that when the ratio is below zero, that this represents a net financial assets position, which is when the financial assets (cash, receivables and financial assets) are greater than total liabilities. Effectively this means that a negative ratio is favourable. When financial assets are less than total liabilities it results in a net financial liability position, and a positive ratio.

- 2.23 As can be seen the trend is that early in both financial years Council is in a strong net financial assets position with (44.8%) and (49.5%) for October of 2015/16 and 2016/17 respectively. This reflects higher levels of cash holdings and trade receivables than levels of trade payables and debt. As the financial year progresses, cash holdings are spent as the capital program is delivered, and last financial year Council moved into a net financial liabilities position at the end of financial year with a ratio of 14.1%.
- 2.24 The net financial liabilities level at the end of the 2016/17 financial year, at the time of preparation of this report, is (3.9%), and will adjust with the finalisation of various aspects of the end of financial year. It should be noted that this results in part by the Federal Government's decision to pay two quarters of the 2017/18 Financial Assistance Grant totaling \$3.9M in June 2017. Normalising for this advance payment the net financial liabilities ratio would be (0.6%)
- 2.25 The 2016/17 budgeted net financial liabilities ratio is 11.8%.

3. CONCLUSION / PROPOSAL

- 3.1 The analysis above demonstrates that Council is in a sound financial position with appropriate levels of debt and investments, allowing it to sustainably manage its debt requirements for projects approved as part of the 2017/18 Budget.
- 3.2 Whilst this report provides only a summary of key financial data as 30 June 2017, the full financial results for the financial year will be reported on as part of the 2017 Annual Financial Statements which will be presented to Council in October 2017.

CO-ORDINATION

Officer: Executive Group
Date: 10/07/2017

ITEM	6.1.2
	BUDGET AND FINANCE COMMITTEE
DATE	17 July 2017
HEADING	Treasury Report for Year Ended 30 June 2017
AUTHORS	Kate George, Manager Financial Services, Business Excellence Tim Aplin, Senior Accountant, Business Excellence
CITY PLAN LINKS	4.4 Embed long term thinking, planning and innovation across the organisation.
SUMMARY	This report, in accordance with the Local Government Act and Council's Treasury Management Policy, provides Council with a summary of the investment performance and loan facilities for the 2017 Financial Year.

RECOMMENDATION

1. Information be received.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Treasury Policy

1. BACKGROUND

- 1.1 In accordance with Section 140 *Local Government Act 1999* and the Treasury Policy this report details the investment performance of Council funds for the year ended 30 June 2017.
- 1.2 Members may wish to note that Local Government in South Australia is in the unique position of having its own finance authority (LGFA), with State Government guaranteeing its operation

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
 - 2.1.1 N/A
- 2.2 External
 - 2.2.1 Information has been sourced from the Local Government Finance Authority with respect to an estimate of the yearly bonus applicable to all deposits in interest rate terms

3. REPORT

3.1 Borrowings

3.1.1 Council borrowings are a mix of fixed term borrowing with the choice of fixed or variable interest rates, and variable term borrowings in the form of cash advance facilities, all held with LGFA.

3.2 Fixed Term Borrowings

3.2.1 The table below details Councils Fixed Term Borrowings at the year ended 30 June 2017. It shows an overall net decrease in fixed term borrowings of \$2.56M from 30 June 2016, with no additional borrowing being established during the 2016/17 Financial Year.

Reference	Amount Borrowed	Date Established	Maturity Date	Interest Rate	Principal Balance 30/6/2017	Principal Balance 30/6/2016	Reduction in Principal	Annual Repayment Amount	Interest Paid
LGFA 0253	3,662,000	17/06/2002	17/06/2017	7.07%	-	379,713	379,713	399,964	20,251
LGFA 0254	3,610,000	16/06/2003	16/06/2018	5.60%	344,370	670,236	325,866	358,900	33,034
LGFA 0256	2,829,000	15/06/2004	15/06/2019	6.77%	558,393	810,913	252,521	303,217	50,696
LGFA 0258	3,218,000	15/06/2005	15/06/2020	6.26%	900,521	1,165,543	265,022	333,902	68,879
LGFA 0259	1,463,000	15/06/2006	15/06/2021	6.70%	539,938	654,108	114,170	156,115	41,944
LGFA 0260	4,811,000	15/06/2007	15/06/2022	7.01%	2,176,276	2,528,579	352,303	523,489	171,186
LGFA 0263	9,000,000	15/06/2010	15/06/2025	6.58%	5,855,439	6,396,414	540,975	953,104	412,129
LGFA 0264	5,889,000	15/06/2011	15/06/2026	6.80%	4,205,279	4,534,808	329,529	632,387	302,859
Total	34,482,000				14,580,215	17,140,315	2,560,100	3,661,077	1,100,978

3.2.2 Not included in the above loan schedule is the \$500,000 debenture loan that was secured in November 2016 for special purpose borrowings, offset by a corresponding \$500,000 loan receivable. The current balance of this loan and its receivable is \$487,675.

3.3 Variable Term Facilities

3.3.1 The Variable Term Facilities have no outstanding balances at either 30 June 2017, nor at 30 June 2016, as detailed in the table below. Also, at the time of preparing this report there were no outstanding amounts on any Cash Advance Debenture (CAD's) facilities. It should be noted that CAD 0243 valued at \$1.120M expired on the 30 June 2017.

3.3.2 Members may wish to note that the interest rate applicable to CAD's is currently 3.75%. Further the extent of any draw down on our CADs is correlated to the delivery of the capital works program, receipts of grant funding, and timing of rate revenue receipts.

Reference	Facility Amount	Date Established	Expiry Date	Current Interest Rate	Outstanding 30/6/2017	Outstanding 30/6/2016	Movement
LGFA 0235	2,130,000	15/06/2009	15/06/2024	Variable	0	0	0
LGFA 0242	2,430,000	01/09/1997	01/09/2017	Variable	0	0	0
LGFA 0243*	1,120,000	01/09/1997	30/06/2017	Variable	0	0	0
LGFA 0255	1,880,000	16/06/2003	16/06/2018	Variable	0	0	0
LGFA 0257	6,400,000	15/06/2004	15/06/2019	Variable	0	0	0
LGFA 0261	2,850,000	16/06/2008	16/06/2023	Variable	0	0	0
LGFA 0262	570,000	15/06/2010	15/06/2025	Variable	0	0	0
LGFA 0265	11,367,000	17/06/2013	17/06/2028	Variable	0	0	0
Total	28,747,000				0	0	0

* Cash Advance Debenture expired on 30 June 2017. Therefore whilst the facility amount of \$1,120,000 has been included above as a reference, the actual balance of all of Council's variable term facilities as at 30 June 2017 is **\$27,627,000**

3.3.3 In accordance with the Treasury Policy we balance the mix of fixed and variable borrowings so that neither fixed debt or variable facilities represent less than 30% of our total facilities. For the year ended 30 June 2017, fixed term facilities represented 35%, and variable term facilities represented 65% of the total facilities.

3.3.4 Further to the above in May 2017 loan borrowings requirements were assessed and reported in the Third Quarter Budget Review. The original budget was for loan borrowings of \$8.580M being required, however this was budgeted to be fully offset by Property Development proceeds received, resulting in a nil borrowing requirement for 2016/17. This position has been favorably revised through Quarterly Budget Reviews, with the borrowing requirement at the Third Quarter Review being \$6.7M (a \$1.9M decrease on the original budget position), and it was recommended that this be fully offset by Property Development proceeds.

3.3.5 Since the May 2017 loan borrowings report there has been no significant impacts that necessitate new borrowings for the financial year ended 30 June 2017.

3.4 Investments

3.4.1 Council holds two types of investments, 24 hour at call funds and term deposits, with the funds being held with the LGFA, and the National Australia Bank.

3.4.2 24 Hour at Call - The table below shows the respective balances as at 30 June 2017 and 2016. These funds are held to cover cash disbursements planned to occur over the coming month.

Investments at Call – LGFA and NAB

Investment Type	30/06/2017		30/06/2016	
	Interest Rate *	Balance	Interest Rate *	Balance
24 Hour At Call LGFA	1.85	634,818	2.11	2,346,082
NAB Professional Funds	2.00	16,887,692	2.25	8,928,027
Total At Call		17,522,510		11,274,109

* The LGFA interest rate includes an additional 0.35% (0.36% for the 2015/16 Financial Year) which the LGFA has advised is a estimate of the likely value of the yearly bonus in interest rate terms applicable to all deposits for 2016/17. The actual percentage will not be known until October 2017, however the LGFA has advised it should be similar to the 2015/16 amount

- 3.4.3 Fixed Term Deposits - The fixed term deposits are made for a period of 30, 60, or 90 days, and are based on predicted cash inflows and outflows over the period. All term deposits are held with the LGFA.

Fixed Term Investments – LGFA

Investment Type	Maturity Date	Interest Rate *	Balance 30/6/2017	Balance 30/6/2016
Fixed	20/07/2016	2.26		4,000,000.00
Fixed	25/07/2016	2.26		1,500,000.00
Fixed	14/07/2017	2.05	3,500,000.00	
Fixed	19/07/2017	2.05	5,000,000.00	
Fixed	26/07/2017	2.00	2,500,000.00	
Total			11,000,000.00	5,500,000.00

* The LGFA interest rate includes an additional 0.35% (0.36% for the 2015/16 Financial Year) which the LGFA has advised is a estimate of the likely value of the yearly bonus in interest rate terms applicable to all deposits for 2016/17. The actual percentage will not be known until October 2017, however the LGFA has advised it should be similar to the 2015/16 amount

- 3.4.4 It should be noted that the At Call cash position was higher at the end of the 2017 Financial Year as compared to the end of the 2016 Financial Year, due to proceeds received for Property Developments, the timing of the capital works program and also the decision by the Federal Government to pay two quarters of the 2017/18 Financial Assistance Grant and Untied Local Roads Funding in advance totaling \$3,995,448 on 9 June 2017. The Federal Government did not pay this in advance in the 2016 Financial Year, and payment is now expected to return to normal quarterly payments.

- 3.4.5 The \$17.5M cash on hand at 30 June 2017 is needed as payments during July and into August are traditionally very high with delivery of capital projects necessitating higher creditor payments and also once off yearly payments such Workcover Premiums and Insurance Premiums. Also, our cash receipts in July and August are very low with the first installment of rates not due until early September. Cash outgoings in July 2016 were \$10.9M paid to creditors and payroll and oncosts payments of approximately \$2.4M.

4. CONCLUSION / PROPOSAL

- 4.1 Council investments and borrowings have been managed in accordance with Council's Treasury Policy, and the information provided is as required by the policy.

CO-ORDINATION

Officer: Executive Group
Date: 10/07/2017



Treasury Policy

Policy Type:	Policy		
Approved By:	Council	Decision No:	2010/2128, 2011/327, 2013/1927, 1026/2016
Approval Date:	23 March 2010	Last Reapproval Date:	26 April 2016
Review Date:	April 2018	Internal Reference No.:	
Department:	Business Excellence	Division:	Financial Services
Function:	7 - Financial Management	Responsible Officer:	Manager, Financial Services

A - PREAMBLE

1. This policy provides clear direction to management, staff and Council in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.
2. Council is committed to adopting and maintaining a Long-term Financial Plan and operating in a financially sustainable manner.
3. Section 3 the Local Government Act, 1999, requires Councils to act in a way that is effective, efficient and accountable. This is especially important when managing monies acquired by Council in order to benefit the Community.

C – POLICY PURPOSE/OBJECTIVES

1. This Treasury Management Policy establishes a decision framework to ensure that:
 - funds are available as required to support approved outlays;
 - interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
 - the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.
 - Further it clarifies the treatment of surplus funds, identified through Budget Reviews

E - POLICY STATEMENT

1. Treasury Management Strategy

- 1.1. Council's operating and capital expenditure decisions are made on the basis of:
 - identified community need and benefit relative to other expenditure options;

- cost effectiveness of the proposed means of service delivery; and,
 - affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial Liabilities and Interest Cover ratios).
- 1.2. Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:
- maintain target ranges for its Net Financial Liabilities ratio;
 - generally only borrow funds when it needs cash and not specifically for particular projects;
 - apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.
 - Apply surplus contained within the Sundry Projects Fund, following adjustments for variations to existing estimates, to a reduction in borrowings. Any new bids/projects arising through the year are to be referred to the budget planning process for the subsequent year, unless they are of sufficient urgency, in which case Council may finance such projects by reducing/cancelling an existing budgeted project, or approving an increase to the borrowing requirement.

2. Interest Rate Risk Exposures

- 2.1. Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

2.2. Fixed Interest Rate Borrowings

- To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to maintain on average in any year, not less than **30%** of its facilities in the form of fixed interest rate borrowings.
- In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

2.3. Variable Interest Rate Borrowings

- Council will structure its portfolio of borrowings to maintain not less than 30% of its facilities in any year in the form of variable interest rate borrowings.
- Council will utilize long-term variable interest rate borrowing facilities, such as the LGFA's Cash Advance Debenture, that require interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

3. Investments

- 3.1. Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

- 3.2. Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.
- 3.3. When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs, and other relevant and objectively quantifiable factors.
- 3.4. Council management may from time to time invest surplus funds in:
 - deposits with the Local Government Finance Authority; and/or
 - bank interest bearing deposits
 - bank accepted/endorsed bank bills
 - State/ Commonwealth Government Bonds
- 3.5. Any other investment requires the specific approval of Council.

4. Reporting

- 4.1. During the year Council will receive a report detailing total fixed borrowings and variable fixed borrowings at the end of the preceding month, together with all investments held, their term and interest rate. Timing of these reports will be November, February, May, unless there is an opportunity to report earlier, with the end of year reported as soon as practicable as part of our end of year reporting. (*Council Resolution, Item No. 734 dated 28 November 2011*)
- 4.2. At least once a year Council shall receive a specific report regarding treasury management performance relative to this Policy. The report shall highlight:
 - for each Council borrowing and investment - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and,
 - the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period along with key reasons for significant variances compared with the targets specified in this policy.

F - LEGISLATION

For Borrowings

Local Government Act, 1999 (Sections 44, 122 and 134)
Local Government (Financial Management) Regulations 2011

For Investments

Local Government Act, 1999 (Sections 47, 139 and 140)

Document Control

Document ID	Treasury Policy
Prepared by	Kate George
Release	1.00
Document Status	Endorsed
Date Printed	04/05/2016

ITEM	6.1.3
	BUDGET AND FINANCE COMMITTEE
DATE	17 July 2017
HEADING	Certification of the 2017 Annual Financial Statements
AUTHORS	Kate George, Manager Financial Services, Business Excellence Tim Aplin, Senior Accountant, Business Excellence
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making. 4.4 Embed long term thinking, planning and innovation across the organisation.
SUMMARY	This report provides a summary of the 2017 end of financial year reporting process and seeks Council's authorisation for the Mayor and the Chief Executive Officer to sign the certificate certifying the 2017 Annual Financial Statements in their final form once completed

RECOMMENDATION

1. The information be received.
2. The Mayor and the Chief Executive Officer be authorised by Council to sign the Council Certificate certifying the Annual Financial Statements for the financial year ended 30 June 2017, following the Audit Committee's review of these Statements on 10 October 2017.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. 2017 Annual Financial Statements Council Certificate

1. BACKGROUND

- 1.1 The *Local Government Act 1999* at Section 127 requires that a Council must prepare financial statements and notes in accordance with the standards prescribed by the regulations, and other statements or documentation relating to the financial affairs of the council required by the regulations for each financial year.
- 1.2 A key component of meeting this legislative obligation is that the Mayor and the Chief Executive Officer must certify the Annual Financial Statements, the format of which is governed by Regulation 14 of the *Local Government (Financial Management Regulations) 2011*.

2. CONSULTATION / COMMUNICATION

2.1 Internal

2.1.1 N/A

2.2 External

2.2.1 Councils external Auditors, Bentleys.

3. REPORT

3.1 The format of the certification of Councils Annual Financial Statements is governed by Regulation 14 of the Local Government (Financial Management) Regulations 2011, which states:

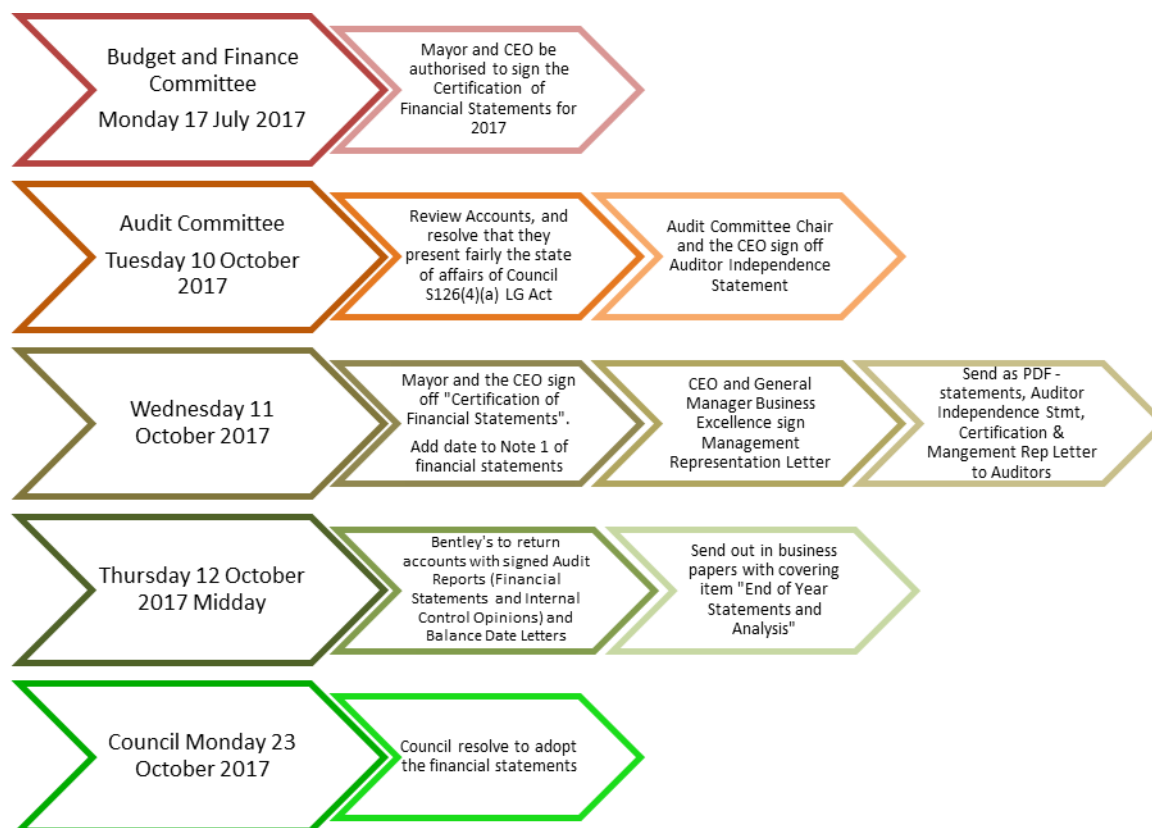
The financial statements of a council, council subsidiary or regional subsidiary must include a statement, in a form determined by the Minister, signed by:

- (a) *the chief executive officer and the principal member of the council; certifying that—*
- (c) *the financial statements comply with relevant legislation and Australian Accounting Standards; and*
- (d) *the financial statements present a true and fair view of the*
 - (i) *financial position; and*
 - (ii) *results of the operations; and*
 - (iii) *cash flows,**of the council for the financial year; and*
- (e) *internal controls implemented by the council provide a reasonable assurance that its financial records are complete, accurate and reliable and were effective throughout the financial year; and*
- (f) *the financial statements accurately reflect the accounting and other records of the council and;*
- (g) *(i) in the case of a council—the chief executive officer and the principal member;*
have been authorised by the council, council subsidiary or regional subsidiary (as the case may be) to certify the annual financial statements in their final form.

3.2 The legislation places the responsibility for preparing accurate annual financial statements on the Council, not its auditor, as the auditors' role is limited to forming an opinion as to whether the statements present fairly, in all material respects, the Council's financial position for the respective reporting period. Accordingly the Council Certificate is located prominently at the start of the statements.

3.3 The following process and associated timeframes have been prepared consistent with previous years and legislative requirements outlined above to ensure the audit committee and council certification process integrates with the legislative requirements:

SIGN OFF OF FINANCIAL STATEMENTS 2016-2017



3.4 Application of the above process will ensure that the legislative requirements governing the preparation, review, certification and endorsement of the Annual Financial Statements for 2017 are satisfied.

3.5 A copy of the 2017 Annual Financial Statements Council Certificate complying with Regulation 14 of the Local Government (Financial Management) Regulations 2011 is attached for information.

4. CONCLUSION / PROPOSAL

4.1 In order to satisfy the legislative requirements governing the preparation of the 2017 Annual Financial Statements it is recommended that Council authorise the Mayor and the Chief Executive Officer to sign the Council Certificate certifying the Annual Financial Statements for year ended 30 June 2017, following the Audit Committee's review of the Statements on 10 October 2017.

CO-ORDINATION

Officer: Executive Group
Date: 10/07/2017

City of Salisbury

General Purpose Financial Statements for the year ended 30 June 2017

Certification of Financial Statements

We have been authorised by the Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2017 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

John Harry
CHIEF EXECUTIVE OFFICER

Gillian Aldridge
MAYOR

Date:

ITEM	6.1.4
	BUDGET AND FINANCE COMMITTEE
DATE	17 July 2017
HEADING	Affordable Housing Developments
AUTHORS	Kate George, Manager Financial Services, Business Excellence Tim Aplin, Senior Accountant, Business Excellence
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making. 4.4 Embed long term thinking, planning and innovation across the organisation.
SUMMARY	<p>Council at its March 2017 meeting resolved that staff bring back a report on the current status of homes in the affordable housing development at Brahma Lodge (Resolution 1677/2017)</p> <p>This report responds to this resolution and also includes a summary of the status of affordable housing included in the Greentree Walk development at Paralowie, that whilst a separate development is also captured under the Affordable Housing Shared Equity system.</p>

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 In August 2007, Council initiated a proposal to utilise some surplus Council land to provide affordable housing to local residents, with Council retaining an equity in the property until subsequent sale or discharge of the mortgage. The objective was to enable the purchaser to have lower mortgage repayments, thereby enabling lower income earners to become home owners. The proposal relied upon Council obtaining its return through a share of the capital growth of the property.
- 1.2 Council worked in partnership with the State Government Affordable Housing Unit and HomeStart Finance to undertake this project and subsequently developed 11 houses on a Council owner property (a former reserve) at Dansie Crescent Brahma Lodge. Since the project was finalised in 2010 there have been two properties with mortgages discharged, one as a result of sale.
- 1.3 Further to the above there are 4 houses located in Council's Greentree Walk Development at Paralowie that have been financed under the same arrangement.

2. REPORT

- 2.1 This report provides a status update in relation to affordable housing properties at Brahma Green and Greentree Walk of which Council has an equity interest in.
- 2.2 The funding model is that each home owner has a primary mortgage with HomeStart Finance for the house package and a secondary mortgage with Council. Council retains equity in these properties, being the value of the land, until the mortgage is discharged. As such Council's return from the mortgages is subject to the volatility in the growth factors for residential land.
- 2.3 Council obtains its return through
- 2.3.1 A quarterly management fee of 2.10% of the face value of the mortgage
- 2.3.2 The Face Value of the mortgage must be paid to the Council on discharge,
- 2.3.3 Council additionally receive a portion, the "Shared Appreciation Factor" of the capital growth of the property on discharge. This factor varies from property to property and is based on the initial valuation of the property.
- 2.4 These investment assets are subject to movements in the residential property market, and as a result a provision was established in 2010 as an estimate of potential future losses that may occur. The balance of the provision is reviewed annually, and has been held at \$28k since 2014. Given the number of properties has decreased, combined with the growth in residential property values over recent years, it is not anticipated to increase this provision any further in the near future.

2.5 Brahma Green

- 2.5.1 The table below shows the current status of the houses at Brahma Green and shows the shared appreciation factor (Council's return on the capital growth, with the percentage calculated as a proportion of the individual loan to property value and then multiplied by 1.4%) and the face value of the mortgages at inception, with those properties with discharged mortgages shaded grey.

Property	Status	Shared Appreciation Factor	Face Value of the Mortgage
House 1 - Brahma Green	No change since establishment	38.69%	\$ 69,082
House 2 - Brahma Green	No change since establishment	38.69%	\$ 69,082
House 3 - Brahma Green	No change since establishment	38.69%	\$ 69,082
House 4 - Brahma Green	No change since establishment	39.40%	\$ 75,283
House 5 - Brahma Green	No change since establishment	39.40%	\$ 75,283
House 6 - Brahma Green	No change since establishment	45.97%	\$ 87,830
House 7 - Brahma Green	Mortgage Discharged January 2015	37.99%	\$ -
House 8 - Brahma Green	House sold October 2012	39.40%	\$ -
House 9 - Brahma Green	No change since establishment	39.40%	\$ 75,283
House 10- Brahma Green	No change since establishment	39.40%	\$ 75,283
House 11 - Brahma Green	No change since establishment	37.20%	\$ 71,113

2.5.2 As can be seen in the above out of the 11 houses developed as part of the Brahma Green project, 2 mortgages have been discharged since the establishment of the arrangement:

- House 7 - Brahma Green – This property’s mortgage was discharged in January 2015 and Council’s share of any capital growth above the face value of the mortgage of \$72,583 was 37.99%. When the mortgage was discharged there was negative capital growth and as such Council incurred an accounting loss of \$203. Net cash proceeds received from this property totaled \$72,380.
- House 8 – Brahma Green - This property was sold in October 2012 and Council’s share of any capital growth above the face value of the mortgage of \$75,283 was 39.40%. When the mortgage was discharged there was negative capital growth and as such Council incurred an accounting loss of \$12,030. Net cash proceeds received from this property totaled \$63,253.

2.6 Greentree Walk

2.6.1 There are 4 affordable housing properties which Council has an equity interest in out of the total 68 properties located in the Greentree Walk development. The table below shows the current status of the houses at Greentree Walk and shows the shared appreciation factor (Council’s return on the capital growth, with the percentage calculated as a proportion of the individual loan to property value and then multiplied by 1.4%) and the face value of the mortgages at inception, with those properties with discharged mortgages shaded grey.

Property	Status	Shared Appreciation Factor	Face Value of the Mortgage
House 1 - Greentree Walk	Mortgage Discharged May 2017	38.64%	\$ 84,175
House 2 - Greentree Walk	No change since establishment	38.21%	\$ -
House 3 - Greentree Walk	Mortgage Discharged October 2016	34.05%	\$ -
House 4 - Greentree Walk	No change since establishment	37.98%	\$ 81,390

2.6.2 As can be seen in the above out of the 4 affordable housing equity financed properties developed as part of Greentree Walk, 2 mortgages have been discharged since the establishment of the arrangement:

- House 1 – Greentree Walk – This property’s mortgage was discharged in May 2017 and Council’s share of any capital growth above the face value of the mortgage of \$84,176 was 38.64%. When the mortgage was discharged there was positive capital growth and as such Council received an accounting gain of \$9,660. Net cash proceeds received from this property totaled \$93,836.
- House 3 – Greentree Walk – This property’s mortgage was discharged in October 2016 and Councils share of any capital growth above the face value of the mortgage of \$72,969 was 34.05%. When the mortgage was discharged there was positive capital growth and as such Council received an accounting gain of \$10,215. Net cash proceeds received from this property totaled \$83,184.

3. CONCLUSION / PROPOSAL

- 3.1 To summarise Council has achieved the following returns:
 - 3.1.1 A quarterly management fee of 2.10% totaling \$108k since 2010,
 - 3.1.2 The face value of the mortgages discharged total \$305k,
 - 3.1.3 The “Shared Appreciation Factor” of the capital growth of the properties discharged totaling a net \$7.6k.
- 3.2 These affordable housing developments have provided both a community and social benefit in that they have allowed a total of 15 first home buyers from the City of Salisbury who were on low to middle incomes access to affordable, quality homes in a market that may not otherwise have been able to.
- 3.3 However in the current low interest rate environment a shared equity model as an affordable housing initiative is not currently viable. Should the interest rate environment change in the future, this opportunity could be reconsidered
- 3.4 Whilst a shared equity finance offer is not currently offered, a range of other affordable housing initiatives are being delivered as part of Council’s Strategic p[roperty Developments, including:
 - 3.4.1 Delivery of thirty affordable houses at Boardwalk at Greentree.
 - 3.4.2 Exploring a range of finance packages, including low deposit finance opportunities through the Renewal SA Affordable Housing program
- 3.5 New opportunities to support affordable housing are constantly evolving relating to both new housing built and finance packages and will be considered on an ongoing basis as part of the strategic property agenda.

CO-ORDINATION

Officer: Executive Group
Date: 10/07/2017

ITEM	6.1.5		
	BUDGET AND FINANCE COMMITTEE		
DATE	17 July 2017		
PREV REFS	Policy and Planning Committee	1.6.1	16/05/2016
	Budget and Finance Committee	6.4.3	15/05/2017
HEADING	NAWMA - Purchase of Materials and Recycling Facility Site		
AUTHORS	Sam Kenny, Deputy Manager Civil & Waste, City Infrastructure Mark van der Pennen, General Manager City Infrastructure, City Infrastructure		
CITY PLAN LINKS	2.1 Capture economic opportunities arising from sustainable management of natural environmental resources, changing climate, emerging policy direction and consumer demands. 4.2 Develop strong capability and commitment to continually improve Council's performance. 4.4 Embed long term thinking, planning and innovation across the organisation.		
SUMMARY	This report seeks Council approval for the Northern Adelaide Waste Management Authority (NAWMA) to proceed in securing loan funds to purchase property at 71 – 75 Woomera Avenue, Edinburgh Parks for the purpose of housing a new Materials Recovery Facility, Environmental Education Centre and NAWMA administration staff.		
RECOMMENDATION	<ol style="list-style-type: none"> 1. The information be received. 2. The Northern Adelaide Waste Management Authority Prudential Management Report-June 2017 be noted. 3. The Northern Adelaide Waste Management Authority Board request for approval to borrow up to \$4.150 million from the Local Government Finance Authority to fund the purchase of property at 71-75 Woomera Avenue, Edinburgh Parks be endorsed. 		
ATTACHMENTS	<p>This document should be read in conjunction with the following attachments:</p> <ol style="list-style-type: none"> 1. NAWMA Prudential Report - June 2017 2. Woomera Avenue Valuation Report - June 2017 3. Location Plan 		

1. CONFLICT OF INTEREST NOTIFICATION

1.1 In accordance with the requirements of section 120(2) of the *Local Government Act 1999* Council is advised that the General Manager City Infrastructure has a technical conflict of interest by virtue of his status as an employee of the City of Salisbury, and his close association with NAWMA, as a result of being a member of the governing body of NAWMA. This technical conflict has been previously identified and disclosed to the Chief Executive Officer, and in accordance with section 120(2)(b) of the *Local Government Act 1999*, the CEO has authorized the continuation of work associated with NAWMA by the General Manager City Infrastructure.

2. BACKGROUND

- 1.2 The current Materials Recovery Facility (MRF) operated by NAWMA is located on leased land on the corner of Peachey and Bellchambers Roads, Edinburgh North.
- 1.3 The NAWMA 2015 – 2020 Waste Management Strategy identified the need for a Strategic Property Investigation to be undertaken to ensure long term security of the NAWMA operations.
- 1.4 Investigations commenced in September 2015 and three potential sites were considered by the Board including a property at 71-75 Woomera Avenue, Edinburgh Parks.
- 1.5 The NAWMA Board considered the proposal at meetings held on 20 January 2016 and 11 February 2016 and resolved at the meeting on 16 March 2016 to purchase the property at 71-75 Woomera Avenue, Edinburgh Parks (subject to a supporting Prudential Report) as it met NAWMA's business requirements associated with housing administration staff, the Environment Education Centre and a new MRF.
- 1.6 A special update briefing was made to Council by NAWMA's Executive Officer on 8 March 2016 regarding the NAWMA Board's decision to proceed with this purchase. In addition, NAWMA presentations to Council as part of the budget process on the 30 March 2016 and 29 March 2017 included the land acquisition as part of the Business Plan and Budget for the following financial years.

2. CONSULTATION / COMMUNICATION

2.1 External

2.1.1 Executive Officer NAWMA

3. REPORT

- 3.1 Subsequent to the discussions in early 2016, the NAWMA Board requested that a Prudential Review and Development Approval process commence in relation to the site at 71-75 Woomera Avenue. The review was undertaken and Development Application documents for use of the site at a MRF were submitted to Salisbury Council in late May 2016.
- 3.2 Whilst the Development Approval process was underway, NAWMA received approval to occupy the building with the NAWMA administration and to store the new MRF equipment in the new warehouse.

- 3.3 The NAWMA Board received and noted the Prudential Report at its meeting of 4 May 2016, supporting the purchase of the proposed property over the other identified options.
- 3.4 The Development Application was referred to the Development Assessment Commission (DAC) and the following approvals have been received.
- Development Plan Consent – 13 April 2017
 - Building Rules Consent – 23 June 2017
 - Development Approval – 23 June 2017
- 3.5 Constituent Councils have previously approved the expenditure of \$4.0m for new MRF equipment (\$2.5m LGFA loan and \$1.5m NAWMA funds) and LGFA funds have already been drawn down for equipment purchases. NAWMA also received a \$300k grant from the State Government (Green Industries SA) towards the new MRF equipment.
- 3.6 As previously reported to Council, the agreed land purchase price of \$4.05m was negotiated by NAWMA and the NAWMA Board has approved the purchase which requires a \$4.15m loan.
- 3.7 Purchase of the Woomera Avenue site for NAWMA has significant advantages when compared to leasing for the following reasons:
- NAWMA will own all assets (including all site improvements made after purchase) which will be a major source of funding for future capital expenditure;
 - under a lease, NAWMA will not necessarily obtain the benefits of future improvements to the site;
 - increased security and independence to modify and adapt the site to meet future operational and strategic needs;
 - increased security and independence to manage its own WHS requirements;
 - fixed, long-term mortgage costs (as opposed to the uncertainty of market movements in leasing costs);
 - NAWMA will experience the benefit of long term capital appreciation of the site and can sell the site when/if it ever decides to relocate; and
 - current low interest rates and finance costs on borrowings.
- 3.8 The NAWMA 10 Year Long Term Financial Plan (LTFP) June 2017 recognises that the estimated capital expense of up to \$4.15m for the land purchase and the abovementioned \$4.0m plant expenditure are to be incurred in 2017/18.
- 3.9 To complete the procurement process, NAWMA requires approval from Constituent Councils (for NAWMA) to secure property acquisition loan funds from the Local Government Finance Authority (LGFA) to cover the capital expense of purchasing the property. Once loan funds are assured, modifications required to meet operational requirements of the building housing the MRF can proceed.
- 3.10 Copies of the Prudential Review, updated valuation June 2017 and locality plan are attached to this report as supporting documents.

3.11 It is worth noting that the updated valuation of \$3.475m is an increase of \$475k or 16% in the past 18months. As the purchase cost exceeds the valuer's estimation the previously reported impairment expense that was included in the NAWMA operating expenses in 2016/17 budget (refer Item 1.6.1 Policy and Planning Committee 16 May 2016) will significantly reduce to \$575k. This is included in the approved LTFP June 2017 attached to the prudential report.

4. CONCLUSION / PROPOSAL

- 4.1 Constituent Council approval is required to permit NAWMA to proceed with securing LGFA loan funds to purchase the property at 71 – 75 Woomera Avenue, Edinburg Parks.
- 4.2 NAWMA proposes to commence operation of the MRF in late August 2017.

CO-ORDINATION

Officer: Executive Group
Date: 10/07/2017

**Northern Adelaide Waste Management Authority
Prudential Report**

June 2017

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Lot 506 Woomera Avenue

EXECUTIVE SUMMARY

KelliedyJones Lawyers ("KJL") has been engaged to undertake a prudential review of the proposed purchase, or in the alternative lease, of Lot 506 Woomera Avenue, Edinburgh Parks, being the land located at 71 – 75 Woomera Avenue, by the Northern Adelaide Waste Management Authority ("NAWMA"). The objective of the proposed purchase or lease is to ensure the long term viability of NAWMA's operations at the site.

The following report has been prepared in accordance with subsection 48(7) of the *Local Government Act 1999* ("the Act") which requires a subsidiary to consider a report addressing the prudential issues set out in subsection 48(2) of the Act before engaging in a project where the expected capital cost over the ensuing five years is likely to exceed \$4,000,000 (indexed on 1 January each year from 1 January 2011).

1. Introduction

By way of background, pursuant to section 7 of the Act, one of the functions of a council includes to provide services and facilities that benefit its area, as well as its ratepayers, residents and visitors. This includes general public services such as a waste collection, control or disposal service.

NAWMA is a regional subsidiary established by the City of Playford, the City of Salisbury and the Town of Gawler ("the constituent councils").

The constituent councils resolved to work together, through NAWMA, to facilitate waste management within the northern region. NAWMA coordinates kerbside waste management collection in the Playford, Salisbury and Gawler region. The three-bin collection service incorporates household waste, recyclables and garden/food organics.

NAWMA also provides waste management services to client councils including the Barossa Council, the District Council of Barunga West, Clare & Gilbert Valleys Council, the District Council of the Copper Coast, the Regional Council of Goyder, Light Regional Council, Adelaide Plains Council, the District Council of Mount Remarkable, the District Council of Peterborough, the Yorke Peninsula Council and the Wakefield Regional Council.

The NAWMA Waste Management Strategy 2015-2020 identifies a need to ensure the strategic long term security of NAWMA.

Following a prudential review process in February 2014, NAWMA identified the benefits in operating a Material Recovery Facility ("MRF") in its own right. NAWMA's MRF was previously operated by Visy Recycling ("Visy"), under a contract which expired on 31 December 2016. An extension of the contractual arrangements is currently in effect, to 30 June 2017.

A Strategic Property Investigation process ("the Investigation") was commenced in September 2015. The primary aim of the Investigation was to identify the most suitable location for NAWMA's operations for (at least) the next 20 years.

Following the completion of the Investigation, at its meeting of 20 January 2016, the NAWMA Board considered the viability of locating the NAWMA MRF and Waste

 Lot 506 Woomera Avenue

Processing Facility (“WPF”) baling operations off-site, together with a planned exit strategy from the Edinburgh North site. The NAWMA Board considered the financial prudential report prepared by Dean Newbury & Partners (“DNF”) regarding leasing versus purchase options from an identified three (3) sites.

For the purposes of ensuring the long term security of NAWMA’s operations and compliance with WHS legislation, NAWMA resolved at its meeting of 16 March 2016 to purchase Lots 505 and 506 Woomera Avenue, and engaged KJL to prepare a prudential report for this purpose. At its meeting of 4 May 2016, the Board received and noted that report, which supported the proposed purchase of Lots 505 and 506 Woomera Avenue, Edinburgh Parks.

Subsequently, NAWMA now proposes to retain its Waste Processing Facility (“WPF”) and the SUEZ operations at the site it leases in Edinburgh North (and the Board has rescinded its decision to purchase Lot 505 Woomera Avenue). To give effect to the amended operating model, at its meeting of 17 May 2017, the Board resolved to engage KJL to update the April 2016 prudential report, with regards to a proposed purchase, or in the alternative lease, of Lot 506 Woomera Avenue, Edinburgh Parks (“the Woomera Avenue site”).

This report gives effect to that resolution.

2. *Relationship with relevant Strategic Management Plans*

The Waste Management Strategy 2015-2020 identifies the need for longer term initiatives in terms of infrastructure and support services to minimise waste and maximise resource recovery.

The Waste Management Strategy 2015-2020 underpins NAWMA’s Annual Business Plan objectives which include, amongst other things to:

- promote and achieve efficient and cost-effective waste minimisation and resource recovery throughout the region;
- develop ecologically sustainable waste and resource management and minimisation practices that are economically viable, environmentally sustainable and socially responsible; and
- ensure funds are secured to meet strategic business objectives aligned to growth and development opportunities in the region.

The 10 year plan in the Waste Management Strategy 2015-2020 identified three (3) key areas for the long term sustainability for NAWMA. These key areas are:

- to identify options and cost agreements to ensure continuity of service;
- establishing partnerships and joint ventures with industry to establish resource recovery and residual waste management processes at strategic locations; and
- embracing further resource and waste management opportunities that will enhance and improve the business.

The purchase of the Woomera Avenue site is considered to be strongly aligned with the Waste Management Strategy 2015-2020.

Lot 506 Woomera Avenue

In giving effect to NAWMA's previous resolution of 16 March 2016, provision has been made in the Ten Year Financial Plan 2017/18 – 2026/27 ("LTFP") for the purchase of the Woomera Avenue site. The LTFP also contains the financial modelling for the NAWMA operation of the MRF at the site.

3. *Objectives of the Development Plan*

The original project, to move certain operations from the Edinburgh North facility to the Woomera Avenue site, involved a change of land use, and works at the Woomera Avenue site, which were defined as "development" under the *Development Act 1993*.

The Woomera Avenue site is located in the Urban Employment Zone under the Salisbury Council Development Plan. The proposed land use and development was broadly consistent with the Objectives of the Development Plan.

Activities at the site are proposed to include:

- housing the NAWMA Administration and Environment Education Centre; and
- establishing the new NAWMA MRF in the 3,200 sqm building available.

The Development Assessment Commission ("DAC") granted Development Plan Consent to the proposal on 13 April 2017.

NAWMA is currently in negotiations with third parties who dispute the characterisation of the nature of the proposal, such that all disputes between them arising out of, or in connection with, the matter subject of the proposal and consent issued by DAC, will be resolved by way of Settlement Deed.

Importantly, the agreement as between the parties will include **not** using the Woomera site as a Waste Facility operation.

In giving effect to the agreement, the NAWMA Board now propose to retain the WPF and Resource Recovery Centre operations at the Edinburgh North facility. SUEZ also propose to lease back certain land at the Edinburgh North site to establish its offices, truck parking compound, workshop and high density compressed natural gas refuelling station to service the new kerbside collection contract in late 2017.

The lease is held for that site until 2022. Investigations are already underway to ensure appropriate long term planning with regards to the continuation of those operations.

Subject to finalisation of the Settlement Deed, NAWMA will have its relevant consents to operate the NAWMA Administration and Environment Education Centre and the MRF at the Woomera Avenue site.

4. *Contribution to Economic Development*

The project is expected to ensure employment opportunities are retained in the region and is estimated to have a positive economic impact in the region. Under the terms of the proposed Settlement Deed, and the amended operating model for the site, the project will not negatively impact on local business operating within close proximity.

Lot 506 Woomera Avenue

5. *Community Consultation*

The project does not change the nature and scope of NAWMA's operations but, rather, seeks to relocate certain operations from the existing Edinburgh North site to the Woomera Avenue site. Therefore there has been no need to undertake community consultation in accordance with the Act.

However, it is to be noted that a consultation process was undertaken as part of the Development Application and EPA Licensing process and the Executive Officer of NAWMA (and other representatives), have met on numerous occasions with the adjacent landowners. NAWMA's operations at the Woomera Avenue site are shortly to be the subject of agreement as between the parties.

6. *Financial Assessment*

For the purposes of this review, KJL has been instructed to consider the LTFFP and the updated CAPEX requirements for the project prepared by NAWMA.

The LTFFP incorporates all of the Operating and Capital requirements of NAWMA over the 10 year period commencing 1 July 2017 to 30 June 2027 and incorporates the funding required for the project, based on a purchase of Lot 506, as well as the NAWMA operation of the MRF at the site. It is projected that NAWMA will be able to meet all known Operating and Capital commitments over the next 10 years.

Based on the updated modelling prepared by NAWMA, taking into account the amended operating model for the Woomera site, the estimated Capital Expenditure ("CAPEX") costs of the project for the **purchase** of the Woomera Avenue site (being Lot 506) is \$4,150,000, together with \$4,000,000 for the construction of the MRF. The estimated loan interest on the land purchase at 4.5% interest, fixed over 20 years, is \$2,806,000, together a total of **\$10,956,000**.

Alternatively, under a proposed **lease** option the CAPEX is \$32,000 per month for the lease of the site, ongoing, and \$4,000,000 in construction costs for the MRF. Based on (at least) a 20 year operation at the site, the projected costs of the lease (**without** taking in effect any increase in the terms of the lease) is \$7,680,000, together with the \$4,000,000 construction costs of the MRF, at a total of **\$11,680,000**. It is **unlikely** that there would be no market movement in leasing costs over a 20 year period.

Accordingly, without factoring in any expected increases in market leasing costs, and leaving aside other strategic reasons that a purchase may be preferable to a leasing option, under a leasing option NAWMA would be paying **in excess of \$724,000** over a 20 year period for a site it did not own.

7. *Project Risk and Mitigation Strategies*

KJL has been advised that potential risks associated with the NAWMA operations have been identified and considered at length in the appropriate Business Plans.

The major financial risks of the project have been previously identified, are understood and actions to mitigate these risks have been developed and are contained in the Strategy and the updated LTFFP.

Lot 506 Woomera Avenue

While risks in regard to interest rate movement and inflator rates may impact on the LTFP and its projections, NAWMA is committed to an annual review of the LTFP which will ensure that all assumptions are routinely monitored and corrected as necessary.

NAWMA prepared a Risk Analysis for the original project (in determining whether to purchase or lease the Woomera Avenue or Edinburgh North sites), which identified a total of five (5) risks for the proposed purchase of the Woomera Avenue site. None of the risks identified had an inherent rating of "Extreme." However, it is to be noted that if NAWMA were to consider leasing the Woomera Avenue site, (as opposed to the purchase option), then an additional three (3) risks have been identified, all with an inherent rating of "High".

8. *Project Delivery*

The delivery of the original project, being the establishment and relocation of certain operations at the Woomera Avenue site are almost complete.

Subject to finalisation of the Settlement Deed with the parties, NAWMA will have its relevant consents to operate the NAWMA Administration and Environment Education Centre and the MRF at the Woomera Avenue site.

The only outstanding question for the Board is whether NAWMA continues, as previously resolved, in purchasing the Woomera Avenue site, or considers a leasing option.

9. *Conclusion*

The work undertaken by the NAWMA Administration for the purposes of assessing and evaluating this project is of an extremely high standard. Accordingly, it is our opinion that the NAWMA Board is able to make a well informed decision regarding whether to proceed with the project based upon the information presented by the NAWMA Administration.

In receiving, and considering, this Report, NAWMA's has met its requirements under section 48(1) of the Act.

