

## Darebin DCP: Audit Report and Management of Unspent Funds

**Final**

Darebin City Council  
November 2015







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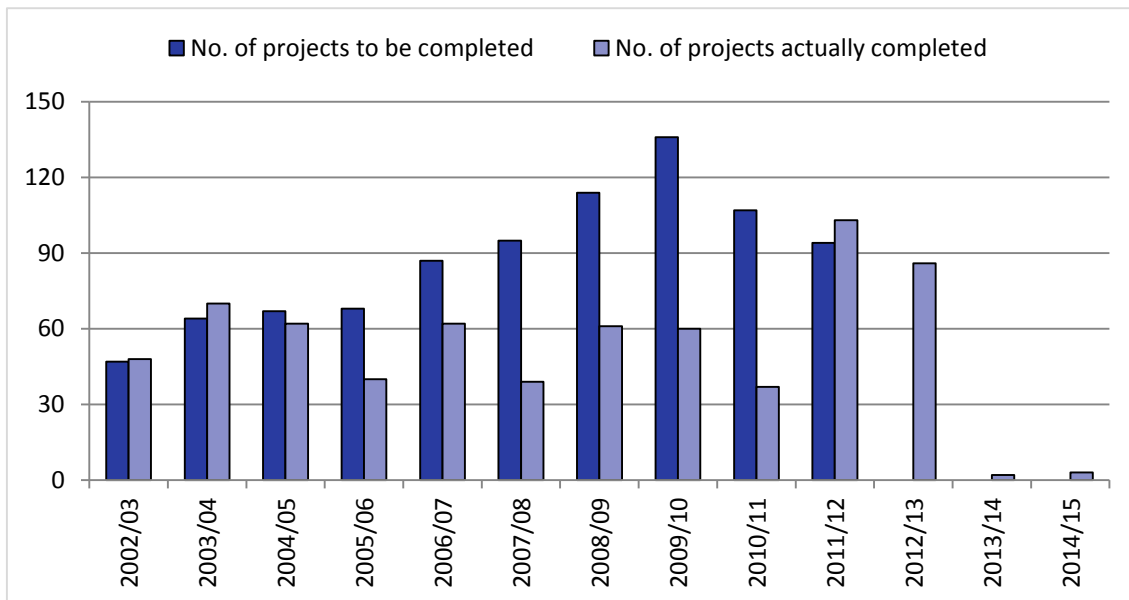




For projects completed, the actual timing of delivery for some items was different to what was initially planned.

Figure 2 presents the projected and actual timing of project delivery. Table 3 provides additional details regarding the reasons for non-delivered projects.

FIGURE 2 TIMING OF INFRASTRUCTURE DELIVERY



Source: City of Darebin

TABLE 3. ISSUES WITH PROJECT DELIVERY

Infrastructure Type	Issues with project delivery
<b>Roads</b>	<ul style="list-style-type: none"> <li>– Difficulty in accurately estimating road works ten years in advance</li> <li>– Rate of asset deterioration did not occur as forecasted, reasons include changing traffic patterns impacting road usage.</li> <li>– Extensive drought occurred and then broke over DCP period – most of the roads in Darebin are constructed on top of highly reactive clay soils which expand and contract seasonally or with rain events.</li> <li>– Introduction of the Road Management Act 2004 changed the Council’s approach to footpath renewal works. Programming of capital works for footpaths moved from the replacement of long sections of footpath to a more network based approach where only the individual bays that are presenting hazards were replaced.</li> </ul>
<b>Drains</b>	<ul style="list-style-type: none"> <li>– Overestimation of available budget for drainage works.</li> <li>– Works priority changed from previous drainage study following storm events (e.g. large storm in Fairfield).</li> <li>– Original drainage study was a desktop analysis, further, detailed on-site analysis resulted in works either not being required, addressed for less than the estimate or requiring more significant works than originally forecasted.</li> </ul>

Source: City of Darebin

The cost of delivering projects included in the DCP was also higher than estimated; projects that were completed actually cost about \$77 million, as compared to \$50 million stated in the DCP (Table 2). Even though Darebin has incurred higher costs for projects it has delivered under the DCP, it is not entitled to recover these costs through development contributions. The Council bears the risk of budget overruns, and the higher than anticipated expenditure should be funded from other revenue sources.

