

Business Plan

Major Land Transaction and Trading Undertaking

Disposal of Lot 511 Whittington Street Brookton

(Kalkarni Residential Aged Care Facility and Saddleback Medical Centre)



November 2018

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1.0 Introduction

This Business Plan relates to the Shire Council potentially entering into a major land transaction and trading undertaking involving the disposal of Lot 511 Whittington Street Brookton. Lot 511, inclusive of land, buildings (that serve as the Saddleback Medical Centre and Kalkarni Aged Care Residential Facility) and aged care provider (bed) licence is currently owned by the Shire of Brookton.

The Medical Centre is presently occupied by Silver Chain (WA) under a 'peppercorn' lease arrangement, and Dr Adebayo of the Beverley Medical Practice through a contractual service agreement with the Shire. The Residential Aged Care Facility is managed on behalf of Council by Baptistcare Inc. (WA), also through a contractual service agreement.

The Business Plan has been prepared in accordance with Section 3.59 of the *Local Government Act (1995)* to facilitate opportunity for members of the community to consider and respond on the proposal prior to the Council formally determining the matter.

1.1 Background

The Shire of Brookton is a small traditional broad-acre farming community located within the Central Wheatbelt Region of WA, some 140km south-east of the Perth Central Business District (CBD).

Typical of most other Wheatbelt communities, Brookton has experienced a slow level of population decline over the years coupled with an ever increasing age in the local population. This together with closure of the Brookton Hospital prompted the Shire Council in late 90's to pursue the development of a Residential Aged Care Facility and a small Medical Centre to support the needs of the local community.

As a result, the Kalkarni Residential Aged Care Facility was constructed in 2003, and thereafter extended to accommodate a 43 aged care bed licence. Over the past 12 years this facility has been operated and managed through a formal service agreement between the Shire of Brookton and Baptistcare Inc. (WA).

Adjoining the Aged Care Facility on the same site is the Saddleback Medical Centre, constructed in 1994. This Centre has for many years accommodated a medical practitioner offering to the local community general practice services two days per week. Also housed in the Saddleback Facility is the Silver Chain Group. This organisation affords a comprehensive range of Commonwealth Home Care Support Services to local residents.

While the Council is mindful of the importance of these services to the local community, is also cognisant that provision of such services is not core to the business of Local Government. Rather, the provision of health and age care services commands a specialist approach that generally extends beyond the scope, expertise and capacity of a small Local Government.

Accordingly, the Shire Council has formed the view that in the interests of preserving, and ideally enhancing, the delivery of health and age care services it is opportune to on sell the Kalkarni and Saddleback facilities to a suitable health and age care provider.

1.2 Purpose of the Report

The purpose of the Business Plan is:

- To provide the opportunity for the community to provide comment on the Business Plan;
- Outline in detail the asset that forms the basis of this proposal;
- Outline the intended use of funds yielded from any disposal of the asset; and
- Demonstrate compliance with the requirements of the *Local Government Act (1995)* and any other relevant legislation.

2.0 Land Tenure, Planning and Development

2.1 Description of Landholding and Ownership

The Saddleback and Kalkarni developments were initially constructed on Crown Reserve 43158, being Lot 456 on Land Administration Plan 21214 which has the dedicated purpose of '*Recreation, Tourism, Health, Civic and Community Purposes*'.

In 2016 the Council sought to excise a required 1.429 hectares of land from Reserve 43158 as a 'fee simple' allotment to accommodate the Saddleback and Kalkarni developments. This resulted in Reserve 43158 being subdivided in 2017 that now reflect Lots 510, 511 and 512 created on Deposited Plan 406799.

With Lot 510 representing the predominant portion of Crown Reserve 43158, Lot 511 accommodates the existing Aged Care and Medical Centre developments owned by the Shire, while Lot 512 is set aside as an extension to Whittington Street to facilitate vehicle access to Lot 511.

For illustration purposes, **Figure 1** below provides an understanding of the location of Lot 511. **Figure 2** presents a copy of Deposited Plan 406799.