Lot 506 Woomera Avenue

1. INTRODUCTION

Background

- 1.1 Following the successful implementation of policies and procedures set out in the 2000-2015 Master Plan, in 2015 the NAWMA Board adopted the NAWMA Waste Management Strategy 2015-2020. A copy of the Strategy is **Attachment A**.
- 1.2 The Strategy outlines the objectives and priorities that will advance NAWMA's resource recovery capabilities, aimed at reducing reliance on landfill operations over the longer term. Key to this is the need to ensure the strategic long term security of NAWMA.
- 1.3 Following a prudential review process in February 2014, NAWMA identified the benefits in operating the MRF in its own right, when the contractual arrangements with Visy expired, originally on 31 December 2016, now extended to 30 June 2017.
- 1.4 The Investigation was commenced in September 2015, the primary aim of which was to identify the most suitable location for NAWMA's operations for at least the next 20 years, taking into consideration the following key factors:
 - best value for NAWMA's constituent councils - being the most advantageous option determined by considering all price and relevant non-price factors;
 - long term strategic security and room for expansion - assurance that NAWMA could operate at the chosen location for at least 20 years, ensuring that the location has sufficient land available for both expansion of existing operations and the addition of new operations;
 - professional presentation - NAWMA and its operations are recognised Australia wide and receive many visitors. In addition, NAWMA manages contracts worth in excess of \$100m and deals with State and National Executives;
 - WHS best practice - with NAWMA operating its own facilities there is an increased level of responsibility for WHS, which will also apply to location externalities that can be appropriately managed;
 - appropriate access and location for customers and contractors – the use of NAWMA facilities by commercial operators is increasing, and is becoming an important part of NAWMA's business. A location central to the region is required and safe access to all operations must be ensured; and
 - to mitigate the financial impact on NAWMA's future operations - NAWMA has made a commitment to not only stabilise costs, but to reduce costs where possible.
- 1.5 It became increasingly clear during the Investigation that due to the state of the property market in the outer northern industrial areas and an increased uncertainty

Lot 506 Woomera Avenue

in the commercial property sector, the potential existed for NAWMA to improve its site location, whilst also achieving its strategic objectives.

- 1.6 Following the completion of the Investigation, three (3) options were identified:
 - Option One - re-develop the current Edinburgh North site occupied by NAWMA and construct the new MRF on adjoining land;
 - Option Two - 76-78 West Ave, Edinburgh Parks, a fully established facility which would require minor capital works to meet all NAWMA's requirements;
 - Option Three - Lots 505 and 506 Woomera Avenue, Edinburgh Parks, a facility that would satisfy requirements immediately, including the construction of the new MRF and allow for staged development of NAWMA's other operations.
- 1.7 The three (3) options were analysed under a Strategic Property Evaluation, and Option 3, the Woomera Avenue site, was ranked first out of that process. The Woomera Avenue property details are **Attachment B**.
- 1.8 A Risk Analysis, based on both the purchase as well as leasing, for each identified option was carried out and is provided at **Attachment C**. It is considered that there has been no material changes in the market that would effect, or have an impact on, the risks identified for the Woomera Avenue site since this Analysis was prepared in February 2016.
- 1.9 Indeed, in the interim there has been a realisation of a beneficial effect of a purchasing option, with regards to a now, increased, valuation of the land located at Lot 506.
- 1.10 A valuation of the Woomera Avenue site was prepared by OPTEON Property Group in November 2015. The valuation at that time was \$3,000,000, and for negotiation purposes, it was considered a valuation range of between \$2,900,000 and \$3,100,000 was reasonable. A copy of the November 2015 valuation report is **Attachment D**.
- 1.11 The land is currently the subject of a re-evaluation assessment process, and while NAWMA is awaiting finalisation of that report, it has been verbally advised that the value of the Woomera Avenue site has increased since November 2015. This represents a capital gain under a purchasing arrangement to the advantage of NAWMA since November 2015.
- 1.12 At its meeting of 16 March 2016, the Board of NAWMA resolved to purchase Lots 505 and 506 Woomera Avenue (over a leasing option) to meet its operational requirements for (at least) the next 20 years. The Board received and noted a prudential report at its meeting of 4 May 2016, supporting the purchase of Lots 505 and 506 Woomera Avenue, over the other identified options.
- 1.13 Subsequently, NAWMA encountered difficulties in securing Development Plan Consent to locate and operate the WPF at the Woomera Avenue site. Accordingly,

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NAWMA now intends to continue to administer and operate the WPF at the Edinburgh North facility that incorporates:

- (a) baling of residual waste for its Uleybury landfill;
- (b) a Resource Recovery Centre, combining a public drive-through Waste Transfer Station, a salvage & save retail operation and Scout Recycling Centre; and
- (c) a compressed natural gas refuelling station.

1.14 SUEZ also propose to establish its offices, truck parking compound, workshop and high density compressed natural gas refuelling station to service the new kerbside collection contract in late 2017 at the Edinburgh North site.

1.15 Investigations and planning are already underway with regards to ensuring the long term continuation of these operations at the Edinburgh North site, beyond the existing expiry of the lease in 2022.

1.16 Of course, as the operations at the Woomera Avenue site will not incorporate the WPF, based on the amendments to the operating model, KJL is advised that at the immediate time NAWMA **does not** require the land located at Lot 505 Woomera Avenue and the NAWMA Board has rescinded its original resolution to purchase that land.

1.17 Following the NAWMA Board meeting of 17 May 2017, the Board resolved to consider an update of the April 2016 prudential report, in particular, to consider the viability of the purchase of Lot 506 Woomera Avenue versus a leasing option.

Rationale

1.18 Some key advantages to NAWMA owning and occupying its operations facility, compared to leasing, were identified during the September 2015 Investigation. These relevantly included:

- NAWMA will own all assets (including all site improvements made after purchase) which will be a major source of funding for future capital expenditure;
- under a lease, NAWMA will not necessarily obtain the benefits of future improvements to the site;
- increased security and independence to modify and adapt the site to meet future operational and strategic needs;
- increased security and independence to manage its own WHS requirements;
- fixed, long-term mortgage costs (as opposed to the uncertainty of market movements in leasing costs). Costs will be known, and can be appropriately planned for over the life of the loan, whereas leasing costs

 Lot 506 Woomera Avenue

are subject to movement in market rent and other economic conditions, which could be to the detriment of NAWMA;

- based on the assumption that the market value of the site will increase over the long-term period (an indeed, this has already been evidenced), NAWMA will experience the benefit of long term capital appreciation of the site and can sell the site when/if it decides to relocate; and
- current low interest rates and finance costs on borrowings, and the availability of good quality land in a market that is not buoyant, make the purchase of the site an attractive option, as compared to a lease.

1.19 The advantages to NAWMA owning and occupying its operations facility, compared to leasing, have not materially changed since the Investigation. Indeed, the market value of the site has increased in that period and under a purchasing arrangement NAWMA would continue to experience the benefit of long term capital appreciation of the site.

1.20 Conversely, leasing costs are subject to movement in market leasing costs and other economic conditions, which are likely to be the detriment of NAWMA.

1.21 In this regard, KJL is advised that the proposed lease would be an ongoing \$32,000 per month. Based on 20 years of operations at the site, without factoring in movements in market leasing costs, the leasing costs to NAWMA are \$7,680,000, representing an additional cost of \$1,530,000 over the purchasing option.

1.22 Additionally, NAWMA is unlikely to obtain the full benefit of any future improvements it makes to the site, which include the estimated cost of \$4,000,000 for the construction of the MRF.

1.23 KJL is also advised that works estimated in the amount of \$284,000 are proposed for the warehouse on the Woomera Avenue site, which improvements would be to the benefit of the **owner** of the land.

The Project

1.24 For the purposes of ensuring the long term security of NAWMA's operations, and compliance with WHS requirements, under the amended operating model, NAWMA proposes to operate the following activities from the Woomera Avenue site:

- (a) the NAWMA Administration and Environment Education Centre; and
- (b) establishing the NAWMA MRF in the existing 3,200 sqm building.

1.25 Lot 506 is 19,000 sqm and will satisfy NAWMA's operational requirements under the amended operating model, and ensure that NAWMA can operate in accordance with its Objectives and Purpose, as detailed in its Charter.

1.26 It is recognised that the acquisition of this site will enable NAWMA to operate from the site, under the current model, in excess of 20 years.

 Lot 506 Woomera Avenue

- 1.27 KJL is advised that NAWMA has been involved in ongoing discussions with the State Government, and has received a grant to assist with its proposed operations at the Woomera Avenue site. That is, both NAWMA and the State Government recognise the strategic advantages of operating certain activities from the Woomera Avenue site, and ensuring the long term viability of the same.
- 1.28 Securing the Woomera Avenue site permits NAWMA to retain the “cleaner” side of its operations at that location, presenting as a professional corporate base, to receive visitors from both the educational as well as corporate sector, while retaining its WPF operations at the Edinburgh North site.
- 1.29 The occupation of the Woomera Avenue site, in conjunction with Edinburgh North facility, also provides NAWMA with improved WHS compliance and enhanced operational capabilities, in that visitors to the Woomera Avenue site are not required to navigate trucks delivering waste, and the truck movements through the Edinburgh North site have less vehicular and pedestrian movements to contend with.
- 1.30 The remaining question for the determination of the NAWMA Board is whether NAWMA secures the Woomera Avenue site by way of a purchase or lease option.
- 1.31 In regards to the costs of the project, provision has been made in the LTFP for the purchase of Lot 506, as well as the financial modelling for the NAWMA operation of the MRF at the site. A copy of the LTFP is **Attachment E**.
- 1.32 These have also been catered for in the NAWMA Business Plan 2017-2018, a copy of which is **Attachment F**.

Legal Framework and Prudential Issues

- 1.33 NAWMA adopted a Prudential Review Policy, dated November 2012, to ensure that it meets the requirements under the section 48 of the Act, and to enhance NAWMA’s existing internal procedures and adopted policies governing the strategic decision making processes.
- 1.34 In addition, subsection 48(1)(b) of Act sets out certain criteria establishing when NAWMA must obtain and consider a report addressing the prudential issues set out in subsection 48(2).
- 1.35 In the case of this project, the relevant criteria is that the expected capital cost of the project over the ensuing five (5) years is likely to exceed \$4,000,000 (indexed).
- 1.36 The prudential issues identified in subsection 48(2) of the Act are:
- (a) *the relationship between the project and relevant strategic management plans;*
 - (b) *the objectives of the Development Plan in the area where the project is to occur;*
 - (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses*

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carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;

- (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*
- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;*
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;*
- (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*
- (i) the most appropriate mechanisms or arrangements for carrying out the project; and*
- (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.*

1.37 KJL has been engaged by NAWMA to prepare a report to satisfy the requirements of section 48 of the Act and the Prudential Review Policy.

1.38 This report has been prepared in accordance with section 48 of the Act.

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2. RELATIONSHIP WITH RELEVANT STRATEGIC MANAGEMENT PLANS

For the purposes of subsection 48(2) of the Act, the following is a prudential issue for the purposes of subsection 48(1):

(a) the relationship between the project and relevant strategic management plans;

Relationship with NAWMA Waste Management Strategy

- 2.1 Following the successful implementation of the policies and procedures set out in the 2000-2015 Master Plan, in 2015 the NAWMA Board adopted the NAWMA Waste Management Strategy 2015-2020 ("the Strategy").
- 2.2 The Strategy outlines the objectives and priorities that will advance NAWMA's resource recovery capabilities, aimed at reducing reliance on landfill operations over the longer term, and will guide decision making processes. Key to this is the need to ensure the strategic long term security of NAWMA.
- 2.3 The strategic objective of NAWMA, as set out in the Strategy, is to provide cost effective waste management services, while exploring business opportunities and the potential to reduce costs and provide financial returns to constituent councils.
- 2.4 The Strategy identified the need for longer term initiatives in terms of infrastructure and support services to minimise waste and maximise resource recovery, and it is proposed to:
 - inform NAWMA's Annual Business Plans in the last half of this decade;
 - guide regional and Local Government activities; and
 - involve business, industry and the wider community.
- 2.5 The 10 year plan, set out in the Strategy, identifies three (3) key areas for the long term sustainability for NAWMA. These key areas are:
 - to identify options and cost agreements to ensure continuity of service;
 - establishing partnerships and joint ventures with industry to establish resource recovery and residual waste management processes at strategic locations; and
 - embracing further resource and waste management opportunities that will enhance and improve the business.
- 2.6 The Strategy also underpins NAWMA's Annual Business Plan objectives which include;
 - promote and achieve efficient and cost-effective waste minimisation and resource recovery throughout the region;
 - develop ecologically sustainable waste and resource management and minimisation practices that are economically viable, environmentally sustainable and socially responsible;

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- achieve performance outcomes that are consistent with, or in advance of, accepted standards for waste minimisation and responsible waste and resources management;
- implement an accredited quality and environmental management system;
- continually review evolving technologies and practices in waste minimisation/resources management and solid waste disposal to maintain best practice benchmarks; and
- ensure funds are secured to meet strategic business objectives aligned to growth and development opportunities in the region.

2017/18 Business Plan

2.7 The Strategy underpins NAWMA's Annual Business Plan objectives, which have been reproduced above.

Long Term Financial Plan

2.8 NAWMA engaged DNP to undertake a review and update the LTFP (**Attachment E**). In consultation with the NAWMA Administration, a complete review of all Key Assumptions, projected future capital and funding requirements, projected tonnages and proposed Gate Fee structure was undertaken.

2.9 The LTFP adopted by the NAWMA Board on 17 May 2017 incorporates all the Operating and Capital requirements of the Authority over the 10 year period commencing 1 July 2017 to 30 June 2027.

2.10 The financial modelling for the NAWMA operated MRF has been included in the LTFP.

2.11 Based on the Board's previous resolution at its meeting of 16 March 2016, provision has also been made in the LTFP for the purchase of Lot 506 Woomera Avenue.

2.12 It is projected that NAWMA will be able to meet all known Operating and Capital commitments over the next 10 years. This conclusion is predicated on the financial data modelled, the Key Assumptions outlined in the LTFP, projected future tonnages from each customer group and the proposed gate fee structure.

2.13 It is also to be noted that under the amended operational model, NAWMA will no longer be required to fund the construction of the Waste Baling Plant at the Woomera Avenue site, previously estimated at a cost of \$2,460,000.

2.14 At the conclusion of the 10 year period modelled, if NAWMA proceed to purchase the Woomera Avenue site, it will continue to have external loan commitments with the LGFA tied with the acquisition of the site, and the construction of the MRF.

2.15 NAWMA will need to ensure that it will generate sufficient revenues to fund the ongoing loan commitments beyond the 10 year period modelled.

Lot 506 Woomera Avenue

2.16 However, given that approximately 70% of all materials that currently run through the MRF operations are contributed by the constituent councils, it is considered that there is minimal risk that tonnages in future years will fall below the estimated volumes modelled.

Zero Waste SA

2.17 Zero Waste SA ("Zero Waste") is a South Australian State government organisation which enables people to improve their recycling and waste avoidance practices, whether at home, at work or in industry.

2.18 Through collaboration, advocacy, financial incentives and education, Zero Waste is working towards meeting the target to reduce waste by 35% by 2020, as set out in South Australia's Strategic Plan.

2.19 Efforts made under South Australia's Waste Strategy 2005-2010 have reduced the amount of waste going to landfill in the State by 17.32% since 2003-04.

2.20 South Australia's Waste Strategy 2015-2020 sets out objectives, targets, priorities for action and partnerships, recognising and building on the achievements delivered through the previous waste strategies in 2005–2010 and 2011–2015.

2.21 The South Australian Waste Strategy 2015-2020 reflects the principles in the *Zero Waste SA Act*, namely:

- the waste management hierarchy;
- ecologically sustainable development;
- best practice methods and standards;
- policy development through open dialogue and consultation.

2.22 Three objectives have been developed for the Strategy:

- a resource efficient economy where the best or full value is secured from products and materials produced, consumed and recovered across the State;
- a stable and efficient market for investors through a clear policy framework providing a solid platform for investment decisions; and
- a culture enabling the South Australian community, businesses and institutions to continue and strengthen their role in implementing zero waste strategies and programs locally, nationally and internationally.

2.23 The goals and targets of the State Waste Strategies from 2011-2015 and 2015-2020 were taken into account by NAWMA in the formulation of its Strategy, and accordingly, the goals and objectives of NAWMA are closely aligned with the State Government's waste strategy and objectives.

Lot 506 Woomera Avenue

Summary

- 2.24 The purchase of the Woomera Avenue site is considered to be strongly aligned with the Strategy. It will assist with all six (6) of the Annual Business Plan objectives, and all three (3) of the 10 year plan key areas set out in that document.
- 2.25 The project is in line with the strategic objectives of NAWMA and will ensure that there continues to be a central facility within the region, accessible for all residents, community groups and surrounding metropolitan and regional councils, to dispose of recyclable waste.
- 2.26 The site has an enhanced capacity that will be able to accept and process recyclables, this will ensure costs associated with handling and processing can be minimised, including through economies of scale in operations and savings on transport costs. This, in turn, has the potential to alleviate pressure on increasing gate fees in the future.

Lot 506 Woomera Avenue

3. OBJECTIVES OF THE DEVELOPMENT PLAN

For the purposes of subsection 48(2) of the Act, the following is a prudential issue for the purposes of subsection 48(1):

(b) the objectives of the Development Plan in the area where the project is to occur

Development Approval

- 3.1 Development in the City of Salisbury area is governed by the Salisbury Council Development Plan ("the Development Plan"), the *Development Act 1993* ("the Development Act") and the associated *Development Regulations 2008*. The relevant consolidation of the Development Plan is 7 January 2016.
- 3.2 The Development Plan outlines the developments and land uses that are envisaged for particular zone, together with various objectives, principles and policies controlling and affecting the design and other aspects of proposed developments.
- 3.3 Initial activities at the site are proposed to include:
 - housing the NAWMA Administration and Environment Education Centre; and
 - establishing the new NAWMA MRF in the 3,200 sqm building available.
- 3.4 Accordingly, the project involves a change of land use and associated building works, which are defined as "development" under the Development Act.
- 3.5 The Development Assessment Commission ("DAC") granted Development Plan Consent to the proposal on 13 April 2017.
- 3.6 Third parties disputed the characterisation of the proposal, and filed proceedings in the Environment, Resources and Development Court.
- 3.7 NAWMA is currently in negotiations with those third parties, such that all disputes arising out of, or in connection with, the matter subject of the proposal and consent issued by DAC, will be resolved by way of Settlement Deed.
- 3.8 Importantly, the agreement as between the parties will require that NAWMA **not** use the Woomera site as a Waste Facility operation.
- 3.9 In giving effect to the agreement, the NAWMA Board now propose to retain the WPF and Resource Recovery Centre operations at the Edinburgh North facility, together with the SUEZ operations. The lease is held for that site until 2022. Investigations are already underway to ensure appropriate long term planning with regards to those operations.
- 3.10 Subject then to finalising of the Settlement Deed, NAWMA will have its relevant consents to operate the NAWMA Administration and Environment Education Centre and the MRF at the Woomera Avenue site.
- 3.11 KJL is also advised that the EPA Licencing process has commenced, and the EPA has recommended a modification to NAWMA's existing licence, to reflect NAWMA's

Lot 506 Woomera Avenue

operations over two (2) sites. The EPA has advised that this would be the most efficient way to proceed.

3.12 NAWMA has submitted an "Application for change to the existing site licence" to the EPA for assessment, to reflect this amendment.

3.13 The EPA has advised that once Development Approval under the development assessment process has been granted, installation of the MRF plant can commence during the EPA Licence Approval process.

Lot 506 Woomera Avenue

4. ECONOMIC DEVELOPMENT

For the purposes of subsection 48(2) of the Act, the following is a prudential issue for the purposes of subsection 48(1):

- (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;*

Contribution to Economic Development

- 4.1 Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs, and supporting or growing incomes and the tax base.
- 4.2 The contribution to economic development of the local area from the project will primarily come from the following sources:
- NAWMA is proposing to rely less on contractors and employ specialist staff in its operations;
 - as at 1 July 2018, NAWMA will have seven (7) full time employees and two (2) part-time employee employed across its operations at the site;
 - the MRF operation will require one (1) Manager, one (1) Leading Hand and a Maintenance Fitter, with other staff to be engaged on a contract labor arrangement; and
 - local civil and landscape construction jobs involved in the works to the site will be created.

4.3 Based on the financial reports prepared by NAWMA, the expenditure associated with the project, being the construction of the MRF and works to the warehouse, has been estimated at \$4,284,000.

4.4 This majority of this expenditure will be incurred during the 2017/18 financial years.

4.5 The project is expected to ensure employment opportunities are retained in the region and is estimated to have a positive economic impact in the region.

Impact on Business in the Proximity

4.6 The amended operating model will not negatively impact on local business operating within close proximity.

4.7 There are economic and employment multiplier benefits to the broader economy from the economic activity that will be generated as a result of the project. The project is likely to provide additional custom and trade for a wide range of businesses in the vicinity and is therefore considered likely to have a positive impact on business in the proximity.

Lot 506 Woomera Avenue

5. COMMUNITY CONSULTATION

For the purposes of subsection 48(2) of the Act, the following is a prudential issue for the purposes of subsection 48(1):

- (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

Level of Consultation

- 5.1 The project does not change the nature and scope of NAWMA's operations but, rather, seeks to relocate some of the operations from the existing Edinburgh North site to the Woomera Avenue site. There is no requirement to undertake community consultation in accordance with the Act.
- 5.2 The project is to be developed in the Urban Employment Zone of the relevant Development Plan, a Zone that provides desirable land uses as including a wide range of activities that generate employment, focusing, amongst other things, on industry, transport and technology-based activities that can operate on a twenty-four hour, seven day per week basis, together with offices and industry-related training and educational establishments.
- 5.3 It is to be noted that the project requires development approval for a change in land use and associated building works. Accordingly, there has been a consultation process undertaken as part of the development assessment process, which included notifying adjacent land owners.
- 5.4 In addition, NAWMA's Executive Officer (and other NAWMA representatives) met with the adjacent landowners prior to lodging the development application, and as part of the negotiation process following receipt of Development Plan Consent from the DAC. This consultation has resulted in an amended operating model for the site.
- 5.5 It is also to be recalled that the amendment to the EPA licence will require public notification, which will provide another opportunity for community consultation with regards to the proposal.
- 5.6 Lastly, in accordance with subsection 48(5) of the Act, this report must also be made available for public inspection at the principal office of NAWMA, once NAWMA has made a decision on the relevant project, and may be available at an earlier time unless NAWMA orders that the report be kept confidential until that time.

Lot 506 Woomera Avenue

6. FINANCIAL ASSESSMENT

For the purposes of subsection 48(2) of the Act, the following are prudential issues for the purposes of subsection 48(1):

- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;*
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;*

Revenue Production, Revenue Projections and Potential Financial Risks

- 6.1 KJL has been engaged to prepare this prudential report based on the LTFP prepared by DNP and the financial information provided by NAWMA.
- 6.2 The LTFP incorporates all Operating and Capital requirements of NAWMA over the 10 year period commencing 1 July 2017 to 30 June 2027.
- 6.3 NAWMA Administration undertook financial modelling for the purposes of evaluating market data, operating costs, estimated waste volumes and pricing for the purposes of updating the LTFP.
- 6.4 The LTFP is **Attachment E** and contains the statement of comprehensive income, projected balance sheet and projected cash flow statement of NAWMA.
- 6.5 The financial modelling prepared by NAWMA in the Business Plan for the NAWMA operated MRF to commence operation in 2017 has been included in the LTFP and KJL is advised by DNP that the costs of the project have been catered for, with the forecast revenue from the operation "*more than sufficient*" to meet any difference.
- 6.6 The LTFP also reflects the financial costs associated with the purchase of Lot 506 Woomera Avenue. Accordingly, taking into account the projected revenue stream from the new MRF, and based on a purchase at this stage of only Lot 506, it is anticipated that there will be minimal impact on NAWMA's operations.
- 6.7 Based on the financials prepared by DNP in February 2016, the updated LTFP, and NAWMA's estimated costs of the amended operating model, should NAWMA proceed with the purchase of the Woomera Avenue site, the estimated cost of the project (as currently described) is **\$10,956,000**, constituted of:

• Woomera Avenue site purchase (Lot 506)	\$4,150,000
• Interest at 4.5% fixed over 20 years	\$2,806,000
• Plant and equipment to design and operate the MRF	\$4,000,000

 Lot 506 Woomera Avenue

6.8 Alternatively, if NAWMA were to proceed with a lease of the Woomera Avenue site, the estimated cost of the project (as currently described) over a 20 year period is **\$11,680,000** constituted of:

- Lease at \$32,000 per month for 20 years (assume fixed) \$7,680,000
- Plant and equipment to design and operate the MRF \$4,000,000

6.9 Accordingly, without factoring in any expected increases in market leasing costs, and leaving aside other strategic reasons that a purchase may be preferable to a leasing option, under a leasing option NAWMA would be paying in excess of **\$724,000** more to occupy a site under a lease over a 20 year period as compared to a purchase option.

6.10 Paragraph 2.1 of the LTFP confirms the estimated capital expense of up to \$4,000,000 will be required for new plant and equipment in the re-designed MRF operation, to be incurred during the 2017/18 financial year.

6.11 Paragraph 3.2 conforms that NAWMA is projected to draw down on the following borrowings over the life of the LTFP:

- *\$2.5M in 2016/17 (10 year fixed loan) to fund plant and equipment to operate the new NAWMA MRF, and*
- *\$4.15M in 2017/18 (10-year fixed loan) to fund purchase of Lot 506 Woomera Ave., Edinburgh Parks.*

6.12 Interest rates for all new borrowings is projected to be 4.5% on a 20 year fixed loan and 4.1% on a 10 year fixed loan. DNP states that the LGFA interest rates have been compared to other lending organisations and found to be highly competitive for fixed interest loans.

6.13 However, it is important to note that not only are there financial benefits in NAWMA purchasing the Woomera Avenue site, but there are also strategic benefits to NAWMA in establishing its (as amended) operations at the site in the long term.

6.14 These benefits can be summarised as follows, the site:

- eliminates the WHS issues associated with the Edinburgh North site;
- separates the interaction between heavy vehicle movements and the Administrative, educational and recycling operations;
- provides NAWMA with 19,000 sqm, ensuring sufficient land for future expansion;
- provides 395 sqm of high tech office accommodation compared to 228 sqm at Edinburgh North; and
- all capital improvements made on site, including the construction of the MRF and the works to the warehouse, will remain the property of

Lot 506 Woomera Avenue

NAWMA under a purchasing arrangement of the land, and accordingly, NAWMA will also be able to realise depreciation of its assets.

- 6.15 The LTFP provides that housing growth for all three (3) constituent council's is projected to be 1.31%, based on historical data on actual growth over the last five years.
- 6.16 Another Key Assumption made in the LTFP is that tonnages, other than for constituent councils, is to remain constant over the period 2017-2027.
- 6.17 Based on historical data and taking into account the increasing yields for recycling and garden organics (including food organics) a 4% annual increase in residual waste collected from the kerbside has been adopted as an adequate prediction at this stage.
- 6.18 Given that approximately 70% of all materials that currently run through the MRF operations are contributed by the constituent councils, there is a minimal risk that tonnages in future years will fall below the estimated volumes modelled. Should volumes decrease, NAWMA has the ability to recover future additional costs through the ability to increase gate fees, given that control and setting of gate fees for recyclables will always be controlled by the NAWMA Board.

Recurrent and Whole of Life Costs, Financial Arrangements and Financial Viability

- 6.19 Financial viability can be defined as the ability to generate sufficient income to meet operating expenses, financial obligations and to provide the potential for future growth.
- 6.20 The LTFP and the financial modelling prepared for NAWMA's Business Plan – Material Recovery Facility includes modelling for the whole of life costs associated with the project, as well as the construction and operation of the MRF.
- 6.21 The financial modelling shows that the project is financially viable and generates an operating surplus over a 10 year period of operations to fund all operating costs, as well as service the required principal and interest repayments on the borrowings required to fund the project, based on the purchase of Lot 506 Woomera Avenue.
- 6.22 At the conclusion of the 10 year period modelled, NAWMA will continue to have external loan commitments with the LGFA tied with the acquisition of the Woomera Ave site and construction of the MRF. NAWMA will need to ensure that it will generate sufficient revenues to fund the ongoing loan commitments beyond the 10 year period modelled.
- 6.23 Other recurrent costs associated with the project are depreciation and maintenance costs.
- 6.24 Depreciation in the LTFP has been applied to NAWMA's proposed new assets, being the Woomera Ave site, and new MRF plant and equipment in the LTFP. These figures are contained in the appendices to the LTFP at **Attachment E**.
- 6.25 The financial modelling indicates that the project is financial viable.

Lot 506 Woomera Avenue

Summary

6.26 Purchase of the Woomera Avenue site represents the **superior option** for NAWMA for the following reasons:

- NAWMA will own all assets (including all site improvements made after purchase) which will be a major source of funding for future capital expenditure;
- under a lease, NAWMA will not necessarily obtain the benefits of future improvements to the site;
- increased security and independence to modify and adapt the site to meet future operational and strategic needs;
- increased security and independence to manage its own WHS requirements;
- fixed, long-term mortgage costs (as opposed to the uncertainty of market movements in leasing costs);
- NAWMA will experience the benefit of long term capital appreciation of the site and can sell the site when/if it ever decides to relocate; and
- current low interest rates and finance costs on borrowings.

6.27 NAWMA intends to undertake significant capital improvement on the land, including the construction of the MRF and improvements to the warehousing which it will be entitled to depreciate under a purchasing option.

6.28 It is also important to recall that the Risk Identification document outlined an addition three (3) risks with an inherent rating of "High" under a leasing option being:

- lease not renewed beyond 20 years;
- any capital improvements remain the property of the landlord; and
- land sold to another party.

Lot 506 Woomera Avenue

7. PROJECT RISK AND MITIGATION STRATEGIES

For the purposes of subsection 48(2) of the Act, the following is a prudential issue for the purposes of subsection 48(1):

- (h) *any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*

Risk Management

- 7.1 This report assesses the risk management actions taken, or being considered, by NAWMA for the purchase versus the lease of the Woomera Avenue site. It is not the purpose of the report to prepare a comprehensive risk management plan, however a level of assessment has been undertaken on the identified risks and the mitigations that have been developed.
- 7.2 NAWMA has previously identified the risks associated with the Woomera Avenue site, and has developed a detailed Risk Analysis. A copy of this document is **Attachment C**.
- 7.3 It is not considered there have been any material developments in the risk environment since the preparation of this document.
- 7.4 NAWMA identified a total of five (5) risks associated with acquiring the Woomera Avenue site under a purchase agreement. If NAWMA considered the lease option of the Woomera Avenue site then an additional three (3) risks have been identified, all with an inherent rating of "High".
- 7.5 NAWMA is already engaged with third parties with regards to reaching agreement, by way of a Settlement Deed, to obtain the necessary development approvals required to commence the MRF operations from the Woomera Avenue site. NAWMA is also engaging with the EPA to obtain the necessary amendments to its licence to ensure operations can commence at the site.
- 7.6 The Strategy also identifies potential risks, and lists a number of actions to be completed over the next 10 years.
- 7.7 The major financial risks with regard to the proposal have been identified and are understood, and actions to mitigate these risks have been developed and are contained in the LTFP. For example, risks associated with the purchase option include interest rate movement and inflator rates which may impact on the LTFP and its projections, which will require adjustments as necessary. The annual review process will ensure that all assumptions are routinely monitored.
- 7.8 At the conclusion of the 10 year period modelled in the LTFP, NAWMA will continue to have external loan commitments tied with the acquisition of the Woomera Ave site and construction of MRF and will need to ensure that it will generate sufficient revenues to fund the ongoing loan commitments beyond the period modelled.

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7.9 In addition to the above, there are, of course, some negative aspects to ownership which must be considered in determining whether to purchase (as opposed to lease) the Woomera Avenue site:

- a leasing option can provide greater flexibility to exit the premises should NAWMA experience faster than anticipated growth and there may be delays in exiting a site which NAWMA is required to sell first; and
- large up-front capital cost required to purchase the site will potentially restrict access to available capital funds in the future should any significant capital works projects or opportunities arise;

7.10 However, it is considered that the risks associated with the leasing option far outweigh the known, quantifiable and manageable risks associated with the purchase of the site to enable the continued operations of NAWMA. These risks include:

- market movement in leasing costs over a 20 year period;
- the lease may not be renewed beyond 20 years;
- any capital improvements on the land will remain the property of the landlord; and
- the land may be on-sold to another party.

7.11 Any of these risks being realised under a leasing model has the potential to cause instability and uncertainty in NAWMA's continuing operations.

Risk Mitigation

7.12 NAWMA should ensure that the risks identified in the Strategy, and the actions to be completed over the next 10 years, are monitored and progressively updated as the project is implemented.

7.13 Likewise, NAWMA should ensure that the risks identified in the Risk Analysis are monitored.

7.14 NAWMA has committed to reviewing its LTFP at least annually, and that all Key Assumptions and financial data are updated as applicable, to ensure it remains a reliable platform upon which NAWMA can use for decision making purposes.

7.15 It is noted that installation of the MRF plant can be commenced once agreement has been reached with the interest parties by way of the Settlement Deed.

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8. PROJECT DELIVERY

For the purposes of subsection 48(2) of the Act, the following is a prudential issue for the purposes of subsection 48(1):

(i) the most appropriate mechanisms or arrangements for carrying out the project.

Delivery Mechanism

8.1 NAWMA Administration has engaged the following specialist consultants who have assisted with the development of the project:

- URPS Planning Consultants;
- DNP;
- Norman Waterhouse Lawyers and
- KJL.

8.2 The project management of the approval processes, being the development approval and the EPA licensing, has been facilitated by URPS to ensure timelines are met and independence, accountability and transparency is maintained and assisted by Norman Waterhouse Lawyers.

8.3 NAWMA has been assisted in meeting its prudential requirements by DNP and KJL.

8.4 All procurement and capital works activities required to be undertaken must be conducted in accordance with applicable adopted NAWMA Policies and Procedures.

Lot 506 Woomera Avenue

9. CONCLUSION

- 9.1 This report has been prepared to meet the requirements of Section 48 of the Act and the NAWMA Prudential Review Policy, in order to provide NAWMA with a comprehensive understanding of the prudential issues relating to a proposed purchase versus leasing option of Lot 506 Woomera Avenue, Edinburgh Parks.
- 9.2 The Woomera Avenue purchase option is considered to be strongly aligned with NAWMA's Waste Management Strategy 2015-2020 and strategic directions.
- 9.3 Provision has been made in the LTFP for the purchase of the Woomera Avenue site, as well as the NAWMA operation of the MRF at the site.
- 9.4 Based on the financial reports prepared by DNF and the information provided by NAWMA, the estimated cost of the project under a purchasing arrangement, including the construction of the MRF plant is \$10,956,000. It is projected that NAWMA will be able to meet all known Operating and Capital commitments over the next 10 years.
- 9.5 Conversely, the estimated cost of the project under a leasing arrangement of the Woomera Avenue site over a 20 year period is \$11,680,000, without factoring in market movements in rent, and a leasing arrangement cannot guarantee continuation of operations beyond a 20 year period.
- 9.6 The major financial risks have been identified and are understood and actions to mitigate these risks have been developed and are contained in the LTPF.
- 9.7 The work undertaken by the NAWMA Administration for the purposes of assessing, and evaluating, this project is of a high standard. Accordingly, the NAWMA Board can make a well informed decision regarding whether to proceed with a purchase as opposed to a lease of the Woomera Avenue site based upon the information presented by the NAWMA Administration.
- 9.8 In receiving, and considering, this Report, NAWMA's has met its requirements under section 48(1) of the Act.

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ATTACHMENT A

NAWMA WASTE MANAGEMENT STRATEGY 2015-2020



Mission Statement

To deliver responsible, sustainable and best practice waste and resources management outcomes to constituent and client Councils.

NAWMA – A Regional Subsidiary

NAWMA was established by its constituent Councils – the City of Playford, the Town of Gawler and the City of Salisbury. Together they form the Northern Adelaide Region of Local Government. A function of Local Government is to provide services and facilities that benefit local ratepayers, residents and visitors. This includes waste management.

The constituent Councils resolved to work together through NAWMA to facilitate waste management within the region. As a result, NAWMA implemented many innovative approaches in the management of waste and resources. Its achievements in delivering efficient and effective outcomes for the constituent Councils and their communities are widely acknowledged.

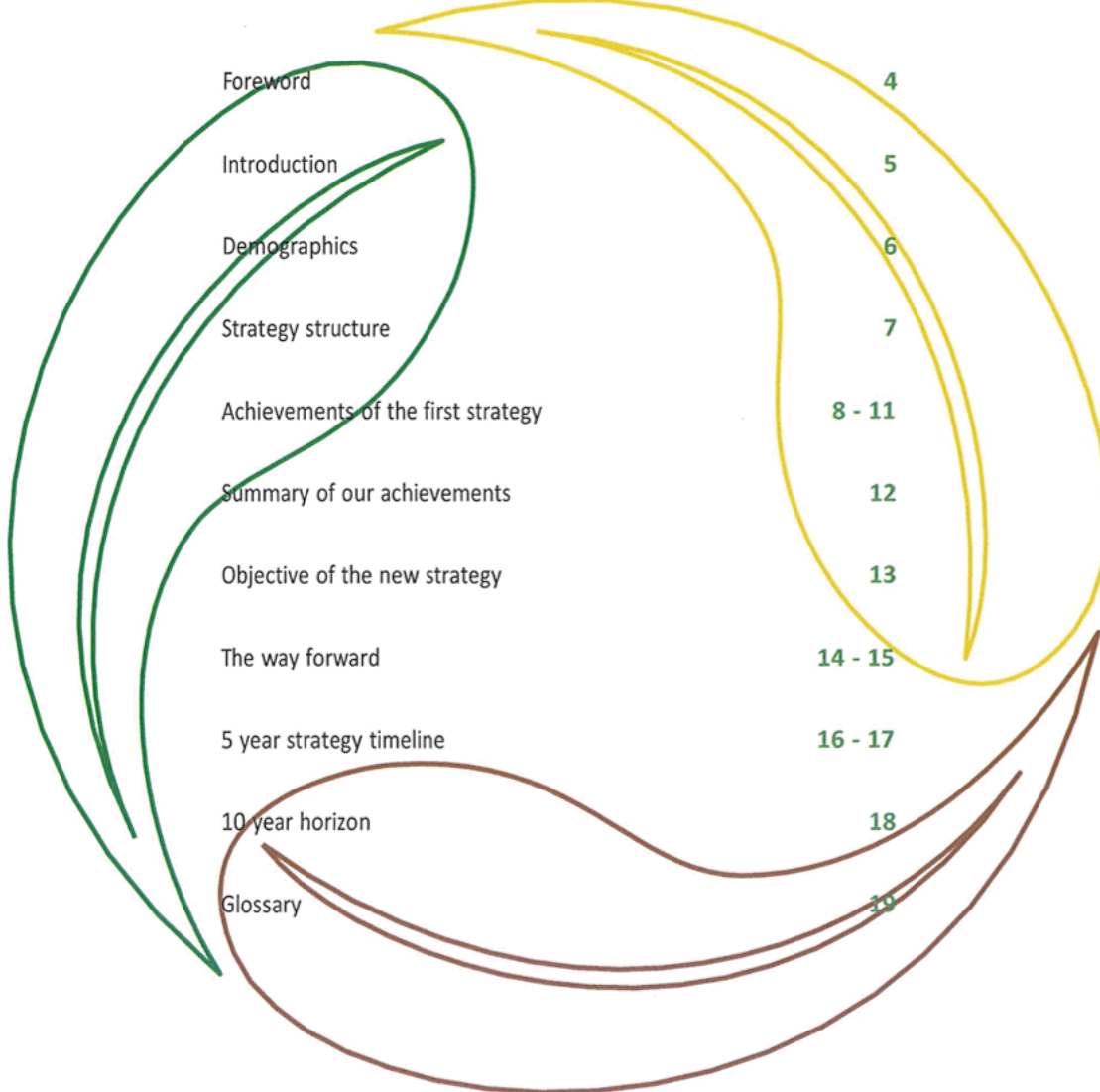
NAWMA continues to focus on achieving economies of scale and this has impacted positively on the cost of waste management and resource recovery within the region.

At its centre at Edinburgh North, NAWMA administers and operates a Waste Processing Facility:

- for the sorting of recyclables for market;
- for baling of residual waste for landfill;
- a Resource Recovery Centre, incorporating a public drive through Waste Transfer Station; and
- an Environment Education Centre as an interactive facility to promote environmentally sustainable waste management practices.

In addition, NAWMA operates a major landfill at Uleybury.

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Foreword

NAWMA has established a proud record in delivering best practice in waste management.

Operating in a growing market with continuing residential and business expansion in the northern region of Adelaide, NAWMA has successfully implemented policies and procedures aimed at reducing the amount of waste being sent to landfill.

The 2000-2015 Master Plan provided the template for these achievements allowing NAWMA to respond to emerging challenges and opportunities in responsible waste management.

NAWMA is now entering an exciting new phase of its development. Increasingly, our focus will be on resources recovery, recycling and re-use to ensure waste management is conducted to even higher levels of environmental and economic sustainability on behalf of the communities of our constituent Councils.

Technologies and systems are emerging that NAWMA will explore and consider implementing strategically to maximise resources recovery and minimise residual waste.

This document outlines objectives and priorities that will advance our resource recovery capabilities to reduce reliance on landfill operations over the longer term.

We have the capacity and the willingness to extend our reach in waste management, to introduce new sophistication and solutions in resources recovery, and to educate and inform our communities of the benefits that will result from a shared commitment to these actions.

The NAWMA Waste Management Strategy 2015-2020 will guide our decision-making processes. It will contribute significantly towards environmentally sustainable growth in the region and to community pride across northern Adelaide and beyond.

NAWMA Board of Management



Introduction

The Northern Adelaide Waste Management Authority's NAWMA Waste Management Strategy was developed in July 2000 with projections to a 15-year horizon. The strategy spawned important supporting documents including NAWMA's Annual Business Plans and constituent Council Service Agreements.

The 2000-2015 master plan created a solid foundation for NAWMA to build its capacity in world's best practice waste management. But in 2014 as the expiry date

approached, NAWMA undertook a complete review of the content to address current and forward contracts and agreements, plans and priorities.

The result is the NAWMA Waste Management Strategy 2015-2020. This new strategy differs from its predecessor in that it has stronger linkages to NAWMA's operational, or business activities with a sharper focus on overall resources management.



5

Demographics

The Northern Adelaide Waste Management Authority (NAWMA) is a Local Government Regional Subsidiary of the Cities of Salisbury and Playford and the Town of Gawler. It also provides waste management services to client Councils including Barossa, Barunga West, Clare/Gilbert Valley, Copper Coast, Goyder Regional, Light Regional, Mallala, Mount Remarkable, Northern Areas, Peterborough, Yorke Peninsula and Wakefield Regional.

These Councils cover a diverse area from northern metropolitan Adelaide to rural townships in South Australia's horticultural and broad acre farmlands. Proposed development on the northern urban fringe, along with urban redevelopment, will increasingly see medium density housing replace traditional low density, detached dwelling construction.

Currently NAWMA's constituent Councils have a population of approximately 250,000 residents in 110,000 households. Supported by the South Australian Government's 30-year plan for Greater Adelaide, this population is expected to swell to 276,000 during the period 2015 to 2020.

From a waste management perspective, many challenges are presented from this predicted growth. They are outlined below:

Medium Density Housing

In this form of housing, access to rear loading properties is often via narrow laneways making waste collection difficult.

Smaller blocks often do not provide for off-street parking meaning that vehicles parked in the street may block access for collection of bins.

Multi Unit Dwellings, or MUDs, are the predominant form of development in new neighbourhoods and district centres. This necessitates bulk or shared bin arrangements. NAWMA has successfully addressed this issue at Mawson Lakes and it will require broader adaption of revised collection fleet specifications.

Urban Fringe Development

This will result in greater reliance on private vehicles to access places of employment. Street parking of these vehicles will impact on collection services.

The increasing distance travelled by collection vehicles will place pressure of the existing cost-per-service model.

Varying times of occupancy of dwellings in new sub-divisions impacts on efficiency in collection times and routes.

Socio Economic Issues

Residents of the northern region of Adelaide traditionally have experienced more financial stress than in other sections of the city. New, young residents will also experience financial pressures as they develop their homes and raise young families. This will reduce affordability for the full range of NAWMA's services resulting in mixed waste streams and contamination of recyclable products. Roadside dumping is another outcome of financial stress.

NAWMA recognises the importance of access to emerging communications technologies to ensure awareness of the latest waste management strategies in all regional households.

Rapid Development and Population Growth

This will generate a need for expanded interaction with new residents to ensure appropriate access to bins.

There will also be a need for constant monitoring of new developments to update waste collection routes and procedures.

NAWMA recognises these challenges and it is well geared to address them through its efficient service delivery programs.

Strategy Structure

NAWMA is very much aware of the need for longer-term initiatives in terms of infrastructure and support services to minimise waste and maximise resource recovery.

This is the purpose of the NAWMA Waste Management Strategy 2015-2020. It will deliver outcomes that are socially responsible, environmentally sound, affordable and efficient.

This strategy will:

- > inform NAWMA's Annual Business Plans in the last half of this decade;
- > guide regional and Local Government activities; and
- > involve business, industry and the wider community.

The format adopted for the NAWMA Waste Management Strategy 2015-20 has been developed in consultation with the NAWMA Board and a series of workshops facilitated by Mr Adam Thompson of The Working Journey



It outlines major challenges and opportunities for NAWMA based on current knowledge of the industry and its likely future directions.

The strategy underpins NAWMA's Annual Business Plan objectives, which are to:

- > promote and achieve efficient and cost-effective waste minimisation and resource recovery throughout the region;
- > develop ecologically sustainable waste and resources management and minimisation practices that are economically viable, environmentally sustainable and socially responsible;
- > achieve performance outcomes that are consistent with, or in advance of, accepted standards for waste minimisation and responsible waste and resources management;
- > implement an accredited quality and environmental management system;
- > continually review evolving technologies and practices in waste minimisation/resources management and solid waste disposal to maintain best practice benchmarks; and
- > ensure funds are secured to meet strategic business objectives aligned to growth and development opportunities in the region.

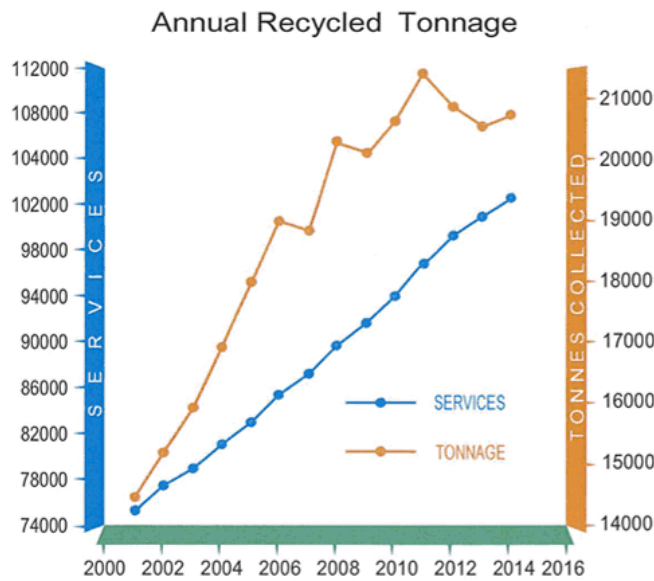
Achievements of the first strategy

The previous strategy concentrated initially on kerbside collection services and the measurement/analysis of the material collected. The graphs below highlight the success of the kerbside programs put in place.

Education and promotional activities were strongly emphasised in the strategy. They have evolved as a major function of NAWMA requiring a full-time staff

member and purpose-built education facility for visitors of all ages.

