



# **Serpentine Heritage Precinct Business Plan**

## **May 2021**

Proposal for the Shire of Serpentine Jarrahdale to undertake the development and operations of the Serpentine Heritage Precinct – 1631 Karnup Road, Serpentine.

*Prepared under s3.59 of the Local Government Act (1995).*

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## Preface

In February 2021, a draft Serpentine Heritage Precinct Business Plan was presented to Council. At the Council Meeting, Council resolved that the draft business plan be amended to reflect a proposal of Council purchasing the site in the next financial year (2021-22) but not commencing any remediation or development of the site for three years. The site in question is a heritage place of State and Local Significance and is in need of stabilisation and remediation to ultimately lead to restoration and celebration as a heritage place.

This document amends the draft Business Plan presented to Council to reflect the February 2021 Council resolution.

A summary of the changes made in this updated, draft Business Plan are:

- To reflect cost increases associated with commencing works in 2024-25, cost estimates for works have been increased by 2.94 per cent. The figure of a 2.94 per cent cost increase has been arrived at by taking the average Perth increase in the Consumer Price Index for the previous 20 quarters. To further reflect the uncertainty in costs, estimates have been universally rounded up to the nearest hundred dollar.
- Updated valuation
- Updated proposed purchase price
- Revisions to the forecast impact on workforce
- Additional commentary on the vision for the site
- Additional contextual information
- Formatting changes

Since the presentation of the draft Serpentine Heritage Precinct Business Plan, an election commitment of \$3.2 million has been made to invest in the nearby Serpentine National Park. This investment would complement the Serpentine Heritage Precinct and adds weight to the concept of the Precinct being an anchor or focal point for tourism in the area.

In creating an image of where the district has come from, and where it will seek to continue to, this heritage place is an important building that aids a sense of gravitas to the Shire of Serpentine Jarrahdale.

## Introduction

The Shire of Serpentine Jarrahdale (Shire) is proposing to enter into a transaction that is preparatory to a Major Land Transaction involving:

- The purchase of land at 1631 Karnup Road, Serpentine
- Construction of the Serpentine Heritage Precinct, inclusive of a complete remediation and restoration of the heritage place known as Turners Cottage and
- Leasing and casual hire of tenancies.

A concept design report has been completed and included as Attachment 1. This should be read in conjunction with this Business Plan.

The proposed transaction may be developed over a period of approximately three years and, if developed in its entirety, would involve the expenditure of approximately \$7,472,250 over that three-year period. The land purchase component of the project is estimated to be \$625,000, which is comprised of a \$575,000 purchase price and \$50,000 in legal and statutory costs.

An option for a three-staged approach has also been provided within this Business Plan for consideration.

The Shire has the potential to gain from this project via:

- Preservation, celebration and interpretation of an important heritage place
- The provision of the Visitors Centre to capture an emerging tourism market which is forecast to grow
- Financial returns in the form of;
  - Additional visitor spending in the district into local businesses
  - Additional private investment in the district
  - Minor returns from the visitors centre
- A sense of community pride

Shire Officers presented the proposal to Council at the 17 August 2020 Ordinary Council Meeting. At that meeting, Council resolved:

That Council:

1. ENDORSES the Serpentine Heritage Precinct Concept Design Report as contained within attachment 1; [appended to this Business Plan as Attachment 1]
2. AUTHORISES the Chief Executive Officer to seek a formal purchase price from the landowner of L23 Karnup Road, Serpentine;
3. REQUESTS the Chief Executive Officer prepare a Business Plan in accordance with section 3.59 of the Local Government Act 1995;
4. AUTHORISES the Chief Executive Officer to advertise the draft Business Plan in accordance with section 3.59 of the Local Government Act 1995 and;
5. REQUESTS that a report be presented to Council at a later date detailing the submissions to the Business Plan, and the outcome of discussion with the landowner.

At the 15 February 2021 Ordinary Council Meeting, a draft business plan was presented for

Council's consideration. At the meeting Council resolved:

That Council:

1. REQUESTS the Chief Executive Officer amend the Serpentine Heritage Precinct draft Business Plan to reflect Council purchasing the site next financial year but not commencing any remediation or development of the site for 3 years for Council's consideration prior to advertising;
2. REQUESTS the Chief Executive Officer negotiate with the property owners of Lot 23 Karnup Road, Serpentine a price to purchase the property for Council's consideration.

This amended, draft Business Plan gives effect to Council's February 2021 resolution.

The Plan has been prepared in accordance with the provisions of the *Local Government Act 1995* and the *Local Government (Functions and General Regulations) 1996*. It is intended to seek public comment on the Plan for a period not less than six weeks. Public feedback that is received on the Business Plan will be presented to Council for it to consider prior to determining whether to proceed with the proposal or not.

The draft Business Plan:

1. Provides details of the proposal
2. Outlines and responds to the legislative framework for the proposal
3. Considers two implementation options; and
4. Provides a critical review and analysis of the operations and risks associated with the proposal.

## Background

The Shire's Community Infrastructure Implementation Plan recommends the development of a Visitors Centre and Heritage Museum as priority 8 (of 30 projects); aimed to enhance tourism development within the Shire. Turner Cottage is recommended as a site location.

Turner Cottage is a State heritage-listed place, situated at Lot 23 (1631) Karnup Road, Serpentine - on the corner of Karnup Road and South Western Highway. The property is privately owned and the owners have expressed an interest in selling the property to the Shire. It is an important heritage place for both the Shire, and broader State of Western Australia, and has the potential to be restored and celebrated according to the principles of the Burra Charter.