Figure 1: Location Plan - Lot 511 Whittington Street Brookton

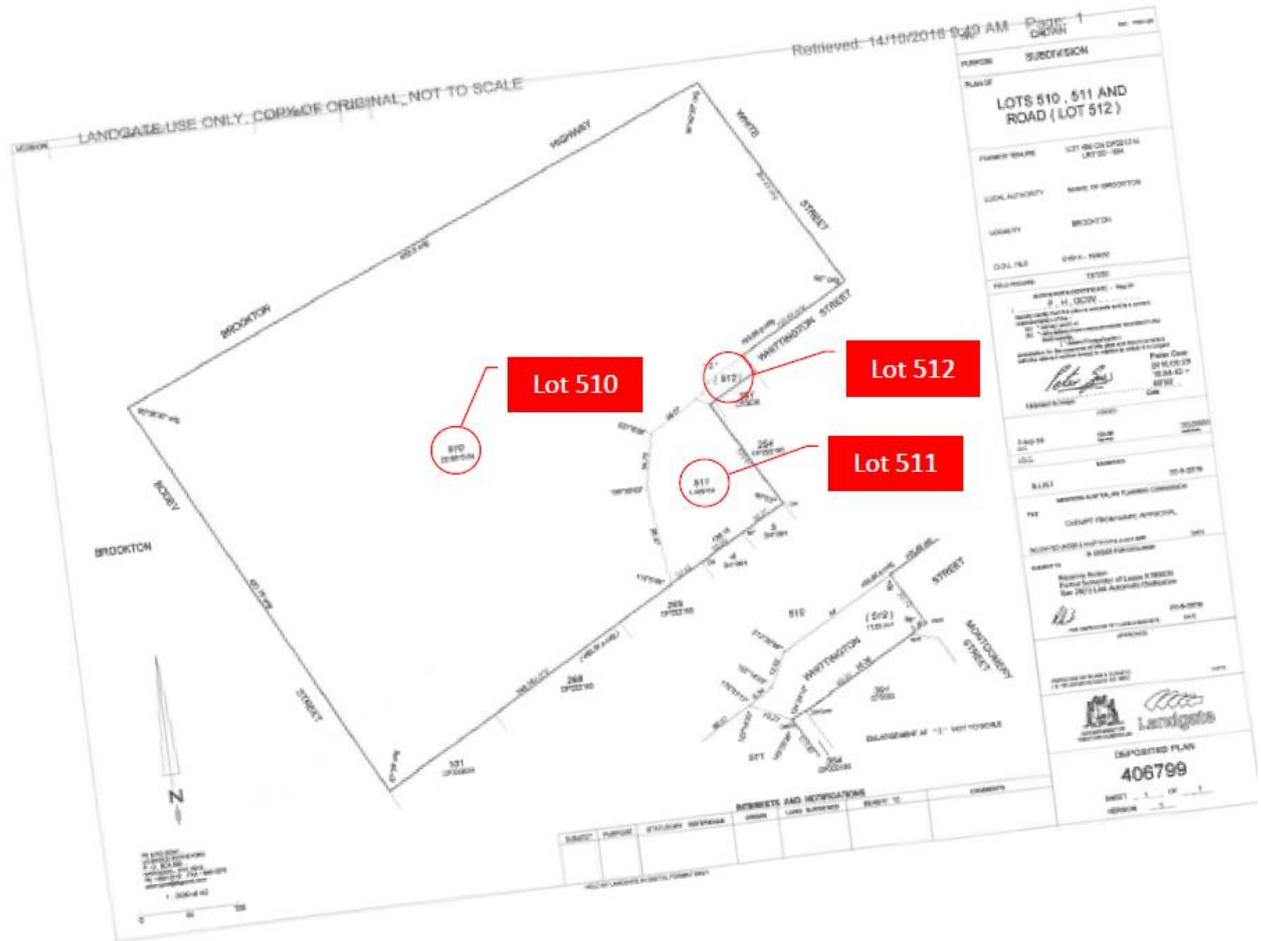
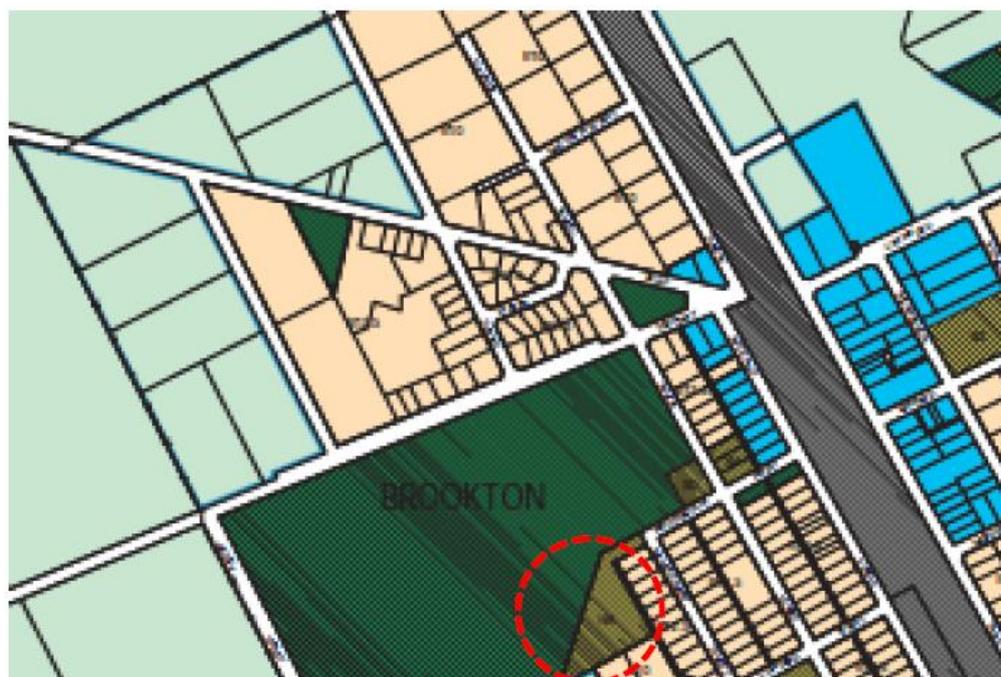


Figure 2: Deposited Plan 406799

2.2 Zoning and Reservation

Lot 511 is reserved as 'Community Purposes' with a denotation of 'Hostel Accommodation' under the current Town Planning Scheme (TPS) No. 3.

This is illustrated in **Figure 3** below, being an extract from the zoning map from TPS No.3.