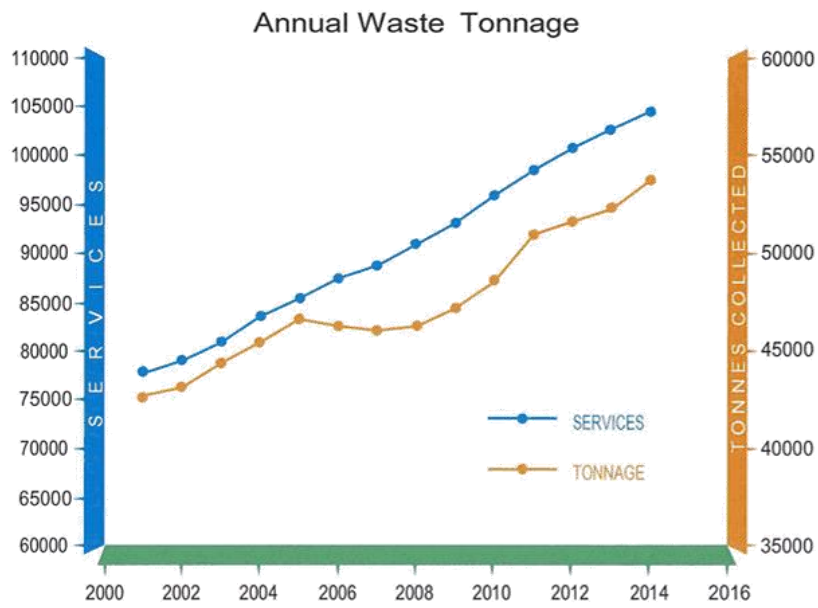
Further to the above, resource recovery has assumed greater importance. Although landfill is still necessary for residual waste, greater effort is placed on diverting from landfill as much recoverable material as practically and financially possible.



Over the period, there has been a slight increase in recycling yields collected per household. This increase in yields means that an additional 1,000 tonnes of recyclables are being collected per annum. This reflects the success of NAWMA’s educational and public awareness initiatives and the positive response of the community towards recycling.

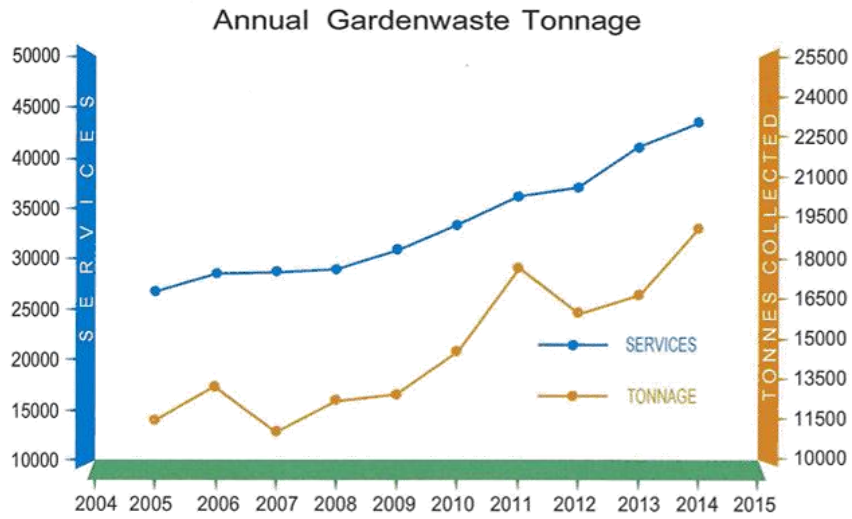
To be able to increase tonnages collected is a credit to NAWMA as the range of material that can be placed out for recycling has not varied.

Note: During 2011-12, there was a slight decrease in recyclables collected. This reflected a move by the State Government to double the container deposit cash refund for bottles and cans. There was also a marginal reduction in paper collected primarily due to the more widespread use of electronic communications.



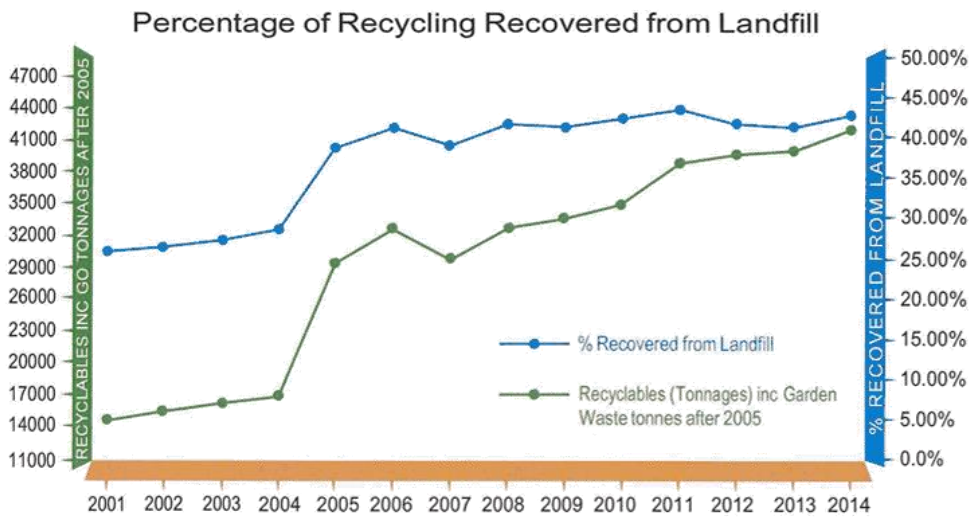
Of particular note is that the quantity of waste per household per collection has reduced by 7 percent from 10.5kg to 9.8kg. This represented an additional 3,800 tonnes of material diverted from landfill in 2013-14, based on the 2001-02 waste per household figures.





The garden waste collection yields per household have remained stable. However, participation in this voluntary service has increased by 63 per cent across the region. The tonnage of garden waste collected fluctuates from year to year due to seasonal factors.





There has been a 17% increase in material recovery from landfill over the period 2005-2014 and this is steadily increasing. From a regional perspective this is very positive.



Summary of our achievements

The previous strategy was the impetus for the following aspects of NAWMA's operations and services to constituent Councils:

- > three bin kerbside collection;
- > food organics included with green organics in kerbside collection;
- > kerbside hard waste collection;
- > construction and operation of (a) the Uleybury landfill, (b) the Waste Processing Facility, incorporating the baling plant, and (c) the Resource Recovery Centre for public use;
- > introduction of the 'wingliner' semi-trailer into the waste industry for cartage of waste bales;
- > use of Compressed Natural Gas (CNG) for the kerbside collection fleet;
- > a landfill gas management system that is now operational;
- > diversion of hard waste from landfill; and
- > adaption for regional growth and expansion.



12

Objective of the new strategy

The principal objective of the new strategy is to provide cost effective waste management services while exploring business opportunities and the potential to reduce costs and provide financial returns to constituent Councils.

NAWMA manages two potentially conflicting operations – firstly, resource recovery and, secondly, waste disposal. However, because these operations are well planned and managed, they in fact complement each other. Each operation has business opportunities to be explored, and this is the impetus of the new strategy.

A major focus to date has been on cost reduction and stabilisation. NAWMA fully appreciates the impact of its targets on the budgets of constituent Councils. Therefore, the provision of cost effective waste management services is essential.

Indeed, opportunities have now been identified that have the potential to provide a financial return to constituent Councils.

The goals and targets of the State Waste Strategy 2011-2015 and the draft 2015-2020 State Waste Strategy have been taken into account in the formulation of the NAWMA Waste Management Strategy 2015-2020.



13

PURPOSE

To facilitate waste management on behalf of the constituent Councils by provision of efficient kerbside waste collection services and environmentally responsible processing of waste and recyclables.

VALUES

- We are efficient in service delivery
- We are open to alternative technologies
- We educate people
- We support Council alliances
- We plan for growth

STRATEGIC OBJECTIVE

To provide cost effective waste management services while exploring business opportunities and the potential to reduce costs and provide financial returns to constituent Councils

WHERE ARE WE NOW?

53.25% of recyclables recovered from landfill from all sources

2015-16 Budget allows for 5% reduction in Council waste disposal rates

Evaluating all contractual arrangements

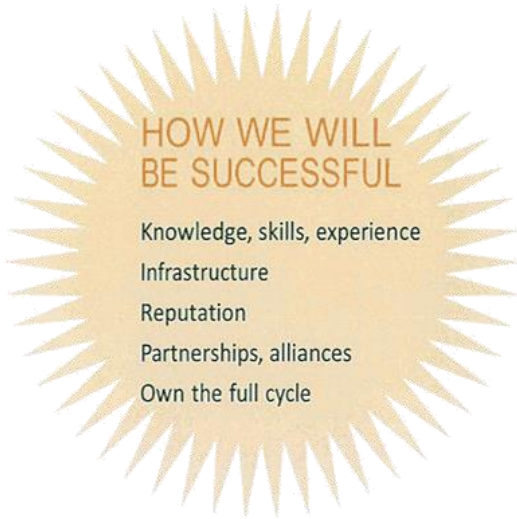
Examining potential cost efficiencies

Services provided to 110,000 households in the region

Stage 3 of Uleybury landfill under construction with 10 years of airspace remaining

WHAT WE NEED TO DO

- New plant designed/built for the Material Recovery Facility (MRF) commencing 1 January 2017 (successful transition plan implemented)
- Plant operators engaged/trained to operate Waste Baling Plant (WBP) for commencement 1 January 2017
- Design and build a new Environment Education Centre (EEC). To be commissioned in August 2015
- Increase type of recyclables for collection i.e. flexible plastics resulting in 5% volume increase in recyclables per service. To be introduced 1 July 2017
- Secure a metropolitan Council as a client to the NAWMA MRF while maintaining the existing client base. If the tender bid is successful, the new client Council to commence using the MRF on 1 May 2018
- Monitor alternative technologies and investigate other waste disposal options. Regular presentations to the Board over the five year period
- Expand education and promotional activities via social media and modern technologies
- Improve efficiency in sorting of recyclables providing for quality control on commencement of the MRF operation by NAWMA on 1 January 2017
- Identify markets for sale of sorted recyclable products and have them secured by August 2016
- Investigate the potential to purchase NAWMA's 15 acre Edinburgh North facility as opposed to the current practice of leasing to ensure long term security of site.



WHERE WE NEED TO BE (5 YEARS)

- More than 60% of recyclables recovered from landfill from all sources
- Further reduction in Council waste disposal rates
- Council contributions reduced by \$0.6 million with NAWMA operating the MRF and WBP
- Annual financial returns to Councils
- Reliable markets established for sale of processed recyclables
- Reduced reliance on contractors with NAWMA operating major facilities

NAWMA 5 Year Strategy Timeline

2015

- July – MRF Supervisor employed by NAWMA
- July/August – Commercial valuer engaged to report on market value of Edinburgh North site.
- August – New EEC commissioned
- September – MRF equipment fabrication commences
- October/November – Presentation to the Board on status of landfills in SA (air space available)

2018

- January – Submit tender documents for Tea Tree Gully Council area Recyclables
- April/May – Consultant presentation and workshop of EfW



2016

- January – Landfill Stage 3 operational
- February/March – Flexible plastics trial
- March – Transition plan with Visy
- April/May – Update on Energy from Waste (EfW)
- July – Visy to vacate MRF
- July – Building extensions to the MRF commence
- August – Markets for recyclables secured
- October – Installation of new MRF plant

2017

- January – MRF operated by NAWMA
- January – WBP operated by NAWMA
- April/May – Update of EfW facilities
- July – Council budget contributions reduced
- July – Flexible plastics introduced into the collection stream
- October – Financial return to Councils

2019

- February/March – Options to foster partnerships and joint ventures with industry presented to the Board
- September – Prepare new NWMS
- November – Options for expansion of services into rural areas presented to the Board

2020 – 2025

- 2020 – Detailed report on airspace available versus EfW technology
- 2021 – EfW and landfill airspace costings presented to the Board
- 2022 – Joint ventures with industry established
- 2023 – Agreements raised for post Uleybury landfill solution
- 2024 – Endorsement by Councils on replacement of residual waste management process

10 Year Horizon

While delivering this 5 year strategy, work has commenced to address the three key areas for the long-term sustainability of NAWMA. These key areas are:

- > Determining the sustainable residual waste management process that will replace the current landfill.
- Options identified/costed and agreements secured to ensure continuity of service – 2023
- Endorsement by constituent Councils of the post Uleybury landfill solution (implementation plan fully established) – 2024
- Subject to the success of previous investigations, examining in detail an energy from waste process for installation at Edinburgh North utilising organics as the feedstock with the potential to provide sufficient electricity for NAWMA's facilities and the cluster group of industries located in the vicinity – 2023-2024

- > Establishing partnerships and joint ventures with industry to establish resource recovery and residual waste management processes at strategic locations, thereby combining expertise and marketing power. To be fully analysed by 2022 as there will most likely be linkages to the post Uleybury landfill solution. In order to establish a cost efficient alternate process, there will be a requirement for additional waste tonnages that may be available by utilising resources of an industry partner.
- > Embracing further resource and waste management opportunities that will enhance and improve the business i.e. expansion of services into the rural Councils. To be investigated in detail over the period 2020-2021.

A positive future for waste and resources management is evident for the region. NAWMA has many of the management systems and much of the infrastructure in place, and it is backed by strong support from the community and its constituent Councils.



Glossary

Glossary of abbreviations featured in this Strategic Plan

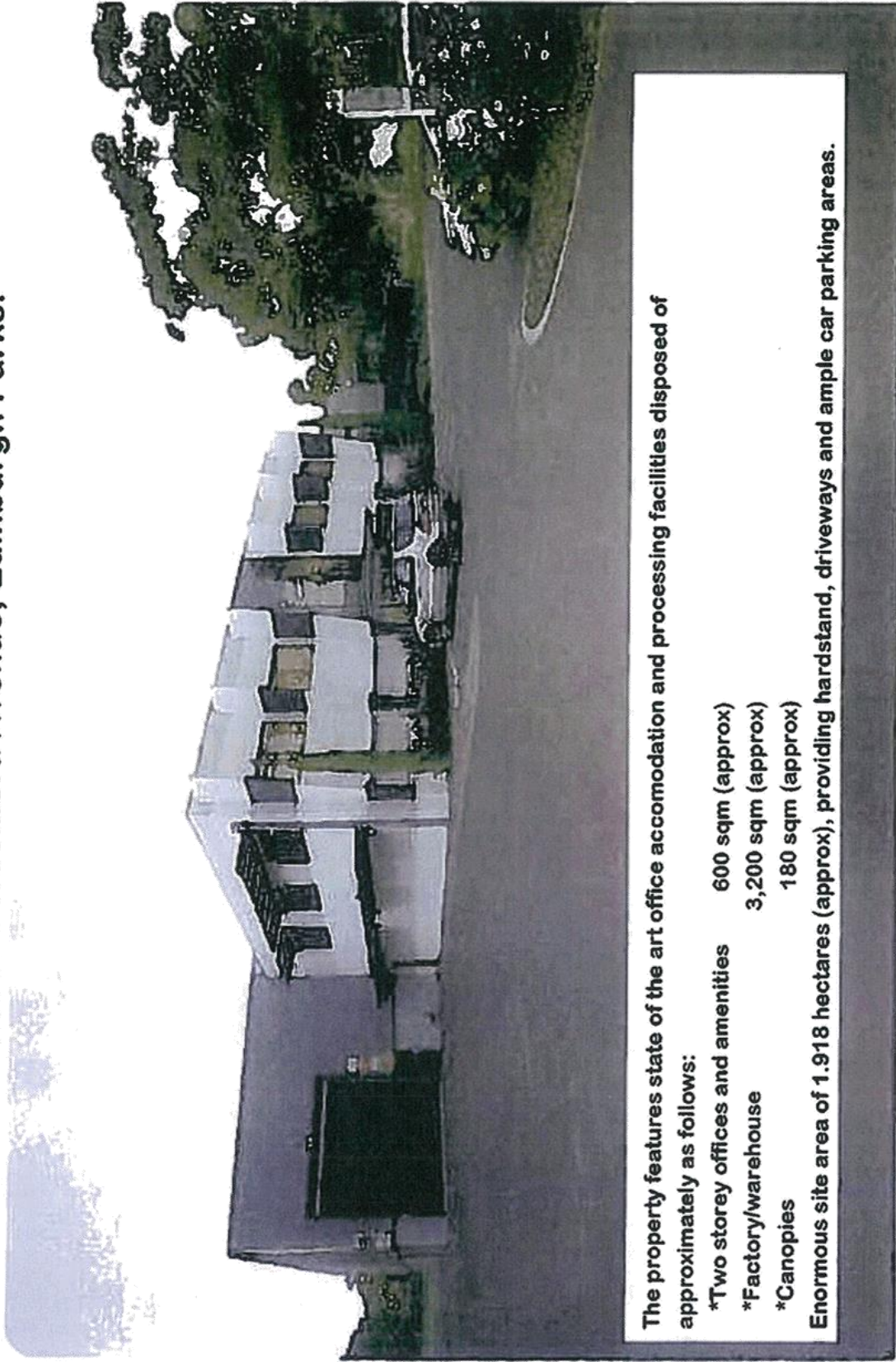
CNG	Compressed Natural Gas
EEC	Environment Education Centre
EfW	Energy from Waste
MRF	Materials Recovery Facility
MUD	Multiple Unit Dwelling
NAWMA	Northern Adelaide Waste Management Authority
NWMS	NAWMA Waste Management Strategy
WBP	Waste Baling Plant
WPF	Waste Processing Facility



NAWMA Cnr Peachey & Bellchambers Road, Edinburgh North, SA 5113
Box 10 Mail Delivery Centre, Edinburgh North, SA 5113
Freecall 1800 111 004 Phone 08 8259 2100 Email admin@nawma.sa.gov.au Web www.nawma.sa.gov.au

ATTACHMENT B

Lot 506 Woomera Avenue, Edinburgh Parks.



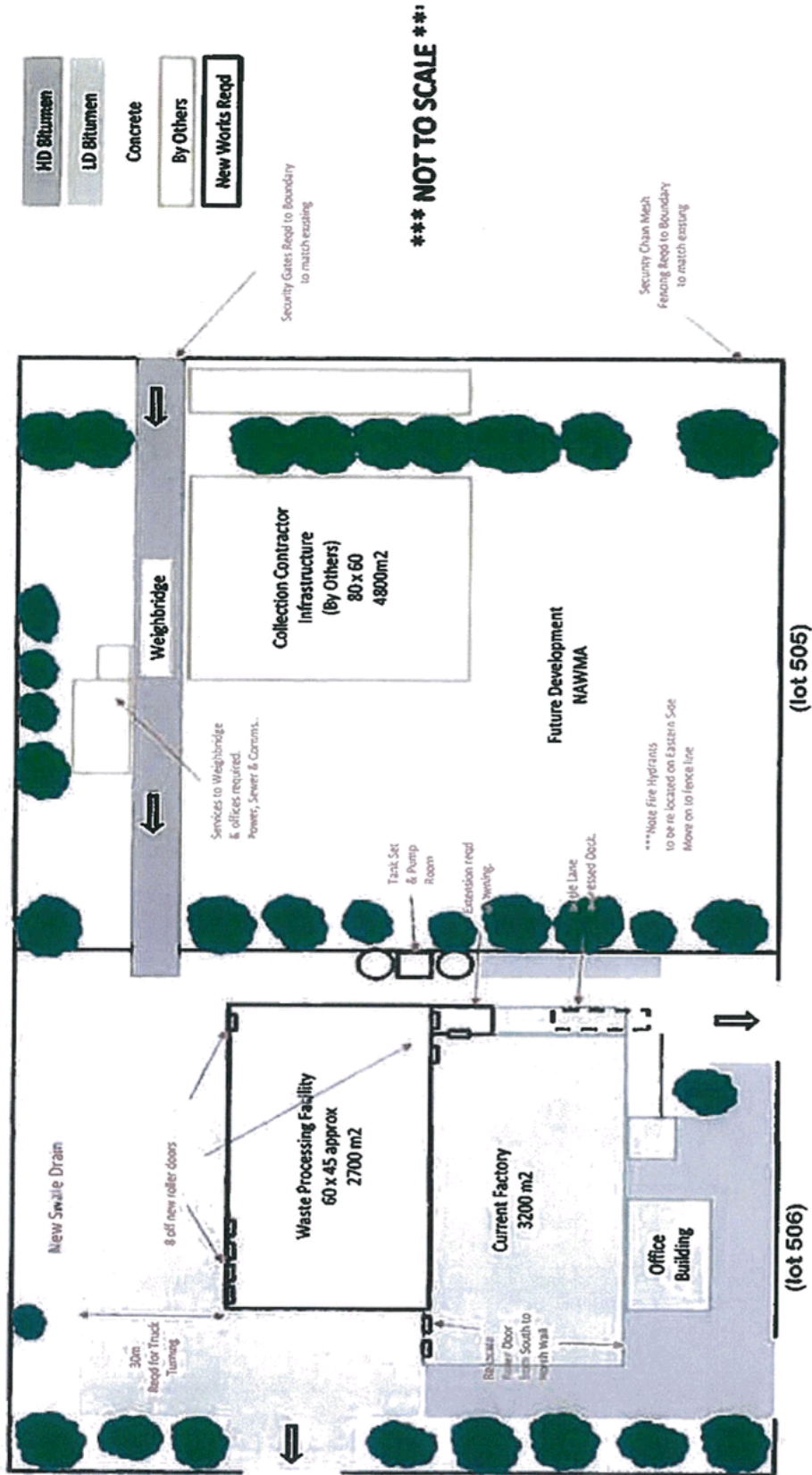


Item 6.1.5 - Attachment 1 - NAWMA Prudential Report - June 2017

**Lot 505 and 506 Woomera Road
Edinburgh Parks**



Lot 505 and 506 Woomera Road Edinburgh Parks



ATTACHMENT C

RISK IDENTIFICATION FOR EDINBURGH NORTH AND COMPARATIVE SITES

EDINBURGH NORTH

1. Serious accident at one of the entrances to NAWMA.
2. Unable to cater for longer term growth.
3. Serious WHS incident due to WHS issues being minimised but not eliminated.
4. Old infrastructure (paving, sewer, stormwater systems) failures.
5. Mobile phone dead spot for next 5 years.
6. Unable to achieve adjacency between MRF and baling plant for maximum efficiencies.
7. Potential for longer term conflict with proposed Edinburgh North/ERC land use.
8. MRF not operational by January 2017.
9. Unable to achieve zero downtime at time of waste baler replacement.

WOOMERA ROAD

1. RRC negatively impacted from not being co-located with rest of NAWMA.
2. Phased relocation means approx. 6 years until baling plant is located with MRF for maximum efficiencies.
3. Unable to purchase both properties to ensure long term viability.
4. Cat 2 development approval (change of land use) not granted.
5. EPA licencing for new location not granted.

WEST AVENUE

1. RRC negatively impacted from not being co-located with rest of NAWMA.
2. Phased relocation means approx. 6 years until baling plant is located with MRF for maximum efficiencies.
3. Cat 2 development approval (change of land use) not granted.
4. EPA licencing for new location not granted.
5. Cannot afford due to high purchase cost and recurrent operating costs.

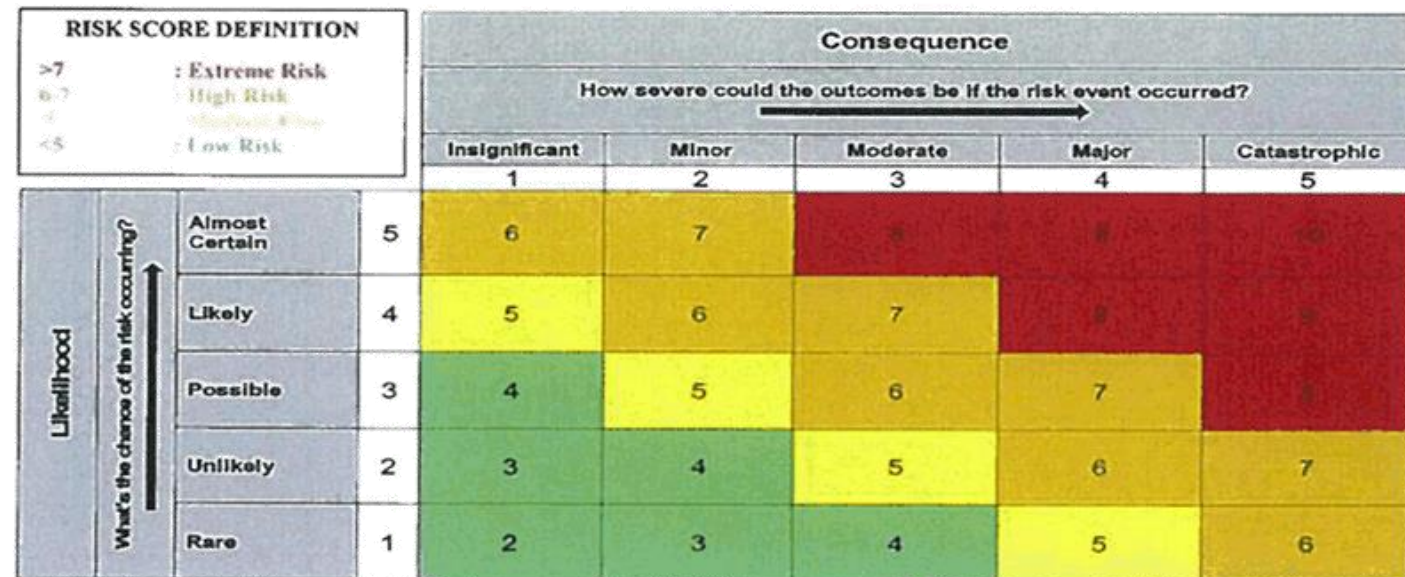
Add the following to the above for leasing:

- L1. Lease not renewed in future (beyond 20 years).
- L2. Any capital improvements remain the property of the landlord.
- L3. Land sold to another party.

NAWMA LONG TERM STRATEGIC LOCATION - RISK ANALYSIS

Location	Risk Item	Likelihood	Consequence	Risk	Risk Score	Comment re Risk or Mitigation
Edinburgh North	1	Likely	Major	Extreme	8	Unable to mitigate very high risk of vehicle accident involving entering/exiting vehicles.
	2	Likely	Moderate	High	7	Predicted longer term growth will most likely require purchase of another site and relocation of part of NAWMA's operations.
	3	Possible	Major	High	7	The nature of the existing site layout requires complex vehicle movements on site.
	4	Likely	Minor	High	6	Ongoing infrastructure repairs will impact on vehicle movement and overall efficiency of the site operations.
	5	Almost Certain	Moderate	Extreme	8	Telstra have advised there is no plan to improve communications infrastructure in Elizabeth West within the next 5 years.
	6	Almost Certain	Minor	High	7	The site area constraints mean that the baling plant and MRF can never be located adjacent to each other for maximum efficiency.
	7	Possible	Moderate	High	6	The State Govt structure plan for the Northern section of Edinburgh Parks includes high density residential dwellings opposite NAWMA.
	8	Likely	Moderate	High	7	The timelines for a decision on purchase versus lease, building approval, building construction, pavement, installation of MRF is greater than 11 months.
	9	Almost Certain	Moderate	Extreme	8	Scheduled replacement of the existing waste baler will require downtime of the waste baling facility and redirection of waste for several weeks.
				TOTAL	64	
Woomera Road	1	Likely	Minor	High	6	More formalised communication processes required to ensure professional management of RRC continues.
	2	Almost Certain	Minor	High	7	Intersite transport costs minimized by utilising existing transport arrangements.
	3	Unlikely	Major	High	6	Very unlikely that either property would be sold prior to NAWMA decision. NAWMA has requested first right.
	4	Unlikely	Major	High	6	Discussions with Salisbury Council staff have confirmed this is a Cat 2 development approval (change of land use) which requires minimal consultation.
	5	Unlikely	Major	High	6	Correspondence with the EPA confirms that a split licence arrangement will not present any difficulties.
				TOTAL	31	
West Avenue	1	Likely	Minor	High	6	More formalised communication processes required to ensure professional management of RRC continues.
	2	Almost Certain	Minor	High	7	Costs minimized by utilising existing transport arrangements.
	3	Unlikely	Major	High	6	Discussions with Salisbury Council staff have confirmed this is a Cat 2 development approval (change of land use) which requires minimal consultation.
	4	Unlikely	Major	High	6	Correspondence with the EPA confirms that a split licence arrangement will not present any difficulties.
	5	Likely	Major	Extreme	8	This risk to be quantified by financial analysis which will confirm affordability or not.
				TOTAL	33	
Lease impact	L1	Unlikely	Major	High	6	Cannot mitigate these lease risks beyond 20 years.
	L2	Almost Certain	Minor	High	7	Cannot mitigate these lease risks
	L3	Possible	Major	High	7	Cannot mitigate these lease risks. Mitigated by first right of refusal to NAWMA.
				TOTAL	20	

SUMMARY	
Edinburgh North	64
Woomera Road	31
West Avenue	33
Lease impact (add to above)	20





ATTACHMENT D



17 November 2015
Northern Adelaide Waste Management Authority
Mr Danial Dunn
Resource Recovery Manager
Cnr Peachey & Bellchambers Rd,
Edinburgh North SA 5113

Dear Sir,

**Re: 71-75 Woomera Avenue,
Edinburgh, South Australia**

In accordance with your instructions please find attached a copy of our abbreviated valuation report for the property at 71-75 Woomera Avenue, Edinburgh, South Australia for Potential Acquisition advice purposes.

Please note this report does not meet Practice Standards for valuations for mortgage/finance purposes and is specifically unsuitable for this purpose. If you require a valuation for mortgage/finance purposes we request you contact us within 30 days to prepare a more detailed report. We have retained on file details to enable preparation of a full report if required.

Thank you for engaging Opteon Property Group (OPG) to provide you with professional, independent property advice. OPG is Australia's largest national provider of market-leading valuation and property advice. We work closely with our clients to deliver innovative property solutions.

OPG Provides expert property advice for all property sectors including residential, commercial, industrial, retail, hospitality, or rural property. We also offer plant and equipment valuations, quantity surveying or tax depreciation services. OPG will help to make value visible anywhere in Australia.

We appreciate your instructions and please do not hesitate to contact us if we can be of further service to you.
Kind regards,

A handwritten signature in blue ink, appearing to read 'D. Sander', is positioned above the printed name and title.

Daniel Sander
AAPI Certified Practising Valuer
API No: 64256

Opteon Property Group

Opteon (South Australia) Pty Ltd (formerly Southwick Goodyear Pty Ltd)
ABN 87 086 953 737
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Valuation Report

71-75 Woomera Avenue
Edinburgh, South Australia 5111

File Ref: 6636641



VALUATION REPORT



**71-75 Woomera Avenue
Edinburgh, South Australia 5111**

Prepared For	Northern Adelaide Waste Management Authority
Report Purpose	Potential Acquisition Purposes
Valuation Date	12 November 2015
Our Reference	6636641
Client Reference	DT11112015

Opteon Property Group
 Opteon (South Australia) Pty Ltd (formerly Southwick Goodyear Pty Ltd)
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71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



1.0 Valuation Summary

1.1 Instructions

Instructing Party	Mr Danial Dunn, Resource Recovery Manager.
Client / Authorised Party	Northern Adelaide Waste Management Authority.
Client Reference	DT11112015.
Valuation Purpose	Potential Acquisition purposes - <i>Please note, this report does not meet Practice Standards for valuations for mortgage/finance purposes and is specifically unsuitable for this purpose.</i>

1.2 Property Details

Property Address	71-75 Woomera Avenue, Edinburgh, South Australia 5111.
Property Description	The subject property comprises a modern, high quality, office warehouse facility in the outer northern industrial estate of Edinburgh Parks. The improvements provide a Gross Lettable Area of 3,852 square metres which includes 3,240 square metres of warehouse and 612 square metres of office / amenities accommodation. There is an additional 183 square metres of loading canopy to the eastern side of the improvements. Land area is 1.918 hectares (19,180 square metres) approximately. The property is currently vacant and is being offered to the market for sale or lease by LJ Hooker Commercial.
Title Reference	The whole of the land within Allotment 506 in Deposited Plan 68296, within Certificate of Title Volume 5960 Folio 906.
Zoning	Urban Employment.

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



1.3 Property Profile

Market

Marketability Given the current state of the market in the outer northern industrial areas, there have been relatively few recent sales transactions. Marketability is considered fair only, with no shortage of competing stock on the market both for lease and for sale.

Market Activity Experiencing low sales volumes and limited activity. As at the date of valuation there were numerous industrial properties with Gross Lettable Areas over 1,000 square metres offered for sale within the outer northern industrial suburbs of Edinburgh, Salisbury North, Burton and Direk. There is also some evidence of properties being offered to the market at below replacement cost, as well as some transactions concluded with the Mortgagee having come into Possession.

Recent Market Direction Conversations with agents actively working within the outer northern industrial precinct have indicated rents and values have significantly retracted from rates achieved 3-4 years ago. The announced closure of the GMH plant in 2017 has increased uncertainty in the local area with property values falling and an increased number of properties entering the market for both sale and lease. Supply is currently outstripping demand. This trend is particularly relevant to Edinburgh, where sale prices are significantly lower than original asking prices.

Asset

Highest & Best Use The highest and best use for the property is considered to be the existing use as an office warehouse facility, noting the property may possess further development potential in the future (subject to adequate demand and necessary statutory consents).

Likely Buyer Profile Owner occupiers are considered the most likely purchaser group, with astute purchasers recognising opportunities in the current market to acquire such assets at below replacement cost. Notwithstanding the subject property comprising investment grade quality improvements, we consider the currently subdued market conditions in Edinburgh reduce the likelihood of a speculative investor purchasing the property.

Occupancy/Cash Flow

Occupancy Status The property is currently vacant and is advertised for Lease or Sale by LJ Hooker Commercial.

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



Assumptions & Recommendations:

Key Assumptions

- The instructions and information supplied contain a full disclosure of all information that is relevant.
- We have assumed the subject property is free from any detrimental contaminants which may adversely impact on marketability or value.

Recommended Documents to Sight Nil.

Market Value As Is:

Market Value with Vacant Possession: \$3,000,000 (Three Million Dollars)

This valuation is exclusive of GST

It should be noted that for negotiation purposes, we consider a valuation range of between \$2,900,000 and \$3,100,000 is reasonable.

Interest Valued	Fee simple with vacant possession
Date of Inspection	12 November 2015
Date of Valuation	12 November 2015
Date Issued	17 November 2015 2015
Currency of Valuation	90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Signatories

Daniel Sander

AAPI Certified Practising Valuer

API No: 64256

Inspecting Valuer

Valuation Summary

*This Valuation Summary has been prepared with acknowledgement by the client that it is a synopsis of the property and the valuation on the understanding the client is familiar with the property or have taken their own investigations and due diligence on the property. A more detailed valuation report can be provided if required. All information obtained and researched on the property has been retained on our files for future reference if required. This report is provided on the basis and understanding that this report is only to be used for the specified purpose, and is specifically **not suitable for mortgage security purposes**. Should a financier be provided with a copy of this report we request the financier refer the client back to us or instruct us to prepare a valuation for mortgage security purposes.*

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



Third Party Disclaimer

This report has been prepared for the private and confidential use of our client, Northern Adelaide Waste Management Authority for the specified purpose. It should not be reproduced in whole or part without the express written authority of Opteon (South Australia) Pty Ltd (formerly Southwick Goodyear Pty Ltd) or relied upon by any other party for any purpose and the valuer shall not have any liability to any party who does so. Our warning is registered here, that any party, other than those specifically named in this paragraph should obtain their own valuation before acting in any way in respect of the subject property.

2.0 Tenure

2.1 Title Particulars:

Title Reference	Tenure	Registered Proprietor	Title Area
Allotment 506 in Deposited Plan 68296 within Certificate of Title Volume 5960 Folio 906	Freehold Title	Leasecorp Group No.7 Pty. Ltd.	1.918 ha (19,180 sqm)
Total Site Area			1.918 ha (19,180 sqm)

2.2 Easements, Encumbrances & Other Interests Noted on Title

Encumbrances

- Subject to easement(s) over the land marked S (RTC 9330350).
- Subject to easement(s) over the land marked G to distribution lessor corporation (subject to lease 8890000) (TG 10336421).
- Subject to easement(s) over the land marked A and B (RTC 10255048).
- Mortgage (10580878) to Westpac Banking Corporation.

The above Title notations are considered to have no adverse effect on current market value.

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



3.0 Planning

Local Government Area	Salisbury City Council.
Planning Scheme	Development Plan for Salisbury Council consolidated as at 10 September 2015.
Current Zoning	Urban Employment Zone.
Existing Use	Unoccupied office warehouse facility.
Permitted Uses	Permitted uses envisaged in the Urban Employment zone include but are not limited to; <ul style="list-style-type: none"> • Consulting room; • Dwelling in association with industry; • Fuel depot; • Industry; • Intermodal rail freight facility; • Office; • Road transport depot; • Service trade premises; • Service industry; • Store; • Warehouse.
Zoning Effect	The existing use is a permitted use under the current zoning.
Heritage Issues	Not applicable.

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



4.0 Site

4.1 Site Details

Site Description	A regular, rectangular shaped allotment of generally level contour, with a south western aspect.
Street Frontage	102.00 metre frontage to the south western boundary.
Dimensions	The allotment has depths to both south eastern and north western boundaries of 188.00 metres, with a rear boundary of 102.00 metres.
Site Area	1.918 hectares (19,180 square metres approximately).
Services	Electricity supply (both single and three phase), gas, sewer, water and telephone are all connected or assumed readily available to the site.

5.0 Improvements

5.1 Main Building

Main Building Type Office warehouse/factory facility.

Accommodation, Construction and Finishes The improvements comprise a high quality, office warehouse facility of circa 2005 construction. Construction includes tilt up concrete panel walls to the offices, with metal decking above concrete panel walls to the warehouse. Roof coverings are metal decking with translucent panels also noted to the warehouse.

Office accommodation is located at the front of the improvements and provides accommodation over two (2) levels. The ground floor comprises a meeting room, recreation room, reception area (with adjacent kitchenette), boardroom, staff lunchroom, laundry, store / utility room and male, female and disabled access toilet amenities. Access to the upper level offices is derived from stairwells in the reception area and the warehouse.

The upper level offices comprise a large central open plan area with small kitchenette, five partitioned offices, photocopier room, server room and male and female toilet amenities.

The office / amenities are generally plasterboard lined with suspended acoustic tile and plasterboard ceilings. Recessed fluorescent lighting and a combination of ducted reverse cycle and individual ceiling and wall mounted split system units are noted throughout.

The warehouse provides high clearance accommodation. Vehicular entry is provided via single roller door access to the northern and southern sides (which both provide 'fast door' shutters), with an additional roller door noted to the eastern side. The roller doors provide approximately 5.0 metre height clearance, with internal ceiling clearance at the eaves being approximately 8.0 metres and extending to approximately 9.0 metres at the apex. The warehouse has a single row of internal support columns. Lighting is provided via metal halide suspended light fittings. The warehouse is sisalation blanket lined (walls and ceiling) and provides ducted evaporative air conditioning units, fire hose reels and exit lighting.

A ground level plant room is noted to the southern side of the warehouse which has access from both the warehouse and exterior. We also note a third level plant room with access from the warehouse, to which access was not granted. There is a cantilevered loading canopy on the eastern side of the warehouse with two (2) sunken wash bays located beneath.

71-75 Woomera Avenue
 Edinburgh, SA 5111
 Our Reference: 6636641



Plant and Equipment

Included within our valuation is all plant and equipment (such as air-conditioning plant and equipment, fire services, or the like) which forms an integral part of the property. Our valuation excludes all non-integral plant and equipment, fit-out, furniture and equipment and personal items/contents.

Building Areas

Based on physical measurements taken as at the date of inspection, we have determined the following Gross Lettable Area (GLA) for the subject property;

Accommodation:	Measurement Basis:	Lettable Area:
Ground Floor Office Amenities	GLA	306 sqm
First Floor Office Amenities	GLA	306 sqm
Warehouse (including Ground Level Plant Room)	GLA	3,240 sqm
Total Gross Lettable Area:		3,852 sqm

The loading canopy has been measured as being an additional 183 square metres approximately.

We note that a survey of Gross Lettable Area as per the Property Council of Australia guidelines has not been commissioned. Accordingly, should a subsequent formal survey indicate a variation from our measurements, we reserve the right to review our valuation.

Based on the above determined areas, we note an office / amenities ratio of 15.9% of the total lettable area, which we consider to be within an expected range for such facilities in this location.

We also note a site coverage ratio of 18.5%, which is of a lower than expected level for such facilities in this location. The property would therefore appear to possess further development potential (subject to both adequate demand and necessary statutory approvals).

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Site Improvements

These include concrete and bitumen paved entry points, vehicle manoeuvring and parking areas and hardstand areas. We note approximately 37 line marked car parks to the front of the allotment, with an additional 25 line marked car parks at the rear of the improvements. There are basic, landscaped perimeter garden beds, with flood lighting to car parking and pedestrian areas. The site is security mesh fenced to the boundaries with double swing gates noted to the private road adjacent the property's western boundary and two sets of double swing gates to the Woomera Avenue entrances. A large portion of unimproved land is noted at the rear of the allotment which includes a drainage swale that spans the majority of the allotment's width.

Condition

The improvements are of circa 2005 construction and provide a high standard of industrial improvements. During our inspection no obvious, major signs of disrepair were noted. Minor damage was evident to the pedestrian walkway on the northern side of the warehouse with the concrete pathway having lifted as a result. Our inquiries with the selling agent indicate the cause of this is unknown, however the extent of this observation is considered minor in the context of the property's overall value and scale.

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6.0 Photography

The following is a photographic study depicting the subject property;



Loading Canopy



Generator Room – External View



Rear Hardstand



Surplus Land to Rear of Allotment



Warehouse Interior



Staff Room / Kitchenette

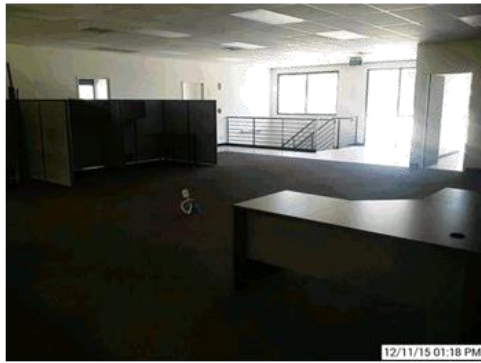
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Boardroom



Reception



Upper Office – Open Plan Area



Upper Offices



Offices Exterior View



Rear of Warehouse Including
Pedestrian Walkway – Note Lifted
Concrete Pathway

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Rear Of Warehouse from Northern Boundary

7.0 Occupancy and Lease Details

Occupancy Status	Currently unoccupied / vacant.
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8.0 Environmental Issues

8.1 Contamination

Current Use	Office warehouse / factory facility.
Past Use	Vacant land.
Site Contamination	We are unaware of a site audit having been prepared for the site. Based on our site observations, current and past uses, contamination of the site is considered unlikely.
API List of Potentially Contaminating Activities	The current and past uses are not listed on the API List of Potentially Contaminating Activities, Industries and Land Uses.
Contaminated Sites Register	The subject is not listed on the EPA’s Contaminated Site Index. Our valuation specifically assumes the subject property is free from any detrimental contaminants which would adversely affect marketability or value. Those reliant on this report should make their own inquiries in this regard. Should this assumption prove incorrect, we reserve the right to review this report accordingly.

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8.2 Asbestos

Asbestos Register	We have not sighted an asbestos register in relation to the subject property.
Inspection Observations	As there were only limited commercial building products with asbestos content available for sale from 1986, the likelihood of any being installed in the subject property is remote. We assume there are no asbestos products on the property requiring immediate removal, however should a subsequent survey detect installed asbestos products in an unstable condition, we reserve the right to review this valuation.

9.0 Market Commentary

The broader industrial sector in Adelaide has remained reasonably stable in the past few years, noting the short to medium outlook as being less certain, particularly in the outer northern industrial precinct. The impending closure of General Motors' Holden Elizabeth Plant in 2017, is likely to remain a negative influence for the Outer Northern Industrial precinct in relation to the retention and securing of tenants and investors.

There are an abundance of properties offered for sale and lease at this time providing a variety of accommodation options ranging from large office warehouses facilities, to smaller industrial units, larger depots and storage yards. There are also numerous vacant allotments for sale, providing purchasers with design and build options as an alternative to the established property market. Improved properties with larger site areas of over 5,000 square metres are somewhat more limited however, there are also a comparably low number of potential tenants.

Lessee incentives have become a feature of the industrial leasing market in Adelaide. For the Inner Northern Industrial precinct for prime accommodation incentives are typically in the range of 5% to 15% and for more secondary stock and less sought after locations, incentives of between 10% and 20% are more common. For large (greater than 2,000 square metres GLA) secondary stock, demand is relatively weak, with increasing pressure on owners to either discount the rent to an 'effective' basis or provide substantial incentives to Lessees to avoid longer term vacancies.

Outside of Edinburgh, industrial sales activity below \$2.0 million has been more resilient in the past 12 months with investment yields remaining relatively stable. Weakening of market rent levels for the Outer North industrial precinct is anticipated to continue in the short term, while other precincts remain more stable.

Both owner occupiers and investors have been active purchasers for the lower priced assets, although the numbers of genuine buyers are low, resulting in extended selling periods

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10.0 Market Evidence

10.1 Vacant Industrial Land Sales Evidence

In determining the subject property's land value, we have considered the sale of a number of industrial allotments, a selection of which are as follows;

Address	Date	Land Area (Sqm)	Sale Price	Land Sale Rate (\$ psm)
91-95 West Avenue, Edinburgh, SA	27-Jul-15	2.161 ha (21,610 sqm)	\$745,545	\$34.50
Comments: Sold by Savills, our inquiries indicate there was limited demand for the property, with the initial asking price reflecting over \$41 per square metre of site area (\$890,000). The property was extensively marketed, however the agent conveyed that prospective purchasers were typically seeking smaller site areas and demand was very constrained. Zoned Urban Employment. Comparable location with good proximity to major arterial transport routes via Edinburgh Road.				
72 Woomera Avenue, Edinburgh, SA	28-May-15	5,581	\$220,000	\$39.42
Comments: A vacant allotment of some 5,581 square metres, with a 47.50 metre frontage to Woomera Avenue. Located within the outer northern industrial suburb of Edinburgh, zoned Urban Employment. The property was sold by Jones LangLaSalle after an Expression of Interest campaign, under instructions from Receivers. The property sold to an adjoining owner who was seeking an opportune acquisition at a bargain price level. Comparable location with good proximity to major arterial transport routes.				
27 Caribou Drive, Direk, SA	30-Oct-14	2.247 ha (22,470 sqm)	\$1,595,000	\$70.98
Comments: Vacant parcel of land located in the outer industrial area of Direk, within the Vicinity Industrial Base. Regular shaped site with frontage to Caribou Drive of approximately 156 metres. Superior location; with very good proximity to major arterial transport routes including Port Wakefield Road via Heaslip Road.				
68 Orion Road, Direk, SA	02-Oct-14	1.066 ha (10,660 sqm)	\$746,200	\$70.00
Comments: Vacant development site of 10,660 sqm located in the 'Vicinity Industrial Base' estate. The site is regular in shape and has a reported frontage to Orion Road of 49.71 metres. Superior location; with very good proximity to major arterial transport routes via Heaslip Road.				
32-38 Kurna Avenue, Edinburgh, SA	15-Apr-14	2.179 ha (21,790 sqm)	\$1,375,000	\$63.10
Comments: Vacant industrial allotment within the northern industrial suburb of Edinburgh. The site is level and regular in shape, with frontage to Kurna Avenue of approximately 110 metres. Sold inclusive of a compacted dolomite hardstand / manoeuvring area. Comparable location, with good proximity to major arterial transport routes.				