The need for a formalised tourism and heritage precinct, and the positive discussions with the landowner, have resulted in the development of a concept design report for the Precinct.

In 1996 Turner Cottage was placed on the Heritage Council of Western Australia's interim register of heritage places. The Heritage Council of Western Australia statement of significance of Turner Cottage states:

“Turner Cottage has a high level of cultural heritage significance as an example of early rural residences built out of local materials and close to the Serpentine River, in its association with the old Serpentine townsite and the Turner family, and as the first postal business and staging post for the district. The cottage is a reminder of the difficult conditions under which early settlers lived and the need for self-sufficiency.

The reconstructed kitchen, although not original, does contribute to the values of the cottage. Consideration to be given to its inclusion in the historic Serpentine townsite group of buildings.”

## The Serpentine Heritage Precinct Proposal

This proposal encompasses;

1. Shire purchasing Lot 23 (1631) Karnup Road, Serpentine in Freehold, and undertaking a remediation and restoration of the heritage building on the land;
2. Shire developing other parts of the land as per the attached Turner Cottage Masterplan , and reflecting the principles of heritage protection as per the Burra Charter (Attachment 1);
3. Shire to lease a building to the Hugh Manning Tractor Museum, in order to add a further primary use to the land;
4. Shire management of the visitors centre in-house for the short term; and
5. Casual hire of open spaces.

The ultimate vision proposed for Lot 23 (1631) Karnup Road is the Serpentine Heritage Precinct. If constructed, the Serpentine Heritage Precinct would be a heritage gateway to draw in visitors and promote the tourism opportunities within the Shire, as well as activating the site for local residents.

The visions for the site is described in the Turner Cottage Masterplan (Attachment 1).



- Key**
- ① **Serpentine Southern Heritage Gateway**  
Presentation of Serpentine township through an experiential southern gateway that celebrates Nyungar and early farming settler heritage. Including signage, feature tree planting, slow 60 km zone, pedestrian and cycle amenity and open area for low interest display.
  - ② **Serpentine Northern Heritage Gateway**  
Presentation of Serpentine township through an experiential northern gateway that showcases the Old Bridge School and local river environment. Including signage, feature tree planting, 60 km zone, Michael Bowman Memorial and Federation Park, pedestrian and cycle amenity.
  - ③ **Pedestrian Bridge Access to Underpass**  
Pedestrian bridge to provide easy access from Federation Park to Turner Cottage Heritage Park. Provide Nyungar interpretation at this location to connect with local river and location stories, as appropriate.
  - ④ **RV 24hr Rest Stop, Water & Dump Point**  
RV Stop to enable tourism activation and support for adaptive re-use of cottage and local emerging food and beverage destination.
  - ⑤ **Laterite Gravel Carpark**  
30 formal spaces  
2 formal caravan parks  
10 RV parks
  - ⑥ **Site Buildings**  
Information Centre  
Serpentine Tractor Museum (Site Management)  
Cultural tours  
Creative Lease  
Rest Rooms  
Bartyard Events
  - ⑦ **Roadside Pop-up Coffee**  
Opportunity for small pop-up coffee van to take advantage of roadside customers and attract longer stay in heritage park
  - ⑧ **Serpentine Country Markets**  
Use of gravel hardstand / lawn area for markets
  - ⑨ **Picnic Amenity**  
Picnic benches, BBQs, rest rooms, nature play by the river to encourage family day use
  - ⑩ **Serpentine Tractor Museum**  
Existing and new building including open air heritage display and hardstand

**VISION:**

To provide a heritage gateway experience for visitors and locals that travel along the South Western Highway. The early settler gateway experience is heightened by a strong row of large exotic deciduous trees that harkens back to the early settler plantings that adorned early community and farmhouse buildings. Use of endemic local plantings within both the Turner Cottage and Federation Parks will celebrate Serpentine's unique sense of place, encourage local biodiversity, provide habitat and support waterwise goals.

**Turner Cottage Vision Plan**  
**Serpentine Heritage Gateway**  
161 Kamup Road Serpentine



The Serpentine Heritage Precinct would create important strategic links to existing trails and heritage projects, and has been designed to be a multi-functional space that provides opportunities to:

- Relocate Hugh Manning Tractor Museum to the property.
- Remediation, restoration and adaptations of Turner Cottage as a visitor centre.
- Showcase heritage gateways along South Western Highway from the north and south.
- Provide turfed public open space.
- Provide Serpentine Country Markets space.
- Enable pop-up food and coffee truck parking.
- Create picnic and play amenities at Turner Cottage and the Old Bridge School.
- Provide an RV rest stop with dumping point, bio-toilets and potable drinking water station.
- Undertake repairs and enhancements to the existing buildings.
- Reconstruct the pedestrian bridge for safe connectivity to the Old Bridge School.
- Undertake utility upgrades as required.
- Construct a footpath from the facility to Serpentine Falls.
- Create a visible representation of the Shire's past, which will aid a sense of broader gravitas for the district.

Within the concept document, a roundabout is depicted, however no approach has been made to Main Roads WA to confirm the viability of this traffic device. A roundabout is not likely to be capable within significant land acquisition, and therefore alternative intersection treatments would need to be considered. This however is an unknown cost factor given it will be informed by the approach to the staging of development, the intensity of visitation and the requirements of Main Roads WA. Typically, highway based roundabouts may cost upwards of \$2m, due to the requirement to safely accommodate large vehicles and the necessary deflections to slow traffic on approach.

In respect to the overall vision, the project has similarities in concept to the award-winning Swan Valley Visitor Centre which integrates historical buildings in Guildford as a drawcard and starting point for experiences in that region. The Edenvale Precinct in Pinjarra represents another example of the utilising of historic locations for community and tourism purposes.