LOCAL SCHEME RESERVES

	CONSERVATION		RECREATION
	PUBLIC PURPOSES		ROAD
	PUBLIC PURPOSES DENOTED AS FOLLOWS:		
C	CEMETERY		
CC	COMMUNITY CENTRE		
ED	EFFLUENT DISPOSAL		
H	HOSPITAL		
HA	HOSTEL ACCOMMODATION		
M	MUSEUM		
MD	DEPOT - MAIN ROADS		
P	POLICE STATION		
SC	SCHOOL SITE		
SD	DEPOT - SHIRE		
SH	SHIRE HALL		
SO	SHIRE OFFICE		
	RAILWAY		

Figure 3: Extract of Zoning Map – Town Planning Scheme No.3

Further, the Shire has a draft Local Planning Scheme No.4 that seeks to amend the zoning of Lot 511 from 'Community Purpose' to 'Special Use' zone. This change is to better reflect the current development and use of the property for

medical and age care services. Table 2 of draft Local Planning Scheme No.4 below details the uses permitted on Lot 511.

Table 2

Special use zones in Scheme area

No.	Description of land	Special use	Conditions
SU1	Lot 511 Whittington Street and its successors in title.	Aged Persons Accommodation; Community purpose; Medical Centre;	All uses other than existing uses shall be subject to application for the local government's planning consent.

(1) A person must not use any land, or any structure or buildings on land, in a special use zone except for a class of use that is permissible in that zone and subject to the conditions that apply to that use.

2.3 Existing Development

The existing development contained within Lot 511, includes:

- a) Kalkarni Residential Age Care Facility – This facility was first constructed in 2003 and extended twice in subsequent years to yield:
- ✓ A gross floor area of some 2,773 m²
 - ✓ Total of forty three (43) bed places:
 - 32 being approved high care
 - 11 set aside for low care
 - 5 double bed rooms with no ensuite
 - 26 single bedrooms - shared ensuite
 - 7 single bedrooms - own ensuite
 - ✓ All accommodation distributed across three wings
 - ✓ A communal external court yard areas
 - ✓ An internal sitting room and dining area
 - ✓ A large (main) commercial kitchen
 - ✓ commercial laundry on-site manager's residence at rear of main building
 - ✓ car parking and circular turn around area to front of the building – refer to **Figure 4**.

The following photos providing an understanding of the standard of this facility.



b) Saddleback Medical Centre - The Medical Centre was constructed in 1994 and consists of:

- ✓ A central reception/waiting area
- ✓ Total of seven (7) consulting rooms
- ✓ A kitchen/lunch room informal meeting room
- ✓ An office
- ✓ Disabled ablution amenities
- ✓ Store rooms and a utility room
- ✓ Small car parking area to front of Medical Centre.





Both facilities are shown in **Figure 4** below.



Figure 4: Aerial Photo illustrating location of Saddle Back Medical Centre and Kalkarni Residential Aged Care Accommodation Facility

2.4 Utilities and Services

Lot 511 is serviced by:

- A reticulated town water supply to potable drinking water standards (Water Corporation);
- A reticulated mains power supply (Western Power) supported by a photovoltaic system (solar) and back-up 100 kVA automatic diesel generator (Shire).
- A land line and mobile telecommunications network (Telstra), with ability to connect to a fixed wireless broad band service (NBN).
- A hybrid effluent disposal system (Shire).

2.5 Existing Management and Tenure Arrangements

The Kalkarni Residential Aged Care Facility has operated since 2003, initially under the auspice of the Shire until July 2007 when it subsequently reverted to Baptistcare Inc. (WA). This management arrangement is based on terms of a contractual service agreement with the Shire Council. The service agreement is presently structured on payment of an annual management fee (Perth CPI indexed) and a 50% profit/loss share arrangement between the Shire and Baptistcare Inc. (WA). The current service agreement is scheduled to expire on 30th June 2019 with Council having the option to extend for a further a further twelve (12) month period.

The Shire also has a contractual service agreement with Adebayo Services Pty Ltd for provision of General Practice Medical Services for a minimum two days per week provided from the Saddleback Medical Centre. This arrangement is as an extension to the Beverley Medical Practice that has been in place since 1st December 2011, and is fully funded by the Shire on an annual payment basis. Similarly, this agreement is to expire on 30th June 2019, with the option to extend for a further year at the Council's discretion.

Additionally, the Saddleback Medical Centre accommodates the Silver Chain Nursing Association Inc. This not for profit organisation delivers home care services to residents within the Shire of Brookton and surrounding districts. The current tenure arrangement with Silver Chain is structured on a formal lease agreement at a 'peppercorn' rental of one dollar a year, with all routine maintenance and cleaning covered by Silver Chain. The last iteration of the lease ensures this agreement aligns to the time frame of the other service contracts to achieve a common expiry date and period of extension, if required.

2.6 Surrounding Development

Lot 511 is surrounded by a number of land uses and development illustrated in **Figure 5** that includes:

- Residential housing immediately to the east and south;
- The Brookton oval, sport pavilion and tennis courts to the north-west;

- Senior citizen units adjoining to the north;
- Men's Shed building (*fmr.* Bowling Club) to the north-east, with Shire Administration Office adjacent.

It is assessed the surrounding land use and development is compatible with the existing Age Care and Medical Centre developments.