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Address	Date	Land Area (Sqm)	Sale Price	Land Sale Rate (\$ psm)
15-17 Pilatus Drive, Direk, SA	04-Feb-14	5,650 sqm	\$536,750	\$95.00

Comments: Rectangular shaped corner land parcel comprising two (2) Industry - zoned allotments. Frontage to Orion Road and Pilatus Drive. Smaller parcel and superior proximity to arterial transport routes.

Land Sales Conclusions:

Analysis of the transactions above, indicate land sales of between \$220,000 and \$1,595,000, with site areas ranging between 5,581 square metres and 2.247 hectares (22,470 sqm). The transactions reflect land rates of between \$34.50 and \$95.00 per square metre of site area.

The two most recent sales are both located within Edinburgh and both reflect the lower end of the land rate range. The property at *91-95 West Avenue, Edinburgh, SA* sold for \$745,545 excluding GST, which equates to \$34.50 per square metre of site area. Although in a comparable location, this property comprises a larger site area which the selling agent advises was a deterrent to a number of prospective purchasers. The property at *72 Woomera Avenue, Edinburgh, SA* sold for \$220,000, which equates to \$39.42 per square metre of site area. Again similar in its location to the subject property, however providing a smaller site area. This property was sold with the mortgagee having taken possession. The property was purchased by an adjoining owner who was not overly motivated to buy, however recognised an opportunity to acquire the land at a bargain price point. Both of these sales are considered to reflect land rates below that which would be achievable for the subject.

The three land sales at Direk, all reflect land sale rates of between \$70 and \$95 per square metre of site area. All three are in a superior position in terms of their proximity to major arterial transport routes including Port Wakefield Road via Heaslip Road. The sale at *15-17 Pilatus Drive, Direk, SA* which equates to \$95 per square metre, is also much smaller than the subject (5,650 square metres). These three sales are considered well in excess of the land rate which would be achievable for the subject.

The remaining sale at *32-38 Kaurna Avenue, Edinburgh, SA* sold for \$1,375,000, equating to \$63.10 per square metre of site area. This property comprises a slightly larger site area of 2.179 hectares (21,790 square metres) and is in a comparable location, however it sold inclusive of a compacted dolomite hardstand / manoeuvring area. On balance, this sale is considered superior to the land rate which would be achievable for the subject.

In terms of the subject property's characteristics, we note it is well positioned within Edinburgh; with good proximity to arterial transport routes via Edinburgh Road. It has level topography and provides dual access points to Woomera Avenue, as well as access to the private road at its western boundary which connects to Tugger Way. However we also note our previous comments regarding supply and demand factors affecting Edinburgh. After consideration of these factors and in view of the above evidence, we consider the subject's land rate is within a range of between \$50 and \$60 per square metre of site area. We have adopted a land rate at the midpoint of this range for valuation purposes.

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10.2 Vacant Possession Sales Evidence

We have considered a number of sales of industrial facilities in the outer northern industrial precinct which sold with vacant possession, including the following;

Property	13-23 Mirage Road, Direk, SA
Sale Price	\$2,850,000
Sale Date	26-Oct-15
Site Area	10,200 sqm (1.020 ha)
GLA	3,265 sqm
Zoning	Urban Employment
Property Description	Comprises a modern, circa 2013 built engineering facility of dado design ('Colorbond' and tilt up concrete construction). Comprises two (2) storey office / amenities of 360 sqm (11%). Warehouse provides 8.5 metre clearance, heavy duty reinforced concrete floor with substantial power supply. Ancillary improvements to the secured site include bitumen sealed on-site car parking and established landscaping. Concrete hardstand and compacted rubble hardstand noted at the rear. Located within the Vicinity industrial estate, with good proximity to arterial transport routes including Port Wakefield Road, via Heaslip Road. Sold by CBRE after an initial asking price of \$3,250,000. On a summation basis, we ascribe a land value of \$714,000 (\$70 per square metre) and improvements of \$2,136,000 (\$654 per square metre of Gross Lettable Area).
Analysis	Site Coverage: 30% GLA Rate: \$873/sqm
Comparability	Superior location, comparable quality improvements, slightly smaller in scale. Higher site coverage.

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Property	23-27 Woomera Avenue, Edinburgh, SA
Sale Price	\$3,650,000
Sale Date	16-Jul-15
Site Area	22,920 sqm (2.292 ha)
GLA	4,963 sqm
Zoning	Urban Employment
Property Description	<p>Comprises a modern, circa 2004, manufacturing warehouse of dado design ('Colorbond' and tilt up concrete construction) of 4,778 square metres with attached office and amenities component to the side of approximately 185 square metres. In addition a full length canopy of some 1,055 square metres extends along the front façade, allowing for all weather unloading and loading. Ancillary improvements to the secured site include bitumen sealed on-site car parking and established landscaping to the front and rear. The warehouse is accessible via a series of roller doors, providing high clearance accommodation (approximately 9.9 metres clearance at its apex) with intermittent rows of columns. It is serviced with high bay mercury vapour lamps and evaporative air conditioning. Provides good accessibility with dual points of ingress/egress and driveway access to the rear carriageway to the GMH facility (Tugger Way). Property was sold by Knight Frank via Private Treaty.</p> <p>On a summation basis, we ascribe a land value of \$1,260,600 (\$55 per square metre) and improvements of \$2,389,400 (\$481 per square metre of Gross Lettable Area).</p>
Analysis	<p>Site Coverage: 22% GLA Rate: \$735/sqm</p>
Comparability	Comparable location, comparable quality improvements, slightly larger in scale. Moderately higher site coverage.

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Property	17-21 Woomera Avenue, Edinburgh, SA
Sale Price	\$3,500,000
Sale Date	17-Apr-15
Site Area	25,300 sqm (2.530 ha)
GLA	5,412 sqm
Zoning	Urban Employment
Property Description	<p>Comprises a modern, circa 2002 - built manufacturing warehouse of dado design (Colorbond and tilt up concrete construction) with attached office and amenities component to the front of approximately 465 square metres. Reported approximate site area of 25,300 square metres. The warehouse provides high clearance construction (approximately 11.0 metres clearance) with columns centrally positioned at the apex and is serviced with high bay mercury vapour lamps and evaporative air conditioning. The warehouse is divided into two separate areas. Provides good accessibility with dual ingress and egress points and driveway access to the rear carriageway to the GMH facility (Tugger Way). The rear of the site is unsealed (approximately 12,000 square metres). Property was sold by CB Richard Ellis.</p> <p>On a summation basis, we ascribe a land value of \$1,265,000 (\$50 per square metre) and improvements of \$2,235,000 (\$390 per square metre of Gross Lettable Area).</p>
Analysis	<p>Site Coverage: 21%</p> <p>GLA Rate: \$647/sqm</p>
Comparability	Comparable location, comparable quality improvements, larger in scale. Moderately higher site coverage.

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Property	5 – 9 Woomera Avenue, Edinburgh, SA
Sale Price	\$4,500,000
Sale Date	27-Nov-14
Site Area	21,160 sqm (2.116 ha)
GLA	10,610 sqm
Zoning	Urban Employment
Property Description	<p>Comprises a circa 2004 constructed industrial facility, with concrete tilt up panel and Colorbond cladding (Dado construction) with office / amenities at the front, large warehouse connected to a loading canopy and second warehouse at the rear. Office amenities comprise some 311 sqm (2.8%), main air conditioned warehouse of 5,870 sqm, with 6.5 to 8.2 metre internal clearance, second warehouse of 3,307 sqm also with 6.5 to 8.2 metre internal clearance, loading canopy with weighbridge of 1,082 sqm and plant room of 40 sqm. The property was sold by Jones Lang LaSalle. Ancillary improvements are of a high standard and include security fencing, significant concrete hardstand. The site backs onto Tugger Way, gates and automatic reticulation system.</p> <p>On a summation basis, we apportion a land value of \$1,163,800 (\$55 per square metre) and improvements of \$3,336,200 (\$314 per square metre of Gross Lettable Area).</p>
Analysis	<p>Site Coverage: 50%</p> <p>GLA Rate: \$424/sqm</p>
Comparability	Comparable location, larger scale, much higher site coverage.

Vacant Possession Sales Conclusions:

The sale transactions above demonstrate a price range of between \$2,850,000 and \$4,500,000. The sale prices equate to GLA rates of between \$424 and \$873 per square metre of GLA (with GLAs being between 3,265 and 10,610 square metres). After deducting a land value component for each sale, the added value of improvements reflect between \$314 and \$654 per square metre of GLA.

At the lower end of the sale price range, is the sale at *13-23 Mirage Road, Direk, SA*, which sold for \$2,850,000. This property is in a superior location to the subject property but comprises smaller land area and improvements. Improvements are of a similar quality to the subject property. After deducting a land value from the sale price, we consider the added value of improvements at \$654 per square metre of GLA, to be superior to that of the subject property.

The sale at *17 – 21 Woomera Avenue, Edinburgh* sold for \$3,500,000. This property is in a comparable location to the subject but provides a larger land area and larger improvements. Improvements are of a comparable standard but moderately inferior in their configuration; with the warehouse divided into two separate areas. Improvements are also larger than the subject. After deducting a land value from the sale price, we consider the added value of improvements at \$413 per square metre of GLA, to be inferior to that of the subject property.

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23 – 27 Woomera Avenue, Edinburgh sold for \$3,650,000. This property is also in a comparable location to the subject but provides a larger land area and larger improvements. Improvements are of a comparable standard but are larger than the subject. After deducting a land value from the sale price, we consider the added value of improvements at \$481 per square metre of GLA, to be moderately inferior to that of the subject property.

Lastly, the sale at 5 – 9 Woomera Avenue, Edinburgh sold for \$4,500,000. Again, this property is similar in its location to the subject. Its land area is moderately larger, however its improvements are substantially larger. Its added value of improvements (after deducting land value) equate to \$314 per square metre of GLA, which we consider well below the subject's added value.

With respect to the subject property, we are cognisant of the high standard of industrial improvements. We are also mindful of the size of the improvements, excellent access provisions, and the proportion of office / amenities to total lettable area. After consideration of these value determinants and in the context of the above evidence, we consider the subject's added value of improvements is within a range of between \$475 and \$525 per square metre of GLA and have adopted an added value of improvements rate at the midpoint of this range for valuation purposes.

10.3 Rental Evidence

In determining an appropriate imputed net market rental for the subject property, we have given consideration to a number of leasing transactions in the outer northern industrial precinct. These include the following;

Address	Date	Term & Options	Total Rent	Lettable Area	Overall Rate
29 – 33 Heaslip Road, Burton, SA	Jan 2016	Term: 5 yrs Options: Nil	\$282,000 pa	3,098 sqm	\$ 91 psm G
			Gross		
			\$234,121 pa		
			Net		

Comments: The subject property comprises a substantial bonded office / warehouse of circa 2010 construction, with tilt up concrete walls. The warehouse provides high clearance, clear span accommodation with a good standard of internal office / amenities. Warehouse ceiling height is approximately 9.0 metres, with dual sliding 6.0 metre doors to the northern side. The warehouse is sisalation blanket lined and provides fire fighting sprinklers throughout. Office / amenities comprise some 223 square metres (7.2%) of overall lettable area, with site coverage of approximately 26%. Good quality concrete hardstand and parking areas, with security fencing to the site. Sitting National tenant (Packcentre) negotiated a substantially reduced rental, with reduced annual reviews of 1.5% in order to renew from early 2016.

Lot 22 Mirage Road, Direk, SA	Oct 2015	Term: 3 yrs Options: Undisclosed	\$75,000 pa Net	1,050 sqm	\$71 psm
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Comments: Brand new Colorbond warehouse with tilt up concrete two storey internal office component. Warehouse has dual access roller doors with high clearance canopy adjacent and concrete hardstand areas. Located within the Vicinity Industrial Base, the improvements include approximately 14% office / amenities. Leased by CBRE.

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Address	Date	Term & Options	Total Rent	Lettable Area	Overall Rate
2/82-86 Woomera Avenue, Edinburgh, SA	Jan 2015	Term: 2 yrs Options: 2 yrs	\$75,040 pa	1,072 sqm	\$70 psm G
			Gross		
			\$53,600 pa Net		\$50 psm N

Comments: Circa 2010 concrete tilt-up panel to dado height and 'Colorbond' clad office warehouse unit with 7.1m to 9.7m clearspan clearance. 926 sqm of corporate grade warehouse and 145 sqm of two (2) level high quality offices (13.5%), with approximately 30% site coverage. Serviced with 3 - phase power, ducted reverse cycle air conditioning, security and fire safety equipment. Leased by Knight Frank.

70B Woomera Avenue, Edinburgh, SA	Jan 2015	Term: 3 yrs Options: 3 yrs	\$80,000 pa	1,195 sqm	\$67 psm G
			Gross		
			\$56,165 pa Net		\$47 psm N

Comments: Circa 2010 concrete tilt-up panel and 'Colorbond' clad attached office warehouse unit with Gross Lettable Area of 1,195 sqm. 6.2m to 8.0m internal clearance. Modern air conditioned offices and amenities. 3-phase power, security and fire safety equipment. 10 onsite car parks. Fully sealed and secure site. Property was originally advertised at \$140,000 per annum plus GST and outgoings, with limited enquiry received during the marketing campaign.

7 Playford Crescent, Salisbury North, SA	Sep 2014	Term: 3 yrs Options: 3 yrs	\$88,640 pa	1,108 sqm	\$80 psm
			Net		

Comments: Comprises a modern circa 2012 manufacturing workshop of Dado design (Colorbond and tilt up concrete construction) with small external office component. Reported Gross Lettable Area of 1,108 square metres with an approximate site area of 2,587 square metres. The workshop provides clear span, high clearance construction (approximately 11.0 metres clearance), with an internal gantry crane. Sold with a leaseback in place on a 3 + 3 year basis to a steel fabrication company, with a passing net annual rental of \$88,640 plus GST (\$80 psm of GLA).

Market Rent Conclusions:

Conversations with agents actively working within the outer northern industrial precinct have advised rents have significantly reduced from 2011-2012 rates. As previously mentioned larger scale facilities have been most affected.

Analysis of the properties highlighted in the above table, indicate net market rental rates of between \$47 and \$80 per square metre. The main determinants of rental value for industrial properties are the location, quality and utility of improvements as well as the proportion of office / amenities to total lettable area.

We note the two (2) most recently reported rental transactions which occurred within the Edinburgh Industrial Estate at 70B Woomera Avenue and 2/82-86 Woomera Avenue, Edinburgh, which achieved net rental rates of \$47 and \$50 per square metre per annum respectively, plus GST and outgoings. Both of these tenancies are of an inferior quality to the subject but both are considerably smaller.

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We also note the recently negotiated rental terms for *29 – 33 Heaslip Road, Burton*, equating to \$76 per square metre per annum net from January 2016. This negotiated commencing rental represents a 23% reduction to the passing rental for this property and was reportedly accepted by the Lessor due to the length of lease term and the uncertainty of securing an alternate tenant of a comparable calibre. The improvements provided by this property are of a superior standard to the subject and are in a superior location, however of note is the considerably lower office / amenities ratio to total lettable area.

With respect to the subject property, we are mindful of the high quality of modern industrial improvements; with good clearance and vehicle manoeuvrability characteristics, as well as the amount of office accommodation provided (15.9% of Gross Lettable Area). Conversely, we also note the size of the improvements which may not suit a wide variety of alternate users and the levels of current competition for leasing stock for larger scale industrial facilities in the area. We are aware of the advertised asking net rental of \$450,000 per annum (plus GST and outgoings), which equates to \$117 per square metre per annum, however in light of the available evidence, prevailing market sentiment and the subject property's described value determinants, we consider this asking rental to be in excess of achievable market levels.

After consideration of all of these factors, we consider an imputed net rental of between \$65 and \$75 per square metre per annum for the subject property overall (excluding loading canopy) is appropriate. We have adopted the midpoint of this range, equating to an annual net rental of \$269,640 plus GST and Outgoings.

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10.4 Investment Sales Evidence

Property	59 Woomera Avenue, Edinburgh, SA
Contract Price	\$2,000,000 – Yet to settle
Proposed Settlement Date	Late November 2015
Site Area	1.171 ha
GLA	862 sqm
Zoning	Urban Employment
Property Description	<p>Comprises a modern, medium clearance warehouse with external offices, total lettable area of approximately 862 square metres. Two (2) loading canopies attached to the Colorbond warehouse. Warehouse provides high bay metal halide lighting, with the ceiling being sisalation lined. Site improvements include security mesh perimeter fencing with concrete hardstand and vehicle manoeuvring areas.</p> <p>Leased to Coates Hire Operations Pty Ltd for 10 + 5 + 5, with current term expiring 24th January 2020. Passing Net rental of \$184,172 per annum (\$214 psm). Sold by Leedwell Property prior to auction.</p>
Analysis	<p>Site Coverage: 7%</p> <p>GLA Rate: \$2,320/sqm</p> <p>Initial Yield: 9.21%</p> <p>WALE: 4.28 years</p>
Comparability	More affordable anticipated price range, smaller site area and improvements. Less flexible improvements with lower site coverage. A superior investment overall.

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Property	29-31 Kurna Avenue, Edinburgh, SA
Sale Price	\$1,250,000
Sale Date	29-Oct-15
Site Area	5,551 sqm
GLA	1,327 sqm
Zoning	Urban Employment
Property Description	<p>Circa 2009 built office/warehouse accommodation within the 'Edinburgh Parks' Industrial Estate. The improvements comprise two (2) storey office accommodation with entry into a lobby / reception area. Located on the ground floor is a staff lunch room, male and female amenities, change room, Production Manager's office and draft room. The first floor comprises open plan office area via a steel staircase. Located at the rear of the office is a 'Colorbond' clad warehouse. The warehouse has an internal height clearance of approximately 8.1 metres to the underside of the gantry cranes and 10 metres to the roof beams. Two (2) ten tonne capacity overhead cranes are contained within the warehouse. Access is available via a four (4) electric roller door access points located on the northern, eastern and southern sides of the building. Offices / amenities equate to approximately 16% of total GLA. Located to the southern side of the improvements is a 107 square metre steel frame canopy of 'Colorbond' clad construction with height clearance of some three (3) metres. The entire site comprises concrete paved hardstand with the building configuration providing complete drive through access for heavy vehicles. Provision for car parking for up to 21 cars plus one (1) disabled person space is provided to the front of the improvements with vehicular access available via two (2) points of secured ingress/egress. Also located on site is basic irrigated landscaping. The site is bounded by perimeter fencing with dual secure gate access to Kurna Avenue.</p> <p>Fully leased to Wingfield Structural Pty Ltd for a term of 5+5 years commencing February 2014. The passing rental was \$170,000 per annum Gross (\$128 psm) excluding GST or approximately \$142,000 per annum Net (\$107 per sqm, per annum) – including surplus hardstand of some 2,500 sqm. Passing rent considered to be in excess of current market parameters, with market rent considered to be approximately \$80 per square metre per annum Net overall.</p> <p>Sold by Knight Frank.</p>
Analysis	<p>Site Coverage: 22%</p> <p>GLA Rate: \$942/sqm</p> <p>Initial Yield: 11.36%</p> <p>Reversionary Yield: 9.34%</p> <p>WALE: 3.61 years</p>
Comparability	Smaller scale land and improvements, lower anticipated value level. A superior investment.

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Property	21-27 Kaurna Avenue, Edinburgh, SA
Sale Price	\$4,200,000
Sale Date	27-Apr-15
Site Area	10,610 sqm
GLA	2,951 sqm
Zoning	Urban Employment
Property Description	<p>Circa 2010 built substantial office/warehouse premises within the 'Edinburgh Parks' Industrial Estate. Improvements comprise office accommodation with entry into a lobby / reception area and a combination of open plan and partitioned offices. Fitout is of a good standard and includes ducted reverse cycle air conditioning. The warehouse is of dado construction and provides high clearance, clearspan accommodation with metal halide lighting and translucent sheet roofing for natural light. Warehouse access is provided via three (3) high clearance roller doors to the western side, with an additional roller door beneath a cantilevered canopy to the northern side. The majority of the site comprises concrete paved hardstand with the building configuration providing drive through access for heavy vehicles (egress to Tappa Road). Also located on site is basic irrigated landscaping, security boundary perimeter fencing and internal vehicle boom gate.</p> <p>Fully leased to Bridgestone Earthmoving Tyres for 10 years from November 2010 with 3% annual rental growth, the premises were purpose built for the Lessee. The reported net passing rental was \$407,434 per annum (\$138 per sqm per annum) including surplus land of some 4,000 square metres. Sold by Jones Lang LaSalle. Market rent considered approximately \$295,100 (\$100 psm per annum).</p>
Analysis	<p>Site Coverage: 28% GLA Rate: \$1,423/sqm Initial Yield: 9.70% Reversionary Yield: 8.00% WALE: 5.52 years</p>
Comparability	Smaller land and improvements, superior covenant and global tenant. A superior investment.

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Property	11-15 Woomera Avenue, Edinburgh, SA										
Sale Price	\$3,700,000										
Sale Date	03-Nov-14										
Site Area	23,200 sqm										
GLA	5,268 sqm										
Zoning	Urban Employment										
Property Description	<p>Circa 2005 built office/warehouse accommodation within the 'Edinburgh Parks' Industrial Estate. Improvements comprise an architecturally designed two (2) storey office component of concrete tilt up construction. The warehouse component comprises concrete 'dado' walls of approximately 3.0 metres with metal deck cladding above. The warehouse has an internal clearance of approximately 7.0 metres. Other improvements include a loading canopy of approximately 400 square metres located on the rear of the warehouse, bitumen and concrete paved hardstand, 23 onsite car parks, full perimeter fencing and landscaped garden beds. Provides good accessibility with three (1) ingress and egress points and driveway access to the rear carriageway to the GMH facility (Tugger Way). The rear of the site is unsealed (approximately 6,000 square metres). Sold by Colliers International.</p> <p>Fully leased to Cubic Pacific Pty Ltd for a term of 8+5+5 years commencing 1 December 2011. The net passing rental was \$431,913 per annum (\$82 psm). Passing rent considered to be at upper end of market range. Market net rent reflects \$70/sqm, equating to \$368,760 per annum.</p>										
Analysis	<table> <tr> <td>Site Coverage:</td> <td>23%</td> </tr> <tr> <td>GLA Rate:</td> <td>\$702/sqm</td> </tr> <tr> <td>Initial Yield:</td> <td>11.67%</td> </tr> <tr> <td>Reversionary Yield:</td> <td>10.66%</td> </tr> <tr> <td>WALE:</td> <td>5.08 years</td> </tr> </table>	Site Coverage:	23%	GLA Rate:	\$702/sqm	Initial Yield:	11.67%	Reversionary Yield:	10.66%	WALE:	5.08 years
Site Coverage:	23%										
GLA Rate:	\$702/sqm										
Initial Yield:	11.67%										
Reversionary Yield:	10.66%										
WALE:	5.08 years										
Comparability	Larger scale land and improvements, stronger covenant. Higher anticipated price range. Inferior investment.										

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



Property	7 Playford Crescent, Salisbury North, SA
Sale Price	\$1,060,000
Sale Date	30-Sep-14
Site Area	2,587 sqm
GLA	1,108 sqm
Zoning	Industry
Property Description	Comprises a modern circa 2012 manufacturing workshop of Dado design (Colorbond and tilt up concrete construction) with small external office component. Reported Gross Lettable Area of 1,108 square metres with an approximate site area of 2,587 square metres. The workshop provides clear span, high clearance construction (approximately 11.0 metres clearance), with an internal gantry crane. Sold with a leaseback in place on a 3 + 3 year basis to a steel fabrication company, with a passing net annual rental of \$88,640 plus GST (\$80 psm of GLA).
Analysis	Site Coverage:43% GLA Rate: \$957/sqm Initial Yield: 8.36% WALE: 3.00 years
Comparability	Smaller scale land and improvements. Moderately superior location and lower anticipated value range. Considered a superior investment due to location, affordability and likely appeal to future tenants.

Investment Sales Evidence Conclusions:

The above analysed industrial investment sales have transacted in a price range of between \$1,060,000 and \$4,200,000 and reflected initial yields of between 8.36% and 11.36%, with reversionary yields of between 8.00% and 10.66%. Gross Lettable Area rates typically range between \$702 and \$1,423 per square metre, noting the property at 59 Woomera Avenue, Edinburgh which equates to a GLA Rate of \$2,320 per square metre due to the very low site coverage provided (7%).

We have given particular regard to the following sales:

29 – 31 Kaurna Avenue, Edinburgh sold for \$1,250,000 in October 2015, equating to an initial yield of 11.36%. Passing net rental was considered to be in excess of current market levels, with market rent considered to be approximately \$80 per square metre per annum Net, reflecting a reversionary yield of 9.34%. Given the lower price range in which this property transacted and the more appealing scale, its Reversionary Yield is considered superior to the subject's anticipated yield.

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59 Woomera Avenue, Edinburgh is under contract for \$2,000,000, with settlement due in late November 2015, equating to an initial yield of 9.21%. Passing net rental rate and GLA Rate both reflect the very low site coverage provided. Improvements provided are of an inferior standard compared to the subject and may not provide widespread appeal to alternate occupants. However we note the lower sale price bracket than is anticipated for the subject, WALE of 4.28 years and the National status of the tenant (which is likely to suffer limited direct impact from the GMH closure). On balance this property is considered a superior investment to the subject.

11 – 15 Woomera Avenue, Edinburgh sold for \$3,700,000 in November 2014, reflecting an initial yield of 11.67% and a Reversionary Yield of 10.66%. This property sold in a slightly higher price range and is of a size which may limit potential occupants, with a GLA of 5,268 square metres. Its Reversionary Yield is considered inferior to the subject's anticipated yield due to these factors and the risk associated with maintaining passing rental levels.

21 – 27 Kurna Avenue, Edinburgh sold for \$4,200,000 in April 2015, with an initial yield of 9.7% and a Reversionary Yield of 8.00%. We note the improvements were purpose built for the Lessee and the lease commenced in November 2010, in what was a considerably stronger time in the market in this location; predating the GM Holden announcement. Notwithstanding the higher price bracket, we note the superior global tenant and lease covenant. On balance, we consider this property's Reversionary Yield is superior to that which would be achievable by the subject property.

In determining an appropriate capitalisation rate to apply to the subject property, we have assumed a Notional Lease is in place which is based on commercial terms typical for the current market in Edinburgh, recognising the size of the property and the opportunity cost of a tenant relocating. Specifically we have therefore assumed a five year lease term with, with annual CPI rental increases.

In adopting an appropriate capitalisation rate to apply to the subject, we are also mindful of

- The high quality of the improvements with an appropriate office ratio.
- The accessibility of the property to major arterial transport routes.
- The anticipated price range for the subject property.
- The uncertain future of a number of industries within South Australia at this time including defence and the automotive industry and the impact this uncertainty has on Adelaide's outer northern industrial suburbs.
- The current level of stock on the market, which is seeing supply outstrip demand.

After consideration of these factors and the market evidence, we consider an appropriate capitalisation rate to apply to the subject property is in the range of 9.50% and 10.00%. For valuation purposes, we have adopted 9.75%.

11.0 Valuation Calculations

11.1 Summation Approach

Given the most probable purchaser for the subject property is considered to be that of an owner occupier, we have adopted the summation approach as our primary methodology. As previously described, we have apportioned \$55 per square metre as the subject property's land value, with \$500 per square metre ascribed for the added value of improvements. Our valuation calculations are summarised as follows;

Summation Valuation Method		
Land Value:	19,180 sqm @ \$55 psm	\$1,054,900
<u>Add</u> Added Value of Improvements:	3,852 sqm @ \$500 psm	\$1,926,000
Total Market Value:		\$2,980,900
Adopt, Total Market Value:		\$3,000,000

11.2 Capitalisation of Net Income Approach

We have used the Capitalisation of Net Income approach as a check methodology. As previously outlined, we have assumed a notional lease is in place based on typical commercial terms for this location and taking into account the scale of the subject property. We have imputed a net market rent of \$70 per square metre per annum for the subject, equating to a net rent of \$269,640. From this, we have made a deduction of \$10,047 for State Land Tax, which we have assumed would be non – recoverable for the Lessor. The resultant net market income of \$259,594 has then been capitalised in perpetuity at 9.75%, resulting in a capitalised value of \$2,662,497. We have then made deductions for capital adjustments equivalent to the present value of the rental and outgoings shortfalls and leasing fees, assuming a nine month letting up period, which totals as \$253,871. We have also added \$584,100 for surplus land based on a site coverage ratio of 45% and land value of \$55 per square metre. This methodology also results in a rounded market value of \$3,000,000, which equates to a GLA Rate of \$779 per square metre.

Our calculations are summarised as follows;

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



Market Income Capitalisation Method	
Valuation Inputs:	
Land area:	19,180 sqm
Lettable area:	3,852 sqm
Imputed Semi Net rental	\$269,640
less Non - Recoverable Outgoings: (State Land Tax)	(\$10,047)
Net Market Annual Income:	\$259,594
Capitalised	@ 9.75%
Capitalised Value (before adjustments):	\$2,662,497
Capital Adjustments:	
PV of Rental shortfall, outgoings shortfall and leasing fees	(\$253,871)
Value of surplus land 10,620 sqm @ \$55 psm	\$584,100
Total Market Value:	\$2,992,726
Adopt, Total Market Value:	\$3,000,000
	<i>Rounding factor \$25,000</i>

Sensitivity Analysis:			
Net Market Annual Income:	\$259,594	\$259,594	\$259,594
Capitalised	@ 9.25%	@ 9.75%	@ 10.25%
Capitalised Value:	\$2,806,416	\$2,662,497	\$2,532,620
Capital Adjustments:	\$330,229	\$330,229	\$330,229
Total Market Value:	\$3,136,645	\$2,992,726	\$2,862,849
Indicates, Total Market Value:	\$3,125,000	\$3,000,000	\$2,875,000
Reflects:			
Rate psm land:	\$163	\$156	\$150
Rate psm lettable area:	\$811	\$779	\$746
Reversionary yield:	7.51%	7.80%	8.10%

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12.0 Valuation

Acting under instructions received from Mr Danial Dunn of Northern Adelaide Waste Management Authority, subject to the comments contained within this report, we have determined the current market value of the subject property as at 12 November 2015 for potential acquisition purposes as follows;

Market Value with Vacant Possession: **\$3,000,000 (Three Million Dollars)**

This valuation is exclusive of GST

It should be noted that for negotiation purposes, we consider a valuation range of between \$2,900,000 and \$3,100,000 is reasonable.

Interest Valued	Fee simple with vacant possession
Date of Inspection	12 November 2015
Date of Valuation	12 November 2015
Date Issued	16 November 2015
Currency of Valuation	90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Signatories

Daniel Sander

AAPI Certified Practising Valuer

API No: 64256

Inspecting Valuer

13.0 Assumptions, Conditions & Limitations

Area Disclaimer	<i>In the event actual surveyed areas of the property are different to the areas adopted in this valuation the survey should be referred to the valuer for comment on any valuation implications. We reserve the right to amend our valuation in the event that a formal survey of areas differs from those detailed in this report.</i>
Asbestos Disclaimer	<i>We are not experts in the identification of Asbestos and therefore, in the absence of an environmental consultant's report concerning the presence of any asbestos fibre within the subject property, this valuation is made on the assumption that there is no: asbestos material present; health risk from asbestos within the property; or there is any material expense relating to the repair, management or replacement of asbestos materials in the foreseeable future. Should an expert's report establish that there is an asbestos related health risk or a requirement to undertake asbestos remediation works then we reserve the right to review this valuation.</i>
Building Services Disclaimer	<i>No documentation or certification has been sighted to verify the condition of building services, and we have assumed that all building services are: adequate in specification; in good operational condition; and satisfactorily maintained.</i>
Encroachments	<i>The valuation is made on the basis that there are no encroachments (unless otherwise noted) by or upon the property and this should be confirmed by a current survey report and/or advice from a land surveyor. If any encroachments are noted by the survey report the valuer should be consulted to assess any effect on the value stated in this report.</i>
Environmental Disclaimer	<i>This report is not an environmental audit and no advice is given in any way relating to environmental or pollution matters. Any comments given as to environmental or pollution factors in relation to the property are not given in the capacity as an expert. This assessment of value is on basis that the property is free of contamination or environmental issues affecting the property not made known to the valuer. In the event the property is found to contain contamination the matter should be referred to this office for comment. Given contamination issues can have an impact on the Market Value of the property, we reserve the right to review and if necessary vary our valuation if any contamination or other environmental hazard is found to exist.</i>
Full Disclosure Disclaimer	<i>Whilst we have attempted to confirm the veracity of information supplied, the scope of work did not extend to verification of all information supplied or due diligence. Our valuation and report has been prepared on the assumption the instructions and information supplied has been provided in good faith, is not in any way misleading or deceptive, contains a full disclosure of all information that is relevant, there are no undisclosed agreements in place that affect the property and the sale price includes GST. The valuer and valuation firm does not accept any responsibility or liability whatsoever in the event the valuer has been provided with insufficient, false or misleading information.</i>
Future Value	<i>Any comments are made in relation to future values are based on general knowledge and information currently available. These comments should not be construed as a prediction of future value levels or a warranty of future performance as the property market is susceptible to potential rapid and unexpected change caused by multiple factors. Ultimately current expectations as to trends in property values may not prove to be accurate.</i> <i>Due to possible changes in the property market, economic conditions, occupancy status and property specific factors, we recommend the value of the property be reassessed at regular intervals</i>

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Our Reference: 6636641



Geotechnical	<i>We have not sighted a geotechnical engineers' survey of the property. We are not experts in the field of civil or geotechnical engineering and we are therefore unable to comment as to the geotechnical integrity of the ground and soil conditions. It is specifically assumed that there are no adverse geotechnical conditions that compromise the utility of the property for the current or highest and best use. In the event there is found to be adverse ground conditions we recommend the matter be referred to this Company for comment.</i>
Heritage Disclaimer	<i>Our valuation has been assessed having regard to the nature of any buildings on the property and any known heritage listings. However we have not obtained formal confirmation of heritage listings beyond what is available in the public domain and identified in this report. Our valuation assumes, unless otherwise specified, that any heritage issues (including Aboriginal) do not impact on the continued and/or highest and best use of the property. If there is doubt in relation to such issues we recommend written application be made to the relevant authorities.</i>
Inconsistencies in Assumptions	<i>If there is found to be any variance, inconsistency or contradiction in any of the assumptions within this report then this may have an impact on the market value of the property and we recommend this valuation be referred back to the Valuer for comment.</i>
Insurance Value	<i>The insurance reinstatement value excludes GST; all personal items and contents; loss of rental income or profits; any allowance for loss in land value as a consequence of the existing improvements not being permitted to be rebuilt due to changes in planning controls, development standards or the extinguishment of existing use rights; any increase in proportionate costs as a consequence of a partial loss; costs for removal of asbestos; and increased costs as a consequence of widespread catastrophic events. Some or all of the itemised cost factors could be automatically excluded in the insurance policy; therefore it is important to establish the extent of such inclusions with the insurer. We recommend you investigate the terms and conditions of your insurance policy to determine the extent of inclusions and exclusions or discuss the issue with your insurance broker or insurer. This Insurance Value should only be regarded as an estimate and should a more accurate assessment be required we recommend a quantity surveyor be engaged.</i>
Market Change	<i>This valuation is current as at the Date of Valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property or factors that the Valuer could not have reasonably become aware as at the date of the Report). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. We recommend the valuation be reviewed at regular intervals.</i>
Market Evidence Information Availability	<i>In preparing this valuation we have undertaken those investigations reasonably expected of a professional valuer having regard to normal industry practice so as to obtain the most relevant, available, comparable market evidence. Whilst we believe the market evidence information and any other information provided to be accurate, not all details can and have been formally verified. Due to privacy laws, confidentiality agreements and other circumstances beyond our control, the valuer may not have had access to:</i> <ul style="list-style-type: none"> • <i>Personal details of parties involved in transactions (including the relationship of the parties);</i> • <i>Information on recent transactions that are yet to become public knowledge; and</i> • <i>Copies of leases or contracts to confirm rents or prices and to ascertain whether or not rents or prices are inclusive or exclusive of GST.</i>
Market Value	<i>"Market Value is the estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".</i>

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Native Title Assumption	<i>We are not experts in native title or the property rights derived there from and have not been supplied with appropriate expert advice or reports. Therefore, this valuation is made assuming there are no actual or potential native title interests affecting the value or marketability of the property.</i>
Owner Occupied Property	<i>Owner-occupied properties valued for lending purposes will normally be valued on the assumption that the property is transferred unencumbered by the owner's occupancy, i.e., that the buyer is entitled to full legal control and possession. Our valuation is prepared on the basis of vacant possession and in the event the property is unable to be transferred unencumbered we reserve the right to review our valuation.</i>
Planning Disclaimer	<i>Town planning and zoning information was informally obtained from the relevant local and State Government authorities and is assumed to be correct. Should the addressee require formal confirmation of planning issues then we recommend formal application be made to the relevant authorities to confirm planning details.</i>
Publication of Report	<i>The publication of the valuation or report in whole or any part, or any reference thereto, or the names and professional affiliations of the valuers is prohibited without the prior written approval of the valuer as to the form and context in which it is to appear.</i>
Site Survey Disclaimer	<i>This report is not a site survey and no advice is given in any way relating to survey matters. Any comments given in relation to the property are not given in the capacity as an expert, however, are based on our inspection of the property and review of the Certificate of Title plans. Should the addressee require absolute certainty in relation to the site area, dimensions or possible encroachments we recommend that a surveyor be engaged to provide appropriate advice and a survey of the property if considered necessary. In the event there are any fundamental inconsistencies between any site survey undertaken and site detail adopted in this valuation, the survey should be referred to the valuer for comment on any valuation implications (including amendment of our valuation if considered necessary).</i>
Structural Disclaimer	<i>This report is not a structural survey and no advice is given in any way relating to structural matters. Any opinion given as to the condition of the improvements on the property is not given in the capacity as an expert. A structural report on the building and/or its plant and equipment has not been sighted, and nor have we inspected unexposed or inaccessible portions of the premises. Therefore we cannot comment on the structural integrity, any defects, rot or pest infestation (or damage from pest infestation) of the improvements, any use of asbestos or other materials now considered hazardous or areas of non-compliance with the Building Code of Australia, other than matters which are obvious and which are noted within this report. This valuation assumes the building is structurally sound; that building services are adequate and appropriately maintained; the building complies with applicable Council, building, health, safety and fire regulations, laws, bylaws, rules, licences, permits and directives; and is free of asbestos or other defects, unless specified otherwise. Should an expert's report establish that there is any damage of the varieties noted above then we reserve the right to review this valuation.</i>
Third Party Disclaimer	<i>This report has been prepared for the private and confidential use of our client, Northern Adelaide Waste Management Authority for the specified purpose. It should not be reproduced in whole or part without the express written authority of Opteon (South Australia) Pty Ltd (formerly Southwick Goodyear Pty Ltd) or relied upon by any other party for any purpose and the valuer shall not have any liability to any party who does so. Our warning is registered here, that any party, other than those specifically named in this paragraph should obtain their own valuation before acting in any way in respect of the subject property.</i>

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Title and Unregistered
Instruments

For the purpose of this report we have assumed that the title information provided to us is correct. Our Valuation has been assessed assuming the property is only affected by encumbrances noted on Title with the exception of registered instruments (eg. mortgages or caveats) that are normally and expected to be discharged prior to transfer of the property. If there are any encumbrances, encroachments, restrictions, leases or covenants which are not noted on the title, they may affect the assessment of value. If there are errors or omissions found to exist on the title documents we should be notified and we reserve the right to review our valuation.

Appendices:

1. Instruction
2. Certificate of Title
3. Development Plant Extract

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



APPENDIX 1.0
INSTRUCTIONS

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



From: Danial Dunn [mailto:D.Dunn@nawma.sa.gov.au]
Sent: Wednesday, 11 November 2015 12:28 PM
To: Opteon SA
Cc: Brian King; Annette Penna
Subject: RE: Quote: (Client Ref: NA) Lot 506, 71-75 Woomera Avenue Edinburgh. Requested by: Daniel Dunn

Hi Michelle,

Please proceed with this valuation (Reference 6636641), our Purchase Order is DT11112015. Invoicing can be sent to myself and I will have our accounts process the payment.

Sales contact follows for the site access:

Stan Tettis
Commercial Sales and Leasing Manager
 [08 8232 8844](tel:0882328844)
 08 8363 0310
 [0409 286 820](tel:0409286820)
 stettis@ijhc.com.au
 adelaide.ijhcommercial.com.au

Michelle also attached is all the information I have received on the property.

Kind Regards

Danial Dunn
Resource Recovery Manager
NAWMA

Cnr Peachey & Bellchambers Rd,
Box 10 Mail Delivery Centre
Edinburgh North SA 5113
P: 08 8259 2104
M: 0498 881 875
E: D.Dunn@nawma.sa.gov.au
W: www.nawma.sa.gov.au

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



From: sa.quotes@opg.net [mailto:sa.quotes@opg.net]
Sent: Wednesday, 11 November 2015 11:44 AM
To: Danial Dunn <D.Dunn@nawma.sa.gov.au>
Subject: Quote: (Client Ref: NA) Lot 506, 71-75 Woomera Avenue Edinburgh. Requested by: Daniel Dunn



RE: QUOTE FOR PROPERTY ADVICE

Our Reference: 6636641
Address: Lot 506, 71-75 Woomera Avenue, Edinburgh, SA 5111
Quoted Fee: \$3,880.00

Dear Daniel Dunn,

Thank you for your enquiry concerning the above property.

Please find attached our quote and our standard terms and conditions to undertake this work for you.

If you wish to proceed, please confirm by return email to sa.quotes@opg.net, stating that you wish to proceed as per the details in the quote supplied. Please note that we will not action the job until we receive your confirmation email and all necessary information (including instructions to proceed, correct address, inspection contact details, or documentation such as sale contract, lease(s), plans etc).

An inspection appointment will be booked thereafter.

Please do not hesitate to contact us if you require any further information on this matter, and we look forward to being of service to you.

Kind regards,

Michelle Hunt
Administration Officer

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



P (08) 8267 2112
W www.opg.net
Opteon (South Australia) Pty Ltd (formerly Southwick
Goodyear Pty Ltd)
Level 2, 5 / 135 Fullarton Road Rose Park SA 5067

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71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



APPENDIX 2.0
CERTIFICATE OF TITLE

71-75 Woomera Avenue
 Edinburgh, SA 5111
 Our Reference: 6636641



Product	Register Search
Date/Time	11/11/2015 02:27PM
Customer Reference	6636641
Order ID	20151111007274
Cost	\$27.25

The Registrar-General certifies that this Title Register Search displays the records maintained in the Register Book and other notations at the time of searching.



Registrar-General

Certificate of Title - Volume 5960 Folio 906

Parent Title(s) CT 5946/161
Dealing(s) Creating Title TG 10336421
Title Issued 28/03/2006
Edition 2
Edition Issued 20/11/2006



Estate Type

FEE SIMPLE

Registered Proprietor

LEASECORP GROUP NO.7 PTY. LTD. (ACN: 090 737 821)
 OF 1181 MAIN NORTH ROAD POORAKA SA 5095

Description of Land

ALLOTMENT 506 DEPOSITED PLAN 68296
 IN THE AREA NAMED EDINBURGH
 HUNDRED OF MUNNO PARA

Easements

SUBJECT TO EASEMENT(S) OVER THE LAND MARKED S (RTC 9330350)

SUBJECT TO EASEMENT(S) OVER THE LAND MARKED G TO DISTRIBUTION LESSOR CORPORATION (SUBJECT TO LEASE 8890000) (TG 10336421)

SUBJECT TO EASEMENT(S) OVER THE LAND MARKED A AND B (RTC 10255048)

Schedule of Dealings

Dealing Number	Description
10580878	MORTGAGE TO WESTPAC BANKING CORPORATION (SINGLE COPY ONLY)

Notations

Dealings Affecting Title

NIL

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



Product	Register Search
Date/Time	11/11/2015 02:27PM
Customer Reference	6636641
Order ID	20151111007274
Cost	\$27.25

Priority Notices

NIL

Notations on Plan

NIL

Registrar-General's Notes

NIL

Administrative Interests

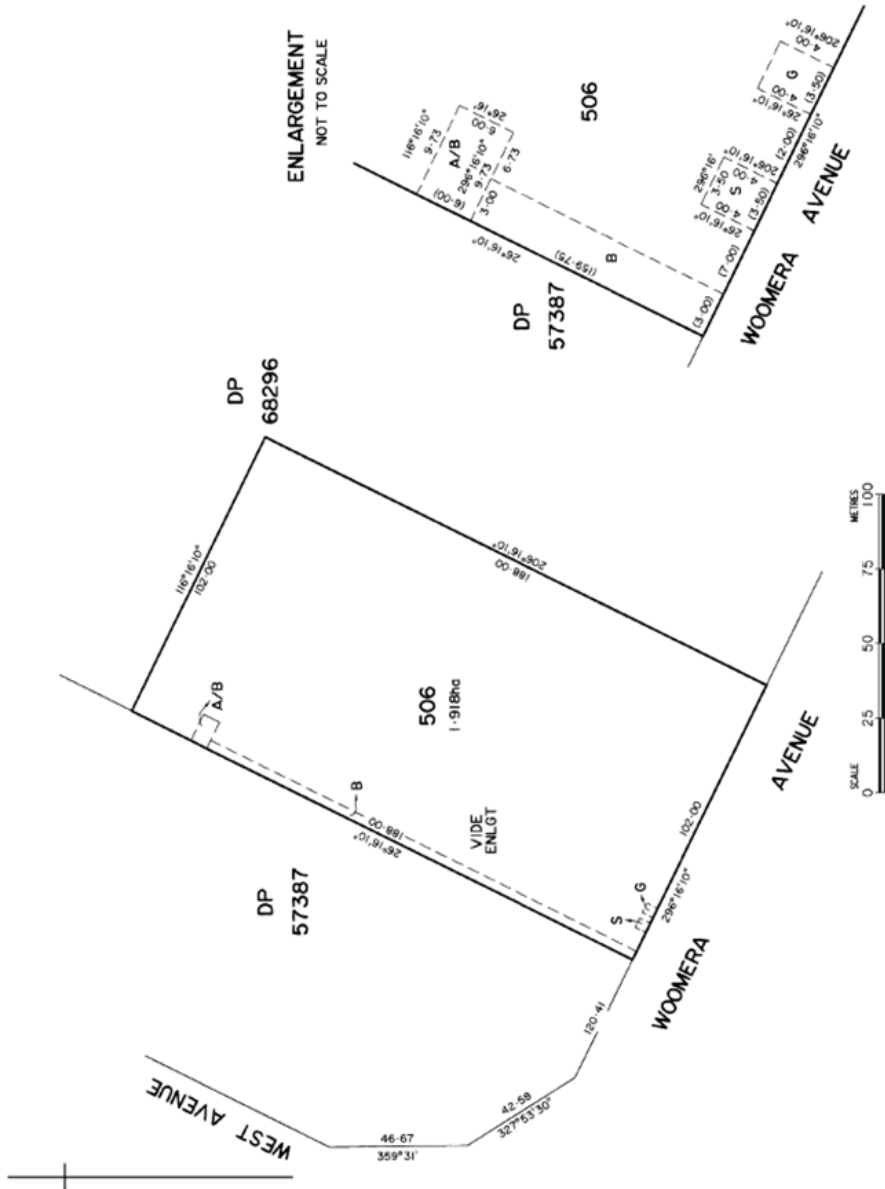
NIL

* Denotes the dealing has been re-lodged.