## Legislative Provisions

Under section 3.59 of the *Local Government Act 1995*, before acquiring or disposing of a land in preparation of a 'major land transaction' a local government is required to prepare and advertise a business plan. What constitutes a 'major' land transaction is defined in the Act as being either \$10m or 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year (whichever is lesser).

Under this definition, for the Shire a major land transaction is one valued at greater than \$3.56 million.

Purchasing of Lot 23 (1631) Karnup Road in isolation does not constitute a Major Land Transaction itself. However the intention to dispose of portions of the site via leasing arrangements that are potentially commercial in nature, means that the purchase of Turner Cottage is preparatory to a possible Major Land Transaction and therefore requires a Business Plan to be prepared in accordance with section 3.59 of the Act. Also, with the intent of ultimate remediation, restoration and activation of the heritage place, there is a potentially uncertain quantum of costs which may only become more certain with further investigation. These include both capital redevelopment and ongoing asset management costs.

Although this proposal does not suggest a possible commercial lease in the short-term, Council may opt to outsource the site management or components of the site in the future.

## Expected effect on the provision of facilities and services by the local government

The expected impact on the provisions of facilities and services by local government must consider the future state of the Shire when work is proposed to commence in 2024-25.

By 2025 the population of the Shire is forecast to reach 45,000, an increase of over 8,500 people compared to the Shire's current population. The Shire's *Organisational Development Road Map 2020 – 2030* has identified that as the Shire's population grows the workforce will need to commensurately increase. A more detailed consideration of the workforce elements is provided later in this plan.

The development of this proposal in 2024-25 would build on the commitment to tourism opportunities identified in the Shire's Corporate Business Plan 2020-2024.

These include:

- Perth Hills destination marketing
- Forrest Highway roadside billboard (completed)
- Harvest Highway
- Kitty's Gorge upgrades
- Jarrahdale - Trails Town
- Emergence of the Byford Activity City, Metronet and Civic Precinct
- Kiernan Park Recreation Precinct

Commencing work in 2024-25, the Serpentine Heritage Precinct represents the longer-term focal piece of the Shire's approach to tourism in the region and heritage celebration. It will place in Shire ownership the site that enables its long term retention and protection.

The Serpentine Heritage Precinct leverages on the unique natural and historical opportunities in the Shire, namely:

- Serpentine Falls in the Serpentine National Park; and
- Jarrahdale Trails Town concept.

The Serpentine Heritage Precinct will provide an anchor point that allows promotion of Serpentine, Jarrahdale and surrounding townships that is expected to increase visitation and visitor spending. It has the potential to also function as a flexible space that could accommodate functions which the contrast of a heritage building provide a desired backdrop (such as weddings).

Good connections to heritage sites will promote more usage of the surrounding area, such as the Old Bridge School. Operations of the heritage sites will require further consideration and discussion with local community groups who currently provide museum experiences at the Old Bridge School. It will also need to consider market positioning and segmentation, to consider potentially compatible use and activities that could generate income and activation. For example, St Paul's Church in Jarrahdale is owned by the Shire and regularly hired for weddings and other community events due to the heritage fabric of the building.

Additional usage of public facilities will result from the development, as more visitors engage in activities in the Shire. Public facilities include public toilets, play spaces and parks. This will increase operational costs of these facilities and create added maintenance budget requirements for the additional developments.

Road usage in the area would also be expected to increase as result from the development.

As mentioned, costs to restore the heritage place will require further investigation, and it is unclear at this stage what upfront capital costs and ongoing asset management costs maybe. These however can be staged dependent on intended development steps that Council chooses to make going forward.

**What are the anticipated costs of maintenance of the site before remediation and development?**

If the Shire was to purchase the site with the intention of remediating and developing the site in 2024-25, the Shire would be responsible for maintaining the site in the intervening period. There would be costs associated with maintaining the land and buildings,

including firebreaks and ensuring the site was not the subject of vandalism.

These costs are estimated to be approximately \$150,000 during the three year period.

A conservation plan would be recommended to be formulated by a suitably qualified person, to provide expertise in guiding the initial maintenance works to stabilise the building, and then to guide the steps taken for remediation and restoration.

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

The proposal of a visitors centre is not anticipated to compete within the district being that there are no other formal visitor's centres within the Shire. Instead, the Serpentine Heritage Precinct is anticipated to add value to the Jarrahdale Old Post Office, which is currently managed by the Jarrahdale Heritage Society, by driving visitation into Jarrahdale through promotion at the Serpentine Heritage Precinct's Visitor Centre.

There are two food vendors within the vicinity of the proposal. The Serpentine Falls Roadhouse is located across the road from the subject site, and Mr Beans Café is located just north on South Western Highway. Both vendor's offer coffee and food, and therefore the provision of food trucks at the Heritage Precinct will likely create competition during the times that food trucks are on site. Serpentine Heritage Precinct food trucks are expected to trade on weekends.

Council Policy *Mobile Food Vendors* requires written approval from bricks and mortar food businesses within 500m of the mobile trading site where vendors are offering the same commodities. Consultation with the Roadhouse and the cafe will be required to proceed with the food truck component of the proposal. Council Policy 4.4.2 Mobile Food Vendors specifically states:

“Trading must not occur within 500 metres of any existing shops or licence holders which offer for sale the same commodities, unless written permission has been obtained from the shop or licence holder, or unless hours of operation are outside those offered by the existing business.”

An approach is yet to be made in this regard.

