

7.9 **Town Planning Scheme No. 4A - Consolidated Financial Position (Ref: G1030 - Graeme Mackenzie)**

PURPOSE

The purpose of this report is to provide Council with a consolidated financial position of TPS 4A as requested by Council resolution in November 1997,

BACKGROUND

In November 1997, Council completed a review of TPS 4A and made recommendations to the Ministry for Planning.

A number of issues arose through the process of reviewing the Scheme. One of the issues was the ownership of land held by the Council within the Scheme area. An earlier report advised Council that land that had been purchased or held by the Council prior to Gazettal of the Scheme in January 1981 was not in fact an asset of the Scheme, but rather an asset of the Council as an owner within the Scheme. Land purchased after Gazettal was an asset of the Scheme.

Council was advised in November 1997 of the current position of land owned by the Council and zoned residential in the Scheme area, but noted that the recommendations made to the Ministry for Planning as a result of the Scheme Review would change the situation.

Council resolved at that November meeting *“that officers prepare a report on the consolidated financial position regarding land held by the Council as trustee of the Town Planning Scheme 4A, and itself as landowner in the Town Planning Scheme 4A area, and taking account of reserves created within the Scheme area.”*

A report has not been produced until now because Council has been waiting for the Ministry for Planning to accept or reject Council’s recommendations for amendment to the Scheme. Council was advised last month that approval has been received to amend the Scheme in line with Council’s recommendations and the report is therefore now provided.

RELEVANT LAW

Nil

POLICY IMPLICATIONS

Nil

CONSULTATION

Nil

STRATEGIC IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Consolidating the financial position as requested has the effect of increasing the cash deficit of the Scheme, since losses were incurred both before and after Gazettal of the Scheme in 1981. However, once the value of realisable land is taken into account, consolidation in fact reduces the deficit since a profit is realisable on pre Scheme gazettal transactions.

It must be said, however, that the ultimate success or otherwise of TPS 4A will always be subject to subjective assessment based on the value individuals put on the parkland purchased by the Scheme.

This report provides Council with both separate and consolidated statements because, at the end of the day, it does not really matter whether it is the Scheme or the Council that makes a profit or carries the losses of the Scheme. The Town of Bassendean is responsible in accordance with the Scheme for any losses of the Scheme. Therefore, the ratepayers of the Town will ultimately pay for any recorded losses and will share in the benefits of the Scheme.

A summary of the financial position is shown below. A more detailed statement on transactions since gazettal of the Scheme is provided in the attachments. Statements showing transactions prior to gazettal of the Scheme were included in the consultant's report in November 1997. Interest on loans totalling \$395,500 has been included in the statement in accordance with the Council resolution in November 1997.

Summary of Town Planning Scheme 4A Financial Position

Expenditure	Post Gazettal	Pre Gazettal	Consolidated
Land Acquisition	518,811	63,049	581,860
Development Works	128,861	201,135	329,996
Interest on Loans	395,500	0	395,500
Administrative	128,322	28,652	156,974
TOTAL	1,171,494	292,836	1,464,330
 Income			
Sale of Land	25,000	126,519	151,519
Development Contributions	182,640	15,859	198,499
Government Grants	98,516	0	98,516
Net Proceeds from Area D	13,706	0	13,706
Miscellaneous	5,101	9,602	14,703
TOTAL	324,963	151,980	476,943
 NET CASH POSITION	 (846,531)	 (140,856)	 (987,387)
 Estimated value of residential land available for resale	 200,000	 500,000	 700,000
Estimated value of recreation land owned within the MRS zone	 100,000	 20,000	 120,000
 NET REALISABLE POSITION AT 30 JUNE 1998	 (546,531)	 379,144	 (167,387)
 Estimated value of lot 112 Iveson Place (Iveson Hostel)		 120,000	 120,000
Estimated value of recreation land still required to be purchased	 (355,000)		 (355,000)
Estimated value of dwelling unit contributions (@\$2,500)	 100,000		 100,000
 ESTIMATED POSITION ON WINDING UP SCHEME	 (801,531)	 499,144	 (302,387)
 Purchase value of land purchased for parks and recreation to date.	 492,846	 23,778	 516,624

Clearly, the financial position as outlined above shows the Scheme in deficit to the tune of \$800,000 once all obligations are met and the Scheme is wound up. To offset that position though, the Town of Bassendean as an owner of land in the Scheme has made a profit of almost \$500,000. The consolidated position is therefore a \$300,000 loss.

The purchase value of land acquired for parks and recreation to date is over \$500,000 and to that should be added the estimated \$355,000 still to be acquired. This gives a total parks and recreation asset value (at purchase price) of over \$850,000.

When the value of that asset (parks and recreation land) is compared to the estimated deficit of the Scheme on winding up, it in fact gives a small profit result. When consolidated with pre-gazettal transactions the value of the parkland far exceeds the estimated wind up position.

These results confirm the previous comments that the success or otherwise of TPS 4A will always be subject to subjective assessment based on the value individuals put on the parkland purchased by the Scheme.

OPTIONS

Nil

COMMENT

Land held by the Scheme and zoned residential is:

1. Lots 162 and 163 Anstey Road; and
2. Part lots 202 and 203 Hyland Street.

Land held by the Council as beneficial owner in the Scheme is:

1. Lot 100 Reid Street;
2. Lot 101 Reid/Iveson;
3. Lot 112 Iveson (Iveson Hostel);
4. Lot 113 Iveson/Best;
5. Lot 103 Iveson/Best;
6. Lot 104 Iveson Place; and
7. Part lot 271 Hamilton Street.

Officers have not attempted to obtain current valuations for any of the residential land, nor indeed for the parkland owned by the Council within the Scheme area, but have estimated those values or used the purchase values as appropriate.

RECOMMENDATION – ITEM 7.9

That the information be received.