71-75 Woomera Avenue
 Edinburgh, SA 5111
 Our Reference: 6636641



Product	Register Search
Date/Time	11/11/2015 02:27PM
Customer Reference	6636641
Order ID	20151111007274
Cost	\$27.25

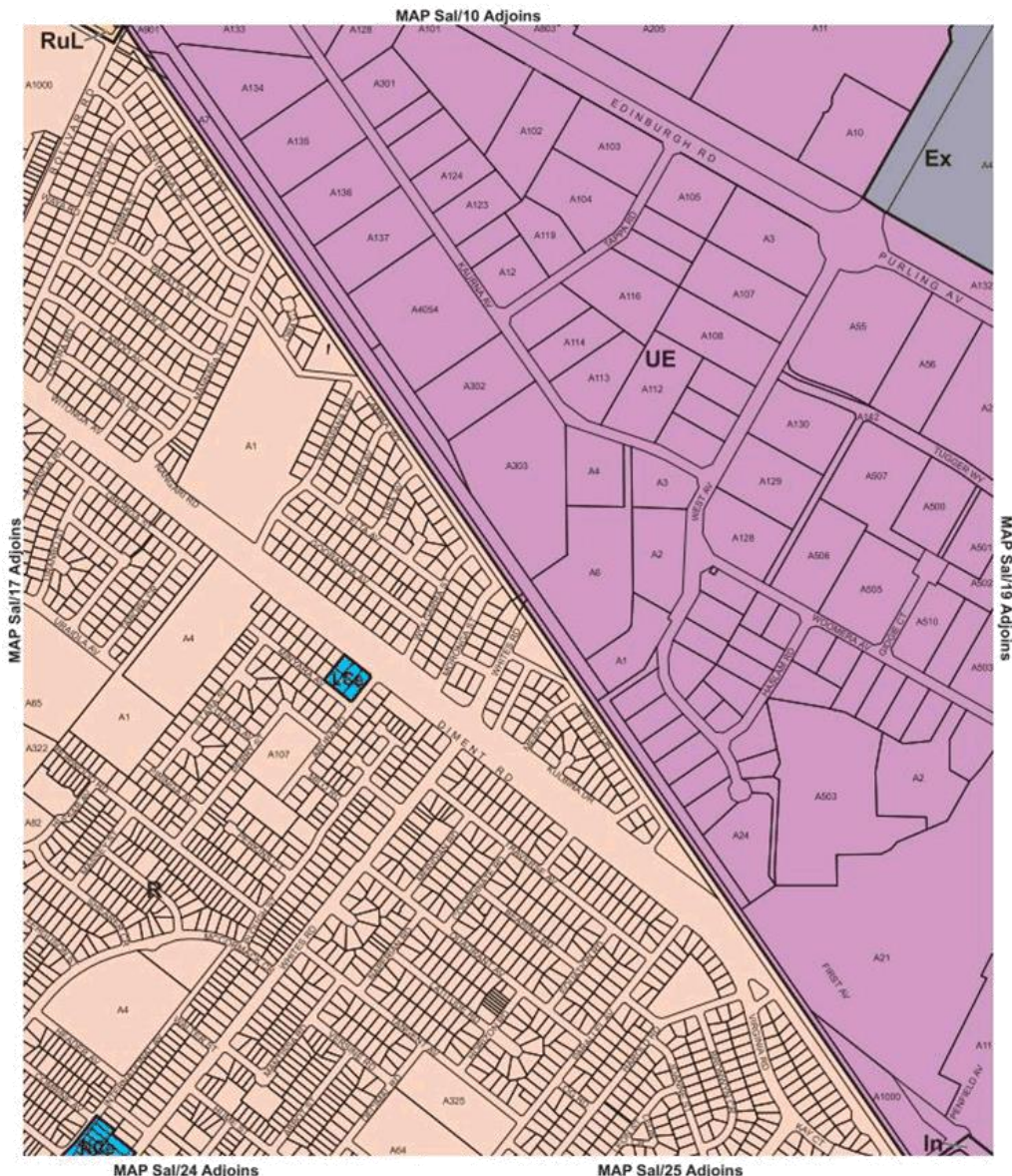


71-75 Woomera Avenue
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APPENDIX 3.0
DEVELOPMENT PLAN EXTRACT

71-75 Woomera Avenue
 Edinburgh, SA 5111
 Our Reference: 6636641



Lamberts Conformal Conic Projection, GDA94

- Zones**
- Ex Excluded
 - In Industry
 - LSC Local Centre
 - NSc Neighbourhood Centre
 - R Residential
 - RuL Rural Living
 - UE Urban Employment
 - Zone Boundary

Zone Map Sal/18

SALISBURY COUNCIL
 Consolidated - 10 September 2015

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 6636641



Salisbury Council
Zone Section
Urban Employment Zone

Urban Employment Zone

Refer to the [Map Reference Tables](#) for a list of the maps that relate to this zone.

OBJECTIVES

- 1 A mixed use employment zone that **primarily** accommodates a range of industrial land uses together with other employment and business activities that generate wealth and employment for the State.
- 2 Local activity centres, which include a range of activities including shops, consulting rooms, personal service establishments, child care and training facilities that provide support services for businesses and an expanding workforce.
- 3 Provision for large floor plate enterprises, such as major logistics and manufacturing plants, and high technology and/or research and development facilities, located to take advantage of existing and future road and rail infrastructure.
- 4 The effective location and management of activities at the interface of industrial/commercial activity with land uses that are sensitive to these operations.
- 5 A high standard of development which promotes distinctive building, landscape and streetscape design, with high visual and environmental amenity, particularly along arterial roads and the boundaries of adjoining zones.
- 6 Development that promotes business clusters that provide a range of economic and environmental benefits.
- 7 Co-ordinated and integrated development that:
 - (a) incorporates high speed information technology and telecommunications facilities and infrastructure
 - (b) contributes to the improvement of the physical, social and economic conditions of adjoining communities where appropriate.
- 8 Development that contributes to the desired character of the zone.

DESIRED CHARACTER

Greater Edinburgh Parks will be a high quality enterprise and employment destination, attracting a specialised workforce and providing a focus for manufacturing, research and technology, logistics and transport services, intermodal operations and expansion of defence industries in particular. Development will build on existing industrial and enterprise activities at Edinburgh Parks, the Defence Science Technology Organisation and RAAF Base, and major automotive manufacturing at Elizabeth South.

Superior road and rail connections and information communication technology will also link the area to ports and harbours and specialised defence and technology precincts at Osborne and Mawson Lakes, providing significant competitive advantages for the State. Coordinated staging of development and infrastructure, and integration with the Salisbury and the Elizabeth Centres, is envisaged to contribute to the improvement of the physical, social and economic conditions of adjoining communities, including enhancing access to public transport.

This zone provides for the establishment of business clusters that create opportunities for innovation, start up and the growth of new businesses, and link businesses to global investment opportunities.

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Desirable land uses include a wide range of activities that generate employment, focusing on industry, indoor industrialised horticulture and associated processing and packaging, transport and technology-based activities that can operate on a twenty-four hour, seven day per week basis where appropriate, together with offices and industry-related training and educational establishments. Existing defence operations, including explosive ordnance activities, will be protected and not adversely impacted by development. Development should also comprise high technology and/or research and development related uses where it is compatible with adjoining uses.

As a primary freight route and key access into Greater Edinburgh Parks, Heaslip Road will be a focus for road-based logistics, warehousing, distribution and transport services requiring convenient access to Port Wakefield Road, the Northern Expressway and rail facilities. Large allotment sizes are envisaged adjacent both sides of Heaslip Road to accommodate large floor plate enterprises. Edinburgh Road will provide the key access route into Edinburgh Parks from Heaslip Road. Access points onto Edinburgh Road and Heaslip Road will therefore be limited and direct property access onto these roads should not occur in order to preserve their planned function.

Special industry should not occur in the zone unless associated with food and beverage production, is considered necessary to support major manufacturing clusters or involves bulk handling activities associated with intermodal and transport operations. Such industries should not be located adjacent or in close proximity to local activity centres, sensitive land uses or other zones. Where special industry is proposed, use of best available technology economically achievable will be encouraged to minimise land use impacts and reduce the need for large buffer or separation areas.

The development of local activity centres accommodating local shops (including cafes and restaurants), consulting rooms, service trade premises, child care facilities, recreation facilities and training facilities is encouraged in the zone to support an expanding workforce and provide support services for business. These activity nodes will be compatible with the function of other zones or nearby centres. More sensitive land uses such as educational establishments, child care centres and consulting rooms will be located and designed to ensure that higher impact land uses such as general industry do not undermine the successful operation of any land use. Locations of activity nodes are shown on [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).

The bulky goods node or other local activity centres should provide the primary location of bulky goods outlets.

A high level of compatibility between land uses in the zone is envisaged to ensure a quality and attractive business environment is maintained. Clustering of industrial activities to share resources and reduce waste impacts and energy needs is encouraged in the zone, as well as shared use of facilities and services, including training, communication and information technology, shipping and receiving facilities, and car parking areas where practical. Allotments that adjoin the boundary of another zone where more sensitive land uses are anticipated (e.g. residential development), will be large enough to accommodate design features and siting arrangements that limit impact on the adjoining zone. Conventional horticulture is not anticipated in the zone, and will be replaced by envisaged land uses over time. Consequently, establishing new conventional horticulture should not occur. Development will also respect the historical character of places of cultural or heritage significance such as the Sturton Church and graveyard.

Development will comprise high quality, innovative contemporary architecture that is both adaptable and flexible to accommodate multiple uses or changes in future land uses where practical. Buildings will comprise low reflective materials and provide a variation in finishes, façade treatments and setbacks rather than appearing as large uniform buildings with blank facades. Outdoor storage and service areas will also be located away from major roads or residential areas and be screened from public view with fencing/structures of varied materials that limit potential for vandalism.

Landscaping will be used to define gateways to the area and be carefully integrated with built form, ensuring that vegetation is sustainable, drought tolerant, locally indigenous and matched to the scale of development, while also providing a comfortable, pleasant and attractive environment. Siting of development and setbacks from arterial roads, freight routes and the Northern Expressway in particular will allow for suitable landscaped areas to enhance the visual amenity of key movement, entry and arrival points to the area. Car parking areas will include trees to provide shade and enhance visual amenity. The appearance of outdoor storage areas will also be enhanced through landscaping. Landscaping will be carefully designed to minimise opportunity for crime by ensuring passive/active surveillance and minimising places of entrapment. Landscaping, building and structures should also be sited and designed to ensure that the security of the DSTO security fence is not compromised.

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Water Sensitive Urban Design systems, including the harvest, treatment, storage and reuse of stormwater, will be integrated throughout the area at the neighbourhood, street, site and building level, taking advantage of large allotment sizes and impervious areas. Roadways will be designed to accommodate major stormwater flows in excess of the capacity of underground drainage systems. Major stormwater drainage infrastructure should be developed in accordance with [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#) and be designed in an attractive form with grass-lined sides and allow for the planting of trees and shrubs on both sides of open channels. Harvested stormwater will improve the aesthetic and functional value of landscaping and open spaces, including public access ways and greenways, contributing to a superior working environment.

Two buried high pressure gas transmission pipelines traverse some areas within the zone, namely the Epic Energy and SEA Gas pipelines. These transmission pipelines are to be designed, constructed, operated and maintained in accordance with Australian Standard (AS) 2885: Pipelines – Gas and Liquid Petroleum to ensure protection of the pipeline, which in turn ensures the safety of the community, protection of the environment and security of (gas) supply to users.

Any change to the use of land and/or proposed construction activity in the vicinity of these pipelines require a detailed assessment to be undertaken to ensure that all risks associated with continued pipeline operations remain acceptable. In light of these requirements, development within 640 metres of the SEAGAS gas pipeline and 400 metres of the Epic gas pipeline as shown on [Overlay Map Sal/1 Development Constraints](#) should conform with the minimum pipeline safety requirements for AS2885 (Pipeline Gas and Liquid Petroleum).

Infrastructure for Greater Edinburgh Parks

Development within the Greater Edinburgh Parks requires the co-ordinated delivery of infrastructure and should only proceed where it has been demonstrated that such co-ordination exists to ensure infrastructure between development sites (or a stage of a development) facilitates the overall achievement of the relevant Concept Plan. In some cases this may include provision for temporary works pending development of adjacent land or other land within the same Concept Plan area.

Particular attention will be given to infrastructure co-ordination to achieve the following:

- (a) an efficient and easily maintained stormwater management system comprising a series of drainage channels and retention / detention basins and /or wetlands
- (b) key upgrades to local road junctions (including Heaslip / Edinburgh Roads, Argent / Womma Roads, Heaslip / Womma Roads and Andrews / Womma Roads to provide either an intersection upgrade or provision of a roundabout to distribute traffic to the existing road network
- (c) key electricity substations located near the intersection of Penfield / Short Roads and Mill / Short Roads to accommodate the requirements of SA Power Networks.

PRINCIPLES OF DEVELOPMENT CONTROL

Land Use

1 The following forms of development, or combination thereof, are envisaged in the zone:

- consulting room
- dwelling in association with industry
- electricity substation
- fuel depot
- indoor industrialised horticulture
- indoor recreation centre
- industry
- intermodal rail freight facility
- motor repair station
- office
- petrol filling station

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- pre-school
 - prescribed mains
 - public service depot
 - road transport terminal
 - service trade premises
 - service industry
 - shop or group of shops
 - training facility
 - store
 - warehouse.
- 2 Development listed as non-complying is generally inappropriate.
 - 3 Development should be in accordance with the relevant [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).
 - 4 Development should not impede the operation of established land uses through encroachment, over development of sites or noise/emissions or any other harmful or nuisance-creating impact.
 - 5 Shops or groups of shops (other than bulky good outlets and service trade premises) should serve the local workforce within the zone and have a gross leasable floor area less than:
 - (a) 2500 square metres where located in designated local activity centres shown on [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).
 - (b) 250 square metres where outside of designated local activity centres
 - 6 Bulky goods outlets and service trade premises should only be located in the bulky goods node or local activity centres identified on [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).
 - 7 Bulky goods outlets and service trade premises should not have any adverse impacts on heavy vehicle access or freight movements.
 - 8 Restaurants and cafes should only be located in bulky goods outlets or service trade premises that are larger than 2000 square metres, and should have a gross leasable area of 150 square metres or less.
 - 9 Short term workers accommodation or other sensitive uses within the zone should be designed and located to ensure the ongoing operation of any existing activity within the zone is not impeded.

Form and Character

- 10 Development should not be undertaken unless it is consistent with the desired character for the zone.
- 11 In areas where a uniform street setback pattern has not been established, buildings should be set back in accordance with the following parameters:

Building height (metres)	Minimum setback from the primary road frontage (metres)	Minimum setback from the secondary road frontage (metres)
6 metres	8 metres	4 metres
Greater than 6 metres	10 metres	4 metres

- 12 Building façades facing land zoned for residential purposes should not contain openings or entrance ways that would result in the transmission of noise or light spillage that would adversely affect the amenity of nearby residents.

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- 13 Any plant or equipment with potential to cause an environmental nuisance (including a chimney stack or air-conditioning plant) should be sited as far as possible from adjoining allotments not zoned for employment, and should be designed to minimise its effect on the amenity of the locality.
- 14 Development should control noise emissions through the use of attenuation devices and sound proofing, particularly activities requiring extended hours of operation.
- 15 The hours of operation of an activity should not detract from the amenity of any residential area.
- 16 Within 50 metres of a residential zone boundary:
- (a) non-residential development (including loading and unloading activities) should:
 - (i) demonstrate appropriate acoustic performance
 - (ii) ensure that all noise sources including machinery, loading, unloading and other service areas on allotments nearest to the residential boundary are located within the building
 - (b) development should be designed and constructed of a material to ensure noise emissions are minimised within acceptable standards.
- 17 Development should be adaptable to allow for flexibility of use over time and accommodate multiple uses and shared facilities where practical, including training areas and car parking.
- 18 Buildings should not occupy more than 50 percent of the total area of the site upon which they are located, unless it can be demonstrated that stormwater can be harvested, treated, stored and reused on the site of the development to minimise impacts on external stormwater infrastructure.
- 19 Industries, warehouses, stores and similar developments should be provided with sufficient and convenient parking for staff and visitors based on the following rates:

Building Component	Number of required vehicle parking spaces
Part of development used as office space	3.3 spaces per 100 square metres
Part of development used as non-office space	2 spaces per 100 square metres where industrial building area is under 200 square metres
	1.33 spaces per 100 square metres where industrial building area is between 200-2000 square metres
	0.67 spaces per 100 square metres where industrial building area is greater than 2000 square metres
Service trade premises	2 spaces per 100 square metres

- 20 For labour-intensive industries where car parking demand exceeds the rates in Principle 20 above, the total car parking should be provided at a rate of 0.75 spaces by the number of employees
- 21 For non-labour intensive industries, the rates in Principle 20 above can be varied having regard to expected maximum staff and visitor levels.
- 22 Development within the "Runway Public Safety Area", but located outside of the "Limited Development Area", as identified in [Concept Plan Map Sal/6 – Urban Employment Zone](#) should not:
- (a) contain any land uses or industries that result in a significant increase in people working or congregating in that area (except warehousing and/or road transport terminals)
 - (b) involve land uses that store flammable or hazardous materials.

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- 23 No development should occur within the "Limited Development Area" as identified in [Concept Plan Map Sal/6 – Urban Employment Zone](#), except for the following developments that have heights of no greater than 2.1 metres above ground level:
- (a) car parking
 - (b) outdoor storage area (but not including storage of flammable or hazardous materials)
 - (c) ancillary structures (eg. fencing and street lights)
 - (d) landscaping.
- 24 No development should occur in the "No Structures and Development Area" as identified in [Concept Plan Map Sal/6 – Urban Employment Zone](#).

Land Division

- 25 Land division should create allotments that are of a size and shape suitable for the intended use.

PROCEDURAL MATTERS

Complying Development

Complying developments are prescribed in Schedule 4 of the *Development Regulations 2008*.

In addition, the following forms of development, or any combination, are designated as complying subject to the requirements in [Table Sal/1 Building Setbacks from Road Boundaries](#):

Form of development	Complying criteria / conditions
(a) light industry (b) service industry (c) service trade premises (d) warehouse.	<p>1 The building, or any part, is not located within:</p> <ul style="list-style-type: none"> (a) areas affected by aircraft noise shown on Concept Plan Map Sal/2 - Edinburgh Defence Airfield Aircraft Noise Exposure (b) an area shown on Concept Plan Map Sal/3 - Edinburgh Defence Airfield Lighting Constraints where restrictions on the amount of upward light apply. <p>2 The development does not involve an activity of environmental significance or major environmental significance identified in Schedules 21 and 22 of the <i>Development Regulations 2008</i>.</p> <p>3 The development does not require referral pursuant to Section 37 of the <i>Development Act 1993</i>.</p> <p>4 The development site is greater than 60 metres from the nearest residential zone boundary.</p> <p>5 The development has direct access to a sealed roadway.</p> <p>6 All vehicles able to access/egress the site in a forward direction.</p> <p>7 A site coverage of less than 50 per cent.</p> <p>8 Building height does not exceed airport building heights shown on Concept Plan Map Sal/1 - Edinburgh Defence Airfield Defence (Area Control) Regulations and is no greater than 12 metres.</p> <p>9 Building setback in accordance with the following:</p> <ul style="list-style-type: none"> (a) buildings up to a height of 6 metres sited at least 8 metres from the primary street alignment (b) buildings exceeding a height of 6 metres sited at least 10 metres from the primary street alignment

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Form of development	Complying criteria / conditions
	(c) 4 metres from the secondary street frontage.
10	The development is designed as follows: (a) buildings adjacent public streets are designed to overlook the street and have a maximum unarticulated length of 30 metres (15 metres for offices) (b) comprise low-reflective materials and pre-colour treatment if metal clad.
11	Landscaping comprises: (a) an area of not less than 10 per cent of the site (b) a landscaped setback area of more than 3 metres wide along any street boundary, except where a building is setback a lesser distance from any street boundary in which case the intervening setback is landscaped (c) a mix of species expected to grow to less than 0.5 metres in height and species expected to grow with clear stems to 2 metres height and with the canopy above.
12	A clearance of not less than 3 metres being provided for access purposes between any structure and one side boundary of the site.
13	Off-street vehicle parking and specifically marked disabled parking provided at the rate of not less than: (a) 2 per 100 square metres (industrial building area under 200 square metres) (b) 1.33 per 100 square metres (industrial building area 200-2000 square metres) (c) 0.67 per 100 square metres (industrial building area greater than 2000 square metres) (d) 3.3 spaces per 100 square metres (office building area) (e) 2 per 100 square metres (service trade premises building area).
14	All buildings, including the associated filling of land - are sited, designed and constructed to prevent the entry of floodwaters in a 1-in-100 year average return interval flood event.
15	Areas used for the loading or unloading of materials or for the storage of chemicals and materials used in industrial operations and processes are to incorporate bunding or containment facilities that: (a) prevent the entry of external stormwater (b) contain any spilt materials from entering the stormwater system.
16	All loading and/or unloading of vehicles to occur within the boundaries of the site.
17	All outside loading and unloading and goods storage areas should be screened by solid fencing or dense screen landscaping.
18	All stormwater drainage is retained and treated on-site or connected to an approved stormwater management scheme.
19	Waste collection and storage areas provided which are: (a) screened and separated from adjoining areas (b) designed to ensure that wastes do not contaminate stormwater or enter the stormwater collection system.

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Form of development	Complying criteria / conditions
	<p>20 The development comprises a maximum of two advertising displays, each of which does not encroach upon the public road reserve and accords with the following:</p> <p>(a) A maximum of one pylon sign per site that:</p> <p>(i) has a maximum height of 6 metres</p> <p>(ii) has a maximum area of 8 square metres</p> <p>(iii) is located between the building and the front property boundary.</p> <p>(b) A maximum of one freestanding directory sign per site that:</p> <p>(i) has a maximum height of 3 metres</p> <p>(ii) has a maximum length of 6 metres.</p> <p>(c) A maximum of one flush wall sign per site that:</p> <p>(i) has a maximum area of 8 square metres</p> <p>(ii) is erected on the building façade</p> <p>(iii) is located below the parapet of the building.</p> <p>21 Fencing exceeding 2.1 metres in height (including colour –coated wire mesh fencing) adjacent to public roads should be set back in one of the following ways:</p> <p>(a) in-line with the building façade</p> <p>(b) behind the building line</p> <p>(c) behind a landscaped area that softens its visual impact.</p>

Non-complying Development

Development (including building work, a change in the use of land, or division of an allotment) involving any of the following is non-complying:

Form of development	Exceptions
Advertisement or advertising hoarding	<p>Except where the advertisement or advertising hoarding:</p> <p>(a) does not move, rotate or incorporate flashing light(s)</p> <p>(b) has no part that projects above the walls or fascia where attached to a building</p> <p>(c) covers less than 10 per cent of the total surface area of a wall oriented to a public road or reserve</p> <p>(d) does not include bunting, streamers, flags or wind vanes.</p>
Amusement machine centre	
Caravan or residential park	Except for minor alterations and additions within a caravan park or residential park.
Dwelling or Dwellings	<p>Except:</p> <p>(a) for short term accommodation that is ancillary to and in association with industry</p> <p>(b) for alterations and additions to existing dwellings.</p>
Intensive animal keeping	
Motel	
Nursing home	
Place of worship	
Prescribed mining operations	
Primary school	

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Form of development	Exceptions
Secondary school	
Stadium	
Stock slaughter works	
Tourist accommodation	

Public Notification

Categories of public notification are prescribed in Schedule 9 of the *Development Regulations 2008*.

In addition, the following forms of development, or any combination thereof (except where the development is classified as non-complying), are designated:

Category 1	Category 2
All kinds of development except where the site of the proposed development is within 60 metres of a Residential Zone or a Mixed Use Zone boundary	Development where the site of the proposed development is within 60 metres of a Residential Zone or a Mixed Use Zone boundary



ATTACHMENT E

NORTHERN ADELAIDE WASTE MANAGEMENT AUTHORITY

TEN YEAR FINANCIAL PLAN 2017/18 – 2026/27



June 2017

NAWMA TEN YEAR LTFP
June 2017



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**1. Executive Summary**

The NAWMA Administration with assistance from Dean Newbery & Partners (DNP) have undertaken a review and update the Long Term Financial Plan (LTFP) model of the Authority which was last adopted by the Board in May 2017. The NAWMA Administration has completed a review of all Key Assumptions, projected future capital and funding requirements, projected waste volumes and proposed future capital works program to be undertaken.

Based on the remaining air space capacity of the landfill as at 1 July 2017, based on projected waste volumes and estimated landfill compaction rate, it is estimated the landfill has a remaining filling life of approximately 10 years (complete filling in 2025/26). The NAWMA Board need to consider now what future landfilling activities it will want to undertake beyond the filling life of the current landfill site at Uleybury and ensure appropriate planning and due diligence is undertaken on considering all available options (e.g. acquiring a new landfill site, purchase of airspace facility at alternate landfill site, etc.) should it wish to continue landfill operations beyond 2025/26.

At the conclusion of the current landfilling activities, the Uleybury landfill site will commence 'post closure' remediation and monitoring activities for a minimum 25-year period beyond the life of this LTFP. To ensure all estimated capping and post closure liabilities remain accurate and reliable for financial modelling and financial reporting purposes, ongoing annual review of all the key assumptions and estimates contained in calculating these liabilities need to continue to be undertaken by the NAWMA Administration and updated accordingly when required.

The LTFP incorporates all the Operating and Capital requirements of the Authority over the 10-year period commencing 1 July 2017 to 30 June 2027. It is projected that NAWMA will be able to meet all known Operating and Capital commitments over the next 10 years. This conclusion is predicated on the financial data modelled, the Key Assumptions outlined, projected future tonnages from each customer group and the proposed Gate Fee structure.

The financial modelling prepared by the NAWMA Administration in the business plan for the NAWMA operated Material Recovery Facility to commence operation on the 17 July 2017 has been included in the LTFP. This will be the subject of regular ongoing review and adjustment as the new business is established.

All future landfill Capital commitments have been assumed to be externally funded through borrowings with the Local Government Finance Authority (LGFA) and repaid over the life of the landfill Stage to which the borrowings have been borrowed to fund.

For the purpose of ensuring long term security (20 years) of NAWMA 's operations and compliance with WHS requirements, it is proposed to purchase 71-75 Woomera Ave, Edinburgh Parks. Activities at this site will be:

- House the NAWMA Administration and Environment Education Centre.
- Establish the new NAWMA MRF in the 3,200 sqm building available.

To ensure appropriate planning of any potential relocation of the Waste Bailing Plant operations, the

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Board will need to determine by 2019 the strategic direction it wishes to implement to determine if it wishes to continue operations on the Edinburgh North site or relocate. NAWMA will need to ensure that it will generate sufficient revenues to fund the ongoing loan commitments beyond the 10-year period modelled.

Over the life of this LTFP, NAWMA will need to consider key strategic options relating to its future waste processing and disposal operations (e.g. will NAWMA run and operate its own landfill, will it continue to bale waste at the existing Edinburgh North site or a new site, should NAWMA purchase airspace at an existing landfill facility as an alternative, etc.).

The Resource Recovery Centre operations will continue to be located at Edinburgh North and it is assumed that this facility will continue to run and operate from this location for a further 20 years as from 1 July 2015. At the conclusion of this 20-year term, NAWMA will need to strategically consider whether this facility will continue to operate in the current location or relocate the facilities.

A detailed analysis and modelling of all assumptions is contained within this report.

It is recommended that this Plan be reviewed by the Authority at least annually and that all Key Assumptions and financial data be updated as applicable to ensure it remains a reliable platform which the Board and Administration can use for decision making purposes

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**2. Underlying Assumptions Contained in LTFP****2.1 Capital Acquisitions**

It is estimated that a capital expense of up to \$4.150 will be required for the purchase of the Woomera Avenue Site. This is in addition to the up to \$4m in new plant and equipment in the re-designed MRF operation. This expenditure will be incurred during the 2017/18 financial year.

2.2 Landfill: Remaining Filling Life Projections

The landfill is to be constructed over 3 stages.

Based on projected rates of filling, the useful life of the stages is:

Stage 1: Full
 Stage 2: Full
 Stage 3 filling until 2025/26

2.3 Growth Indicators

Housing growth for the region (all 3 constituent Council's) is projected to be 1.34%. This is based on historical data on actual growth over the last five years. For the financial year 2017/18, the following growth factor has been calculated considering future growth projections:

Salisbury	1.0%	therefore	60,991 services
Playford	1.5%	therefore	39,565 services
Gawler	2.5%	therefore	11,438 services
Total			111,994 services
Less:	2016/17		110,526 services
Total			1,468 new services
	=		1.31% Projected Regional Growth

2.4 Waste Tonnages

Tonnages other than for Constituent Councils is to remain constant over the period 2017-2027 for the purposes of projecting future waste tonnages to the landfill for the purposes of preparing the LTFP. Expected growth in population within Constituent Council has been factored into the Constituent Council projected tonnages over the 10-year period. It is expected that Constituent Council tonnages will increase by 1.5% per annum.

Based on historical data and considering the increasing yields and residential participation rates for garden organics (including food organics) a 4% annual increase in kerbside collection is an adequate prediction at this stage.



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2.5 Employee Levels and Costs

NAWMA at its current stage of development is relying less on contractors and employing specialist staff in its operations. The following will apply effective 1 July 2018:

- MRF operation – 1 Manager, 1 Leading Hand and a Maintenance Fitter (other staff to be engaged on contract labor arrangement)
- WPF – 3 plant operators
- WHS / Facilities supervisor to be engaged (transfer from MRF supervisor to WHS role)
- Community Engagement – 2 part time officers to be engaged post July 2017.

Regarding costs, the MRF will be a standalone business. The WPF operators to be employed by NAWMA will be a cost saving in excess of \$100,000 per annum as opposed to using a contractor.

2.6 End Site Value of NAWMA Operations

A revaluation of all Land owned by the Authority was undertaken by external property valuers in 2014/15. There has been no financial consideration included in the LTFP for any potential future sale of the landfill site or the buffer land property owned by the Authority.

2.7 Cost of Finance

Interest rate for all new borrowings is projected to be 4.1% on 10 year fixed loans. The LGFA interest rates have been compared to other lending organisations and found to be highly competitive for fixed interest loans.

2.8 Baler

The Baler operates 11 hours per day, 5 days a week, receiving 77,000 tonnes per annum. This is considered to be operationally efficient for one waste baler.

It is projected that a new waste baler will be required in 2022. The cost to replace the baler has been factored into the LTFP at an estimated cost of \$900,000. This is based on maintenance inspection showing evidence of metal fatigue coupled with a reduction in the operational life of major replacement items i.e. ejection ram cylinder. The funding for the new plant will be met through the gate charges,

2.9 State Waste Levy

2017/18 State Waste Levy rates are as follows (\$/per tonne):

Constituent Council	87.00
Commercial & Industrial	87.00
Rural (Cat A)	43.50
Landfill Direct	87.00

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There has been informal information received from the State Government regarding future increases to the levy post the 2017/18 financial year.

Projected State Waste Levy charges:

Year	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Percentage Increase		15.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
State Waste levy	\$87.00	\$100.00	\$103.00	\$105.63	\$108.27	\$110.98	\$113.75	\$116.59	\$119.51	\$122.50

2.10 Post Closure Rehabilitation Provision

This liability has been calculated and presented in accordance with applicable Australian Accounting Standards and in accordance with the audited Annual Financial Statements and previous LTFPs adopted by the Board.

This liability will continue to be monitored annually by the Administration and any adjustments necessary recorded for changes in any expected future costs.

2.11 Capping Costs

NAWMA will continue to provide in its Balance Sheet each year a liability to reflect the expected costs of capping cells being filled. This liability will be reviewed annually at the end of each reporting period to allow for any adjustments to the expected future costs.

Further to the above, NAWMA was an active participant in the A-CAP which is a study/trial into a most cost efficient alternate final capping system. The results of the trial were positive and prompted NAWMA to redesign the final capping system. The revised costs have been incorporated into the current version of the LTFP.

2.12 Projected Capping Timeline

Below is a summary of when the projected capping activities are expected to be undertaken based on the projected future tonnages:

Stage 1 and part Stage 2:	Completed in 2017
Remaining Stage 2 and Stage 3:	June 2026

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3. NAWMA Operations – Expenditure Analysis

3.1 Administration Expenses

Administration costs reflect the day-to-day running costs of the Edinburgh North operations Centre and the Woomera Ave administration office.

The expected increase in costs over the next 10 years has been estimated to rise at CPI rate, initially however, the growth factor will also be considered during the annual review process.

3.2 Borrowing Costs

NAWMA is projected to drawdown on the following borrowings over the life of the LTFP:

- \$2.5M in 2016/17 (10 year fixed loan) to fund plant and equipment to operate the new NAWMA MRF, and
- \$4.15M in 2017/18 (10-year fixed loan) to fund purchase of 71-75 Woomera Avenue, Edinburgh Parks.

3.3 Collection Costs

Waste collection costs reflect the cost of collecting domestic waste from the three Constituent Councils by an independent contractor.

The current contractor's contract commenced in March 2017. This contract is due to expire in February 2025. The new collection Contract has achieved significant saving to constituent Councils budget (around 20%) and this has been reflected in contractor's prices over the term of the Plan.

3.4 Depreciation

All assets are depreciated over lower of either the expected useful life of the asset or the expected remaining life of the landfill. At the end of the landfill's filling life, all assets will have a written down value of \$nil - except for the adjacent land owned on the boundary of the footprint and the residual value of the waste baler and all plant and equipment.

Depreciation has been applied to NAWMA's new asset, being the Woomera Ave property, and new MRF plant and equipment.

3.5 Disposal Costs

Disposal costs include all costs relating to the disposal of domestic waste collected to the landfill site. Disposal costs include payment for Boral royalties, State Waste Levy and cost of baling and transporting waste to the landfill site.

NAWMA TEN YEAR LTFP

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Disposal charges for Constituent Councils has been reduced by 6% in 2017/18, and other client Councils have not been increased for the 2017/18 financial year.

Disposal costs for Constituent Councils and other client Councils are anticipated to increase in line with the prevailing CPI increase at a maximum throughout this LTFP.

3.6 Employee Costs

Employee costs relate to expenses such as salaries and wages, superannuation, allowances, on-costs and leave entitlements.

As at 1 July 2017, there are 17 full time and 2 part-time employees employed by NAWMA.

Future employee costs will include plant operators for the Baling Plant and Uleybury Landfill.

3.7 Contractor Costs

Future contractor costs will include employment agency staff required to operate the NAWMA MRF operations, WBP and Landfill operations.



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4. NAWMA Operations – Revenue Analysis

4.1 Administration

Administration income refers to income received from Constituent Councils for the administrative processing of kerbside collection service, disposal of waste, and processing of recyclables. This is a monthly fee received by NAWMA based on the number of services performed for each Constituent Council

4.2 Domestic Waste

Refers to the funds received from Constituent Councils for the recovery of costs for kerbside collection of domestic waste by an independent contractor for each Constituent Council's residents.

4.3 Garden & Food Organics

Garden and Food Organics revenue refers to the funds received from Constituent Councils for the recovery of costs for kerbside collection of Garden and Food Organics by an independent contractor for each Constituent Council's residents.

4.4 Kerbside Recycling

Kerbside recycling revenue refers to the funds received from Constituent Councils for the recovery of costs for kerbside collection of recyclables by an independent contractor for each Constituent Council's residents.

4.5 CAT A Revenue

CAT A waste is waste received from rural councils and commercial and industrial sector which is processed through the WPF.

This equates to approximately 21,500 tonnes per annum.

4.6 Landfill Direct

Landfill Direct income relates to income received from waste which is directly disposed into the landfill from external clients.

It is estimated that approximately 1,600 tonnes of waste per annum will be disposed of directly into the landfill. In addition to the above an additional income source is clean fill (soil) from neighboring residential developments. This has averaged 40,000 tonnes per annum over the last 2 years.

4.7 Constituent Councils

This relates to the Gate Fee revenue received from Constituent Councils for the disposal of domestic waste into the landfill.

Around 63,000 tonnes per annum is received - with an annual increase in line with service growth of 1.34% per annum there after - of domestic waste will be disposed into the landfill from all 3 Constituent Councils.

NAWMA TEN YEAR LTFP
June 2017



4.8 Other Income

This includes revenues received for promotions and regional recycling revenue.

5. Projected Gate Fee Summary

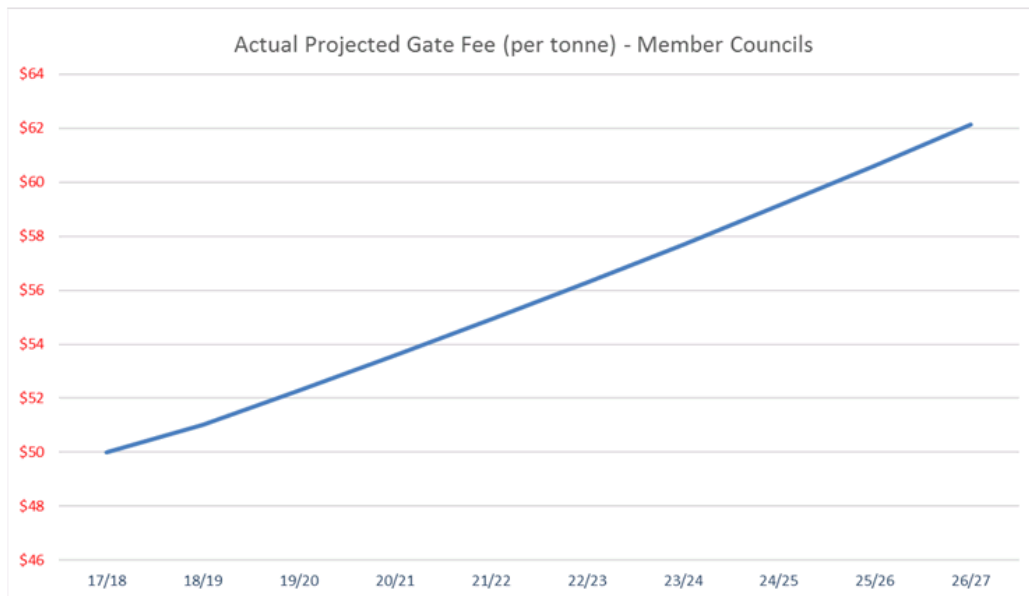
The below graph depicts the actual Gate Fee (GST and State Waste Levy exclusive) that would be charged to Constituent Councils over the next 10 years.

Gate fees have been structured so that all residual operating and expected future costs (all costs less revenue received from other waste sources) are recovered through the gate fee charged to Constituent Councils.

The gate fees have been structured so that costs such as post closure site rehabilitation, capping, depreciation and amortisation are fully funded over the remaining filling year life of NAWMA's landfill.

Gate Fees have also been set to ensure that at the end of the operating life of the landfill, there are no liabilities left for the Constituent Councils to fund (e.g. post closure site monitoring or rehabilitation costs).

All of future liabilities are projected to be funded through the gate fees charged. Regular monitoring of expected future provisions by the Board and Management of NAWMA is critical to ensure that any movements in expected future provisions is reflected in the setting of gate fees at the beginning of each financial year.



NAWMA TEN YEAR LTFP

June 2017

**6. Future Major Projects/Contract Renewals**

Detailed below are when NAWMA's significant contracts are due to expire. These contracts have been listed below to ensure readers of the report are aware that in the future, renewal of these contracts can have significant impacts on the future finances and operations of the Authority.

The following contracts terminate over the period of the LTFP:

	Expiry Date	Term
Kerbside Collection Services & Hardwaste /SUEZ	28-Feb-25	8 years
MGB's/Trident	28-Feb-25	8 years
Uleybury Landfill Operation/LR & M	1-Oct-17	5 years
Transportation of Baled Waste/SUEZ	31-Oct-19	5 years
Garden Organics Processing / Peats	28-Feb-25	8 years

The total value of contracts under NAWMA management as at the time of preparing the LTFP is \$98.7m.

All Contracts will continue to be examined with a view to ascertaining if there are alternative means of achieving the objectives and increasing the value to NAWMA.

The Board has approved NAWMA operating the MRF and WPF Baling Operation which was as a result of a review undertaken by the Administration of both Contracts.

Further consideration on options available on all contracts as they are being renewed will be undertaken by the Administration and appropriate due diligence measures undertaken in consultation with the Board and Constituent Councils.

The following leases terminate over the period of the LTFP:

- Edinburgh North - 31st December 2022 (5+5 renewal option)
- Resource Recovery Centre - 31st December 2022 (5+5 renewal option)

NAWMA TEN YEAR LTFP

June 2017



7. Alternate Waste Technologies

NAWMA is highly aware of the significance of technology in the management of resource and waste streams. This is a significant strategic area whereby NAWMA must continuously evaluate technology opportunities.

The alternatives to landfill may well involve “Energy from Waste” (EfW) concepts and also affect the method/s for the kerbside collection of the three waste streams.

NAWMA is exploring alternate waste technologies (AWT) and should the Authority choose to go down this path in the future then the MRF will still be viable as it will be the front end to the AWT which will most likely be located on the Woomera Ave site.

Further to the above the Board is also investigating other landfill opportunities should EfW technologies are assessed as not being financially viable, which at present is the case.

NAWMA has established major waste management facilities for the northern Adelaide region and the level of operations will still need to be maintained post closure of the Uleybury Landfill around 2026-27.

8. Energy from Landfill

NAWMA has entered commercial arrangements with LMS who are building a Solar and gas fired electricity plant at the Uleybury Landfill Facility. This plant is using first of its kind technology in Australia and will be a show piece facility in the energy from waste sector. Financial benefits will be realized by NAWMA, although not included in the current LTFP, from royalties associated with the Solar plant.

Development approval for the facilities have been granted and it is expected the facility will come online in late 2017.

9. New Business Opportunities

NAWMA is currently investigating new business opportunities to further grow the business and increase the services offered.

NAWMA will continue to investigate opportunities as they arise, with the view of growing the business and increasing the value of the organization to Member Councils.

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10.Key Risks

Potential risks associated with the NAWMA operations have been identified and discussed at length in the appropriate Business Plans.

Risks in regards to interest rate movement, inflator rates etc may impact on the LTFP and its projections which will require adjustments as necessary. The annual review process will ensure that all assumptions are routinely monitored.

The NAWMA Waste Management Strategy has also identified potential risks and has a number of listed actions to be completed.