There are no other permanent food vendors within 500m.

The Hugh Manning Tractor Museum is currently located at 27 Wellard Street, Serpentine, and approximately 800m from the subject site. The Museum may be relocated to the Serpentine Heritage Precinct to enable better exposure and provide a larger site area for the Museum to expand. It is noted, however, that Council has granted a recent 10 year further lease for the current location, and that the Museum committee may need further engagement to discuss this new opportunity should the purchase occur.

The 24-hour RV stop requires further consideration after consultation with the Serpentine Falls Park Home and Tourist Village indicated that this component of the proposal would directly compete with their business. The price for a site at the Serpentine Falls Park Home and Tourist Village includes access to BBQ areas, an ablution block, laundry, pool and indoor kitchen. The Serpentine Heritage Precinct will not provide amenities for RVs; however, the Tourist Village sites are currently less than 40 per cent occupied and therefore a free RV stop at the Heritage Precinct would likely have a negative impact on the local business.

The Serpentine community has expressed an appetite to recommence the Serpentine Country Markets, which used to take place on the site. The project would enable these markets to recommence under lease, licence or casual hire arrangements.

### Expected effect on the local government financials

Council's direction at the February 2021 Ordinary Council meeting involves purchasing the site in 2021-22 but not commencing development at the site for three years.

In line with this approach two options have been considered within this Business Plan for development of the site commencing in 2024-25. The numbers below relate to their identification numbers within the concept design where applicable.

Option 1 – Full site development up front and,

Option 2 – Three-staged development consisting of:

#### Stage One

- Design
- Interpretive walk including;
  - Pedestrian bridge (3)
  - Falls Road footpath – to Serpentine Falls
  - Interpretive signage
- Conservation plan for heritage place to guide long term management
- Remediation, renovation and restoration of Turner Cottage to tourist attraction

#### Stage Two

- Gravel car park/Driveway upgrades (5)
- Adaptive reuse Turner Cottage to visitors centre (6)
- Renovation of rest rooms for public use (6)
- Turner Cottage Community Heritage Park/open lawn area development (7/8)
- Irrigation

#### Stage Three

- Construction of Hugh Manning Tractor Museum (10)
- Renovation of Barnyard Events, Cultural Tours and Other Events buildings (6)
- Construction of RV Rest Stop (4)
- Construction of RV toilets (4)
- South Western Highway Tree Avenue (1/2)
- Old Bridge School Nature Play Space (9)

- Old Bridge School Community Open Space (9)
- Signage (1)

The costs associated with each option are outlined below.

### Land purchase

In September 2020 the property was independently valued at \$525,000 ex GST. The September 2020 valuation report is attached as Attachment 2.

In March 2021 the valuation was updated to \$550,000 ex GST (attachment 3).

As of November 2020 the owners of the property had advised the Shire that they were seeking \$600,000 - \$650,000 for the sale of the property.

In March 2021, the owners of the property indicated that a suitable price would be \$575,000.

The costs within this report have been based on a \$625,000 purchase. As additional costs may be incurred as legal fees or unforeseen expenses – a contingency of \$50,000 is included for these reasons.

### Design and planning

Planning and design is proposed to commence in 2024-25 This enables the project to be 'construction-ready' should external funding become available, and provides a more accurate cost estimate for construction. It also enables any design issues or site risks to be resolved prior to entering into a construction contract.

The following figures are drawn from estimates of costs if the project was to commence in 2024-25 adjusted by forecast CPI.

Item	\$
Feature survey	10,300
Geotechnical investigation	17,500
Conservation Management Strategy	20,600
Detailed design	103,000
Consultant allowance	154,500
Building remediation design	64,900
<b>TOTAL</b>	<b>370,800</b>

### Remediation

A building condition assessment undertaken in October 2020 identified the following number of items, required to rectify the structural issues of Turner Cottage and the Kitchen only, as these were identified as being the salvageable buildings on site.

Priority 1 works (immediate action required): 27

Priority 2 works (works required between 1-2 years): 9

Priority 3 works (works required within 3 years): 2

Priority 4 works (works that can be deferred beyond 3 years): 0

The total cost estimate to undertake all items identified with works commencing in 2024-25 is:

Description	\$
Construction estimate	345,000
25% contingency	86,300
18% professional fees (included within design and planning costs, section 3.b.)	65,000
Total ex GST	496,000
<b>TOTAL</b>	<b>545,600</b>

The full Building Condition Assessment Report including cost estimates, is included as Attachment 5.

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**a. Capital costs**

**i. Option One – Full Site Development**

Item	\$
Construction Build only	<b>5,681,250</b>
Construction contingencies	
Design contingency (2%)	113,700
Construction contingency (5%)	284,100
Escalation (0.98% pa)	85,300
<i>Subtotal</i>	<b>483,100</b>
Other construction costs	
Headworks allowance	103,000
Public Art (2%)	113,700
Administration	10,300
Project Expenses	46,400
Legal	10,300
<i>Subtotal</i>	<b>283,700</b>
Fitout	
Allowance for fit-out	<b>72,100</b>
Fees	
Cost Manager	25,800
Contingency	2,600
<i>Subtotal</i>	<b>28,400</b>
<b>TOTAL</b>	<b>6,476,450</b>

**ii. Option Two – Stage One**

- Interpretive walk including;
  - Pedestrian bridge (3)
  - Falls Road footpath – to Serpentine Falls
  - Interpretive signage
- Remediation of Turner Cottage to tourist attraction
- Slashing/tree pruning