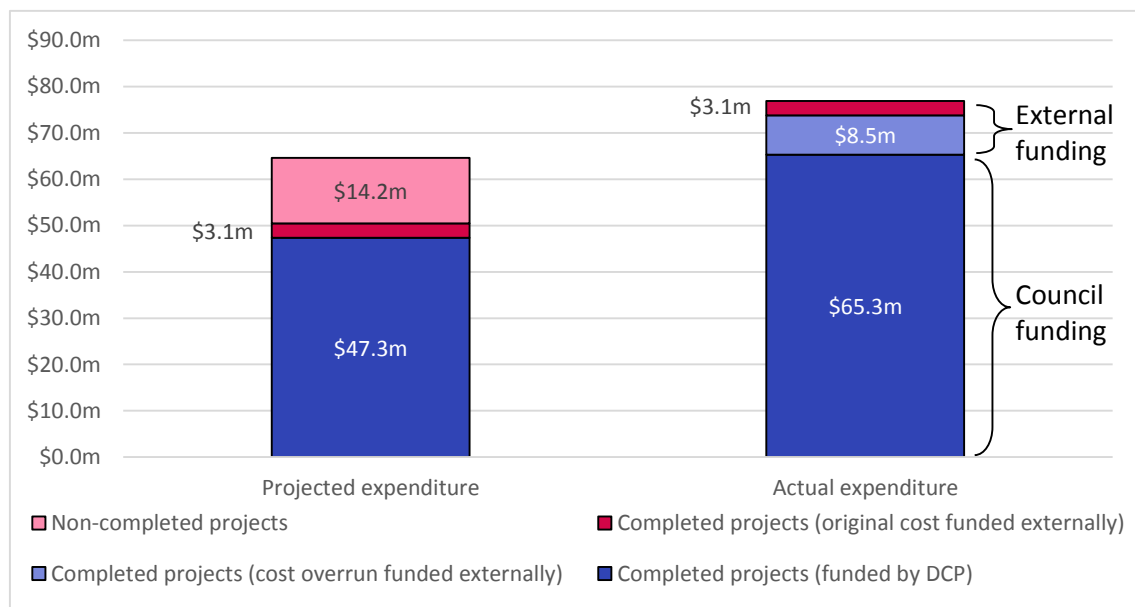
It must be noted that during the DCP period, Darebin also delivered other capital projects which were not funded via development contributions to address the uneven and higher than anticipated growth.

### External funding

When preparing the DCP, Darebin did not expect to receive external funding for some projects in the DCP. Therefore external funds were not accounted for when calculating the contribution rates. However in reality, Council received \$12.9 million in funding via grants and Federal government’s Road to Recovery Program for 70 completed projects. The external funding largely helped Council mitigate the higher cost of infrastructure items included in the plan. However, \$3.1m (across 22 projects) were not legitimate as it contributed to the originally budgeted project cost. SGS has accounted for the external funding when calculating unspent levies (discussed further in the following Section).

Figure 3 provides a summary of the projected and actual costs infrastructure delivery.

FIGURE 3 COST OF PROJECT DELIVERY



Source: SGS, City of Darebin

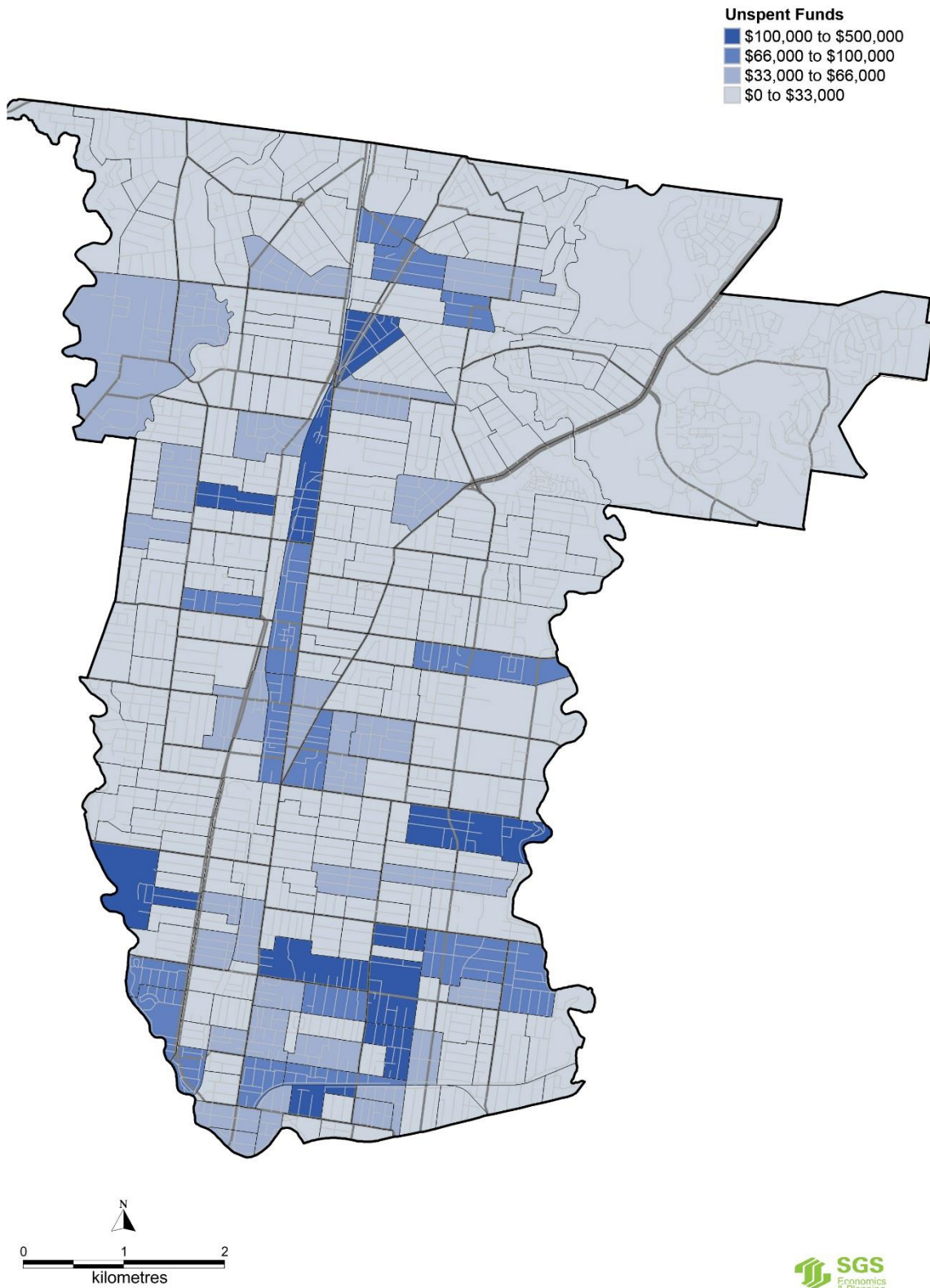
Key findings from the audit of infrastructure projects in the DCP are summarised below.