NAWMA TEN YEAR LTFP
June 2017



APPENDICIES

NAWMA TEN YEAR LTFP
JUNE 2017



APPENDIX ONE: PROJECTED STATEMENT OF COMPREHENSIVE INCOME

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
INCOME										
<i>User Charges</i>	\$17,527,065	\$17,665,247	\$18,322,651	\$19,002,401	\$19,708,702	\$20,442,573	\$21,204,938	\$21,997,023	\$22,820,112	\$23,675,250
<i>EPA Levy</i>	\$7,214,127	\$8,420,116	\$8,812,993	\$9,179,760	\$9,562,241	\$9,961,101	\$10,376,970	\$10,810,630	\$11,262,902	\$11,734,505
<i>MRF</i>	\$2,986,326	\$3,563,899	\$3,713,880	\$3,870,172	\$4,033,042	\$4,202,766	\$4,379,632	\$4,563,942	\$4,756,008	\$4,956,156
<i>RRC</i>	\$1,007,500	\$1,044,778	\$1,088,745	\$1,134,563	\$1,182,309	\$1,232,065	\$1,283,914	\$1,337,946	\$1,394,251	\$1,452,926
TOTAL OPERATING INCOME	\$28,735,018	\$30,694,039	\$31,938,270	\$33,186,897	\$34,486,294	\$35,838,505	\$37,245,454	\$38,709,541	\$40,233,272	\$41,818,837
EXPENSES										
<i>Employee Costs</i>	\$1,921,115	\$1,959,540	\$2,008,550	\$2,058,740	\$2,110,210	\$2,162,950	\$2,217,030	\$2,272,460	\$2,329,280	\$2,387,510
<i>Materials, Contractors & Other Expenses</i>	\$24,434,425	\$25,887,656	\$26,942,504	\$27,914,972	\$28,925,000	\$29,974,036	\$31,063,394	\$32,194,923	\$33,370,320	\$34,591,163
<i>Depreciation, Amortisation & Impairment</i>	\$2,147,000	\$1,549,089	\$1,578,187	\$1,613,017	\$1,712,254	\$1,660,779	\$1,671,142	\$1,847,779	\$1,358,832	\$1,039,521
<i>Finance Costs</i>	\$493,404	\$373,661	\$325,586	\$275,042	\$234,051	\$195,316	\$154,895	\$112,714	\$65,167	\$33,687
TOTAL EXPENSES	\$28,995,944	\$29,769,947	\$30,854,827	\$31,861,771	\$32,981,516	\$33,993,082	\$35,106,461	\$36,427,876	\$37,123,599	\$38,051,881
OPERATING SURPLUS / (DEFICIT)	(\$260,926)	\$924,093	\$1,083,442	\$1,325,126	\$1,504,778	\$1,845,423	\$2,138,993	\$2,281,665	\$3,109,673	\$3,766,956
<i>Net Gain / (Loss) On Disposal of Assets</i>	(\$148,500)									
NET SURPLUS / (DEFICIT)	(\$409,426)	\$924,093	\$1,083,442	\$1,325,126	\$1,504,778	\$1,845,423	\$2,138,993	\$2,281,665	\$3,109,673	\$3,766,956
<i>Other Comprehensive Income</i>										
TOTAL COMPREHENSIVE INCOME	(\$409,426)	\$924,093	\$1,083,442	\$1,325,126	\$1,504,778	\$1,845,423	\$2,138,993	\$2,281,665	\$3,109,673	\$3,766,956

NAWMA TEN YEAR LTFP
JUNE 2017



APPENDIX TWO: NAWMA PROJECTED BALANCE SHEET

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CURRENT ASSETS										
Cash & Cash Equivalents	\$1,974,700	\$2,154,396	\$1,095,615	\$244,258	(\$199,262)	(\$1,206,530)	(\$934,418)	(\$328,315)	\$462,640	\$2,284,822
Trade & Other Receivables	\$2,792,000	\$2,847,840	\$2,919,036	\$2,992,012	\$3,066,812	\$3,143,483	\$3,222,070	\$3,302,621	\$3,385,187	\$3,469,817
TOTAL CURRENT ASSETS	\$4,766,700	\$5,002,236	\$4,014,651	\$3,236,270	\$2,867,550	\$1,936,953	\$2,287,652	\$2,974,306	\$3,847,827	\$5,754,639
NON-CURRENT ASSETS										
Property, Plant & Equipment	\$10,209,636	\$9,377,363	\$8,549,567	\$7,708,602	\$7,750,668	\$6,861,483	\$6,048,593	\$5,255,641	\$4,438,425	\$4,171,834
TOTAL ASSETS	\$14,976,336	\$14,379,599	\$12,564,218	\$10,944,872	\$10,618,218	\$8,798,436	\$8,336,245	\$8,229,947	\$8,286,252	\$9,926,473
LIABILITIES										
Trade & Other Payables	\$2,272,000	\$2,317,440	\$2,375,376	\$2,434,760	\$2,495,629	\$2,558,020	\$2,621,971	\$2,687,520	\$2,754,708	\$2,823,576
Provisions	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000
Borrowings	\$9,359,517	\$8,521,646	\$7,536,094	\$6,502,468	\$5,533,906	\$4,639,962	\$3,707,284	\$2,734,184	\$1,718,904	\$811,746
TOTAL LIABILITIES	\$14,240,517	\$13,448,086	\$12,520,470	\$11,546,228	\$10,638,535	\$9,806,982	\$8,938,254	\$8,030,704	\$7,082,611	\$6,244,322
NET ASSETS	\$735,819	\$931,513	\$43,748	(\$601,356)	(\$20,317)	(\$1,008,547)	(\$602,009)	\$199,243	\$1,203,640	\$3,682,151
EQUITY										
Accumulated Surplus	\$120,371	\$316,065	(\$571,700)	(\$1,216,804)	(\$635,765)	(\$1,623,995)	(\$1,217,457)	(\$416,205)	\$588,192	\$3,066,703
Asset Revaluation Reserve	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448
Other Reserves	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	\$735,819	\$931,513	\$43,748	(\$601,356)	(\$20,317)	(\$1,008,547)	(\$602,009)	\$199,243	\$1,203,640	\$3,682,151

**NAWMA TEN YEAR LTFF
JUNE 2017**



APPENDIX THREE: NAWMA PROJECTED CASH FLOW STATEMENT

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES										
RECEIPTS										
Operating Receipts	\$28,655,000	\$30,640,139	\$31,910,870	\$33,180,797	\$34,491,294	\$35,868,705	\$37,268,854	\$38,717,741	\$40,221,672	\$41,761,737
Investment Receipts	\$80,000	\$53,900	\$27,400	\$6,100	(\$5,000)	(\$30,200)	(\$23,400)	(\$8,200)	\$11,600	\$57,100
PAYMENTS										
Operating Payments to Suppliers and Employees	(\$28,502,000)	(\$30,143,608)	(\$31,180,413)	(\$32,136,813)	(\$33,215,567)	(\$34,188,398)	(\$35,261,357)	(\$36,540,590)	(\$37,188,766)	(\$38,085,569)
Finance Costs	(\$393,924)	(\$373,661)	(\$325,586)	(\$275,042)	(\$234,051)	(\$195,316)	(\$154,895)	(\$112,714)	(\$65,167)	(\$33,687)
NET CASH RECEIVED IN OPERATING ACTIVITIES	(\$160,924)	\$176,770	\$432,270	\$775,042	\$1,036,676	\$1,454,790	\$1,829,202	\$2,056,236	\$2,979,339	\$3,699,581
CASH FLOWS FROM INVESTING ACTIVITIES										
RECEIPTS										
Amounts specifically for new or upgraded assets	(\$4,390,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$1,150,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
PAYMENTS										
Expenditure on New/Upgraded Assets										
NET CASH USED IN INVESTING ACTIVITIES	(\$4,390,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$1,150,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
CASH FLOWS FROM FINANCING ACTIVITIES										
RECEIPTS										
Proceeds from Borrowings	\$4,150,000	-	-	-	-	-	-	-	-	-
PAYMENTS										
Repayment of Borrowings	(\$849,679)	(\$985,552)	(\$1,033,627)	(\$968,562)	(\$893,944)	(\$932,679)	(\$973,100)	(\$1,015,280)	(\$907,157)	(\$790,025)
NET CASH USED IN FINANCING ACTIVITIES	\$3,300,321	(\$985,552)	(\$1,033,627)	(\$968,562)	(\$893,944)	(\$932,679)	(\$973,100)	(\$1,015,280)	(\$907,157)	(\$790,025)
Net Increase / (Decrease) in Cash Held	(\$1,250,604)	(\$1,058,781)	(\$851,357)	(\$443,520)	(\$1,007,268)	\$272,112	\$606,103	\$790,955	\$1,822,182	\$2,659,556
Cash at Beginning of Reporting Period	\$3,405,000	\$2,154,396	\$1,095,615	\$244,258	(\$199,262)	(\$1,206,530)	(\$934,418)	(\$328,315)	\$462,640	\$2,284,822
Cash at End of Reporting Period	\$2,154,396	\$1,095,615	\$244,258	(\$199,262)	(\$1,206,530)	(\$934,418)	(\$328,315)	\$462,640	\$2,284,822	\$4,944,378



ATTACHMENT F

NAWMA

Business Plan

2017 - 2018

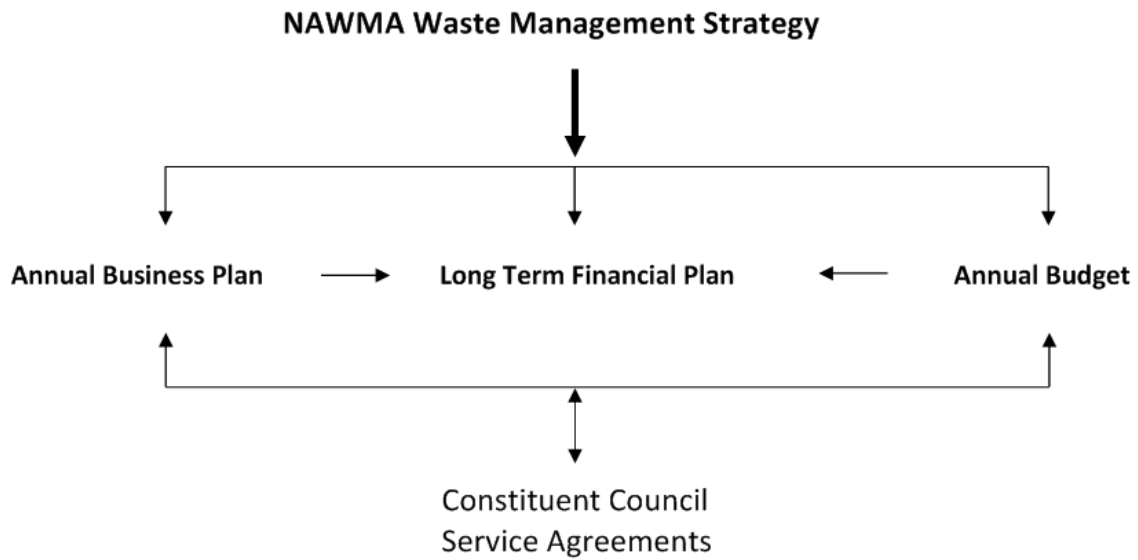


Facilitating waste management on behalf of the constituent Councils by provision of efficient kerbside waste collection services and environmentally responsible processing of waste and recyclables.



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Strategic Planning Hierarchy



PURPOSE OF THIS BUSINESS PLAN

The purpose of this Business Plan is to articulate the objectives of the 5 year NAWMA Strategic Plan into deliverable annual actions. Each action must:

- Be funded via the Annual Budget
- Have direct linkages to the NAWMA Waste Management Strategy
- Maintain alignment with the Constituent Council Service Agreements

NAWMA'S EVOLVING BUSINESS MODEL

As a Regional Subsidiary established by the Constituent Councils (City of Playford, City of Salisbury, Town of Gawler) 22 years ago, the Objects and Purpose of the Authority were to:

- Provide kerbside waste management collection services to the Constituent Councils;
- Receive and dispose or market waste and recyclables collected from within the Region;
- Receive and dispose or market waste and recyclables collected from outside the Region;
- Operate and maintain the Waste Processing Facility at Edinburgh North, South Australia;
- Operate and maintain the Landfill Facility at Uleybury, South Australia;
- Operate and maintain the public Resource Recovery Centre at Edinburgh North, South Australia;
- Undertake regional promotions and education on the principles of the nationally accepted waste management hierarchy to be expanded to councils outside the Region on approval of the Board;
- Provide customer service to Constituent Councils and residents on all waste management issues to be expanded to councils outside the Region on approval of the Board;
- Advance the optional use of waste materials as a potential resource for the achievement of the highest net benefit to the Constituent Councils;
- Oversee infrastructure requirements of local government in establishing processing and resource recovery operations as appropriate;
- Proactively manage its business in a competitive and changing environment;
- Provide a forum for discussion and/or research for the ongoing improvement and management of waste;
- Associate, collaborate and work in conjunction with other local government bodies for the advancement of matters of common interest; and
- Be financially self-sufficient.

While these Objectives continue to be relevant today, NAWMA has matured to the point where the original Objectives are now more operational than strategic in nature. The NAWMA management team and Board have recognised that for NAWMA to grow and continue to deliver increasing benefits to the Constituent Councils, the Business Model must change.

An increased focus on strategic planning has resulted in a shift from cost minimisation to revenue opportunities. These revenue opportunities have been targeted where NAWMA has developed the skills and expertise to directly manage certain operations in house rather than indirectly manage contractors.

The result is the profit previously paid to contractors will become financial returns to the Constituent Councils.

BUSINESS UNITS VERSUS WASTE STREAMS

In support of the new business model, the structure of Nawma's accounts has also been "rebuilt" into **business unit** measurement/accountability in preference to the earlier **waste stream** driven chart of accounts. This will ensure that all costs and revenues are fully attributed to either the commercial business functions or the traditional service delivery functions.

The Business Units are:

1. Kerbside Collection
2. Processing – MRF
3. Processing – Waste
4. Processing – Garden & Food Organics
5. RRC
6. Promotion & Education
7. Corporate

Each of these Business Units consist of Service Delivery Areas as follows:

Kerbside Collection (contracted service)

- Weekly Kerbside Waste Collection Service to Single Unit Dwellings
- Weekly 'On-Property' service to Multiple Unit Dwellings
- Fortnightly Kerbside Recycling Collection Service
- Fortnightly Kerbside Garden and Food Organics Collection Service
- Suburb by Suburb Hard Waste Collection Service

Processing – MRF

- Operation of Material Recovery Facility (MRF)
- Source revenue from highest value recovered product
- Transport of recovered products to market

Processing – Waste

- Operation of Waste Baling Plant
- Operation of Baled Landfill Facility (contracted service)
- Transport of baled waste to landfill (contracted service)
- Source revenue from waste derived product

Processing – Garden & Food Organics

- Operation of garden & food organics composting facility (contracted service)

RRC

- Operation of RRC gatehouse

- Operation of Public Waste Transfer Station
- Operation of Salvage and Save Facility (contracted service)
- Operation of Scout Recycling depot (contracted service)
- Transport of recovered and waste products for disposal / marketing

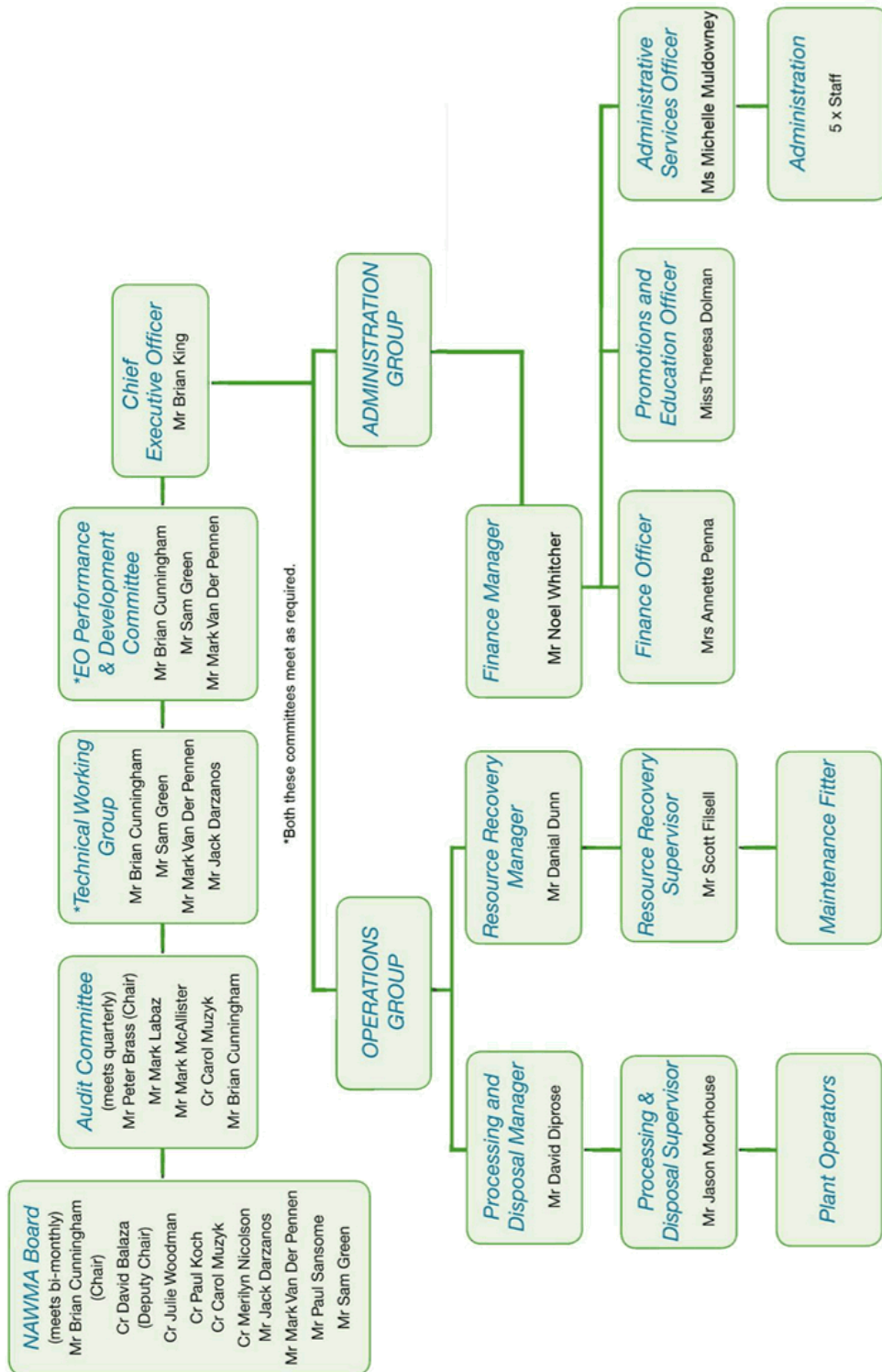
Promotion & Education

- Operation of Environment Education Centre
- Off-site environment education service
- Promotion of NAWMA services via print and social media
- Trials to promote greater diversion from landfill
- Management of Community Engagement Unit

Corporate

- Customer Service
 - Phone/email/reception enquiries
 - Management of MGB repair and replacement service
 - Management of voucher and hard waste scheduling service
- Audit and Accounting
- Computer / IT
- Payroll
- Analysis of Statistical Information on Services Provided
 - Weighbridge Data
 - Collection Vehicles On Board Computing Systems (RAPID Technology) using RFID Tags in MGBs
- Provision of support to rural Councils
- Operation of weighbridges (3 sites)
- EPA reporting
- Strategic planning for future waste management initiatives

Organisational Structure



Business Plan – General Overview

This Business Plan outlines a number of short-term strategies/activities that NAWMA has identified as requiring action in the financial year 2017/2018. Action plans have been listed that will assist in achieving the strategies and ultimate objectives.

NAWMA is very much aware of the need for longer-term initiatives that will provide the necessary infrastructure and support for a substantial commitment by Councils and the Community to waste minimisation and ongoing resource recovery and in this regard The NAWMA Waste Management Strategy is in place. This long-term waste management strategy document will guide the Authority's strategic decision processes.

The longer-term activities outlined in the NAWMA Waste Management Strategy are to be progressed in conjunction with the programs contained in this document – the Business Plan.

The identification of strategies/activities by NAWMA has been done with regard to the following criteria:

- Meeting the requirements of Constituent Councils
- Cost effectiveness
- Achievable in a reasonable time frame
- In line with community expectations
- Significant environmental outcomes.

Further to the above, NAWMA has regard to the key objectives of the National and State Waste Strategies and has taken this direction into account in the formulation of the NAWMA Waste Management Strategy.

KEY MATERIAL RECOVERY AND RECYCLING TARGETS

NAWMA has established key material recovery and recycling targets that have also taken into consideration the financial impact to Constituent Councils budgets in achieving these targets. Therefore the provision of cost effective services is the key target.

Performance targets for kerbside services are as follow:

- maintain and/or improve recovery rate of recyclables from the kerbside service (recycling and garden and food organics), currently the percentage recovered from landfill is 42.39% (42.06% 2014/15)
- maintain and/or improve total percentage recovered from landfill from all regional sources (kerbside and waste transfer stations) currently this is 54.26% (52.26% 2014/15)
- >80% presentation rates for the kerbside recycling collection service.
- <20% of material discarded from the MRF operation
- >55% of Regions households to be registered in garden and food organics collection service.

In addition NAWMA has noted the contents of the Environment Protection (Waste to Resources) Policy in particular the prohibited landfill waste and has established facilities for the receipt of these waste streams.

Objectives

To achieve the identified outcomes requires each key objective to be accepted by the NAWMA Board and corresponding programs of activity to be developed, undertaken and completed or satisfactorily progressed.

The objectives of the Business Plan are:

- To promote and achieve efficient and cost effective waste minimisation practices throughout the Northern Adelaide region.
- To develop ecologically sustainable waste and resource management practices; that is, practices that are economically viable, achieve environmental targets and are socially acceptable.
- Achieve performance outcomes which are consistent with accepted standards for waste minimisation and responsible waste and resource management.
- To put into place a recognized and accredited quality and environmental management system.
- Continually review technology and practices in waste minimization, resource management and solid waste disposal options.
- To ensure funds are secured to meet NAWMA's strategic business activities, as well as the ongoing requirement for growth and development.

NAWMA facilitates through its contractors the kerbside collection of waste, recyclables and garden and food organics (around 36,000 collection services per day) for households in the region. A total of approximately 110,000 households (18% of metropolitan Adelaide).

The Authority is then tasked with the environmentally responsible management of the collected material.

OBJECTIVES – STRATEGIES – ACTIONS**Objective One:**

To promote and achieve efficient and cost effective waste minimisation practices throughout the Northern Adelaide Region

- 1.1 Strategy** To promote and support waste avoidance/reduction, recycling and re-use initiatives.
- Actions**
1. Utilise the resources of the EEC and target the audience in promotion of the waste avoidance hierarchy. Design and fitout new EEC to include new interactive displays.
 2. Develop and promote publications detailing re-use initiatives.
 3. Disseminate information to Councils.
 4. Encourage local business and industry to embrace recycling and use post-consumer materials where cost effective.
 5. Plan and implement flexible plastics trial in extended area (1,200 households) for receipt of material in kerbside collection service for processing in the new NAWMA MRF.
- Budget 2017/2018** \$250,000 NB \$220,000 contributed by contractors
- 1.2 Strategy** Liaise with constituent Councils on performance standards for waste management
- Actions**
1. Maintain Council requirements/specifications in regards to:
 - Customer Service
 - Service delivery
 - Reporting mechanisms
 - Promotional/educational standards
 2. Support/assist Councils in the implementation of new services and the upgrading of existing services in line with Regional initiatives and individual Constituent Council requirements.
 3. Provide administrative support, education and promotions to rural Councils and waste industry contractors as per Contractual Agreements and on a fee for service basis.
- Budget 2017/2018** Funded within the Promotion & Education budget allocation
- 1.3 Strategy:** Maintain alliance of Councils for a regional uniform approach to waste minimisation and waste management
- Actions:**
1. Regularly promote cost efficiencies achieved by having a service base in excess of 110,000 households and the benefits of the economies of scale applicable to NAWMA contracts.
 2. Highlight the advantages/benefits of having central regional processing facilities, i.e. MRF operation which includes an Environment Education Centre accessible to all residents and community groups in the Region, waste baling plant and regional landfill operation.
 3. Promote the Regional Public Resource Recovery Centre (RRC) incorporating a Waste Transfer Station, Salvage & Save Operation, and Scouts Recycling.
 4. Consult with the Constituent Councils on the RRC and determine any specific requirements they may have and how the facility can provide benefit to the Council and its residents.
- Budget 2017/2018** Funded within the Promotion & Education budget allocation

Objective Two:
To develop ecologically sustainable waste and resource management practices; that is, practices that are economically viable, achieve environmental targets and are socially acceptable.

2.1 Strategy: Maintain and promote recycling collection services

- Actions:**
1. Pursue opportunities to increase volume of material through the MRF by additional services (rural Councils) or bulk material from commercial or industrial sources and schools.
 2. Actively seek to off-set costs to Councils for the operation of the MRF and EEC.
 - Obtain best market prices for MRF processed product by improving quality of product.
 3. Maintain and/or improve recovery rate of recyclables from the kerbside service (recycling and garden and food organics), currently the percentage recovered from landfill is 42.39%.
 4. Continue to maintain and develop promotions, awareness and an education campaign which are:
 - consistent throughout the Region
 - have a succinct and clear message to avoid/reduce, re-use and recycle.
 - specifically targeted to the Northern Adelaide community.
 - promote/encourage maximum use of EEC
 - Utilise the Community Engagement Unit for 'one on one' activities.
 5. Re-construct/re-design the NAWMA web site.
 6. Ensure the collection contractor is resourced to service the annual growth in population/services.

Budget 2017/2018 \$2,389,824

2.2 Strategy: Garden and Food Organics recycling

- Actions:**
1. Increase participation levels for regional organics collection service.
 2. Promote the inclusion of food organics with the collection service
 3. Target a regional participation level that exceeds 55% at end of financial year. (achieved 53% in 2016/2017)
 4. Maintain comprehensive promotional campaign, assisting the community to recognize the environmental benefits of improving the kerbside collection service to improve resource recovery rates from landfill and mitigate potential carbon emission at the landfill.
 5. Promote composting/mulching of green organics at domestic level (utilise display at EEC).
 6. Explore options with the approved processor for use of composted material which have greater benefits and/or reduced costs.
 7. Ensure the collection contractor is resourced to service the annual growth in population/services.

Budget 2017/2018 \$2,394,105

- 2.3 Strategy:** Maintain collection of domestic waste from residences
- Actions:**
1. Provision of weekly kerbside collection service for Single Unit Dwellings (SUDs).
 2. Provision of 'on property' service for Multiple Unit Dwellings (MUDs) using 660 litre and 1100 litre Carts
 3. Promote and encourage the use of a 140 litre MGB for SUDs as a collection container as opposed to the 240 litre MGB to assist in the reduction of waste.
 4. As a disincentive to using a 240 litre MGB support member Councils in placing a charge on residents to upgrade from a 140 litre MGB.
 5. Promote/encourage residents to use this service for residual waste material that is not suitable for resource recovery.
 6. Ensure the collection contractor is resourced to service the annual growth in population/services.
- Budget 2017/2018** \$4,128,718
- 2.4 Strategy:** Measurement of Waste and Resource Recovery.
- Actions:**
1. Implement waste analysis programs to measure the amount of waste going to landfill and the amount of waste being recovered from landfill.
 2. Conduct bi-annual waste stream audits to identify the type and volumes of recyclable materials still evident in the waste stream.
- Budget 2017/2018** \$20,000 (\$10,000 to be contributed by SUEZ) next audit due Sept/Oct 2017
- 2.5 Strategy:** Provide/maintain collection of household hard waste for Playford and Salisbury residents and provision of WTS voucher system for Salisbury residents. (N.B Playford may expand service to include voucher system and Gawler may elect to participate in hard waste collection service).
- Actions:**
1. Service delivery to be in accordance with the agreed standards established with each of the constituent Councils.
 2. Put in place maximum resource recovery in conjunction with the collection contractor.
 3. Utilize alternate markets for prohibited landfill waste as identified in the Waste to Resources EPP.
 4. Maintain comprehensive promotional campaign, provide feedback to residents and councils.
 5. Strive to improve system efficiencies.
- Budget 2017/2018** \$588,000
- 2.6 Strategy:** Commercial and Industrial Recycling
- Actions:**
1. Encourage/facilitate industry, commercial operations and schools to source separate material suitable for recycling and to utilise the private sector to market materials.

2. Work with processing and collection contractors to devise cost effective systems suitable for implementation in commercial and industrial sector recycling schemes.

Budget 2017/2018 Incorporated into the promotions budget

Objective Three:

Achieve performance outcomes which are consistent with accepted standards for waste minimisation and responsible waste and resource management.

3.1 Strategy: Operation of NAWMA’s landfill at Uleybury.

- Actions:**
1. Work in partnership with site works contractor to ensure environmental safeguards i.e. groundwater and landfill gas monitoring systems, are maintained to EPA approval.
 2. Implement continuous improvement programs to improve gas capture efficiency.
 3. Work with and support contractor in operation and maintenance of landfill gas power generation plant and solar panel system.
 4. Adherence to EPA license conditions
 5. Implementation of media/public relations strategy to inform public on all facets of site establishment/operation.
 6. Facilitate meetings of the Baled Landfill Management Consultative Committee at least quarterly.
 7. Maintain working relationships with all State Government departments, primarily the EPA.
 8. Identify and pursue sources of material that can access landfill direct and annually review pricing schedules for this material.
 9. Explore the operation of the landfill by NAWMA in its own right (effective October 2018)

Budget 2017/2018 Strategies 3.1 and 3.2 \$11,175,183

3.2 Strategy: Operation and maintenance of the Edinburgh North Waste Processing Facility (WPF).

- Actions:**
1. Maintain environmental standards and adhere to EPA license conditions.
 2. Monitor contractors performance
 3. Oversee routine and scheduled maintenance programs on waste baling plant and associated plant equipment to ensure maximum uptime.
 4. Maintain the spare inventory for the baling plant.
 5. Identify and pursue sources of material suitable for baling, and annually review pricing schedule for clients to access WPF.

Budget 2017/2018 see above

- 3.3 Strategy:** Operation of the Resource Recovery Centre (RRC)
- Actions:**
1. Maintain facility at highest standard to upgrade/improve the image of waste transfer stations.
 2. Implement maximum resource recovery activities to achieve environmental objectives.
 3. Enforce WH & S (Workplace, Health & Safety) principles within the site.
 4. Assess opportunities for additional resource recovery activities as markets become viable.
- Budget 2017/2018** \$860,187
- 3.4 Strategy:** Operation and maintenance of NAWMA MRF
- Actions**
1. Design, build and install new MRF plant for operation by NAWMA in July 2017 (subject to successful DA)
 2. Specialist staff to be employed by NAWMA to facilitate the changeover from contractor to NAWMA operated MRF operations
 3. Develop improved internal maintenance and servicing capabilities in conjunction with the new MRF plant establishment
 4. Identify and target rural Councils and their recyclables to continue using the NAWMA MRF by way of incentives i.e. eliminate sorting charges with potential for financial return from sale of product
 5. Identify and establish markets for sale of sorted recyclable product targeting industry commodity markets and export agencies
 6. Examine the requirements of metro Councils for future sorting of recyclables.
- Budget 2017/2018** \$2,870,646
- 3.5 Strategy:** Establish performance targets for collection contracts
- Actions:**
1. >80% presentation rates for the kerbside recycling collection service. Statistical analysis to be carried out by the collection contractor. Extracted from contractor via the Rapid Technology and MGB RFID tags.
 2. <20% of material discarded from the MRF operation. Analysis of weighbridge documentation to be conducted by NAWMA staff.
 3. >55% of Regions households to be registered in garden and food organics collection service.
 4. To maintain missed waste collections at less than 4 households per day (less than 0.02% of the total daily services).
 5. To maintain missed recycling collections at less than 2 households per day (less than 0.02% of the total daily services).
 6. To maintain missed organics collection at less than 4 households per day.

Budget 2017/2018 Allocation made in specific budget lines for waste and recycling.

- 3.6 Strategy:** Maintain promotions and education to a standard that satisfies Constituent Councils requirements.
- Actions:**
1. Review and update the Promotion Business Plan.
 2. Escorted access to Environment Education Centre and landfill for schools, community groups, residents and visitors (local and State Government and industry)
 3. Review/upgrade and disseminate new resident information package detailing the services provided by NAWMA as they apply to each Council.
 4. Utilize information from Council rates department on movement of new residents (new houses and purchase of established homes) into each Council for the purpose of Action 3 above.
 5. Annual distribution of 'wheelie bin' design kerbside collection calendars to >110,000 households.
 6. Implement means of ascertaining degree of customer satisfaction of services provided by NAWMA – monitor reports prepared for Constituent Councils.
 7. Co-ordinate all promotions in consultation with Council customer service departments and principal contact.
 8. Utilise Community Engagement Unit to be in attendance at Council/Regional activities to further promote NAWMA's services.

Budget 2017/2018 Incorporated into the Promotions budget.

- 3.7 Strategy:** Maintain a level of customer service that exceeds Constituent Councils requirements.
- Actions:**
1. Staffing to be maintained at a level adequate for the services provided
 2. Residents to be provided extended access to office facilities – currently 8.30 am to 5.00 pm, Monday to Friday.
 3. Maintain after hours answering service.
 4. Provision of Free-call 1800 phone number.
 5. EFTPOS Facilities to be provided for residents to make payments to NAWMA for user pay services including direct funds transfer and BPay.
 6. Office to be maintained at a standard suitable to receive over the counter customers.
 7. Liaison with Council customer service departments and principal contact, particularly when new initiatives are introduced.

Budget 2017/2018 \$1,728,529

Objective Four:
To put into place a recognised and accredited quality and environmental management system.

- 4.1 Strategy:** Review NAWMA Waste Management Strategy
Actions: 1. Annual review of the NAWMA Waste Management Strategy.

Budget 2017/2018 Funded within the Administration budget allocation.

- 4.2 Strategy:** Prepare for appropriate quality assurance accreditation
Actions:
1. Plan for operation of MRF, WPF and landfill within a total quality management framework, ie:
 - fully document all procedures
 - strive for continuous improvement
 - maintain data/reports on waste accepted (to include origin, tonnages, classification)
 - detail life analysis of cells/stages/site.
 2. Provision of accurate and timely reports to member Councils.
 3. Monthly compilation of collection services statistics together with a report on contractual services provided.
 4. Monthly analysis and evaluation of contractor’s performance.
 5. Establish as a criteria in all tender evaluation processes that only contractors that are quality assured or working towards accreditation are considered (AS/NZS ISO 9000)
 6. Request copies of and regularly review all operational procedures for work carried out under contract
 7. Monthly reporting on the RRC to include budget versus actuals and resource recovery rates.
 8. Implementation of phase 2 to office services software upgrade; Automation and Integration of Business Processes and Operating/Business Data,

Budget 2017/2018 Funded within the Administration budget allocation.

Objective Five:

Continually review technology and practices in waste minimisation and resource management, and solid waste disposal options.

- 5.1 Strategy:** Application of latest technologies in waste collection/disposal where environmentally and economically efficient.
- Actions:**
1. The use of the FAES Press utilizing a plastic tie system to achieve baled waste compaction density greater than 700 kg/m³
 2. Wrap waste bales using a degradable plastic.
 3. The operation of the landfill as a baled waste facility.
 4. Maintain mechanised kerbside collection services using a truck fleet powered by High Density Compressed Natural Gas (HDCNG) and incorporating on board computing systems (Rapid Technology) compatible with RFID tags in MGBs.
 5. Encourage residents to participate in placing food organics with garden organics – provision of a free kitchen bench-top basket for this purpose.
 6. Promote the RRC and encourage residents to source separate specific recoverable items.
- 5.2 Strategy:** Constantly review industry and own practices
- Actions:**
1. Monitor efficiencies, evaluate monthly reports.
 2. Liaise with collection contractors and monitor performance
 3. Advise Board of proposed improved methods of operation
 4. Regularly/routinely address Constituent Councils and Council Committees on NAWMA Board initiatives.
 5. Maintain contact with the alternative waste treatment proponents providing regular briefs to the Board
 6. Monitor technologies that will reduce State Waste Levy commitments.
 7. Investigate options for NAWMA's operations as raised in the NAWMA Waste Management Strategy.
 8. Actively seek out new business opportunities.
- 5.3 Strategy:** Maintain alliance with rural Councils
- Actions:**
1. Work cooperatively with other regional waste subsidiaries to examine the potential for efficiencies that may be achievable within the organisations
 2. Target appropriate (e.g. the mid northern) councils as potential clients for the WPF.
- 5.4 Strategy:** Promote waste management initiatives with Constituent Councils
- Actions:**
1. Regular presentations to Councils and Committees/invitations to visit and tour NAWMA facilities

2. Stabilise waste disposal and waste transfer station fees.
3. Encourage resource recovery activities, co-ordinate service providers.
4. Utilise resources of Constituent Councils to convey information to residents.
5. Utilize the labour resources of the Salvage & Save contractor to maximise the value and quality of potential resources recovered from the waste stream.
6. Maintain participation in the E-Waste Product Stewardship Program and the 'paint back' scheme.

5.5 Strategy: Monitor the implications of Carbon emissions.

- Actions:**
1. Ensure best possible landfill gas capture.
 2. Work with contractor to maintain the co-generation plant on-site once gas has reached sufficient levels.
 3. Increase diversion of residential waste streams from landfill, particularly those fractions with high levels of organics (significant contributors to carbon emissions)
 4. Improve resident participation in the kerbside collection of garden and food organics.

NB *Specific budget allocation for 2017/2018 for Objective five is not required/necessary.*

Objective Six:
To ensure funds are secured to meet NAWMA’s strategic business activities, as well as the ongoing requirement for growth and development.

6.1 Strategy: To provide the Constituent Councils with sufficient information for them to ascertain both the level of funding required in the following financial year, and understand the reason behind the components making up the services provided and their evolving requirements in the overall waste management context.

- Actions:**
1. The Board will determine annually the funds required by NAWMA to enable it to function by preparation of a budget.
 2. The Budget must:
 - Deal with each principal activity of NAWMA on a separate basis;
 - Be consistent with and account for activities and circumstances referred to in NAWMA’s Business Plan and NAWMA Waste Management Strategy;
 - Be submitted in draft form before 31 March to each Council for approval;
 - Not be adopted until after **31 May** but before **30 September**;
 - Identify the amount of and the reasons for the financial contributions to be made by each Constituent Council to NAWMA.

Budget 2017/2018 Funded within the Administration budget allocations.

6.2 Strategy: Review/update the Ten Year Financial Plan

- Actions:**
1. Briefing of accountants to review/update the financial plan
 2. In the review/updating of the Plan, accountants need to:
 - examine NAWMA Waste Management Strategy
 - examine annual Business Plan
 - examine annual NAWMA Budget including finances associated with the RRC, new NAWMA MRF and operation of the waste baling plant
 3. LTFP to be provided to Constituent Councils.

Budget 2017/2018 \$3,500

6.3 Strategy: Prepare long term financial estimates on operational costs

- Actions:**
1. Review landfill capping costs for the three landfill stages as well as post closure costs.
 2. Calculate breakeven point for gate pricing for stage three of the landfill.
 3. Inspect land holdings and maintain properties in acceptable condition. Scope site improvements ie fencing, erosion control.
 4. Ensure financial projections for NAWMA MRF are incorporated into LTFP.

Budget 2017/2018 Funded within the Administration budget allocations.

6.4 Strategy: To identify opportunities to reduce/maintain waste management costs to Constituent Councils with the potential for future financial returns.

- Actions:**
1. Pursue market opportunities for utilisation of the Waste Processing Facility (MRF and Baling Plant) by external sources ie Councils and commercial and Industrial business.
 2. Identify waste sources/market opportunities for materials approved in the Landfill EPA License to access the Landfill direct.
 3. Market NAWMA’s customer service and promotions/education strategies to other Councils as potential customers.
 4. Annual review of contractual obligations for the purpose of cost containment and/or cost reduction.
 5. Provide total cost transparency in all financial matters.

Budget 2017/2018 Funded within the Administration budget allocations.

6.5 Strategy: To ensure the staged development of the Landfill site occurs in accordance with the Landfill Environmental Management Plan (EPA Licence document) and Long Term Financial Plan.

- Actions:**
1. Stages and cells are to be developed/timed to ensure a smooth transition from the previous cell without interruption to the disposal and bale placement process.
 2. The acquisition of capital funds for the development of each major stage is to occur with an appropriate lead time allowing for all possible contingencies.
 3. Ensure stage/cell development timelines are constantly reviewed to allow for:
 - i. Technological advancements (e.g. increased densities)
 - ii. Fluctuations in disposal volumes

Budget 2017/2018 Funded within the Administration budget allocations

Promotion Funds – Annual Financial Contribution

In accordance with contract provisions, SUEZ will contribute a minimum amount of \$1.00 per domestic waste service entitled premises per annum for the term of the contract except for the first year (commencing 1 March 2017) which will be \$2.00 per premises. For the new financial year approximately \$250,000 will be available.

The use of these funds will be in accordance with the Promotions Business Plan.

Consolidated Budget Summary 2017-2018

A summary of the NAWMA budget forecast for the financial year 1 July 2017 – 30 June 2018 is attached.

Glossary (of abbreviations used in this Business Plan)

C&D	Construction & Demolition
C&I	Commercial & Industrial
CNG	Compressed Natural Gas
EEC	Environmental Education Centre
EPA	Environmental Protection Authority
EPP	Environment Protection Policy (2010)
MGB	Mobile Garbage Bin
MRF	Materials Recycling Facility
MSW	Municipal Solid Waste
MUD	Multiple Unit Dwelling
NAWMA	Northern Adelaide Waste Management Authority
OCC	Old Cardboard Cartons
ONP	Old Newsprint
RAVE	Resource Added Value Enterprise
RFID	Radio Frequency Identification
RRC	Resource Recovery Centre
SUD	Single Unit Dwelling
WPF	Waste Processing Facility
WTS	Waste Transfer Station



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Valuation Report

71-75 Woomera Avenue
Edinburgh, South Australia 5111

File Ref: 7962221

VALUATION REPORT



**71-75 Woomera Avenue
Edinburgh, South Australia 5111**

Prepared For	Northern Adelaide Waste Management Authority.
Report Purpose	Pre-purchase advice purposes.
Valuation Date	25 May 2017
Our Reference	7962221
Client Reference	DT12052017

Opteon Property Group

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ABN 87 086 953 737
GPO Box 11022 Adelaide, SA, 5001

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VALUE MADE VISIBLE

Liability limited by a scheme approved under Professional Standards Legislation

1.0 Valuation Summary

1.1 Instructions

Instructing Party	Danial Dunn, Northern Adelaide Waste Management Authority.
Client / Authorised Party	Northern Adelaide Waste Management Authority.
Client Reference	DT12052017.
Valuation Purpose	Pre-purchase advice purposes - <i>Please note, this report does not meet Practice Standards for valuations for mortgage/finance purposes and is specifically unsuitable for this purpose.</i>

1.2 Property Details

Property Address	71-75 Woomera Avenue, Edinburgh, South Australia 5111.
Property Description	The subject property comprises a high quality, office warehouse facility built circa 2005 in the outer northern industrial estate of Edinburgh Parks. The improvements provide a Gross Lettable Area of 3,852 square metres which includes 3,240 square metres of warehouse and 612 square metres of office / amenities accommodation. There is an additional 183 square metres of loading canopy to the eastern side of the improvements. Land area is 1.918 hectares (19,180 square metres) approximately. The property is currently occupied on a short term lease and is under contract for \$4,050,000 which was executed 16 February 2016.
Title Reference	Allotment 506 Deposited Plan 68296 Volume 5960 Folio 906.
Tenure Type	Freehold.
Registered Proprietor	Leasecorp Group No.7 Pty. Ltd.
Total Site Area	1.918 ha (19,180 sqm)
Encumbrances	<ul style="list-style-type: none"> • Subject to easement(s) over the land marked S (RTC 9330350). • Subject to easement(s) over the land marked G to distribution lessor corporation (subject to lease 8890000) (TG 10336421). • Subject to easement(s) over the land marked A and B (RTC 10255048). • Mortgage (10580878) to Westpac Banking Corporation.
Lettable Area	3,852 sqm.
Zoning	Urban Employment Zone.

1.3 Property Profile

Market

Marketability	There have been relatively few recent sale transactions of established industrial facilities within the price range of the subject property in the outer northern industrial precinct. Market conditions are subdued with properties generally experiencing marketing campaigns in excess of six months.
Market Activity	Weak demand for properties in this price range within Edinburgh. Some more recent sales activity is noted of significantly larger industrial facilities purchased for owner occupation at below replacement cost or alternatively purchased by investors. Very subdued sales of vacant land suitable for industrial development.
Recent Market Direction	Declining prices were evident within this market subsequent to the announcement of the closure of GMH Plant. However, many of the automotive suppliers to GMH have either vacated premises or sold property in the Edinburgh area in advance of the GMH plant closure date, thus our expectation is that there will not be a substantial increase in current supply levels of industrial properties for lease or sale towards the end of 2017 and early 2018 (excluding the GMH Plant). The decline in pricing levels appears to have slowed with steadier market conditions. The future use of the GMH plant will have an impact on the outer northern industrial precinct.

Asset

Highest & Best Use	The highest and best use for the property is considered to be the existing use as an office/warehouse facility, noting the property may possess further development potential in the future (subject to all necessary consents).
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Occupancy/Cash Flow

Occupancy Status	Currently leased and to be owner occupied at settlement.
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Assumptions & Recommendations:

Verifiable Assumptions	<ul style="list-style-type: none"> The instructions and information supplied contain a full disclosure of all information that is relevant. We have assessed the market value of the subject property on a vacant possession basis assuming the existing lease is terminated at the date of valuation due to the proposed acquisition proceeding.
Assumptions Requiring Further Consultancy	<ul style="list-style-type: none"> Nil.

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 7962221



1.4 Valuation Details

Market Value As Is:

Market Value with Vacant Possession:	\$3,475,000
	(Three Million Four Hundred and Seventy Five Thousand Dollars)
Market Gross Rental Value	\$384,000 pa

This valuation is exclusive of GST

Interest Valued	Fee simple with vacant possession
Date of Inspection	25 May 2017
Date of Valuation	25 May 2017
Date Issued	16 June 2017
Currency of Valuation	90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.
Pecuniary Interest	We confirm that the valuer does not have any pecuniary interest that would conflict with the proper valuation of the property.

Signatories

Joanne Gaetjens AAPI CPV
API No: 64214
Inspecting Valuer

Valuation Summary	<i>This Valuation Summary has been prepared with acknowledgement by the client that it is a synopsis of the property and the valuation on the understanding the client is familiar with the property or have taken their own investigations and due diligence on the property. A more detailed valuation report can be provided if required. All information obtained and researched on the property has been retained on our files for future reference if required. This report is provided on the basis and understanding that this report is only to be used for the specified purpose, and is specifically not suitable for mortgage security purposes. Should a financier be provided with a copy of this report we request the financier refer the client back to us or instruct us to prepare a valuation for mortgage security purposes.</i>
Third Party Disclaimer	<i>This report has been prepared for the private and confidential use of our client, Northern Adelaide Waste Management Authority for the specified purpose. It should not be reproduced in whole or part without the express written authority of Opteon (South Australia) Pty Ltd or relied upon by any other party for any purpose and the valuer shall not have any liability to any party who does so. Our warning is registered here, that any party, other than those specifically named in this paragraph should obtain their own valuation before acting in any way in respect of the subject property.</i>

2.0 Tenure

2.1 Title Particulars:

Title Reference	Tenure	Registered Proprietor	Title Area
Allotment 506 Deposited Plan 68296 Volume 5960 Folio 906	Freehold	Leasecorp Group No.7 Pty. Ltd.	1.918 ha
Total Site Area			1.918 ha

2.2 Easements, Encumbrances & Other Interests Noted on Title

Encumbrances	
	<ul style="list-style-type: none"> Subject to easement(s) over the land marked S (RTC 9330350). Subject to easement(s) over the land marked G to distribution lessor corporation (subject to lease 8890000) (TG 10336421). Subject to easement(s) over the land marked A and B (RTC 10255048). Mortgage (10580878) to Westpac Banking Corporation.

3.0 Planning

Local Government Area	Playford City Council.
Planning Scheme	Playford Council Development Plan consolidated on 21 April 2016.
Current Zoning	Urban Employment.
Overlays	This property is not subject to any overlay controls.
Existing Use	Office and warehouse.
Permitted Uses	A mixed use employment zone that primarily accommodates a range of industrial land uses together with other employment and business activities.
Zoning Effect	The existing use is a permitted use under the current zoning.
Heritage Issues	Not applicable.

4.0 Site

4.1 Site Details

Site Description	A regular, rectangular shaped allotment of generally level contour.
Street Frontage	102.00 metres.
Depth	188.00 metres.
Dimensions	The shape and dimensions of the property are shown on the Title plan.
Site Area	1.918 ha (19,180 sqm).
Identification	The property has been identified by reference to Title search statement in conjunction with online Cadastral Plan and our on site inspection.

4.2 Services

Services	Electricity supply (both single and three phase), gas, sewer, water and telephone are all connected or assumed readily available to the site.
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5.0 Improvements

5.1 Main Building

Main Building Type	Office/warehouse.
Accommodation	Office accommodation is located at the front of the improvements and provides accommodation over two levels. The ground floor comprises a meeting room, recreation room, reception area (with adjacent kitchenette), boardroom, staff lunchroom, laundry, store/utility room and male, female and disabled access toilet amenities. The upper level offices comprise a large central open plan area with small kitchenette, five partitioned offices, photocopier room, server room and male and female toilet amenities.
	The warehouse provides high clearance accommodation. Vehicular entry is provided via single roller door access to the northern and southern sides (which both provide 'fast door' shutters), with an additional roller door noted to the eastern side. The roller doors provide approximately 5.0 metre height clearance, with internal clearance at the eaves being approximately 8.0 metres and extending to approximately 9.0 metres at the apex. The warehouse has a single row of internal support columns.
Construction:	
Floors	Concrete.
Main External Walls	Concrete tilt panel to offices. Concrete tilt up panel to warehouse to dado with metal deck cladding above.
Windows	Aluminium.
Roof	Metal decking with intermittent translucent sheeting.
Main Interior Linings	Plasterboard to the office component.
Ceilings	Plasterboard and suspended acoustic tile to offices.
Construction Year	Circa 2005.
Building Services	
Lighting	Recessed fluorescent lighting to offices and metal halide suspended light fittings to the warehouse.
Air-conditioning / Ventilation	A combination of ducted reverse cycle and individual ceiling and wall mounted split system units are noted throughout the office component. The warehouse includes ducted evaporative air conditioning units and sisilation lined walls and ceiling.
Lifts	No.
Electrical	The building has single and three phase electrical services.
Fire Services	Basic fire fighting equipment is provided, including fire extinguishers, fire hose reels and emergency exit signs and exits.
Security Systems	Alarm.
Disability Access	Level access is provided.
Building Services Comment	The subject property provides a modern standard of accommodation.

5.2 Plant & Equipment

Included within our valuation is all plant and equipment (such as air-conditioning plant and equipment, fire services, or the like) which forms an integral part of the property. Our valuation excludes all non-integral plant and equipment, fit-out, furniture and equipment and personal items/contents.

6.1.5 Woomera Avenue Valuation Report - June 2017

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 7962221



5.3 Building Areas

Total Lettable Area	3,852 sqm.
Building Area Measurement Basis	Gross Lettable Area.
Source of Areas	The building areas have been obtained from on site measurements.

Level:	Component:	Lettable Area:
Ground Floor	Office/Amenities	306 sqm
	Warehouse	3,240 sqm
Upper Level	Office/Amenities	306 sqm
Total Lettable Area:		3,852 sqm

5.4 Analysis

Office and Amenities Ratio	16% of total gross lettable area.
Site Coverage	18% of total building area at ground level.