Item	\$
Construction Build only	<b>1,746,600</b>
Construction contingencies	
Design contingency (2%)	34,400
Construction contingency (5%)	87,400
Escalation (1.5% pa)	26,200
<i>Subtotal</i>	<b>148,000</b>
Other construction costs	
Headworks allowance	0
Public Art (2%)	35,000
Administration	10,300
Project Expenses	46,400
Legal	10,300

	<i>Subtotal</i>	<b>102,000</b>
Fitout		
Allowance for fitout		<b>31,000</b>
Fees		
Cost Manager		10,300
Contingency		2,600
	<i>Subtotal</i>	<b>13,000</b>
<b>TOTAL</b>		<b>2,040,600</b>

### iii. Option Two – Stage Two

- Gravel car park/driveway upgrades (5)
- Adaptive reuse Turner Cottage to visitors centre (6)
- Renovation of rest rooms for public use (6)
- Turner Cottage Community Heritage Park/open lawn area development (7/8)
- Irrigation

Item	\$
Construction	
Build only	<b>1,109,200</b>
Construction contingencies	
Design contingency (2%)	22,200
Construction contingency (5%)	55,500
Escalation (1.5% pa)	16,700
	<i>Subtotal</i>
	<b>94,400</b>
Other construction costs	
Headworks allowance	103,000
Public Art (2%)	22,200
Administration	10,300
Project Expenses	46,400
Legal	10,300
	<i>Subtotal</i>
	<b>192,200</b>
Fitout	
Allowance for fitout	<b>51,500</b>
Fees	
Cost Manager	20,600
Contingency	2,600
	<i>Subtotal</i>
	<b>23,200</b>
<b>TOTAL</b>	<b>1,470,500</b>

### iv. Option Two – Stage Three

- Construction of Hugh Manning Tractor Museum (10)
- Renovation of Barnyard Events, Cultural Tours and Other Events buildings (6)
- Construction of RV Rest Stop (4)
- Construction of RV toilets (4)
- South Western Highway Tree Avenue (1/2)
- Old Bridge School Nature Play Space (9)
- Old Bridge School Community Open Space (9)

- Signage (1)

Item	\$
Construction	
Build only	<b>2,648,500</b>
Construction contingencies	
Design contingency (2%)	53,000
Construction contingency (5%)	132,500
Escalation (1.5% pa)	39,800
<i>Subtotal</i>	<b>225,300</b>
Other construction costs	
Headworks allowance	10,300
Public Art (2%)	56,100
Administration	10,300
Project Expenses	36,100
Legal	10,300
<i>Subtotal</i>	<b>123,100</b>
Fitout	
Allowance for fit-out	<b>15,500</b>
Fees	
Cost Manager	15,500
Contingency	2,600
<i>Subtotal</i>	<b>18,100</b>
<b>TOTAL</b>	<b>3,030,500</b>

\* The above costs exclude allowances for the internal cost of Shire Officer time in contract administration, design approval, tender processes/evaluation and construction supervision.

The construction costs for each option are:

Option One	Full Site Development	<b>\$6,476,450</b>
Option Two	Stage 1	<b>\$2,040,600</b>
Option Two	Stage 2	<b>\$1,470,500</b>
Option Two	Stage 3	<b>\$3,030,500</b>

The potential source of this funding is outlined in below.

#### Management model of visitor centre

The costs outlined within this Business Plan are all based on a Shire-managed visitor centre model, which enables Council to understand all costs to build and operate the proposal.

A review of surrounding jurisdiction visitors centres identified a mixture of leased and local government-operated centres, with some leased centres operating on peppercorn leases, and others operating as a Visitors Centre-Community Resource Centre hybrid. The centres reviewed have \$100,000 - \$500,000 invested per year by the local governments.

It is recommended that in the short-term, the facility be operated by the Shire whilst other tenure arrangements are explored to potentially reduce the cost to ratepayers.

### Operational expenditure

The operational expenditure indicated below is not a comprehensive lifecycle analysis as it does not take into account the design life of all components (and the potential renewal cost), nor does it anticipate the level of service or maintenance that will be provided to the facility, but does use existing budgets as benchmarks. Ordinarily, a 'consequential operational expenditure' ratio would be applied to establish an allowance for operational costs and capital improvements (asset management costs) over time.

For capital investments that are labour and maintenance intensive, i.e. staffed community facilities, a consequential operational expenditure of 7% of the capital building cost is applied. For less labour intensive operations, the ratio lowers to 2%.

The below costs represent a consequential operational expenditure of about 10%, therefore further analysis will be required at design stage. As the Shire has no recent construction projects of a similar nature, there is no data to compare the 10% ratio against, to determine how realistic this is. However, when reviewing the Shire's total building asset base of approximately \$28,000,000, the budgeted building maintenance per year equates to around 3 per cent of that figure being \$650,000.

While expenditure profiles will be modified during the various phases of the project, the below estimates the cost to operate the site each year including resource costs.

#### Option One: Full Site Development

Item	\$ per annum
Visitors centre (Turner Cottage)	
Staffing/Management/Promotion	309,900
Operations and Maintenance	31,600
Conservation Management	10,300
<i>Subtotal</i>	<b>351,800</b>
Hugh Manning Tractor Museum	
Maintenance	5,200
Bridge	
Maintenance	1,100
Nature play space (Old Bridge School)	
Maintenance	3,900
Toilets x 6	
Maintenance	41,200
Operations	3,100
<i>Subtotal</i>	<b>44,300</b>
Market space and landscaping including Community Park and RV Rest Stop (5,500m <sup>2</sup> ) – high profile turf	<b>28,400</b>
Insurances	<b>600</b>
<b>TOTAL PER ANNUM</b>	<b>435,300</b>

Visitors Centre costs are estimates based on a Shire-managed centre model with 1.5 FTE and some volunteer hours.