Figure 5: Aerial illustration of Surrounding Land Use and Development

3.0 Legislation

3.1 Creation of Business Plan

Pursuant to Section 3.59(2) and Section 3.59(3) of the *Local Government Act 1995* (the Act), a Local Government is required to prepare a Business Plan before it commences a major trading undertaking, enters into a major land transaction, or enters into a land transaction that is preparatory to entry into a major land transaction. In interpreting these Sections of the Act, Section 3.59(1) prescribes the following definitions:

major land transaction means a land transaction other than an exempt land transaction if the total value of —

- (a) *the consideration under the transaction; and*
- (b) *anything done by the local government for achieving the purpose of the transaction, is more, or is worth more, than the amount prescribed for the purposes of this definition;*

major trading undertaking means a trading undertaking that —

- (a) *in the last completed financial year, involved; or*
- (b) *in the current financial year or the financial year after the current financial year, is likely to involve,*

expenditure by the local government of more than the amount prescribed for the purposes of this definition, except an exempt trading undertaking;

Also, when considering the above there is a need to reference the Local Government (Functions and General) Regulations, 1996. Specifically, Regulation 8A states:

- (1) **The amount prescribed for the purposes of the definition of *major land transaction* in section 3.59(1) of the Act is —**
 - 1. *if the land transaction is entered into by a local government the district of which is in the metropolitan area or a major regional centre, the amount that is the lesser of —*
 - (i) *\$10 000 000; or*
 - (ii) *10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year;*

Or
 - 2. *if the land transaction is entered into by any other local government, the amount that is the lesser of —*
 - (i) *\$2 000 000; or*
 - (ii) *10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year.*

Applicable to the Shire of Brookton is Regulation 8A(1)(b) based on the sworn valuation for Lot 511, provided as Appendix 1. This valuation indicates a greater dollar value to be realised from the sale of Lot 511 than the minimum amounts prescribe under Regulation 8A(1)(b).

In light of this, the Council is required to prepare this Business Plan that offers an overall assessment of the major trading undertaking or major land transaction being entertained. Further, the Council is to canvas the views of the community prior to giving further consideration to the disposal of Lot 511.

Specifically, Section 3.59(4) of the Act states:

- (4) The local government is to —
- (a) give state-wide public notice stating that —
 - (i) the local government proposes to commence the major trading undertaking or enter into the major land transaction described in the notice or into a land transaction that is preparatory to that major land transaction; and
 - (ii) a copy of the business plan may be inspected or obtained at any place specified in the notice; and
 - (iii) submissions about the proposed undertaking or transaction may be made to the local government before a day to be specified in the notice, being a day that is not less than 6 weeks after the notice is given;
- And
- (b) make a copy of the business plan available for public inspection in accordance with the notice.
- (5) After the last day for submissions, the local government is to consider any submissions made and may decide* to proceed with the undertaking or transaction as proposed or so that it is not significantly different from what was proposed.

* Absolute majority required.

3.2 Disposal of Property

Generally, the disposal of property by a local government must be performed in accordance with Section 3.58 of the *Local Government Act, 1995*.

In this context Section 3.58 specifies:

3.58. Disposing of property

- (1) In this section —
 - dispose** includes to sell, lease, or otherwise dispose of, whether absolutely or not;
 - property** includes the whole or any part of the interest of a local government in property, but does not include money.
- (2) Except as stated in this section, a local government can only dispose of property to —
 - (a) the highest bidder at public auction; or
 - (b) the person who at public tender called by the local government makes what is, in the opinion of the local government, the most acceptable tender, whether or not it is the highest tender.

- (3) *A local government can dispose of property other than under subsection (2) if, before agreeing to dispose of the property —*
- (a) *it gives local public notice of the proposed disposition —*
 - (i) *describing the property concerned; and*
 - (ii) *giving details of the proposed disposition; and*
 - (iii) *inviting submissions to be made to the local government before a date to be specified in the notice, being a date not less than 2 weeks after the notice is first given;*

and
 - (b) *it considers any submissions made to it before the date specified in the notice and, if its decision is made by the council or a committee, the decision and the reasons for it are recorded in the minutes of the meeting at which the decision was made.*
- (4) *The details of a proposed disposition that are required by subsection (3)(a)(ii) include —*
- (a) *the names of all other parties concerned; and*
 - (b) *the consideration to be received by the local government for the disposition; and*
 - (c) *the market value of the disposition —*
 - (i) *as ascertained by a valuation carried out not more than 6 months before the proposed disposition; or*
 - (ii) *as declared by a resolution of the local government on the basis of a valuation carried out more than 6 months before the proposed disposition that the local government believes to be a true indication of the value at the time of the proposed disposition.*
- (5) *This section does not apply to —*
- (a) *a disposition of an interest in land under the Land Administration Act 1997 section 189 or 190; or*
 - (b) *a disposition of property in the course of carrying on a trading undertaking as defined in section 3.59; or*
 - (c) *anything that the local government provides to a particular person, for a fee or otherwise, in the performance of a function that it has under any written law; or*
 - (d) *any other disposition that is excluded by regulations from the application of this section.*

In this instance, notwithstanding the exemption under Section 3.58(5)(b), the intention of Council is to follow process stated Section 3.58(3) and (4) of the Act as outlined above.