5.5 Other Improvements

Other Improvements Include:	<ul style="list-style-type: none"> • Ground level plant room. • Third level plant room. • Cantilevered loading canopy (183 sqm). • Two wash bays. • Concrete and bitumen sealed yard.
Car Parking	37 line marked car parks to the front and 25 line marked car parks at the rear of the building improvements.
Number of Car Parks	62.

5.6 Condition and Repairs

Internal Condition	Generally appears in very good condition.
External Condition	Generally appears in very good condition.
Repairs & Maintenance	At the time of inspection the building appeared to be in reasonable condition with no significant requirements for repairs being noted other than items which would normally be undertaken as part of regular repairs and maintenance.
Pest Infestation	Our inspection of the subject property did not reveal any visible signs of pest infestation. It is recommended that regular inspections are undertaken.

6.0 Photographs



Reception



Offices



Offices



Education Room



Boardroom



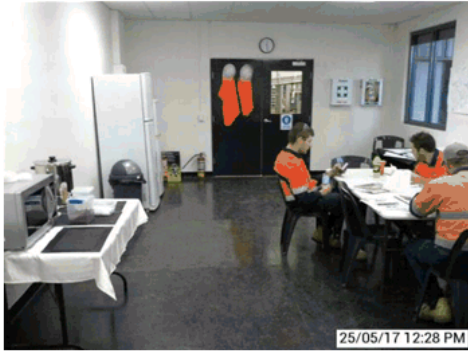
Kitchen facilities



Warehouse



Warehouse



Kitchen facilities



Rear



Yard Areas



Car Accommodation

7.0 Environmental Issues

7.1 Environmental Hazards

Flooding/Inundation	The site appears to have reasonable site run-off drainage and does not appear to be subject to flooding during normal climatic conditions.
Landslip	The property is not within a publicly known landslip area however this could be confirmed by obtaining copies of relevant searches from the Council and other authorities should this be considered necessary.
Subsidence	The property is not within an area which is publicly known to be subject to subsidence however this could be confirmed by enquiries from the Council and other authorities should this be considered necessary.

7.2 Asbestos

Asbestos Register	Given the year of construction an asbestos register is not appropriate.
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8.0 Occupancy Details

Occupancy Status The property is currently Leased with the Offer to Lease Document and Disclosure Statement provided.

8.1 Lease Summary

We have been provided with a copy of the Offer to Lease signed on behalf of the Lessee. The pertinent details are as follows:

Lessee	Northern Adelaide Waste Management Authority
Lessor	Lease Corp Group No. 7 Pty. Ltd.
Demised Premises	Allotment 506 Woomera Road, Edinburgh Parks SA 5111.
Lease Commencement	1 November 2016.
Lease Term	One year.
Options	Two further rights of renewal, each for one year.
Lease Expiry	31 October 2017.
Current Rent	\$384,000 per annum, excluding GST.
Rent Reviews	Fixed to 3% per annum.
Net or Gross	Gross.
Outgoings	Lessor is responsible for all property outgoings.
Permitted Use	Not specified.
Special Conditions	It is acknowledged by the parties that a Contract for Sale was entered into by the parties on 16 February 2016 for the land. The Contract for Sale is conditional on the Purchaser (being the Lessee) receiving planning approval by Salisbury Council for its intended use of the site for a recycle depot. The parties mutually agree that in the event formal planning approval being received from the Salisbury Council, this lease shall terminate at settlement of the land.

9.0 Financial Details and Analysis

9.1 Budgeted Outgoings

The income as detailed above has been assessed on a gross basis with the Less or responsible for property outgoings and accordingly it is necessary to examine outgoings in arriving at a net rental. From information provided and market benchmarks, we have determined outgoings for the property as follows:

Budgeted Outgoings Analysis for 2017/18

Outgoings Schedule			
			\$ psm:
Statutory Outgoings:	Land Tax	\$15,244	\$3.96
	Council Rates	\$22,857	\$5.93
	Water & Sewerage Rates	\$8,694	\$2.26
	Emergency Services Levy	\$6,654	\$1.73
		\$53,449	\$13.88
Operating Expenses:	Insurance	\$8,901	\$2.31
	Repairs and Maintenance	\$5,000	\$1.30
		\$13,901	\$3.61
		\$67,350	\$17.48
Total Outgoings:			
		\$67,350	\$17.48
Apportioned:	Recovered Outgoings	\$0	\$0.00
	Non-Recovered Outgoings	\$67,350	\$17.48

9.2 Outgoings Analysis

The estimated/actual outgoings adopted for the 2017/18 financial year equate to approximately \$17 per square metre of gross lettable area which is considered within current market expectations for industrial properties of this nature.

9.3 Current Passing Net Income

The current passing rental is \$384,000 per annum. Deductions for the estimated property outgoings as determined in Section 9.1 result in an estimated net income of \$319,150 equating to \$83/sqm per annum net.

10.0 Statutory Assessments

Statutory Assessments	Assessment No: 4425406856
	Site Value: \$800,000
	Capital Value: \$2,525,000

11.0 General Comments

The subject property comprises a modern, high quality, office warehouse facility which was offered to the market for sale or lease in late 2015 by LJ Hooker Commercial and is currently under contract at \$4,050,000. This valuation is subsequent to our previous report dated 17 November, 2015 undertaken for potential acquisition purposes, at which time the property was vacant. It is understood the contract which was executed in 16 February, 2016 was subject to Development Approval which is currently in the final stages. The subject property has experienced an extended settlement period due to the purchaser being associated with the City of Salisbury with public consultation required and applications to the Environment Resources and Development Court.

The purchaser currently occupies the property on a short term lease basis with a lease to the vendor for an initial term of one year which commenced 1 November, 2016. Whilst it is noted there are two further rights of renewal for one year each, upon the purchaser being granted development approval, the contract for sale is unconditional and settlement will occur, at which time the lease is terminated. The current rent equates to \$99.69 per square metre per annum gross with the Lessor responsible for all property outgoings. We have been advised the Lessee has undertaken some minor upgrades to the kitchen/staff-room and internal painting for approximately \$40,000 together with some and electrical upgrading works for approximately \$280,000.

12.0 Market Commentary

The industrial sector in Adelaide has remained reasonably stable, however we note the impending closure of General Motors Holden (GMH) Elizabeth Plant in late 2017. GMH have advised production at the plant will cease in October 2017 followed by a 12 month decommissioning of plant and equipment. The marketing for the sale of the GMH property on a vacant possession basis commenced in March 2017 by CBRE seeking expressions of interest from buyers. Many of the automotive suppliers to GMH have either vacated premises or sold property in the Edinburgh area in advance of the GMH plant closure date, thus our expectation (excluding the GMH Plant) is that there will not be a substantial increase from current supply levels of industrial properties for lease or sale towards the end of 2017 and early 2018.

On 14 September 2015 the Australian and South Australian Governments announced the joint funding of \$985 million for the construction of the Northern Connector, a 15.5 kilometre motorway connecting the Northern Expressway and Port Wakefield Road to the Port River Expressway and South Road (North-South Motorway). Construction commenced in 2016 with completion due in 2019.

There have been several sales of large, industrial facilities in Edinburgh over the past year which have achieved sale prices in excess of \$8 million including:

- West Avenue Distribution Centre at 76-86 West Avenue, Edinburgh which transacted for \$9,500,000 in September, 2016 with vacant possession.
- Purling Distribution Centre at 122-132 Purling Avenue, Edinburgh which transacted in August 2016 for \$15,300,000 with short term lease to GM Holden Limited.
- 103-109 West Avenue, Edinburgh which transacted in July 2016 for \$15,250,000 which was leased to MTU Detroit Diesel Australia. This property was sold as a part of a national portfolio of eight properties sold by Charter Hall with the sale brokered by Colliers International.

In addition we note the transport and logistics facility at 32-38 Kaurna Avenue, Edinburgh which is currently under contract. This sale was negotiated by Jones Lang Lasalle with the sale price undisclosed however is anticipated to be approximately \$9 million.

Whilst the sales activity of properties within this upper price level is encouraging these sales have been purchased for owner occupation at below replacement cost or alternatively purchased by investors. We note sales of vacant land and subsequent development activity has been limited over the past few years, reflective of the abundance of stock on the market and subdued market conditions.

Within the wider industrial market, there is an abundance of properties offered for lease providing a variety of accommodation ranging from office warehouse, industrial units and larger depot and storage yards. Properties with a gross lettable area of greater than 2,000 square metres, are in less demand and thus an extended time is likely to be required to secure a lease. Weakness in occupier demand for accommodation has resulted in a reduction of face net rental rates during 2016. There is a preference by Lessors to accepting rental reductions, rather than lose existing Lessees whom are negotiating lease renewal terms. Incentives for new leases of at least five year terms, attract incentives ranging from 7.5% to 15%. For large (greater than 2,000 square metres GLA) secondary stock, demand is relatively weak, with increasing pressure on owners to either discount the rent to an 'effective' basis or provide substantial incentives to Lessees to avoid longer term vacancies.

Investors are seeking good quality, modern properties with a high calibre tenant (national/ASX-200 companies) and strong lease covenants. Properties offering WALE's of greater than five years are in demand and firmer yields can be achieved especially for prices less than \$3.0 million. Vacant properties with dated improvements, requiring capital upgrades, priced above \$2.0 million with gross lettable areas of over 2,000 square metres, are experiencing extended periods on the market.

13.0 Market Evidence

13.1 Rental Evidence

Address	Date	Term & Options	Total Rent	Lettable Area	Overall Rate
568-570 Waterloo Corner Road, Burton, SA	Sep 2016	Term: 3 yrs Options: 3+3 yrs	\$105,000	1,645 sqm	\$64 ps m

Comments: Comprises a 'Colorbond' clad office workshop built circa 2000. Accommodation includes warehouse of 1,522 sqm with 4.8m roller door clearance and 123 sqm office (7.5%) comprising reception, kitchen and toilet. Site area of 7,260 sqm and site coverage of approximately 23%. The property has potential to be configured as two separate tenancies with mirror image layout. The offices comprise two reception/offices, four individual offices, two kitchenettes, two bathrooms and two separate toilet facilities. Leased by Lin Andrews Real Estate with agent reporting good demand.

Comparison to subject: Low office ratio, indicated a higher rental rate is appropriate for the subject property.

83 Research Road, Pooraka, SA	Feb 2016	Term: 7 yrs Options: 5+5 yrs	\$180,000 pa Net	2,214 sqm	\$81 ps m
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Comments: Modern showroom/office warehouse of pre-cast concrete construction built circa 2005 with steel portal frame roof and canopies. Accommodation includes office/showroom of 656 square metres (30%) and warehouse of 1,558 square metres with loading bay from five roller doors. Includes bitumen sealed car park and site area of 4,773 sqm.

Comparison to subject: Smallscale premises with lower clearance, superior location. Comparable rental rate range.

29-33 Heaslip Road, Burton, SA	Jan 2016	Term: 5 yrs Options: Nil	\$234,121 pa Net	3,098 sqm	\$76 ps m
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Comments: Comprises a substantial bonded office/warehouse of circa 2010 construction, with tilt up concrete walls. The warehouse provides high clearance, clear span accommodation with a good standard of internal office/amenities. Warehouse ceiling height is approximately 9.0 metres, with dual sliding 6.0 metre doors to the northern side. The warehouse is sisalation blanket lined and provides fire fighting sprinklers throughout. Office/amenities of 223 sqm (7.2%), with site coverage of approximately 26%. Good quality concrete hardstand and parking areas, with security fencing to the site. Sitting National tenant (Packcentre) negotiated a substantially reduced rental, with reduced annual reviews of 1.5% in order to renew from early 2016.

Comparison to subject: Lower office component, indicates a moderately higher rental rate is appropriate for the subject premises.

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10 Cheviot Road, Salisbury South, SA	Dec 2015	Term: 3 yrs Options: 4x2 yrs	\$276,250 pa Net	4,250 sqm	\$65 psm
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Comments: Comprises a steel framed metal clad distribution warehouse, built circa 1973, with internal columns, a fire sprinkler system, high internal minimum clearance of approximately 6.5 metres and dado precast panel walls to 2.5 metres in height. The improvements also include undercover loading bays and concrete paved driveways. Tenant is Super Amart. Leased by Savills.

Comparison to subject: Older, larger accommodation of inferior quality. Rental rate is considered to be below achievable levels for the subject property.

Allotment 22 Mirage Road, Direk, SA	Oct 2015	Term: 3 yrs Options: Undisclosed	\$75,000 pa Net	1,050 sqm	\$71 psm
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Comments: Brand new Colorbond warehouse with tilt up concrete two storey internal office component. Warehouse has dual access roller doors with high clearance canopy adjacent and concrete hardstand areas. Located within the Vicinity Industrial Base, the improvements include approximately 14% office / amenities. Leased by CBRE.

Comparison to subject: Smaller scale premises, moderately lower office component with no fit out included. Indicates a moderately higher rental rate is considered appropriate for the subject property.

Market Rent Conclusions:

The above rental evidence analysed from \$64 to \$81 per square metre of gross lettable area per annum net for tenancy areas which ranged in size from 1,050 to 4,250 square metres. The lowest rate of \$64 per square metre per annum net was achieved by the smallest tenancy however we note the relatively low clearance. The current rental for the subject property equates to \$83/sqm per annum net and is considered to be at the upper end of the current market rental range and has been adopted for valuation purposes.

13.2 Improved Industrial Sales Evidence

There have been few sales within Edinburgh over the past few years considered comparable to the subject property with the most relevant sales as follows:

Property	55-61 Kaurna Avenue, Edinburgh, SA			
Sale Price	\$4,975,000			
Sale Date	01-Feb-17			
Site Area	1.283 ha			
Zoning	Urban Employment			
Lettable Area	2,620 sqm			
Property Description	Comprises a purpose built industrial facility constructed circa 2011. Accommodation includes offices of 120 (4.6% of GLA) square metres and warehouse of 2,500 square metres. The warehouse includes concrete tilt up to dado with 'Colorbond' metal deck external cladding and sisilation internal wall lining. Features dual access with bitumen sealed drive around access, extensive hardstand, concrete pad and with established on-site car parking provision for 20 vehicles. The property was leased to Roda Pty. Ltd. for an initial term of 10 years commencing 1 May, 2011 with two further rights of renewal for 5 years each. Current passing rental of \$392,555 (\$150/sqm) per annum net. Annual reviews are fixed to 3% with the exception of the 10th and 15th years of commencement whereby the rent is reviewed to the greater of 3% or market. Sold by CBRE.			
Analysis	WALE	4.2 years	Initial Net Yield	7.89 %
	Market Net Yield	4.85 %	Reversionary Yield	4.21 %
	Site Rate	\$388/sqm	Lettable Area Rate	\$1,899/sqm
	Site Coverage	20%		
Comparability	Property was purpose built for the lessee with the rent considered to be well above current market rental levels without a provision for market review (unless market level is above a 3% increase) throughout the remaining lease term and extension of lease terms (14.2 years). The initial yield is considered to be reflective of the premium rental over the extended period. Weaker yield anticipated for the subject property.			

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 7962221



Property	59 Woomera Avenue, Edinburgh, SA			
Sale Price	\$2,000,000			
Sale Date	19-Nov-15			
Site Area	1.171 ha			
Zoning	Urban Employment			
Lettable Area	862 sqm			
Property Description	<p>Comprises a medium clearance warehouse built circa 2009 with external offices, total lettable area of approximately 862 square metres. Two loading canopies attached to the 'Colorbond' warehouse. Warehouse provides high bay metal halide lighting, with the ceiling being sisalation lined. Site improvements include security mesh perimeter fencing with concrete hardstand and vehicle manoeuvring areas.</p> <p>Leased to Coates Hire Operations Pty Ltd for 10+ 5 + 5, with current term expiring 24th January 2020. Passing Net rental of \$184,172 per annum (\$214 psm). Sold by Leedwell Property prior to auction.</p>			
Analysis	WALE	4.2 years	Initial Net Yield	9.21 %
	Market Net Yield	9.21 %	Site Rate	\$171/sqm
	Lettable Area Rate	\$2,320/sqm	Site Coverage:	7%
Comparability	Smaller scale premises in a lower price range with low site coverage. Lower rate per square metre of gross lettable area and moderately weaker yield considered appropriate for the subject property.			
Property	29-31 Kaurna Avenue, Edinburgh, SA			
Sale Price	\$1,250,000			
Sale Date	29-Oct-15			
Site Area	5,551 sqm			
Zoning	Urban Employment			
Lettable Area	1,327 sqm			
Property Description	<p>Circa 2009 built office/warehouse accommodation within the 'Edinburgh Parks' Industrial Estate. The improvements comprise two storey office accommodation and warehouse with internal height clearance of approximately 8.1 metres to the underside of the gantry cranes (two ten tonne) extending to 10 metres at the apex. Features four electric roller door access points. Offices/amenities equate to a approximately 16% of total GLA. Includes a 'Colorbond' clad canopy (107 sqm) with height clearance of some three metres. The site is fully concrete paved providing drive through access for heavy vehicles. On site car parking provision for 22 vehicles with access via two points of secured ingress/egress to Kaurna Avenue.</p> <p>Fully leased to Wingfield Structural Pty Ltd for a term of 5+5 years commencing February 2014. The passing rental was \$170,000 per annum gross (\$128 psm) equating to \$142,000 per annum net (\$107/sqm) – including surplus hardstand of some 2,500 sqm. Passing rent considered to be in excess of current market parameters, with market rent considered to be a approximately \$80 per square metre per annum Net overall. Sold by Knight Frank.</p>			
Analysis	WALE	3.3 years	Initial Net Yield	11.36 %
	Market Net Yield	9.24 %	Reversionary Yield	8.49 %
	Site Rate	\$225/sqm	Lettable Area Rate	\$942/sqm
	Site Coverage:	22%		
Comparability	Smaller sized property in lower price range. Relatively weak initial net yield considered to be reflective of the rental being above market levels. Reversionary yield considered to be moderately stronger than an appropriate yield for the subject property.			

71-75 Woomera Avenue
 Edinburgh, SA 5111
 Our Reference: 7962221



Property	46-54 Cheviot Road, Salisbury South, SA			
Sale Price	\$2,500,000			
Sale Date	14-Oct-15			
Site Area	1.6977 ha			
Zoning	Industry			
Lettable Area	4,416 sqm			
Property Description	<p>Regular site of 16,997 sqm with well presented office of 212 sqm, three bay steel framed warehouse/workshop of 3,954 sqm with roof clearance of 4 metres at side wall up to 7 metre at the apex but low clearance and frequent columns at where each bay joins. There is a 250 sqm storage shed situated at the rear of the site. There was a large evaporative cooling unit throughout the warehouse. The yard was sealed with blue gravel at the rear and concrete at the front. The property was offered for sale at \$3,000,000 or for lease at \$275,000 and was on the market for just over 6 months prior to sale. Sold by Raine and Horne Commercial with vacant possession.</p>			
Analysis	Market Net Yield	11.59 %	Reversionary Yield	9.89 %
	Site Rate	\$147/sqm	Lettable Area Rate	\$566/sqm
	Site coverage	26%		
	<p>(Our Market Net Yield assumes net rental rates of \$160/sqm for the office, \$55/sqm for the warehouse and \$45/sqm for the rear storage shed. We have applied a rate of \$80/sqm to the surplus land (assumed 8,145 sqm) and assumed a 12 month letting up period with 1 month rent free period).</p>			
Comparability	<p>Moderately larger building improvements of inferior quality on a smaller site. Considered inferior on a rate per square metre of gross lettable area basis and stronger yield considered appropriate for the subject property.</p>			

Property	21-27 Kaurna Avenue, Edinburgh, SA			
Sale Price	\$4,200,000			
Sale Date	27-Apr-15			
Site Area	10,610 sqm			
Zoning	Urban Employment			
Lettable Area	2,951 sqm			
Property Description	Circa 2010 built substantial office/warehouse premises within the 'Edinburgh Parks' Industrial Estate. Improvements comprise office accommodation with reception and a combination of open plan and partitioned offices. Fitout is of a good standard and includes ducted reverse cycle air conditioning. The warehouse is of dado construction and provides high clearance, clear span accommodation with metal halide lighting and translucent sheet roofing for natural light. Warehouse access is provided via three high clearance roller doors to the western side, with an additional roller door beneath a cantilevered canopy to the northern side. The majority of the site comprises concrete paved hardstand with the building configuration providing drive through access for heavy vehicles (egress to Tappa Road). Site improvements include basic irrigated landscaping, security boundary perimeter fencing and internal vehicle boom gate. Fully leased to Bridgestone Earthmoving Tyres for 10 years from November 2010 with 3% annual rental growth, the premises were purpose built for the Lessee. The reported net passing rental was \$407,434 per annum (\$138 per sqm per annum) including surplus land of some 4,000 square metres. Sold by Jones Lang LaSalle. Market rent considered approximately \$295,100 (\$100 psm per annum).			
Analysis	WALE	5.5 years	Initial Net Yield	9.70 %
	Market Net Yield	7.98 %	Reversionary Yield	7.03 %
	Site Rate	\$396/sqm	Lettable Area Rate	\$1,423/sqm
	Site Coverage:	28%		
Comparability	Moderately smaller building improvements on a smaller site. Relatively weak initial yield reflective of the premium passing rental. Weaker yield, compared to the market net yield, and lower rate per square metre of gross lettable area considered appropriate for the subject property.			

Sales Evidence Conclusions:

The above sales transacted from \$1,250,000 to \$4,975,000 and comprised properties within building improvements which ranged from 862 to 4,416 square metres. These sales analysed from \$566 to \$2,320/sqm of gross lettable area. The lowest rate of \$566/sqm was achieved by the largest building improvements of inferior quality comprised within the property at 46-54 Cheviot Road, Salisbury South with this rate considered to be below achievable levels for the subject property. The highest rate of \$2,320 was achieved by the property which comprised the smallest building improvements of 862 square metres, being the property at 59 Woomera Avenue, Edinburgh with this rate considered to be well above achievable levels for the subject property. After consideration of the sales evidence we are of the opinion an appropriate rate for the subject is within the range from \$800 to \$1,000 per square metre of gross lettable area.

On an investment basis the sales which transacted on a leased basis achieved net market yields within the range from 4.85% to 9.24% with the exception of the property at 55-61 Kaurna Avenue, Edinburgh which achieved an initial yield of 7.89% transacted with a rental well above market levels with no market review throughout the lease period or extension of lease periods unless the current market levels is greater than 3% increase. The property which transacted on a vacant possession basis, being the property at 46-54 Cheviot Road, Salisbury South achieved a reversionary yield of 9.89%. After consideration of the sales evidence, we are of the opinion an appropriate rate for the subject property is within the range from 9.0% to 9.50% and have adopted a rate at the mid point of the range, being 9.25% for valuation purposes.

14.0 Valuation Calculations

As the property is assessed on a vacant possession basis assuming the existing lease is terminated as at the date of valuation due to the proposed acquisition, we have adopted the Direct Comparison Approach on a rate per square metre of gross lettable area basis supported by the Capitalisation of Net Income Approach.

14.1 Market Approach

Direct Comparison Method

As discussed in Section 13.2 we are of the opinion an appropriate rate for the subject property is within the range from \$800 to \$1,000 per square metre of gross lettable area. We note the sales included within this report all had site coverages between 7% and 28% with the subject property having a site coverage of 18% and thus utilising a Direct Comparison Approach on a rate per square metre of gross lettable area basis no additional allowance for the surplus land component has been added. Our calculations are as follows:

Direct Comparison Lettable Area Basis (and Sensitivity Analysis)				Market Value
Lettable Area:	3,852 sqm	@ \$800		\$3,081,600
	3,852 sqm	@ \$900		\$3,466,800
	3,852 sqm	@ \$1,000		\$3,852,000
Indicates Total Market Value:				<i>Rounding</i> \$25,000 \$3,475,000

14.2 Income Approach

As discussed in Section 13.1 we have adopted the current passing gross rental as reflective of current market rental levels and have deducted the budgeted outgoings as determined in Section 9.1 of this report to arrive at the estimated market net income. This has been capitalised at 9.25% as determined in Section 31.2 of this report. Whilst noting the property is currently leased, the lease terminates upon settlement with the purchaser being the current Lessee. Thus we have deducted an appropriate letting up allowance, leasing fees and incentives allowance. We have added \$464,175 for surplus land based on a site coverage ratio of 40% and land value of \$45 per square metre.

Market Income Capitalisation Method

Our valuation calculations are summarised as follows:

Passing and Market Income Analysis										
Level/Tenancy	Tenant		Passing Rent	Recovered Outgoings	Passing Income	Passing Rate	Market Rate	Market Rent	Recoverable Outgoings	Market Income
Whole	NAWMA	3,852 sqm	\$384,000	\$0	\$384,000	@ \$100	@ \$100	\$384,000	\$0	\$384,000
Totals:			\$384,000	\$0	\$384,000	\$100	\$100	\$384,000	\$0	\$384,000

Letting Up and Incentives						
Level/Tenancy	Tenant	Letting Up Period	Letting Costs	Letting Up Allowance	Rent Free	Incentives
Whole	NAWMA	9 mths	\$48,000	\$288,000	6 mths	\$192,000
Totals:			\$48,000	\$288,000		\$192,000

Market Income Capitalisation Method					
Market Annual Rent:					\$384,000
Recoverable Outgoings:					\$0
Market Income:					\$384,000
Less: Outgoings:					-\$67,350
Net Market Annual Income:					\$316,650
Capitalised				@ 9.25%	
Capitalised Value (before adjustments):					\$3,423,243
Capital Adjustments:					
Letting Up Allowance					-\$288,000
Leasing Costs					-\$48,000
New Tenant Incentives					-\$192,000
Value of Surplus Land	10315 sqm		@ \$45		\$464,175
Sub-Total:					-\$63,825
Total Market Value:					\$3,359,418
Indicates, Total Market Value:					\$3,350,000
Sensitivity Analysis:					
Net Market Annual Income:	\$316,650	\$316,650	\$316,650	\$316,650	
Capitalised	@ 8.75%	@ 9.25%	@ 9.75%	@ 9.75%	
Capitalised Value:	\$3,618,857	\$3,423,243	\$3,247,692	\$3,247,692	
Capital Adjustments:	-\$63,825	-\$63,825	-\$63,825	-\$63,825	
Total Market Value:	\$3,555,032	\$3,359,418	\$3,183,867	\$3,183,867	
Indicates Total Market Value:	<i>Rounding</i> \$25,000	\$3,550,000	\$3,350,000	\$3,175,000	
Reflecting:	Initial Yield	8.92%	9.45%	9.97%	
	Reversionary Yield	10.26%	10.97%	11.68%	
	\$ psm Lettable Area	\$801	\$749	\$704	
	\$ psm Land	\$185	\$175	\$166	

14.3 Valuation Reconciliation & Conclusion

Valuation Reconciliation

Valuation Reconciliation	
Market Approach (Direct Comparison Lettable Area Basis (and Sensitivity Analysis))	\$3,475,000
Income Approach (Market Yield)	\$3,350,000
Adopted Valuation:	\$3,475,000
Adopted Valuation reflects:	
Rate psm Land Area:	\$181
Rate psm Lettable Area:	\$902
Initial Yield:	9.11%
Market Yield:	8.95%
Reversionary Yield:	10.52%

Having regard to the above calculations, and after taking into account both the positive and negative attributes of the property, from an objective and unbiased, yet balanced point of view, we are of the opinion that the Market Value of the property is \$3,475,000.

15.0 Assumptions, Conditions & Limitations

Area Disclaimer	<i>In the event actual surveyed areas of the property are different to the areas adopted in this valuation the survey should be referred to the valuer for comment on any valuation implications. We reserve the right to amend our valuation in the event that a formal survey of areas differs from those detailed in this report.</i>
Asbestos Disclaimer	<i>We are not experts in the identification of Asbestos and therefore, in the absence of an environmental consultant's report concerning the presence of any asbestos fibre within the subject property, this valuation is made on the assumption that there is no: asbestos material present; health risk from asbestos within the property; or there is any material expense relating to the repair, management or replacement of asbestos materials in the foreseeable future. Should an expert's report establish that there is an asbestos related health risk or a requirement to undertake asbestos remediation works then we reserve the right to review this valuation.</i>
Building Services Disclaimer	<i>No documentation or certification has been sighted to verify the condition of building services, and we have assumed that all building services are: adequate in specification; in good operational condition; and satisfactorily maintained.</i>
Encroachments	<i>The valuation is made on the basis that there are no encroachments (unless otherwise noted) by or upon the property and this should be confirmed by a current survey report and/or advice from a land surveyor. If any encroachments are noted by the survey report the valuer should be consulted to assess any effect on the value stated in this report.</i>
Environmental Disclaimer	<i>This report is not an environmental audit and no advice is given in any way relating to environmental or pollution matters. Any comments given as to environmental or pollution factors in relation to the property are not given in the capacity as an expert. This assessment of value is on basis that the property is free of contamination or environmental issues affecting the property not made known to the valuer. In the event the property is found to contain contamination the matter should be referred to this office for comment. Given contamination issues can have an impact on the Market Value of the property, we reserve the right to review and if necessary vary our valuation if any contamination or other environmental hazard is found to exist.</i>
Full Disclosure Disclaimer	<i>Whilst we have attempted to confirm the veracity of information supplied, the scope of work did not extend to verification of all information supplied or due diligence. Our valuation and report has been prepared on the assumption the instructions and information supplied has been provided in good faith, is not in any way misleading or deceptive, contains a full disclosure of all information that is relevant, there are no undisclosed agreements in place that affect the property and the sale price includes GST. The valuer and valuation firm does not accept any responsibility or liability whatsoever in the event the valuer has been provided with insufficient, false or misleading information.</i>
Future Value	<i>Any comments are made in relation to future values are based on general knowledge and information currently available. These comments should not be construed as a prediction of future value levels or a warranty of future performance as the property market is susceptible to potential rapid and unexpected change caused by multiple factors. Ultimately current expectations as to trends in property values may not prove to be accurate. Due to possible changes in the property market, economic conditions, occupancy status and property specific factors, we recommend the value of the property be reassessed at regular intervals</i>
Geotechnical	<i>We have not sighted a geotechnical engineers' survey of the property. We are not experts in the field of civil or geotechnical engineering and we are therefore unable to comment as to the geotechnical integrity of the ground and soil conditions. It is specifically assumed that there are no adverse geotechnical conditions that compromise the utility of the property for the current or highest and best use. In the event there is found to be adverse ground conditions we recommend the matter be referred to this Company for comment.</i>
Heritage Disclaimer	<i>Our valuation has been assessed having regard to the nature of any buildings on the property and any known heritage listings. However we have not obtained formal confirmation of heritage listings beyond what is available in the public domain and identified in this report. Our valuation assumes, unless otherwise specified, that any heritage issues (including Aboriginal) do not impact on the continued and/or highest and best use of the property. If there is doubt in relation to such issues we recommend written application be made to the relevant authorities.</i>
Identification	<i>The property has been identified as per details provided within this report. The identification comments are not provided in the capacity of an expert, and a surveyor (not a valuer) would be able to confirm the identification of the property and/or any encroachments by way of undertaking a site survey.</i>
Inconsistencies in Assumptions	<i>If there is found to be any variance, inconsistency or contradiction in any of the assumptions within this report then this may have an impact on the market value of the property and we recommend this valuation be referred back to the Valuer for comment.</i>

Market Change	<i>This valuation is current as at the Date of Valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property or factors that the Valuer could not have reasonably become aware of as at the date of the Report). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. We recommend the valuation be reviewed at regular intervals.</i>
Market Evidence Information Availability	<i>In preparing this valuation we have undertaken those investigations reasonably expected of a professional valuer having regard to normal industry practice so as to obtain the most relevant, available, comparable market evidence. Whilst we believe the market evidence information and any other information provided to be accurate, not all details can and have been formally verified. Due to privacy laws, confidentiality agreements and other circumstances beyond our control, the valuer may not have had access to:</i> <ul style="list-style-type: none"> • <i>Personal details of parties involved in transactions (including the relationship of the parties);</i> • <i>Information on recent transactions that are yet to become public knowledge; and</i> • <i>Copies of leases or contracts to confirm rents or prices and to ascertain whether or not rents or prices are inclusive or exclusive of GST.</i>
Market Value	<i>"Market Value is the estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".</i>
Native Title Assumption	<i>We are not experts in native title or the property rights derived there from and have not been supplied with appropriate expert advice or reports. Therefore, this valuation is made assuming there are no actual or potential native title interests affecting the value or marketability of the property.</i>
Owner Occupied Property	<i>Owner-occupied properties valued for lending purposes will normally be valued on the assumption that the property is transferred unencumbered by the owner's occupancy, i.e., that the buyer is entitled to full legal control and possession. Our valuation is prepared on the basis of vacant possession and in the event the property is unable to be transferred unencumbered we reserve the right to review our valuation.</i>
Planning Disclaimer	<i>Town planning and zoning information was informally obtained from the relevant local and State Government authorities and is assumed to be correct. Should the addressee require formal confirmation of planning issues then we recommend formal application be made to the relevant authorities to confirm planning details.</i>
Publication of Report	<i>The publication of the valuation or report in whole or any part, or any reference thereto, or the names and professional affiliations of the valuers is prohibited without the prior written approval of the valuer as to the form and context in which it is to appear.</i>
Site Survey Disclaimer	<i>This report is not a site survey and no advice is given in any way relating to survey matters. Any comments given in relation to the property are not given in the capacity as an expert, however, are based on our inspection of the property and review of the Certificate of Title plans. Should the addressee require absolute certainty in relation to the site area, dimensions or possible encroachments we recommend that a surveyor be engaged to provide appropriate advice and a survey of the property if considered necessary. In the event there are any fundamental inconsistencies between any site survey undertaken and site detail adopted in this valuation, the survey should be referred to the valuer for comment on any valuation implications (including amendment of our valuation if considered necessary).</i>
Structural Disclaimer	<i>This report is not a structural survey and no advice is given in any way relating to structural matters. Any opinion given as to the condition of the improvements on the property is not given in the capacity as an expert. A structural report on the building and/or its plant and equipment has not been sighted, and nor have we inspected unexposed or inaccessible portions of the premises. Therefore we cannot comment on the structural integrity, any defects, rot or pest infestation (or damage from pest infestation) of the improvements, any use of asbestos or other materials now considered hazardous or areas of non-compliance with the Building Code of Australia, other than matters which are obvious and which are noted within this report. This valuation assumes the building is structurally sound; that building services are adequate and appropriately maintained; the building complies with applicable Council, building, health, safety and fire regulations, laws, bylaws, rules, licences, permits and directives; and is free of asbestos or other defects, unless specified otherwise. Should an expert's report establish that there is any damage of the varieties noted above then we reserve the right to review this valuation.</i>
Third Party Disclaimer	<i>This report has been prepared for the private and confidential use of our client, Northern Adelaide Waste Management Authority for the specified purpose. It should not be reproduced in whole or part without the express written authority of Opteon (South Australia) Pty Ltd or relied upon by any other party for any purpose and the valuer shall not have any liability to any party who does so. Our warning is registered here, that any party, other than those specifically named in this paragraph should obtain their own valuation before acting in any way in respect of the subject property.</i>

71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 7962221



Title and Unregistered Instruments

For the purpose of this report we have assumed that the title information provided to us is correct. Our Valuation has been assessed assuming the property is only affected by encumbrances noted on Title with the exception of registered instruments (eg. mortgages or caveats) that are normally and expected to be discharged prior to transfer of the property. If there are any encumbrances, encroachments, restrictions, leases or covenants which are not noted on the title, they may affect the assessment of value. If there are errors or omissions found to exist on the title documents we should be notified and we reserve the right to review our valuation.

Appendices:

1. Instruction
2. Certificate of title
3. Zone Map
4. Zoning

APPENDIX 1
INSTRUCTION.PDF

Michelle Hunt

From: Danial Dunn <D.Dunn@nawma.sa.gov.au>
Sent: Friday, 12 May 2017 1:14 PM
To: admin.sa
Cc: Daniel Sander
Subject: RE: Quote: (Client Ref: NA) Lot 506, 71-75 Woomera Avenue Edinburgh. Requested by: Danial Dunn

Hi Michelle,

Please proceed with valuation for the below.

Reference: 7962221
Address: Lot 506, 71-75 Woomera Avenue, Edinburgh, SA, 5111
Purchase Order: DT12052017
Quoted Fee: \$3,330.00

Thank You

Danial Dunn
Resource Recovery Manager
NAWMA

71-75 Woomera Ave
Edinburgh SA 5111
P: 08 8259 2100
M: 0498 881 875
E: D.Dunn@nawma.sa.gov.au
W: www.nawma.sa.gov.au



From: sa.quotes@opteonsolutions.com [mailto:sa.quotes@opteonsolutions.com]
Sent: Friday, 12 May 2017 12:42 PM
To: Danial Dunn <D.Dunn@nawma.sa.gov.au>
Subject: Quote: (Client Ref: NA) Lot 506, 71-75 Woomera Avenue Edinburgh. Requested by: Danial Dunn



RE: QUOTE FOR PROPERTY ADVICE

Our Reference:7962221
Address:Lot 506, 71-75 Woomera Avenue, Edinburgh, SA, 5111
Quoted Fee:\$3,330.00

Dear Danial Dunn,

Thank you for your enquiry concerning the above property.

Please find attached our quote and our standard terms and conditions to undertake this work for you.

If you wish to proceed, please confirm by return email to sa.quotes@opteonsolutions.com, stating that you wish to proceed as per the details in the quote supplied. Please note that we will not action the job until we receive your confirmation email and all necessary information (including instructions to proceed, correct address, inspection contact details, or documentation such as sale contract, lease(s), plans etc).

An inspection appointment will be booked thereafter.

Please do not hesitate to contact us if you require any further information on this matter, and we look forward to being of service to you.

Kind regards,

Michelle Hunt
Administration Officer



D. 1300 786 022
E. michelle.osborne@opteonsolutions.com
A. Level 8, 121 King William Street, Adelaide, SA, 5000

1300 786 022 **OPTEONSOLUTIONS.COM**

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Please consider the environment before printing

APPENDIX 2
CERTIFICATE OF TITLE



Date/Time	17/05/2017 10:54AM
Customer Reference	7962221
Order ID	20170517003596
Cost	\$27.75



The Registrar-General certifies that this Title Register Search displays the records maintained in the Register Book and other notations at the time of searching.



Certificate of Title - Volume 5960 Folio 906

Parent Title(s) CT 5946/161
 Creating Dealing(s) TG 10336421
 Title Issued 28/03/2006 Edition 3 Edition Issued 17/02/2017

Estate Type

FEE SIMPLE

Registered Proprietor

LEASECORP GROUP NO.7 PTY. LTD. (ACN: 090 737 821)
 OF 1181 MAIN NORTH ROAD POORAKA SA 5095

Description of Land

ALLOTMENT 506 DEPOSITED PLAN 68296
 IN THE AREA NAMED EDINBURGH
 HUNDRED OF MUNNO PARA

Easements

SUBJECT TO EASEMENT(S) OVER THE LAND MARKED S (RTC 9330350)
 SUBJECT TO EASEMENT(S) OVER THE LAND MARKED G TO DISTRIBUTION LESSOR CORPORATION (SUBJECT TO LEASE 8890000) (TG 10336421)
 SUBJECT TO EASEMENT(S) OVER THE LAND MARKED A AND B (RTC 10255048)

Schedule of Dealings

Dealing Number	Description
12674175	MORTGAGE TO AUSTRALIA & NEW ZEALAND BANKING GROUP LTD. (ACN: 005 357 522)

Notations

Dealings Affecting Title NIL

Priority Notices

Lodgement Date	Priority Notice ID	Expiry Date	Status
31/01/2017	PN004978	03/04/2017	Completed

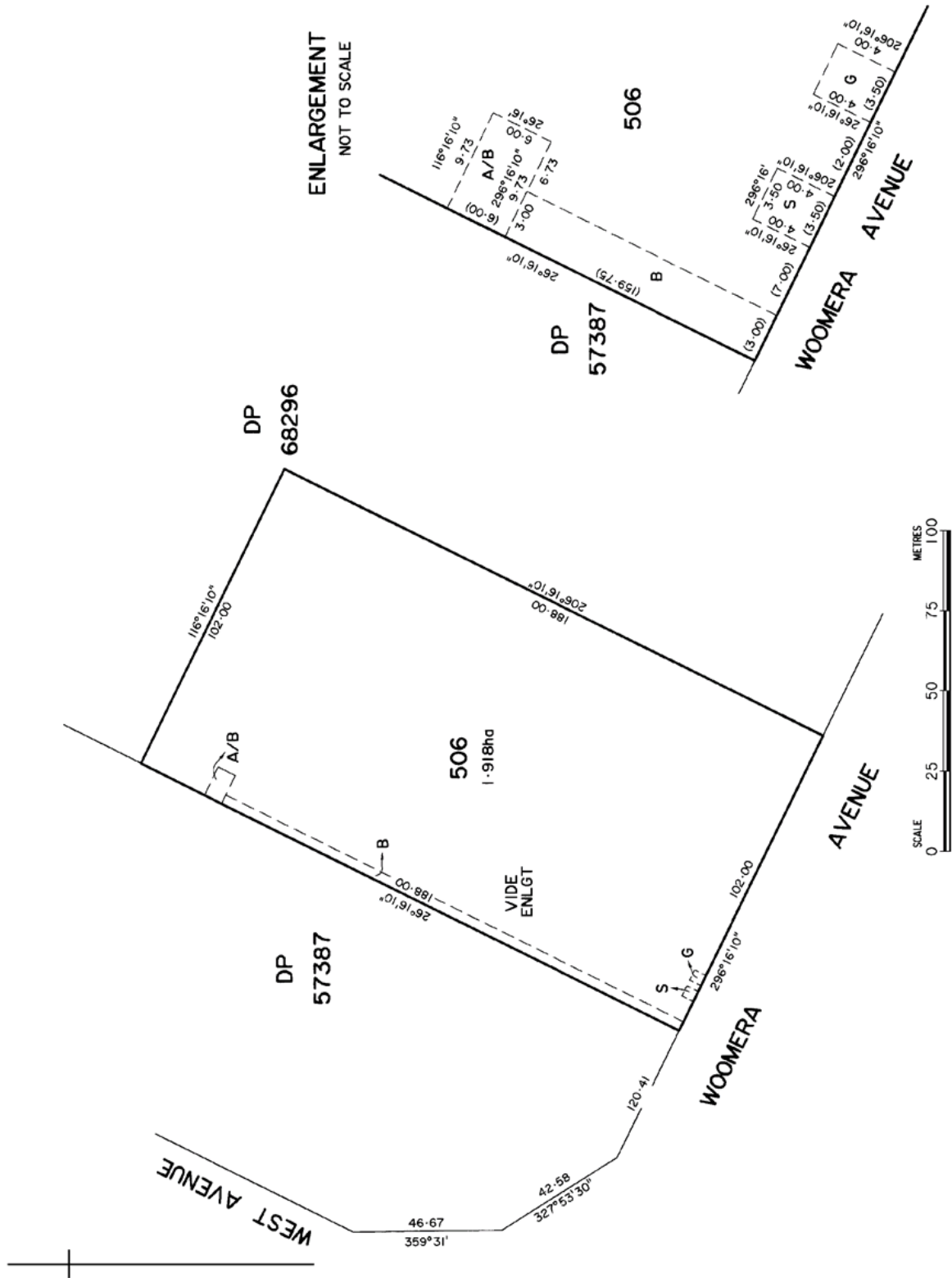
Notations on Plan NIL

Registrar-General's Notes NIL

Administrative Interests NIL



Product	Register Search (21 0000000)
Date/Time	17/05/2017 10:54AM
Customer Reference	7962221
Order ID	20170517003596
Cost	\$27.75

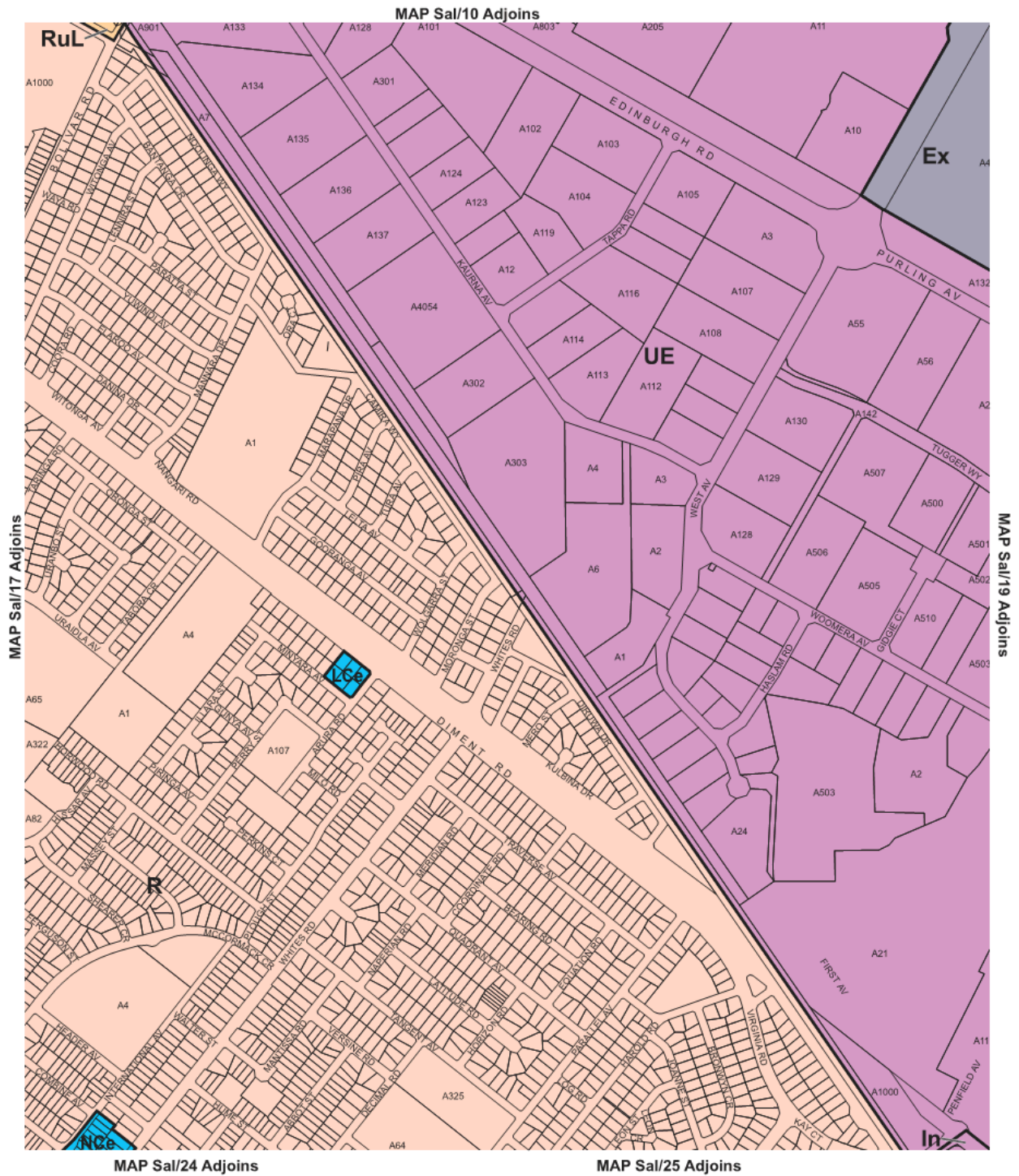


Item 6.1.5 - Attachment 2 - Woomera Avenue Valuation Report - June 2017

Lot 506, 71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 7962221



APPENDIX 3
ZONE MAP.PDF



Lamberts Conformal Conic Projection, GDA94



Zones	
Ex	Excluded
In	Industry
LCe	Local Centre
NCe	Neighbourhood Centre
R	Residential
RuL	Rural Living
UE	Urban Employment
	Zone Boundary

Zone Map Sal/18

SALISBURY COUNCIL

Lot 506, 71-75 Woomera Avenue
Edinburgh, SA 5111
Our Reference: 7962221



APPENDIX 4

ZONING.PDF

Urban Employment Zone

Refer to the [Map Reference Tables](#) for a list of the maps that relate to this zone.