**Option Two: Stage One**

<b>Item</b>	<b>\$ per annum</b>
Tourist attraction (Turner Cottage) Operations and Maintenance Conservation Management	32,000 10,300
<i>Subtotal</i>	<b>42,300</b>
Bridge Maintenance	<b>1,100</b>
Signage maintenance	<b>600</b>
Insurances	<b>600</b>
<b>TOTAL PER ANNUM</b>	<b>44,600</b>

**Option Two: Stage Two**

<b>Item</b>	<b>\$ per annum</b>
Visitors centre (Turner Cottage) Staffing/Management/Promotion Operations and Maintenance Conservation Management	308,900 31,600 10,300
<i>Subtotal</i>	350,700
Bridge Maintenance	1,100
Market space and landscaping	<b>12,900</b>
Insurances	<b>600</b>
<b>TOTAL PER ANNUM</b>	<b>365,300</b>

Option Two Stage Three will equate to \$435,300 per annum as the proposal will be completed and all operational costs will be incurred.

**Anticipated income**

The costs indicated in the below income table are estimates based on existing hire rates for Shire ovals, and membership costs from a sample of visitors centres from around the Perth metropolitan area. No income is expected through development of Stage One.

The variance in income between Stage 1 and Stage 2 is \$1, attributed to the Hugh Manning Tractor Museum.

<b>Item</b>	<b>\$ per annum</b>
Leasing <b>Hugh Manning Tractor Museum</b> (as part of full development or Stage 3)	1
Licencing <b>Food Trucks x2 – 30 weekends x 2 days</b> (as part of full development or Stage 2)	8,700
<b>Market spaces</b> (as part of full development or Stage 2)	2,000
<b>Visitors Centre</b> (Full development or Stage 2) Memberships – 40 x \$110pa	4,400

Membership – 20 x \$160pa		3,200
	<i>Subtotal</i>	7,600
<b>TOTAL INCOME</b>		<b>18,301</b>

As mentioned above, it is not certain in respect of the likelihood of the food truck (casual) component nor the RV component. Additional income may be potentially possible, though again small in total cost for events like weddings etc that may be attracted to the resorted heritage fabric of Turner Cottage.

#### Local economic impacts

An analysis has been undertaken using Economic.id impact modelling. The full economic report is included as Attachment 6. The proposal (once built in its entirety - \$6+ million) will provide:

- More than \$1.78 million direct output into the local economy (total \$7.78 million in output) during construction.
- 14 jobs created, made up of eight direct construction jobs, five intermediate industry jobs, and one job attributed to wages/salary expenditure, during construction.
- An additional \$79,000 (total \$501,000) direct output into the local economy each year through operational expenses.
- Five jobs created per annum through the retail sector.

The project is well aligned to the Shire's Economic Development Strategy 2018-2023 which identifies tourism opportunities to the greater district of:

- 200,000 existing visitors per year
- Potential pool of 1.9 million visitors in immediate region
- Attractive existing amenity and natural attractions
- Potential national and international reach.

#### Return on Investment/Cost to Council

Return on Investment (ROI) is a metric used to evaluate the forecasted profitability on investments. Generally, community facilities in a local government context do not run at a profit, but have significant social, health and wellbeing benefits that cannot easily be quantified into a monetary value. Additionally, wages earned by staff that are spent locally, and any value added expenditure has not been accounted for within this analysis.

Tourism Research Australia<sup>1</sup> indicates that visitor centres generated around \$116 million in overnight visitor spend in Western Australia in 2014. On average, visitors are spending \$18.57 per person per day attributed to the visitor's centres; which demonstrates the likely flow-on effect from this proposal.

A Return on Investment analysis should be prepared prior to the project proceeding.

#### Funding sources

The Serpentine Heritage Precinct represents a significant investment and funding commitment. With the broader benefits to the regional and wider community possible, the Precinct has the potential to attract external funding.

There are various external grant opportunities that could be leveraged to help fund the proposal, with a recommended 40 per cent Shire municipal / 60 per cent external split. This split accommodates most grant requirements of 33 per cent Shire contribution.

The current adopted budget, Long Term Financial Plan and Corporate Business Plan allocates \$50,000 in the 2020-2021 Financial Year for development of a business plan and to undertake community consultation about the Serpentine Heritage Precinct. As the timing of the project has changed, part of this funding would need to be carried forward to the 2021-22 financial year.

Council has not allocated further funding for the project in the current adopted documents. Accordingly, any contemplation of additional activity in regard to the proposal will need to consider the availability of funding and subsequent adjustments to the adopted documents. This may result in other projects being delayed.

Council's purchase of the land would provide a clear indication of support for the project. As noted below, the purchase of land commits the Shire to upkeep of the heritage site and creates an expectation that the site would be made available for the public good.

The full development proposal should not proceed without a minimum 60 per cent external funding.

An anticipated surplus from the 2019-2020 Financial Year is sufficient to cover the cost of purchasing the land but will be reviewed and allocated based on risk and project priorities, and therefore may be allocated elsewhere. It is unlikely that any external funding bodies would provide funds to buy property.

The possible external funding sources are:

- Peel Development Commission Regional Economic Development grants (up to \$250,000)
- Australian Government Building Better Regions Fund (up to \$10million)

Current funding assistance for the tourism industry is focussed around COVID recovery and specifically investment in survival, recovering and transitioning small businesses into a post-COVID market environment, as well as supporting specific regions who are reliant on tourism.