3.3 Disposal of Age Care Licence

As reflected in Section 4.3 of the Valuation Report (refer to Appendix 1) the licenced aged care places have been granted to the Shire pf Brookton under Commonwealth Aged Care Act (1997), with accreditation to be maintained

through the Australian Aged Care Quality Agency ensuring the service is operating in accordance of the Aged Care Act.

The transfer of the residential age care places is to be enacted under this legislation, with the purchaser needing to be certified as suitably qualified and accredited to hold the forty three (43) allocated bed licence.

4.0 Statutory Issues addressed by Business Plan

Pursuant to Section 3.59(3) of the *Local Government Act, 1995* the Business Plan is required to address a number of matters in relation to services and facilities, as listed below. Accordingly, this section provides a response to each of these matters:

1. *Do the services and facilities integrate and coordinate with those provided by Governments or public bodies?*

The provision of general medical practice and residential age care accommodation services has for the past 18 years been integrated into the Shire's service delivery program. The Shire over this time initially operated the residential aged care for a period of 5 years, before engaging Baptistcare to manage this service on a daily basis. While this has proven effective over the past 11 years, it is no longer considered ideal for the Shire to be directly involved given the increase in compliance and associated complexity in relation to the provision of aged care and medical/health services.

To this end, the Council acknowledges that responsibility for age and medical care services extends beyond the general remit of Local Government core business, particularly at the scale of the Shire of Brookton, although it does recognise the importance of these highly specialised and regulated services to the local community.

Therefore, the Council is seeking to exit as the service provider yet ensure the provision of medical and age care services continue relatively unabated.

2. *Do the services and facilities duplicate to an inappropriate extent, with those provided by Governments, anybody or person, whether public or private?*

Quite simply the sale of Lot 511 will not result in duplication of services. The very nature of this proposal is to sell Lot 511 as a going concern, with the view that the medical and age care accommodation services continue to be provided. However, the Council does acknowledge the current contractors may or may not continue as the service providers.

3. *How can the Council itself be satisfied that the services and facilities are managed efficiently and effectively?*

The Council is seeking to entertain negotiations with Baptistcare in the first instance for the purchase Lot 511, with the view that current services continue to be delivered in a professional and seamless manner. This approach is reflected in the Valuation Report – Executive Summary provided as Appendix 1 to this Business Plan.

4. *What is the expected effect of the proposals on the provision of services and facilities provided by the Shire?*

The pending sale of Lot 511 as a going concern will result in continuation, if not improvement, of medical and age care services to the community, while similarly creating greater capacity for the Council to redirect resources and funds to other core services and management of assets. The funds received will also assist in addressing matters/projects identified as priority through the Council's Integrated Planning and Reporting Framework.

5. *What is the expected effect of the proposal on other persons providing services and facilities in the Shire?*

It is acknowledged that successful negotiation in the sale of Lot 511 and associated age care licences may result in the Silver Chain Group and Beverley Medical Practice not retaining tenure of their respective office and consulting/treatment areas within the Saddleback Medical Centre. This does not necessarily preclude their continued service delivery, but may require alternative premises to be secured in Brookton.

The Council has indicated a willingness to assist with advice should this situation arise.

6. *What is the expected financial effect on the Shire?*

On projection it is anticipated the Shire will benefit financially from the sale of Lot 511 with an expected return to the ratepayers of between \$7.4 million - \$8.0 million dollars. This projection is based on the sworn valuation for Lot 511 as a 'going concern', with the value assessed at \$7,370,000 excl. GST (\$5,120,000 property value and \$2,250,000 bed licences).

However, it is acknowledged by Council that disposal of assets are subject to negotiation and mutual acceptance by the vendor and purchaser.

7. *What is the expected effect of the proposal in relation to the Strategic Community Plan?*

The proposal to sell Lot 511 and associated age care licences will generate financial capacity for Council to better position delivery against the aspirations of the Strategic Community Plan, and deliver on projects identified in the Corporate Business Plan and assessed through the 'Innovations Pathway' that forms part of the Integrated Planning and Reporting Framework.

Further, it is recognised the sale of the asset as a going concern will continue to retain the service that satisfies 'Aspiration 5 – Older Population' of the BROOKTON 20, as detailed in the Shire of Brookton Strategic Community Plan 2017>.

8. *Has the Shire the ability to manage the service and facilities?*

With the Shire not seeking to increase its service delivery, but rather shift existing services to other organisations more equipped to do so, it is expected demands on Shire resources will reduce allowing for improvement in areas of core business delivery.

5.0 Financial Analysis and Allocation

The Valuation Report provided in Appendix 1 provides a detailed assessment and explanation of the current market value of the property, together with applicable operational licences for Lot 511.

In regard to the allocation of funds received by Council should the Lot 511 be sold, it is the Council's intention to prepare a financial strategy. It is envisaged that this strategy will be structured to create a number of distinct holding funds, with a percentage of the monies received from selling Lot 511 allocated to each fund, summarized below:

1. Asset Preservation and Replacement Fund – This fund is to accommodate a percentage of the proceeds from the sale of Lot 511, with accrued interest generated through investment being placed in existing 'cashback' reserves set up by Council for the purpose of maintaining, repairing and replacing Shire assets in accordance with the Council's Asset Management Framework.
2. Innovations Fund – This fund is to support and complement the Shire's Integrated Planning and Reporting (IPR) Framework that consists of the Community's Strategic Community Plan and Council's Corporate Business Plan, inclusive of the 'Innovations Pathway' and various other integrated plans for the Shire. It is envisaged the funding will notionally be used as investigative, seed or leverage funding for initiatives and projects endorsed by Council, and subsequently listed in the Shire's Corporate Business Plan.
3. Future Fund – The Future Fund is primarily set aside for investment using some funds realised from the sale Lot 511 for future benefit. It is anticipated this fund will take the form of a trust account (or similar) with the initial amount allocated being preserved in perpetuity, and the interest earned compounding and being re-invested. The fund will be managed by trustees appointed by Council.