OBJECTIVES

- 1 A mixed use employment zone that **primarily** accommodates a range of industrial land uses together with other employment and business activities that generate wealth and employment for the State.
- 2 Local activity centres, which include a range of activities including shops, consulting rooms, personal service establishments, child care and training facilities that provide support services for businesses and an expanding workforce.
- 3 Provision for large floor plate enterprises, such as major logistics and manufacturing plants, and high technology and/or research and development facilities, located to take advantage of existing and future road and rail infrastructure.
- 4 The effective location and management of activities at the interface of industrial/commercial activity with land uses that are sensitive to these operations.
- 5 A high standard of development which promotes distinctive building, landscape and streetscape design, with high visual and environmental amenity, particularly along arterial roads and the boundaries of adjoining zones.
- 6 Development that promotes business clusters that provide a range of economic and environmental benefits.
- 7 Co-ordinated and integrated development that:
 - (a) incorporates high speed information technology and telecommunications facilities and infrastructure
 - (b) contributes to the improvement of the physical, social and economic conditions of adjoining communities where appropriate.
- 8 Development that contributes to the desired character of the zone.

DESIRED CHARACTER

Greater Edinburgh Parks will be a high quality enterprise and employment destination, attracting a specialised workforce and providing a focus for manufacturing, research and technology, logistics and transport services, intermodal operations and expansion of defence industries in particular. Development will build on existing industrial and enterprise activities at Edinburgh Parks, the Defence Science Technology Organisation and RAAF Base, and major automotive manufacturing at Elizabeth South.

Superior road and rail connections and information communication technology will also link the area to ports and harbours and specialised defence and technology precincts at Osborne and Mawson Lakes, providing significant competitive advantages for the State. Coordinated staging of development and infrastructure, and integration with the Salisbury and the Elizabeth Centres, is envisaged to contribute to the improvement of the physical, social and economic conditions of adjoining communities, including enhancing access to public transport.

This zone provides for the establishment of business clusters that create opportunities for innovation, start up and the growth of new businesses, and link businesses to global investment opportunities.

Salisbury Council
Zone Section
Urban Employment Zone

Desirable land uses include a wide range of activities that generate employment, focusing on industry, indoor industrialised horticulture and associated processing and packaging, transport and technology-based activities that can operate on a twenty-four hour, seven day per week basis where appropriate, together with offices and industry-related training and educational establishments. Existing defence operations, including explosive ordnance activities, will be protected and not adversely impacted by development. Development should also comprise high technology and/or research and development related uses where it is compatible with adjoining uses.

As a primary freight route and key access into Greater Edinburgh Parks, Heaslip Road will be a focus for road-based logistics, warehousing, distribution and transport services requiring convenient access to Port Wakefield Road, the Northern Expressway and rail facilities. Large allotment sizes are envisaged adjacent both sides of Heaslip Road to accommodate large floor plate enterprises. Edinburgh Road will provide the key access route into Edinburgh Parks from Heaslip Road. Access points onto Edinburgh Road and Heaslip Road will therefore be limited and direct property access onto these roads should not occur in order to preserve their planned function.

Special industry should not occur in the zone unless associated with food and beverage production, is considered necessary to support major manufacturing clusters or involves bulk handling activities associated with intermodal and transport operations. Such industries should not be located adjacent or in close proximity to local activity centres, sensitive land uses or other zones. Where special industry is proposed, use of best available technology economically achievable will be encouraged to minimise land use impacts and reduce the need for large buffer or separation areas.

The development of local activity centres accommodating local shops (including cafes and restaurants), consulting rooms, service trade premises, child care facilities, recreation facilities and training facilities is encouraged in the zone to support an expanding workforce and provide support services for business. These activity nodes will be compatible with the function of other zones or nearby centres. More sensitive land uses such as educational establishments, child care centres and consulting rooms will be located and designed to ensure that higher impact land uses such as general industry do not undermine the successful operation of any land use. Locations of activity nodes are shown on [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).

The bulky goods node or other local activity centres should provide the primary location of bulky goods outlets.

A high level of compatibility between land uses in the zone is envisaged to ensure a quality and attractive business environment is maintained. Clustering of industrial activities to share resources and reduce waste impacts and energy needs is encouraged in the zone, as well as shared use of facilities and services, including training, communication and information technology, shipping and receiving facilities, and car parking areas where practical. Allotments that adjoin the boundary of another zone where more sensitive land uses are anticipated (e.g. residential development), will be large enough to accommodate design features and siting arrangements that limit impact on the adjoining zone. Conventional horticulture is not anticipated in the zone, and will be replaced by envisaged land uses over time. Consequently, establishing new conventional horticulture should not occur. Development will also respect the historical character of places of cultural or heritage significance such as the Sturton Church and graveyard.

Development will comprise high quality, innovative contemporary architecture that is both adaptable and flexible to accommodate multiple uses or changes in future land uses where practical. Buildings will comprise low reflective materials and provide a variation in finishes, façade treatments and setbacks rather than appearing as large uniform buildings with blank facades. Outdoor storage and service areas will also be located away from major roads or residential areas and be screened from public view with fencing/structures of varied materials that limit potential for vandalism.

Landscaping will be used to define gateways to the area and be carefully integrated with built form, ensuring that vegetation is sustainable, drought tolerant, locally indigenous and matched to the scale of development, while also providing a comfortable, pleasant and attractive environment. Siting of development and setbacks from arterial roads, freight routes and the Northern Expressway in particular will allow for suitable landscaped areas to enhance the visual amenity of key movement, entry and arrival points to the area. Car parking areas will include trees to provide shade and enhance visual amenity. The appearance of outdoor storage areas will also be enhanced through landscaping. Landscaping will be carefully designed to minimise opportunity for crime by ensuring passive/active surveillance and minimising places of entrapment. Landscaping, building and structures should also be sited and designed to ensure that the security of the DSTO security fence is not compromised.

Water Sensitive Urban Design systems, including the harvest, treatment, storage and reuse of stormwater, will be integrated throughout the area at the neighbourhood, street, site and building level, taking advantage of large allotment sizes and impervious areas. Roadways will be designed to accommodate major stormwater flows in excess of the capacity of underground drainage systems. Major stormwater drainage infrastructure should be developed in accordance with [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#) and be designed in an attractive form with grass-lined sides and allow for the planting of trees and shrubs on both sides of open channels. Harvested stormwater will improve the aesthetic and functional value of landscaping and open spaces, including public access ways and greenways, contributing to a superior working environment.

Two buried high pressure gas transmission pipelines traverse some areas within the zone, namely the Epic Energy and SEA Gas pipelines. These transmission pipelines are to be designed, constructed, operated and maintained in accordance with Australian Standard (AS) 2885: Pipelines – Gas and Liquid Petroleum to ensure protection of the pipeline, which in turn ensures the safety of the community, protection of the environment and security of (gas) supply to users.

Any change to the use of land and/or proposed construction activity in the vicinity of these pipelines require a detailed assessment to be undertaken to ensure that all risks associated with continued pipeline operations remain acceptable. In light of these requirements, development within 640 metres of the SEAGAS gas pipeline and 400 metres of the Epic gas pipeline as shown on *Overlay Map Sal/1 Development Constraints* should conform with the minimum pipeline safety requirements for AS2885 (Pipeline Gas and Liquid Petroleum).

Infrastructure for Greater Edinburgh Parks

Development within the Greater Edinburgh Parks requires the co-ordinated delivery of infrastructure and should only proceed where it has been demonstrated that such co-ordination exists to ensure infrastructure between development sites (or a stage of a development) facilitates the overall achievement of the relevant Concept Plan. In some cases this may include provision for temporary works pending development of adjacent land or other land within the same Concept Plan area.

Particular attention will be given to infrastructure co-ordination to achieve the following:

- (a) an efficient and easily maintained stormwater management system comprising a series of drainage channels and retention / detention basins and /or wetlands
- (b) key upgrades to local road junctions (including Heaslip / Edinburgh Roads, Argent / Womma Roads, Heaslip / Womma Roads and Andrews / Womma Roads to provide either an intersection upgrade or provision of a roundabout to distribute traffic to the existing road network
- (c) key electricity substations located near the intersection of Penfield / Short Roads and Mill / Short Roads to accommodate the requirements of SA Power Networks.

PRINCIPLES OF DEVELOPMENT CONTROL

Land Use

1 The following forms of development, or combination thereof, are envisaged in the zone:

- consulting room
- dwelling in association with industry
- electricity substation
- fuel depot
- indoor industrialised horticulture
- indoor recreation centre
- industry
- intermodal rail freight facility
- motor repair station
- office
- petrol filling station

Salisbury Council
Zone Section
Urban Employment Zone

- pre-school
- prescribed mains
- public service depot
- road transport terminal
- service trade premises
- service industry
- shop or group of shops
- training facility
- store
- warehouse.

- 2 Development listed as non-complying is generally inappropriate.
- 3 Development should be in accordance with the relevant [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).
- 4 Development should not impede the operation of established land uses through encroachment, over development of sites or noise/emissions or any other harmful or nuisance-creating impact.
- 5 Shops or groups of shops (other than bulky good outlets and service trade premises) should serve the local workforce within the zone and have a gross leasable floor area less than:
 - (a) 2500 square metres where located in designated local activity centres shown on [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).
 - (b) 250 square metres where outside of designated local activity centres
- 6 Bulky goods outlets and service trade premises should only be located in the bulky goods node or local activity centres identified on [Concept Plan Map Sal/7 – Greater Edinburgh Parks](#).
- 7 Bulky goods outlets and service trade premises should not have any adverse impacts on heavy vehicle access or freight movements.
- 8 Restaurants and cafes should only be located in bulky goods outlets or service trade premises that are larger than 2000 square metres, and should have a gross leasable area of 150 square metres or less.
- 9 Short term workers accommodation or other sensitive uses within the zone should be designed and located to ensure the ongoing operation of any existing activity within the zone is not impeded.

Form and Character

- 10 Development should not be undertaken unless it is consistent with the desired character for the zone.
- 11 In areas where a uniform street setback pattern has not been established, buildings should be set back in accordance with the following parameters:

Building height (metres)	Minimum setback from the primary road frontage (metres)	Minimum setback from the secondary road frontage (metres)
6 metres	8 metres	4 metres
Greater than 6 metres	10 metres	4 metres

- 12 Building façades facing land zoned for residential purposes should not contain openings or entrance ways that would result in the transmission of noise or light spillage that would adversely affect the amenity of nearby residents.

- 13 Any plant or equipment with potential to cause an environmental nuisance (including a chimney stack or air-conditioning plant) should be sited as far as possible from adjoining allotments not zoned for employment, and should be designed to minimise its effect on the amenity of the locality.
- 14 Development should control noise emissions through the use of attenuation devices and sound proofing, particularly activities requiring extended hours of operation.
- 15 The hours of operation of an activity should not detract from the amenity of any residential area.
- 16 Within 50 metres of a residential zone boundary:
- (a) non-residential development (including loading and unloading activities) should:
- (i) demonstrate appropriate acoustic performance
- (ii) ensure that all noise sources including machinery, loading, unloading and other service areas on allotments nearest to the residential boundary are located within the building
- (b) development should be designed and constructed of a material to ensure noise emissions are minimised within acceptable standards.
- 17 Development should be adaptable to allow for flexibility of use over time and accommodate multiple uses and shared facilities where practical, including training areas and car parking.
- 18 Buildings should not occupy more than 50 percent of the total area of the site upon which they are located, unless it can be demonstrated that stormwater can be harvested, treated, stored and reused on the site of the development to minimise impacts on external stormwater infrastructure.
- 19 Industries, warehouses, stores and similar developments should be provided with sufficient and convenient parking for staff and visitors based on the following rates:

Building Component	Number of required vehicle parking spaces
Part of development used as office space	3.3 spaces per 100 square metres
Part of development used as non-office space	2 spaces per 100 square metres where industrial building area is under 200 square metres
	1.33 spaces per 100 square metres where industrial building area is between 200-2000 square metres
	0.67 spaces per 100 square metres where industrial building area is greater than 2000 square metres
Service trade premises	2 spaces per 100 square metres

- 20 For labour-intensive industries where car parking demand exceeds the rates in Principle 20 above, the total car parking should be provided at a rate of 0.75 spaces by the number of employees
- 21 For non-labour intensive industries, the rates in Principle 20 above can be varied having regard to expected maximum staff and visitor levels.
- 22 Development within the "Runway Public Safety Area", but located outside of the "Limited Development Area", as identified in [Concept Plan Map Sal/6 – Urban Employment Zone](#) should not:
- (a) contain any land uses or industries that result in a significant increase in people working or congregating in that area (except warehousing and/or road transport terminals)
- (b) involve land uses that store flammable or hazardous materials.

Salisbury Council
Zone Section
Urban Employment Zone

- 23 No development should occur within the "Limited Development Area" as identified in [Concept Plan Map Sal/6 – Urban Employment Zone](#), except for the following developments that have heights of no greater than 2.1 metres above ground level:
- (a) car parking
 - (b) outdoor storage area (but not including storage of flammable or hazardous materials)
 - (c) ancillary structures (eg. fencing and street lights)
 - (d) landscaping.
- 24 No development should occur in the "No Structures and Development Area" as identified in [Concept Plan Map Sal/6 – Urban Employment Zone](#).

Land Division

- 25 Land division should create allotments that are of a size and shape suitable for the intended use.

PROCEDURAL MATTERS

Complying Development

Complying developments are prescribed in Schedule 4 of the *Development Regulations 2008*.

In addition, the following forms of development, or any combination, are designated as complying subject to the requirements in [Table Sal/1 Building Setbacks from Road Boundaries](#):

Form of development	Complying criteria / conditions
(a) light industry	<p>1 The building, or any part, is not located within:</p> <ul style="list-style-type: none"> (a) areas affected by aircraft noise shown on Concept Plan Map Sal/2 - Edinburgh Defence Airfield Aircraft Noise Exposure (b) an area shown on Concept Plan Map Sal/3 - Edinburgh Defence Airfield Lighting Constraints where restrictions on the amount of upward light apply. <p>2 The development does not involve an activity of environmental significance or major environmental significance identified in Schedules 21 and 22 of the <i>Development Regulations 2008</i>.</p> <p>3 The development does not require referral pursuant to Section 37 of the <i>Development Act 1993</i>.</p> <p>4 The development site is greater than 60 metres from the nearest residential zone boundary.</p> <p>5 The development has direct access to a sealed roadway.</p> <p>6 All vehicles able to access/egress the site in a forward direction.</p> <p>7 A site coverage of less than 50 per cent.</p> <p>8 Building height does not exceed airport building heights shown on Concept Plan Map Sal/1 - Edinburgh Defence Airfield Defence (Area Control) Regulations and is no greater than 12 metres.</p> <p>9 Building setback in accordance with the following:</p> <ul style="list-style-type: none"> (a) buildings up to a height of 6 metres sited at least 8 metres from the primary street alignment (b) buildings exceeding a height of 6 metres sited at least 10 metres from the primary street alignment
(b) service industry	
(c) service trade premises	
(d) warehouse.	

Form of development	Complying criteria / conditions
	(c) 4 metres from the secondary street frontage.
10	The development is designed as follows: <ul style="list-style-type: none"> (a) buildings adjacent public streets are designed to overlook the street and have a maximum unarticulated length of 30 metres (15 metres for offices) (b) comprise low-reflective materials and pre-colour treatment if metal clad.
11	Landscaping comprises: <ul style="list-style-type: none"> (a) an area of not less than 10 per cent of the site (b) a landscaped setback area of more than 3 metres wide along any street boundary, except where a building is setback a lesser distance from any street boundary in which case the intervening setback is landscaped (c) a mix of species expected to grow to less than 0.5 metres in height and species expected to grow with clear stems to 2 metres height and with the canopy above.
12	A clearance of not less than 3 metres being provided for access purposes between any structure and one side boundary of the site.
13	Off-street vehicle parking and specifically marked disabled parking provided at the rate of not less than: <ul style="list-style-type: none"> (a) 2 per 100 square metres (industrial building area under 200 square metres) (b) 1.33 per 100 square metres (industrial building area 200-2000 square metres) (c) 0.67 per 100 square metres (industrial building area greater than 2000 square metres) (d) 3.3 spaces per 100 square metres (office building area) (e) 2 per 100 square metres (service trade premises building area).
14	All buildings, including the associated filling of land - are sited, designed and constructed to prevent the entry of floodwaters in a 1-in-100 year average return interval flood event.
15	Areas used for the loading or unloading of materials or for the storage of chemicals and materials used in industrial operations and processes are to incorporate bunding or containment facilities that: <ul style="list-style-type: none"> (a) prevent the entry of external stormwater (b) contain any spilt materials from entering the stormwater system.
16	All loading and/or unloading of vehicles to occur within the boundaries of the site.
17	All outside loading and unloading and goods storage areas should be screened by solid fencing or dense screen landscaping.
18	All stormwater drainage is retained and treated on-site or connected to an approved stormwater management scheme.
19	Waste collection and storage areas provided which are: <ul style="list-style-type: none"> (a) screened and separated from adjoining areas (b) designed to ensure that wastes do not contaminate stormwater or enter the stormwater collection system.

Salisbury Council
Zone Section
Urban Employment Zone

Form of development	Complying criteria / conditions
	<p>20 The development comprises a maximum of two advertising displays, each of which does not encroach upon the public road reserve and accords with the following:</p> <p>(a) A maximum of one pylon sign per site that:</p> <ul style="list-style-type: none"> (i) has a maximum height of 6 metres (ii) has a maximum area of 8 square metres (iii) is located between the building and the front property boundary. <p>(b) A maximum of one freestanding directory sign per site that:</p> <ul style="list-style-type: none"> (i) has a maximum height of 3 metres (ii) has a maximum length of 6 metres. <p>(c) A maximum of one flush wall sign per site that:</p> <ul style="list-style-type: none"> (i) has a maximum area of 8 square metres (ii) is erected on the building façade (iii) is located below the parapet of the building. <p>21 Fencing exceeding 2.1 metres in height (including colour –coated wire mesh fencing) adjacent to public roads should be set back in one of the following ways:</p> <ul style="list-style-type: none"> (a) in-line with the building façade (b) behind the building line (c) behind a landscaped area that softens its visual impact.

Non-complying Development

Development (including building work, a change in the use of land, or division of an allotment) involving any of the following is non-complying:

Form of development	Exceptions
Advertisement or advertising hoarding	<p>Except where the advertisement or advertising hoarding:</p> <ul style="list-style-type: none"> (a) does not move, rotate or incorporate flashing light(s) (b) has no part that projects above the walls or fascia where attached to a building (c) covers less than 10 per cent of the total surface area of a wall oriented to a public road or reserve (d) does not include bunting, streamers, flags or wind vanes.
Amusement machine centre	
Caravan or residential park	Except for minor alterations and additions within a caravan park or residential park.
Dwelling or Dwellings	<p>Except:</p> <ul style="list-style-type: none"> (a) for short term accommodation that is ancillary to and in association with industry (b) for alterations and additions to existing dwellings.
Intensive animal keeping	
Motel	
Nursing home	
Place of worship	
Prescribed mining operations	
Primary school	

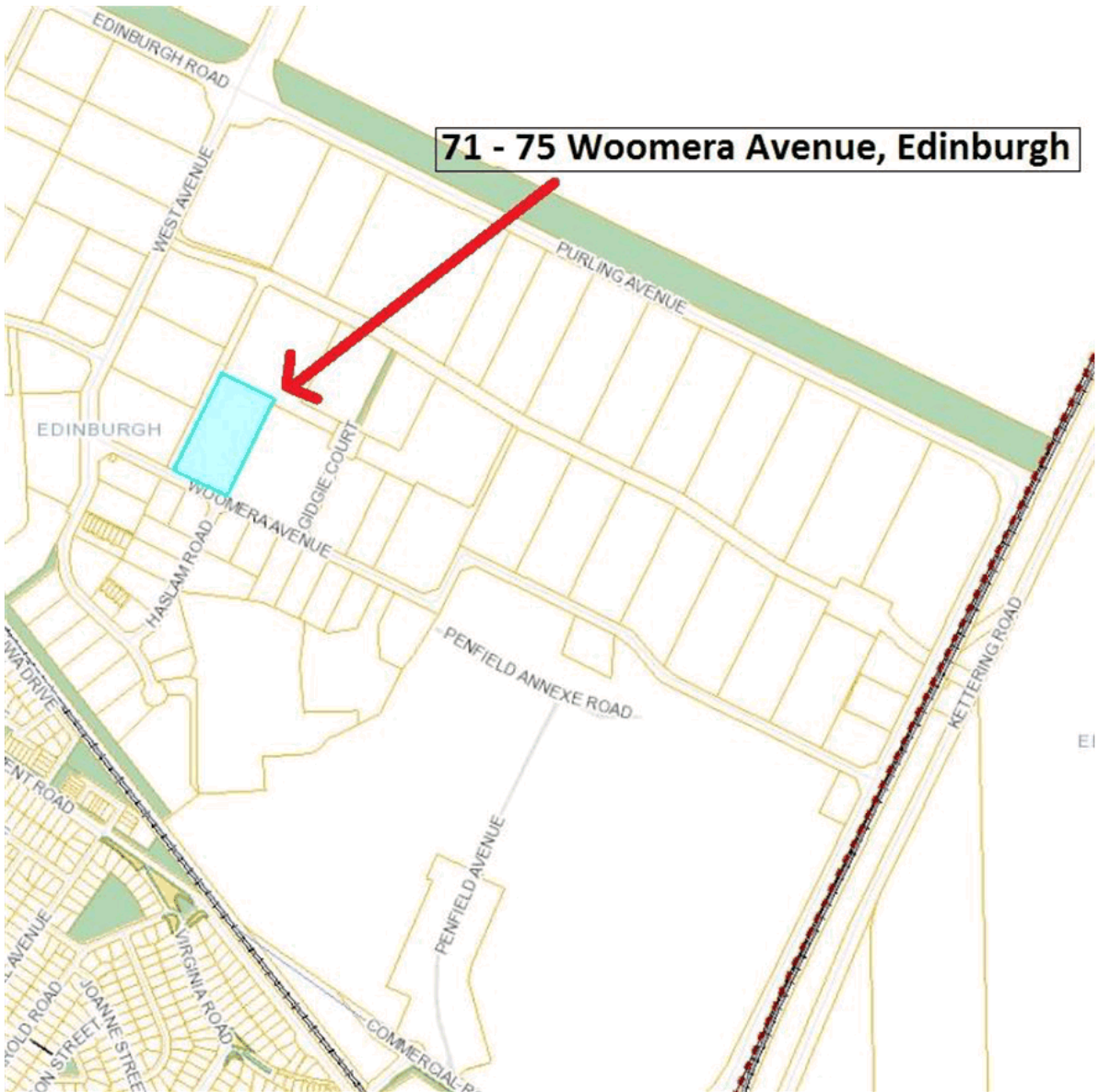
Form of development	Exceptions
Secondary school	
Stadium	
Stock slaughter works	
Tourist accommodation	

Public Notification

Categories of public notification are prescribed in Schedule 9 of the *Development Regulations 2008*.

In addition, the following forms of development, or any combination thereof (except where the development is classified as non-complying), are designated:

Category 1	Category 2
All kinds of development except where the site of the proposed development is within 60 metres of a Residential Zone or a Mixed Use Zone boundary	Development where the site of the proposed development is within 60 metres of a Residential Zone or a Mixed Use Zone boundary



ITEM	6.1.5L
	BUDGET AND FINANCE COMMITTEE
DATE	17 July 2017
HEADING	Late Information - NAWMA - Purchase of Materials and Recycling Facility Site
AUTHOR	Mark van der Pennen, General Manager City Infrastructure, City Infrastructure
CITY PLAN LINKS	2.1 Capture economic opportunities arising from sustainable management of natural environmental resources, changing climate, emerging policy direction and consumer demands. 4.2 Develop strong capability and commitment to continually improve Council's performance. 4.4 Embed long term thinking, planning and innovation across the organisation.
SUMMARY	<p>The attached tables replace pages 185, 187 and 189 of the agenda. An error in the tables due to a wrong formula and a review of the interest rate and term of the loan has been updated and highlighted in the attachment.</p> <p>In addition, subsequent to the distribution of this report, the LGFA has confirmed with NAWMA alternative interest rate and duration of the loan.</p>
 RECOMMENDATION	
	<ol style="list-style-type: none"> 1. The information be received. 2. The Northern Adelaide Waste Management Authority Prudential Management Report-June 2017 be noted. 3. The Northern Adelaide Waste Management Authority Board request for approval to borrow up to \$4.150 million from the Local Government Finance Authority to fund the purchase of property at 71-75 Woomera Avenue, Edinburgh Parks be endorsed.
 ATTACHMENTS	
	This document should be read in conjunction with the following attachments:
	<ol style="list-style-type: none"> 1. NAWMA Ten Year Long Term Financial Plan – June 2017

1. CONFLICT OF INTEREST NOTIFICATION

In accordance with the requirements of section 120(2) of the *Local Government Act 1999* Council is advised that the General Manager City Infrastructure has a technical conflict of interest by virtue of his status as an employee of the City of Salisbury, and his close association with NAWMA, as a result of being a member of the governing body of NAWMA. This technical conflict has been previously identified and disclosed to the Chief Executive Officer, and in accordance with section 120(2)(b) of the *Local Government Act 1999*, the CEO has authorized the continuation of work associated with NAWMA by the General Manager City Infrastructure.

REPORT

NAWMA has continued to review the LTFP subsequent to the distribution of item 6.1.5 (Budget and Finance Committee 17/07/2017).

After further discussions with the LGFA NAWMA was advised that the preferred borrowing term of 10 years is a better option. The original proposed interest at 4.5% fixed over 20 Years has been updated to reflect the LGFA advice of 4.15% over a 10 year loan period. Interest payable on the loan under the revised conditions will total \$1.005M over the life of the loan. The revised total cost of the MRF project is reduced from \$10.956M in the Prudential review (6.7) to \$9.155M.

Changes to the original report are as follows:

Projected Statement of Comprehensive Income (page 185 of original report, refer page 4 of this item)

- **Depreciation** has slightly increased to reflect recent purchases of plant.
- **Finance Costs** – Reduced to bring the interest payable on the projected borrowings for the Woomera Ave facility into line with the current borrowing rates offered by LGFA. The 10 year fixed interest is currently offered at 4.15%.

Projected Balance Sheet (page 187 of the original report, refer page 5 of this item)

- **Cash & Cash Equivalents** – Amended due to a formula error picking up the closing cash balance for the previous year, from the cash flow statement.
- **Trade & other Receivables** - Adjustment of \$125k, due to the alignment of the LTFP to updated 2016/17 figures, to reflect the current NAWMA situation
- **Non-Current Assets** – Increased between versions due to formula error picking up balance for 18/19 year not 17/18. This meant that the current years depreciation, amortisation, WIP Inventory & Impairment was incorrectly taken off of the asset balance in the previous version.
- **Trade & Other Payables** – Minor Adjustment of \$34k, due to the alignment of the LTFP to updated 2016/17 figures, to reflect the current NAWMA situation.
- **Borrowings** – Minor amendment to loan balance following the final payment for an existing loan in 2016/17.

Projected Cash Flow Statement (page 189 of the original report, refer page 6 of this item)

- **Operating Payments to suppliers** – Formula error incorrectly including the current years depreciation, impairment & amortisation costs in the cash used for operating activities line. These are non-cash items and should have been excluded
- **Cash at Beginning of 2017/18** - Adding in the projected closing cash figure from 2016/17, rather than the original budgeted cash figure has resulted in updating the model. This change reflects activities that have occurred at NAWMA since the original budget for 2016/17 was compiled

CONCLUSION / PROPOSAL

Updated tables are provided that reflect revised loan details and the corrections to formulas. NAWMA has projected strong growth over the next 10 years with total equity significantly increasing from \$4.99M in 2017/18 up to \$25.64M which in part is impacted by the purchase of this property and ownership of the Materials Recycling Facility (MRF) and the subsequent favorable impacts to the operating surplus budgeted over the forward estimates.

CO-ORDINATION

Officer:	GMC	GM	MG
Date:	17/07/2017	17/07/2017	17/07/2017

Item 6.1.5L

NAWMA TEN YEAR LTFP
JUNE 2017



APPENDIX ONE: PROJECTED STATEMENT OF COMPREHENSIVE INCOME

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
INCOME										
User Charge	\$17,527,065	\$17,665,247	\$18,322,651	\$19,002,401	\$19,708,702	\$20,442,573	\$21,204,938	\$21,987,023	\$22,820,112	\$23,675,250
State Waste Levy	\$7,214,127	\$8,420,116	\$8,812,993	\$9,179,780	\$9,562,241	\$9,961,101	\$10,378,970	\$10,810,630	\$11,262,902	\$11,734,505
MRF	\$2,986,326	\$3,563,899	\$3,713,880	\$3,870,172	\$4,033,042	\$4,202,768	\$4,379,632	\$4,563,942	\$4,758,008	\$4,956,156
RRC	\$1,007,500	\$1,044,778	\$1,088,746	\$1,134,563	\$1,182,309	\$1,232,065	\$1,283,914	\$1,337,948	\$1,394,251	\$1,452,926
TOTAL OPERATING INCOME	\$28,735,018	\$30,694,039	\$31,938,270	\$33,186,897	\$34,486,294	\$35,838,505	\$37,245,454	\$38,709,541	\$40,233,272	\$41,818,837
EXPENSES										
Employee Costs	\$1,921,115	\$1,959,540	\$2,008,550	\$2,058,740	\$2,110,210	\$2,162,950	\$2,217,030	\$2,272,460	\$2,328,280	\$2,387,510
Materials, Contractors & Other Expenses	\$24,434,425	\$25,887,858	\$26,942,504	\$27,914,972	\$28,925,000	\$29,974,038	\$31,063,394	\$32,184,923	\$33,370,320	\$34,591,163
Depreciation, Amortisation & Impairment	\$2,164,000	\$1,476,249	\$1,381,616	\$1,281,372	\$1,288,508	\$1,432,823	\$1,341,235	\$1,322,757	\$1,196,406	\$836,455
Finance Costs	\$383,624	\$373,861	\$325,586	\$275,042	\$234,051	\$165,316	\$154,895	\$112,714	\$85,167	\$33,687
TOTAL EXPENSES	\$28,913,464	\$29,697,106	\$30,658,257	\$31,530,126	\$32,557,770	\$33,765,126	\$34,776,554	\$35,902,854	\$36,961,173	\$37,648,815
OPERATING SURPLUS / (DEFICIT)	(\$178,446)	\$996,933	\$1,280,013	\$1,656,771	\$1,928,524	\$2,073,379	\$2,468,900	\$2,806,687	\$3,272,099	\$4,170,022
Net Gain / (Loss) On Disposal of Assets	(\$148,500)									
NET SURPLUS / (DEFICIT)	(\$326,946)	\$996,933	\$1,280,013	\$1,656,771	\$1,928,524	\$2,073,379	\$2,468,900	\$2,806,687	\$3,272,099	\$4,170,022
Other Comprehensive Income										
TOTAL COMPREHENSIVE INCOME	(\$326,946)	\$996,933	\$1,280,013	\$1,656,771	\$1,928,524	\$2,073,379	\$2,468,900	\$2,806,687	\$3,272,099	\$4,170,022

**NAWMA TEN YEAR LTFP
JUNE 2017**



APPENDIX TWO: NAWMA PROJECTED BALANCE SHEET

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
CURRENT ASSETS										
Cash & Cash Equivalents	\$3,823,856	\$5,081,487	\$6,439,489	\$8,159,070	\$10,232,159	\$12,555,883	\$15,142,718	\$18,008,881	\$21,318,229	\$25,084,880
Trade & Other Receivables	\$2,867,000	\$2,720,340	\$2,788,349	\$2,868,057	\$2,829,509	\$3,002,746	\$3,077,815	\$3,154,760	\$3,233,629	\$3,314,470
TOTAL CURRENT ASSETS	\$6,490,856	\$7,781,827	\$9,227,837	\$11,017,127	\$13,161,667	\$15,558,429	\$18,220,533	\$21,161,641	\$24,551,859	\$28,399,150
NON-CURRENT ASSETS										
Property, Plant & Equipment	\$12,717,059	\$11,618,101	\$10,523,821	\$9,415,871	\$8,291,352	\$7,135,483	\$6,072,593	\$5,029,641	\$3,982,425	\$3,445,834
TOTAL ASSETS	\$19,207,915	\$19,399,928	\$19,751,459	\$20,433,099	\$21,453,020	\$22,693,912	\$24,293,126	\$26,191,282	\$28,514,283	\$31,844,985
LIABILITIES										
Trade & Other Payables	\$2,238,000	\$2,282,760	\$2,339,829	\$2,388,325	\$2,459,283	\$2,519,740	\$2,582,733	\$2,647,302	\$2,713,484	\$2,781,321
Provisions	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000	\$2,609,000
Borrowings	\$9,371,326	\$8,521,646	\$7,538,084	\$6,502,468	\$5,533,806	\$4,639,892	\$3,707,284	\$2,734,184	\$1,718,904	\$811,746
TOTAL LIABILITIES	\$14,218,326	\$13,413,406	\$12,484,923	\$11,509,792	\$10,601,189	\$9,768,702	\$8,899,017	\$7,990,486	\$7,041,388	\$6,202,068
NET ASSETS	\$4,989,589	\$5,986,522	\$7,266,535	\$8,923,306	\$10,851,831	\$12,925,210	\$15,394,109	\$18,200,796	\$21,472,895	\$25,642,917
EQUITY										
Accumulated Surplus	\$4,374,141	\$5,371,074	\$6,651,087	\$8,307,868	\$10,238,383	\$12,308,762	\$14,778,661	\$17,585,348	\$20,857,447	\$25,027,469
Asset Revaluation Reserve	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448	\$615,448
Other Reserves	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	\$4,989,589	\$5,986,522	\$7,266,535	\$8,923,306	\$10,851,831	\$12,925,210	\$15,394,109	\$18,200,796	\$21,472,895	\$25,642,917

Item 6.1.5L

NAWMA TEN YEAR LTFP
JUNE 2017



APPENDIX THREE: NAWMA PROJECTED CASH FLOW STATEMENT

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
CASH FLOWS FROM OPERATING ACTIVITIES										
RECEIPTS										
Operating Receipts	\$28,865,000	\$30,598,439	\$31,811,770	\$33,025,897	\$34,282,294	\$35,582,705	\$36,891,554	\$38,330,841	\$39,783,072	\$41,285,837
Investment Receipts	\$80,000	\$95,600	\$126,500	\$161,000	\$204,000	\$255,800	\$313,900	\$378,600	\$450,200	\$533,000
PAYMENTS										
Operating Payments to Suppliers and Employees	(\$28,355,540)	(\$27,847,196)	(\$28,951,054)	(\$29,973,712)	(\$31,035,210)	(\$32,136,966)	(\$33,280,424)	(\$34,467,363)	(\$35,699,600)	(\$36,978,673)
Finance Costs	(\$383,824)	(\$373,861)	(\$325,598)	(\$275,042)	(\$234,051)	(\$195,316)	(\$154,895)	(\$112,714)	(\$65,167)	(\$33,687)
NET CASH RECEIVED IN OPERATING ACTIVITIES	\$1,985,536	\$2,473,182	\$2,661,629	\$2,938,143	\$3,217,032	\$3,506,202	\$3,810,135	\$4,129,443	\$4,468,506	\$4,806,476
CASH FLOWS FROM INVESTING ACTIVITIES										
RECEIPTS										
Amounts specifically for new or upgraded assets										
PAYMENTS										
Expenditure on New/Upgraded Assets	(\$4,380,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
NET CASH USED IN INVESTING ACTIVITIES	(\$4,380,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
CASH FLOWS FROM FINANCING ACTIVITIES										
RECEIPTS										
Proceeds from Borrowings	\$4,150,000	-	-	-	-	-	-	-	-	-
PAYMENTS										
Repayment of Borrowings	(\$949,679)	(\$985,552)	(\$1,033,627)	(\$988,562)	(\$983,944)	(\$932,879)	(\$973,100)	(\$1,015,280)	(\$907,157)	(\$790,025)
NET CASH USED IN FINANCING ACTIVITIES	\$3,300,321	(\$985,552)	(\$1,033,627)	(\$968,562)	(\$993,944)	(\$932,679)	(\$973,100)	(\$1,015,280)	(\$907,157)	(\$790,025)
Net Increase / (Decrease) in Cash Held	\$895,856	\$1,237,630	\$1,378,002	\$1,719,581	\$2,073,089	\$2,323,524	\$2,587,035	\$2,864,163	\$3,311,348	\$3,766,451
Cash at Beginning of Reporting Period	\$2,928,000	\$3,823,856	\$5,061,487	\$6,435,489	\$8,159,070	\$10,232,159	\$12,555,683	\$15,142,718	\$18,006,881	\$21,318,229
Cash at End of Reporting Period	\$3,823,856	\$5,061,487	\$6,439,489	\$8,159,070	\$10,232,159	\$12,555,683	\$15,142,718	\$18,006,881	\$21,318,229	\$25,084,680

ITEM	6.7.1
	BUDGET AND FINANCE COMMITTEE
DATE	17 July 2017
HEADING	Penfield Golf Club : Water Pricing - Further Report
AUTHOR	Lisa Cuculowskyj, Salisbury Water Retail Coordinator, Business Excellence
CITY PLAN LINKS	2.1 Capture economic opportunities arising from sustainable management of natural environmental resources, changing climate, emerging policy direction and consumer demands. 4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	<p>The substantive price for Council’s recycled water is \$2.61/Kl (2017/18). This is currently 70 c/Kl cheaper than drinking water.</p> <p>A ‘Community Based Not for Profit Organisation’ pricing policy has set a lower price of \$1.69/KL (2017/18) for customers that meet the ‘Not for Profit’ criteria.</p> <p>The Penfield Sporting Associations (PSA) clubs (The Golf Club, Model Engineers and Bowling Club) have, for several years, been receiving additional water price rebates, below this community price. Further assistance has been sought by the clubs.</p> <p>At the Budget and Finance Committee Meeting, 20 March 2017, the clubs request was endorsed, but Council further recommended that ‘Staff, in consultation with the Penfield Sporting Association, discuss a transition plan for water pricing on water supply agreements and report to Council for determination’. The intention was to avoid having the Clubs come back to Council each year seeking ongoing water price concessions.</p> <p>This report advises the outcomes of this consultation and provides recommendations for Council.</p>

RECOMMENDATION

1. The report be received and noted.
2. A transition plan, returning the Penfield Sporting Association (PSA) member clubs back to Council’s ‘Community Based Not for Profit Organisation’ discounted water price, as detailed in section 4.3 of this report (Item No. 6.7.1, Budget and Finance Committee, 17/07/2017) be approved.
3. The Water Supply Agreements (WSA) with each Penfield Sporting Association (PSA) member club be amended to include the following price concessions:
 - a. 50c/kl for the period 1 March 2017 to 30 June 2018,
 - b. 40c/kl for the period 1 July 2018 to 30 June 2019,
 - c. 30c/kl for the period 1 July 2019 to 30 June 2020 and

- d. 15c/kl for the period 1 July 2020 to 30 June 2021.
 - e. 0c/kl for the period 1 July 2021 onwards.
4. From 1 July 2021 the PSA clubs will continue to be charged at the Council endorsed 'Community Based Not for Profit Organisation' price, while they are able to demonstrate ongoing compliance with the Not-for Profit criteria.
 5. The Manager Salisbury Water write to the Penfield Sporting Association member clubs advising of Council's decision.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 In late 2012, the Penfield Golf Club wrote to the Council Chief Executive Officer, requesting a reduction in their recycled water pricing.
- 1.2 In February 2013, Council approved a reduction in the Golf club's water price to \$0.75/kl for 3 years commencing 1 March 2013, provided the club install appropriate water tanks and booster pumps on site. The club complied with these conditions and received the price concession for this 3 year period.
- 1.3 A request was received by the combined PSA clubs in 2015 to continue the reduced water pricing and apply the pricing to all clubs in the Penfield precinct. This request was considered by Council in October 2015 and it was decided to request further discussion with the clubs around bringing the pricing in line with the adopted 'Community Based Not for Profit Organisation pricing' as endorsed by Council on 24 February 2014. Note, this price is already a substantial discount of 92 c/Kl less than Council's substantive water price that applies to residents, schools and business.
- 1.4 The report, presented to the Budget and Finance Committee 16 November 2015 and endorsed by Council, detailed that the Community Based Not for Profit Organisation price (\$1.65/kl) be applied to all PSA member clubs, but with an additional price reduction of 60c/kl for a 12 month period commencing 1 March 2016 to allow the clubs the opportunity to review their financial position.
- 1.5 All member clubs received recycled water for the period 1 March 2016 to 1 March 2017 at the rate of \$1.05/kl.
- 1.6 On 21 February 2017 the Penfield Golf Club, on behalf of the PSA clubs, wrote to Council's General Manager Business Excellence requesting a further ongoing concession of 50c/kl below the Community Based Not for Profit Organisation price ie a price of \$1.15/kl. This request was considered by Council via the Budget and Finance Committee.
- 1.7 At the Council meeting 27th March 2017, Council resolved:
 1. *The 'Community Based Not for Profit Organisation' water price of \$1.65/kl (for 2016/17) be applied to all Penfield Sporting Association member clubs from the 1st March 2017.*

2. *The Water Supply Agreements (WSA) with each Penfield Sporting Association (PSA) member club, for the supply of recycled water, be maintained at the Community Based Not for Profit Organisation endorsed price and be indexed annually in accordance with Councils endorsed Fees and Charges.*
3. *The Water Supply Agreements (WSA) with each Penfield Sporting Association (PSA) member club be amended to include a further price concession of 50c/kl for a 12 month period commencing 1st March 2017.*
4. *Staff, in consultation with the Penfield Sporting Association, discuss a transition plan for pricing on water supply agreements and report to Council for determination.'*

Resolution No. 1675/2017

- 1.8 This report provides feedback on the outcome of endorsed point 4, in relation to consultation with the PSA member clubs regarding a transition plan to move back to Council's 'Community Based Not for Profit Organisation' water rate.
- 1.9 Note, the Council has now endorsed the Fees and Charges for 2017/18, with the 'Community Based Not for Profit Organisation' water price being indexed from \$1.65/kl to \$1.69/Kl. This information has been conveyed to the club and was taken into account when preparing their 5 year business transition plan.

2. CITY PLAN CRITICAL ACTION

- 2.1 Maximise the value of our water business in supporting community wellbeing and economic growth (including agriculture and industry).

3. CONSULTATION / COMMUNICATION

- 3.1 Internal
 - 3.1.1 Salisbury Water Business Unit and Finance Division Staff
- 3.2 External
 - 3.2.1 Penfield Sporting Association Member Clubs

4. REPORT

- 4.1 In response to the request by Council to consult with the Penfield Sporting Association (PSA), members of the Salisbury Water and Financial Services Team met with representatives of the PSA to discuss the clubs' Business Plans and to set transition arrangements with the aim of bringing the PSA in line with Council's 'Community Based Not for Profit Organisations' endorsed water pricing.
- 4.2 The PSA presented Council Staff with details of their business plan which included the following key assumptions:
 - General inflation will remain low throughout this period – assumed to average 2.5% p.a.
 - Water prices will inflate at 2.5% p.a. – estimate suggested by Council.
 - Electricity prices will rise at above inflation rates – assumed to average 5% pa.
 - The general trend in golf participation will continue, with fewer people joining golf clubs. The impact on PGC will be for a steady decline in membership

numbers, but with revenue received offset by inflation acting on subscriptions. The local economy will be adversely affected by the closure of Holdens and the strong growth experienced in green fees between 2010 and 2014 will not continue. (The 16.0% fall in green fee revenue in 2015/16 was considered to be weather related) Taking into account forecasts for the local economy, revenue is forecast to increase at 1.5% p.a.

- Bar trade has shown an overall decline in recent years due to changing social attitudes in relation to the club as a social centre. This has been modelled to decline at a rate of 1.5% p.a.
- Water consumption will average 60,000 kl/yr over the forecast period.
- From mid-2018 onwards, electricity costs will reduce by approximately 50% due to the recovery of input credits and other elements once the final payment is made on a solar system that has been installed on the clubhouse roof.

- 4.3 These key assumptions were incorporated in a business ‘spreadsheet’ model to enable various water pricing scenarios to be evaluated. This model was demonstrated and adjusted with Council staff input. The result is a proposed transition in water pricing rebates to avoid any sharp impacts on the clubs finances. It is proposed that the additional Council water rebate should decrease over the next 4 years to zero. This will bring the pricing for the PSA clubs in line with the pricing applied to other Community-Based Not for Profit organisations.

The transition plan, as agreed with the PSA clubs, is detailed below.

Year	Water Rebate per kl	\$ saving to clubs based on estimated usage of 60,000kl (reduction in revenue to Council)
1 March 2017- 30 June 2018*	\$0.50	\$30,000.00
1 July 2018 – 30 June 2019	\$0.40	\$24,000.00
1 July 2019 – 30 June 2020	\$0.30	\$18,000.00
1 July 2020 – 30 June 2021	\$0.15	\$9,000.00
1 July 2021 – 30 June 2022	\$0.00	\$0

* Note, the recently endorsed concessionary rebate of 50c/kl is due to expire on 28 February 2018, however when assessing the transitional period it was practical from a Council administrative purpose, to extend this period to 30 June 2018 to bring the period back in line with the financial year.

5. CONCLUSION / PROPOSAL

- 5.1 The Community Based Not for Profit Organisation price of \$1.69/kl (2017/18) has already been endorsed by Council to apply to all member clubs of the Penfield Sporting Association. This is a 92c/kl discount from the current substantive recycled water price of \$2.61/kl.

- 5.2 Water Supply Agreements have been entered into with each individual member club for the ongoing supply of recycled water at the Council endorsed 'Community Based Not for Profit Organisation' price.
- 5.3 The transition plan detailed in this report shows an undertaking by the clubs to ensure that their business is ready to revert to the 'Community Based Not for Profit Organisation' price over a 4 year period.
- 5.4 Should Council elect to continue support for the PSA member clubs, the following endorsements are recommended;
- 'The Water Supply Agreements (WSA) with each Penfield Sporting Association (PSA) member club be amended to include further price concessions of:
- a) 50c/kl for the period commencing 1 March 2017 extended to 30 June 2018,
 - b) 40c/kl for the period 1 July 2018 to 30 June 2019,
 - c) 30c/kl for the period 1 July 2019 to 30 June 2020 and
 - d) 15c/kl for the period 1 July 2020 to 30 June 2021.

After this time no additional pricing concession will be available and the clubs will revert back to the endorsed 'Community Based Not for Profit Organisation' water price, as applied to other community organisations that meet the policy criteria.

CO-ORDINATION

Officer: Executive Group
Date: 10/07/2017