There are no funding opportunities through the WA Department of Jobs, Tourism, Science and Innovation; nor the Department of Local Government, Sport and Cultural Industries.

#### **Does purchasing the land commit the Shire to developing the site?**

Council's resolution in February 2021 sets a direction to purchase the Turner Cottage site but hold off development until 2024-25. This approach presents a possibility that Council could purchase the land in 2021-22 but later opt not to develop the site, especially if funding sources are not forthcoming.

In this scenario, the Shire would own Lot 23 Karnup Road and be responsible for the upkeep of Turner Cottage. This situation would mean that the benefits of Council's investment in the land purchase would not be fully realised.

As Council would own the land freehold it could resolve to sell the land or commence a process to redevelop the land for another purpose that was not inconsistent with the heritage values of the site.

In terms of the new *Heritage Act 2019*, Part 4 introduces new provisions pertaining to

protection orders and repair orders. This reflects a legislative intent to enable practical action in response to the risk of loss of significant heritage places. The Shire, in owning the heritage place, would be able to demonstrate a proactive stance in maintaining the fabric of the heritage place.

#### [Expected effect on matters referred to in the local government’s current plan prepared under section 5.56](#)

The Serpentine Heritage Precinct concept is aligned to the Shire’s Strategic Community Plan 2017 – 2027. If developed, the Precinct would deliver on Council’s outcome in the area of history and heritage which states: “Our Shire will ensure the preservation of local arts, culture and history, sharing stories and knowledge for generations to come.”

The Shire’s Corporate Business Plan 2020-2024 includes an action to develop a business plan for the Turner Cottage site and undertake community consultation in the 2020-21 financial year.

The Corporate Business Plan indicates an increase in tourism service delivery over the next four years by establishing destination tourism branding. This proposal contributes to this outcome by providing an anchor point to deliver a new tourism brand to the market.

The Plan also indicates an increase in service delivery of Strategic Land Use Planning, highlighting a shift into, and a focus on heritage planning and protection.

The project has not been included within the Long Term Financial Plan after 2020-2021.

#### [The ability of the local government to manage the undertaking or the performance of the transaction](#)

##### [Business operations](#)

##### Visitor Services

The costs included within this Plan are based on a Shire-delivery model for the short-medium term, which would enable the visitor centre to establish before other business models (such as external management) are explored; and the operations and costs are understood.

The centre is to be managed by 1 Full Time Equivalent (FTE) (Coordinator) and 0.5 FTE (Officer) initially; with supplementary hours being covered by volunteers, (an updated policy for Shire volunteer employees will be required). The 1 FTE is to be involved in the establishment of the centre to provide the required expertise.

A tiered membership model will provide income to support operations and provide a framework to promote member tourism products. A sponsorship model may also be implemented to supplement income.

Visitor Services staff will manage the operations of the RV Stop from the visitors centre. The role is to act as the ‘caretaker’ for the site and point of contact for any casual or permanent tenants, i.e. Hugh Manning Tractor Museum and food trucks.

### Workforce to manage the proposal

The Shire is rapidly growing and in the coming years will experience a sizeable investment in capital projects. This investment will necessitate changes in the Shire's workforce and approaches to managing capital projects and ongoing maintenance.

By 2024-25, the Shire's journey along its Organisational Development Road Map 2020 – 2030 will be well advanced. At this time the Shire will be better positioned to manage the proposal.

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Land Purchase

<b>Current state</b>	<b>Future state</b>
The Shire does not have a legal team to oversee the purchase of the land; and will require external support in this area.	The Shire is unlikely to have a legal team during the project and will require external support in this regard.

Program governance

<b>Current state</b>	<b>Future state</b>
The Shire is rapidly escalating its program governance capability as existing resources are committed to delivering existing works and projects.	Capital investment in the intervening period will require either additional FTE or different approaches to enhance program governance.

Infrastructure Delivery

<b>Current state</b>	<b>Future state</b>
The Shire's in-house team of project engineers plan and manage delivery of new infrastructure, however depending on the year of construction of the proposal, there may be a requirement to employ an additional FTE to manage the delivery of the project on a fixed-term contract or a permanent increase in workforce.	Capital investment in the intervening period will require either additional FTE or different approaches to engineering.

Operations

<b>Current state</b>	<b>Future state</b>
<p>The Operations business unit currently provide maintenance and asset renewals of heritage-listed buildings, civil works and landscaping, therefore have the ability to manage Turner Cottage (specifically); as well as the adjacent public developments (including public toilets, parks, play spaces); however they are at workload capacity and do not have sufficient resourcing. The proposal (alongside other developments), would require additional resourcing to the business unit.</p> <p>While the land is undeveloped, it is expected that the team can carry out the land and building maintenance</p>	<p>Expectations for levels of service in regards to operations and maintenance of parks and gardens will inform the future capacity of the workforce to manage the proposal.</p> <p>If expectations of levels of service are unchanged either additional FTE or different approaches to service delivery will be required.</p>

requirements within their capacity.	
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### Tourism

<b>Current state</b>	<b>Future state</b>
<p>The Economic Development, Tourism and Marketing business unit does not have capacity, nor the focus on direct delivery of visitor information services.</p> <p>This business unit would require an additional 1.5 FTE with a focus on direct delivery of services out of the facility.</p>	<p>If Council opted to proceed with the Precinct, additional FTE resources would be required to ensure the site was activated and benefits realised from a marketing, tourism and economic development perspective.</p>