The percentage (%) of funding allocated will be determined by Council in consideration of the following factors:

- Financial projection (forecasting) in the long term based on condition assessment and 'whole of life' cost applied to Shire assets;
- Allocation of funding (current) in 'cashback' reserves weighted against condition assessment and 'whole of life' projection for specific key assets;
- Success (or otherwise) of the 'Innovations Pathway' process accounting for number and type of qualified projects and the Council's acceptance, including involvement as the facilitator or proponent;
- Capacity (resources) to deliver and achieve positive outcomes for the local community, ideally through a partnering mentality;
- Community sentiment on prioritisation of projects and standards of service delivery.

6.0 Consultation

6.1 Statutory Requirement

Section 3.59 of the *Local Government Act (1995)* requires the Shire Council to advertise its intent to enter into any major land transaction and/or any major trading undertaking. The required notification must be done through State-wide advertising with a request for public submissions to be lodged with the Council.

Submissions received during a minimum six (6) week period will be considered by Council prior to any decision being made on the proposal.

A public forum will also be convened by Council during the consultation period to field questions and provide clarification on this proposal.

6.2 How to Make a Public Submission

Members of the public are invited to provide feedback to Council on this proposal by 4.00pm on Thursday 31st January 2019 using the submission form provided in Appendix 2 to this Business Plan.

All public submissions are to be posted to:

Chief Executive Officer
Shire of Brookton
P.O. Box 42
Brookton WA 6306

Submissions may also be received across the counter at the Shire Administration Office or via email: mail@brookton.wa.gov.au

Further information can be obtained by telephoning the Shire on 9642 1106.

Appendices

Appendix 1 - Valuation Report – Executive Summary (March 2018)

Note – A full copy of Valuation Report is available from the Shire on request.

Appendix 2 - Submission Form



Valuation Report

**Kalkarni Residency and Saddleback
Medical Centre,
Lot 511 Whittington Street, Brookton, WA**

23 March 2018

Under instruction from
Shire of Brookton



Reference: V114/2018 CM

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Legislation.*

Executive Summary



Kalkarni Residency and Saddleback Medical Centre, Lot 511 Whittington Street, Brookton, WA	
Instructing Party	Mrs K D'Arcy Senior Governance Officer Shire of Brookton
Registered Owners	Shire of Brookton
Relying Party/Parties & Purpose of Valuation	The valuation may be relied upon internal asset determination purposes only by the Shire of Brookton. We advise that we have carried out an inspection of the subject property and have undertaken market research with respect to the available sales and rental evidence, prepared our calculations and report formally herein. The valuation has been prepared in conformity with the Code of Professional Ethics and Conduct laid down by the Australian Property Institute.
Interest Valued	<ol style="list-style-type: none"> 1. Current Market Freehold Going Concern Value, subject to the lease agreements detailed herein, assuming the management agreement for the aged care facility had expired as at the date of valuation. 2. Market Value of the 43 allocated places (i.e. bed licences) attached to the Residential Aged Care Facility (RACF). <p>Included in the amount of this valuation are the normal fixtures, fittings and furniture. This valuation is determined on the basis that the property, the title thereto and its use are not affected by any matter other than that mentioned within this report.</p>
Certificate of Title	Volume 2942 Folio 258 (Lot 511 on Deposited Plan 406799)
Encumbrances	Nil
Last sale	Not applicable within the previous 3 years.
Land Area	14,290 sqm (332 sqm per allocated place).
Building Area	<u>Kalkarni Residency</u> 2,773 sqm (64.48 sqm per allocated place). <u>Saddleback Medical Centre</u> 243 sqm
Zoning	"Public Purposes - Hostel Accommodation" Shire of Brookton (Town Planning Scheme No.3) <u>Draft Town Planning Scheme No.4</u> "Special Use"
RACS ID	7423
Approved Provider	Shire of Brookton
Aged Care Planning Region	Wheatbelt (Western Australia)
Description	<p>A purpose-built, single level medical centre and adjoining aged care facility located in the townsite of Brookton situated some 138 kilometres south-east of the Perth CBD with a permanent estimated population within the local authority of 975 persons.</p> <p>The Saddleback Medical Centre was constructed in 1994, incorporating a central reception and waiting area, 7 consulting rooms, a kitchen/lunch room, informal meeting area, office, disabled ablution amenities, store rooms and a utility room.</p> <p>The aged care facility incorporates 43 bed places within 41 accommodation rooms, with the bed licences attached to the site.</p>

Tenancy Status	A portion of the medical centre is leased to Silver Chain for a peppercorn rent, with the lease commencing on 1 July 2017 for a 2 year term, with a further 1 year option.
Management status	<p>The aged care facility has been operating under management by Baptistcare since July 2007, with the current management term commencing in 1 July 2017, expiring 30 June 2019 (with a further 1 year option).</p> <p>Management fees are currently \$156,648 per annum (with annual CPI review provisions), in addition to 50% of any operational surplus after payment of the annual fee.</p> <p>In keeping with your specific instructions, we have assumed the management agreement had been terminated as at the date of valuation.</p>
Medical Services Contract	<p>A portion of the medical centre is reserved as part of contractual agreement for medical services with a general practitioner (2 days per week), with the Shire of Brookton paying a fee of \$24,177.45 per annum (paid quarterly in advance).</p> <p>The contract incorporates annual CPI review provisions.</p> <p>There are no rental payments incorporated within the contractual agreement for the portion of the medical centre utilised by the general practitioner.</p> <p>The contract commenced on 1 December 2016, expiring 30 June 2019, incorporating an extension term of up to 1 year.</p>

Valuation Details	
Valuation Methodology	Capitalisation and Direct Comparison approaches.
Date of Inspection	23 March 2018
Valuation Date	23 March 2018
Current Market Freehold Going Concern Value	\$5,120,000 (exclusive of GST)
Valuation Analysis	<p>The above assessment reflects:</p> <ul style="list-style-type: none"> ▪ Maintainable EBITDAR (Ex DAP's.): \$842,900 (\$56.11/bed day) ▪ DAP's: \$75,332 ▪ Going Concern Capitalisation Rate: 17.0% ▪ Going Concern Bed Rate: \$119,767/allocated place
Current Bond/RAD Liability	\$182,585
Net Realisable Value (Assumes Settles Net at Date of Valuation)	<ul style="list-style-type: none"> ▪ Gross Freehold Going Concern Value: \$5,150,000 ▪ RAD/Bond Redeemable Value: (\$182,585) ▪ GP Contract Services Fees: <u>(\$31,331)</u> ▪ Net Realisable Value: \$4,935,000 (Rounded)
Market Value of the 43 Allocated Places (i.e. Bed Licences)	\$2,250,000 (exclusive of any GST applicable)
Valuation Analysis	\$52,326/licence

Key Points

- A well maintained, purpose built, co-located medical centre and aged care facility, which commenced operations during the 1994 calendar year and subject to extensions and renovations during the early 2000's.
- The Saddleback Medical Centre incorporates a central reception and waiting area, 7 consulting rooms, a kitchen/lunch room, informal meeting area, office, disabled ablution amenities, store rooms and a utility room.
- The Kalkarni Residency aged care facility provides a total of 43 licensed bed places, within 3 accommodation wings, which are attached to the site.
- Kalkarni Residency features 41 accommodation rooms incorporating single bedrooms with ensuites (7 rooms), single bedrooms with shared bathroom amenities (32 rooms), with the remaining 2 accommodation rooms providing "family accommodation" incorporating 2 beds and private ensuites.

Management Agreement (Kalkarni Residency)

- The aged care facility has operated under management with the approved aged care providers, Baptistcare, since July 2007, with the current management agreement commencing on 1 July 2017 for a 2 year term (expiring 30 June 2019), incorporating a 1 year option.
- Management fees are currently \$156,648 per annum (exclusive of GST), paid monthly in advance, together with a 50% share of any Operational Surplus or Deficit of the aged care facility calculated after payment of the Annual Fee. Management fees incorporate annual CPI fixed increases without market rent review provisions.
- In keeping with your specific instructions, we have assumed the management agreement had been terminated as at the date of valuation.

Silver Chain Lease Agreement (Saddleback Medical Centre)

- Relating to a portion of the medical centre, which commenced on 1 July 2017 for a 2 year term, incorporating a 1 year option.
- Peppercorn rent (without any rent review provisions)
- For the provision and administration of health and community services for local residents.

Contract for Provision of Medical Services

- Relating to a portion of the medical centre for the provision of medical services for local residents.
- Extension of contract commenced 1 December 2016, expiring 30 June 2019, incorporating a 1 year option.
- Initial Contract Price \$24,000 (inclusive of GST), payable 3 months in advance by 4 equal instalments.
- Agreed hours: 2 days (each of 7 hours).
- Contract Price incorporates annual CPI reviews.

Trading Performance & Profitability (Kalkarni Residency aged care facility)

- During the 3 previous financial periods, based on the trading accounts provided to us, the aged care facility has been progressively generating higher levels of profitability.

FYE	2015	2016	2017	2018 YTD	Annualised
Revenue	\$3,725,159	\$3,825,714	\$4,041,064	\$2,504,074	\$4,251,102
Average Occupancy	90.34%	94.04%	98.05%	99.19%	
Adjusted Expenses	\$3,636,303	\$3,523,138	\$3,464,140	\$2,051,186	\$3,482,246
EBITDA	\$88,856	\$302,576	\$576,924	\$452,888	\$768,856
% Revenue	2.39%	7.91%	14.28%	18.09%	

- The average residential care supplements within the facility (ACFI) during the financial year ending 30 June 2017 equated to \$187.16 per day. For the current financial year to date, the average ACFI equated to \$191.98 per day.
- We consider this funding is reflective of a well performing aged care facility with a competent, experienced management team.

Critical Assumptions

- Knight Frank has made primary reliance on the trading accounts and documentation provided by the instructing party of this report. Any error or amendment may have a consequential impact on our assessment of Market Value and we reserve the right to amend our assessment of value accordingly.