### Leasing

<b>Current state</b>	<b>Future state</b>
<p>The Facilities and Bookings business unit has the capacity to manage any leases, casual hires or licences within the proposal.</p> <p>Consistent licence rates for food trucks will need to be considered.</p> <p>At the November 2020 Ordinary Council Meeting, Council approved a lease with the Hugh Manning Tractor Museum for 10 years. This will provide a suitable timeframe for further discussions and funds being made available for the proposal.</p>	<p>As capacity in the Shire grows, the Shire's processes and systems associated with the management of leases will be commensurate with the needs of the project.</p>

### Community Activation

<b>Current state</b>	<b>Future state</b>
<p>The Shire's Community Development and Sport and Recreation business units may require additional FTE capacity to support community groups with activation of the site through events (markets), and community group governance support, dependant on the frequency of these.</p>	<p>Expectations for levels of service in regards to community development will inform the future state of capacity in this area. The Serpentine Heritage Precinct requires significant community activation and resources to be realised.</p>

## Risk Analysis

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
<b>Almost Certain</b>	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
<b>Likely</b>	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
<b>Possible</b>	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
<b>Unlikely</b>	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
<b>Rare</b>	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
			Likelihood	Consequence	Risk Rating	
Property owner withdraws from discussions to sell property	Open, frequent and positive communication	Financial	Unlikely	Minor	LOW	Accept risk. Minor expenditure for concept design report and business plan resourcing.
Shire pays too much for the purchase of land	Manage by carrying out structural assessment and condition report of the buildings to understand additional costs associated.	Financial	Unlikely	Moderate	MODERATE	Council consideration of purchase price offer.
Investment in this proposal means that other community projects cannot proceed	Preparation of the Business Plan to understand financial effects.	Organisational Performance	Likely	Moderate	SIGNIFICANT	Manage by including the capital and ongoing operational costs in the Long Term Financial Plan, and ensuring that the project does not negatively affect untied funds target.

Building costs exceed preliminary cost estimates.	Ensure contingencies built into estimated costs.	Financial	Possible	Minor	MODERATE	Manage by engaging a quantity surveyor through detailed design prior to proceeding with construction.
Project is not delivered on time	Accept risk. Project is not particularly time sensitive.	Organisational Performance	Unlikely	Insignificant	LOW	Develop KPIs and project plans to set timeframes.
Facility maintenance impacts on Shire's ability to undertake core functions of a local government	Preparation of the Business Plan to understand resourcing effects.	Organisational Performance	Rare	Minor	LOW	Manage by appropriately resourcing for new facility. Likelihood is rare as Council already owns and maintains many other facilities.
Planning not sufficient resulting in unexpected operational costs of visitors centre	Preparation of the Business Plan to understand required expertise.	Financial	Unlikely	Minor	LOW	Manage by developing business plan specifically for visitor centre operations.
Insufficient internal experience/resource to manage the proposal	Preparation of the Business Plan to understand required expertise.	Financial	Likely	Major	SIGNIFICANT	Business Plan recommends on boarding new staff with expertise.
Shire competing in private market in relation to accommodation and food and beverage service	Consultation with local businesses to discuss proposal and make amendments.	Social / Community Outcomes	Possible	Minor	MODERATE	Manage by working with local providers to ensure Shire delivers different or uncompetitive offerings.
Property deteriorates due to lack of appropriate conservation or funding	Undertake Building Condition Assessment	Environment / Heritage	Unlikely	Moderate	MODERATE	Undertake Conservation Management Plan and budget required preservation works into Long Term Financial Plan.

## Summary

Initial planning indicates that the proposal will generate more expenditure than income directly for the Shire, however it is anticipated that the development will drive additional

visitor economy and create jobs for local residents and young people moving into the workforce, in tourism businesses.

The following table summarises the financial implications of the options.

Option	Land Purchase <sup>1</sup>	Design	Construction Cost	Total Development Cost <sup>2</sup>	Annual Operating Expenditure	Annual Income
Full Development	\$625,000	<b>\$370,800</b>	<b>\$6,476,450</b>	\$7,472,250	<b>\$435,300</b>	<b>\$18,301</b>
Stage One	\$625,000	<b>\$370,800</b>	<b>\$2,040,600</b>	\$3,036,400	<b>\$44,600</b>	<b>\$0</b>
Stage Two		<b>\$0</b>	<b>\$1,470,500</b>	-	<b>\$365,300</b>	<b>\$18,301</b>
Stage Three		<b>\$0</b>	<b>\$3,030,500</b>	-	<b>\$435,300</b>	<b>\$18,301</b>

The preservation of the property is important to the heritage of the Shire, and the proposal provides an appropriate way to conserve this history.

The risk associated are manageable with the appropriate controls.

Overall, the Shire has the capability to carry out any of the proposed development options, however full development would require amendments to strategic direction, including budget realignment.

### List of attachments

- **Attachment 1 – Turner Cottage Masterplan – Context and Strategic Design Directions**
- **Attachment 2 – Property Valuation (Updated March 2021)**
- **Attachment 3 – Certificate of title and memorial**
- **Attachment 4 – Photographs of the property**
- **Attachment 5 – Building Condition Assessment Report**
- **Attachment 6 – Economy.id Impact Modelling**
- **Attachment 7 – Termite Inspection Report**

<sup>1</sup> Agreed price plus contingency and legal

<sup>2</sup> This is the sum of the land purchase, design and construction costs

## References

<sup>1</sup> *Tourism Research Australia, The Influence of Western Australian Visitors Centres on Tourist Behaviour (2015).*

<sup>2</sup> *Australian Government, Department of the Prime Minister and Cabinet, Guidance Note – Cost Benefit Analysis (2016)*

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