Important

This valuation has been prepared in accordance with the Australia and New Zealand Banking Group Limited's reporting standards. The information in this summary is derived from and should be read in conjunction with the full context of our valuation report contained herein. Liability limited by a scheme approved under Professional Standards Legislation.

Assumptions, Conditions and Limitations

1. This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Valuations. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.
2. This valuation may not be relied upon for mortgage security purposes by any other party without the express written approval/assignment by Knight Frank Australia Pty Ltd.
3. The valuation specifically may not be relied upon by any party in connection with any Managed Investment Scheme (within the meaning of the Corporation Law) which:
 - a) has as its prime or as a substantial purpose, the provision of tax benefits to investors; or
 - b) is involved in any form of direct or indirect investment in primary production including "property used for primary production".
4. This valuation is prepared on the assumption that the lender who relies on this valuation report (and no other) may rely on the valuation for first mortgage finance purposes, and the lender has complied with its own, as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risks for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio. This clause (Prudent Lenders Clause) only applies if the lender is not a lender regulated by the Banking Act of 1959.
5. Unless otherwise stated, all valuation figures stated herein are net of GST, are on a before tax basis, are before acquisition or selling expenses, and do not reflect any withholding amounts or impact upon sale proceeds that may apply under foreign investor transaction legislation (including under mortgagee sale conditions).
6. Reliance on this report should only be taken upon sighting an original document that has been signed by the valuer and countersigned by a senior executive of Knight Frank Australia Pty Ltd. The counter-signatory verifies that this report is genuine and issued and endorsed by Knight Frank Australia Pty Ltd. The opinion of value expressed in this report, however, has been arrived at by the prime signatory acting as the valuer. Please note that the counter signatory has not inspected the subject property, and counter-signs this report only in his capacity as Director of Valuation/Consultancy for Knight Frank Australia Pty Ltd.
7. This valuation is current at the date of valuation only. The timing and extent of market movements is impossible to accurately predict and we do not attempt to do so. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements, or factors specific to the particular property as identified in this report. Losses resulting from such movement in value subsequent to the date of valuation are not foreseeable and we do not accept any duty to protect your financial interests against such movements in value.
8. In accordance with industry guidelines and requirements, Knight Frank Australia Pty Ltd cannot assign or confirm the original or initial valuation after the expiration of 3 months from the date of valuation. Any written assignment of the valuation by Knight Frank Australia Pty Ltd within this 3-month period is required to contain a statement that the valuer has not re-inspected the property nor undertaken further investigations or analysis since the original/initial valuation and accepts no responsibility for reliance upon the original/initial valuation other than as a valuation of the property at the original/initial date of valuation.
9. This valuation is conditional on there being no material change (including as a result of general market movements, or factors specific to the particular property) between the date of inspection, date of issue, and the date of valuation that would impact on the value of the subject property. Should such an event occur, the valuer should be contacted for comment prior to reliance upon the valuation.
10. This valuation is not intended to be used to provide financial advice, express or implied, and we confirm that the valuer and Knight Frank Australia Pty Ltd are not licensed to provide financial product advice under the Corporations Act 2001.

Assumptions, Conditions and Limitations (cont'd)

11. This valuation report is to be read in its entirety and in particular we draw your attention to the Important Notices, Disclaimers and Qualifications set out in the body of the report and the Assumptions, Conditions and Limitations section of the Executive Summary.
12. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
13. Any objective information, data or calculations set out in the valuation will be accurate in so far as is reasonably expected from a qualified valuer, reflecting due skill, care and diligence.
14. The law of the Australian state in which a property is located will apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in that state of Australia. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Knight Frank, the client, and any third party using the valuation, all will submit to the jurisdiction of the Australian Courts only. This will apply wherever the property or the client is located or the advice is provided.
15. This valuation includes real estate, plant and equipment.
16. We have been provided with financial information relating to the aged care facility by the instructing party and on preparing this report we have relied upon this information as being accurate. Should any of the information be found to be otherwise, then this report and valuation should be referred back for review and possible amendment.
17. The assessments of value herein are subject to, where appropriate, the following qualification:
That the facilities Accreditation will not be revoked or suspended and that it will continue to meet and/or improve accreditation standards as monitored by the Australian Aged Care Quality Agency.

Valuer's Details



CHRIS MURPHY FAPI
Certified Practising Valuer
Licensed Valuer No. 44039
Director – Valuations & Consultancy

Important

All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.

This Executive Summary forms a part of and should not be used or read independently from the complete report. Particular attention is drawn to the Qualifications, Important Notices and Disclaimers included in this report.



Major Land Transaction and Trading Undertaking

Submission Form

Disposal of Lot 511 Whittington Street Brookton
(Kalkarni Residential Aged Care Facility and Saddleback Medical Centre)

Pursuant to Section 3.59(4) of the Local Government Act 1995

TO: **The Chief Executive Officer** (PO Box 42 Brookton 6306 or email mail@brookton.wa.gov.au)

SUBMISSION ON BUSINESS PLAN

Name: _____

Organisation / Company: (if applicable): _____

Phone: _____

Email: _____

Please indicate your position: Support Object Indifferent

Please state your interests, concerns, objections or support, whether as a private citizen, or on behalf of a company or other organisation.

Signature: _____ Date: _____

Please attach additional comment if required.