- \$17.3 million worth of projected projects were not completed, or their original budgeted cost was funded (partly) from external sources. **Contributions towards these projects will need to be returned.**
- Of the projects actually completed Darebin spent significantly more than originally budgeted (\$73.8m vs \$47.3m), more than the total amount projected for ALL completed and non-completed projects (\$64.6m), a small portion of this overspend was sourced from external sources (\$8.5m).
- Darebin was able to provide legitimate reasons for the non-completion of projects; however a Planning Scheme amendment was not undertaken to reflect the change in project priorities in the DCP.
- Darebin also completed numerous other projects which were not identified in the original DCP to deal with the significant growth over the period.





FIGURE 5 UNSPENT FUNDS



Source: SGS



# 4 OPTIONS FOR UNSPENT FUNDS

Section 46Q of the Planning and Environment Act 1987 provides for a municipal council to reallocate funds collected under a development contribution plan that have not been expended within the timeframe of the plan. The timeframe for the Darebin DCP expired in July 2014, and the excess collections during the DCP period must be expended to achieve legislative compliance. Council has two options to regularise expenditure of excess DCP funds:

- Option 1: return unspent funds to land owners who contributed;
- Option 2: reallocate unspent funds to alternate works and facilities.

## 4.1 Option 1: Refund unspent funds to land owners

Council is obliged to refund \$6,528,869 unspent funds from undelivered and externally funded items from the DCP to land owners. The refund amount will vary across the charge areas, in line with the amount of excess collections from each area. Refunds will only be issued in charge areas that that unspent funds attributed to them, and to owners in those charge areas that originally contributed.

This would amount to (on average) a very small refund per demand unit (dwelling) and be extremely onerous to implement as thousands of refunds would need to be issued. In addition, in many cases the original contributor (who was charged) may not be the current owner. However, it can be assumed that this additional cost was passed onto the current owners through higher prices.

Ultimately this option would not provide a significant positive benefit for the community and would not be consistent with the original 'intent' of the DCP.

## 4.2 Option 2: Reallocate unspent funds to alternate project/s

Unspent funds collected from 225 of 227 charge areas vary significantly (ranging from \$47 to \$405,410). Council can propose 225 or more small projects serving the individual charge areas from which the funds were collected.

Similar to Option 1, this would be extremely difficult to implement and would be unlikely to result in a significant positive benefit for the community.

Alternatively, excess funds collected during the 2004-14 DCP present an opportunity to contribute toward an iconic project of municipal-wide significance and benefit, such as the Darebin High Ball Stadium. This approach will yield efficiency in procurement and result in better outcomes for all residents. The project involves the construction of a multipurpose sports complex to meet a municipal wide demand and will benefit all charge areas where excess funds were collected.



### 4.3 Preferred way forward

Given the excess collections vary significantly between the charge areas, identifying and delivering smaller projects as compensation is not feasible. The DCP will be simplified if excess funds from the 2004-2014 scheme can be directed towards a single iconic project of municipal wide significance. Therefore construction of the Darebin High Ball Stadium is the preferred option.

#### **Project description**

The Major Regional Leisure Facilities Report (MRLFR) has formally identified the need for an indoor/outdoor multipurpose sports complex to meet a municipal wide demand in Darebin. The Darebin High Ball Stadium project will involve construction of an indoor and outdoor multi-sports stadium. The facility will service the whole municipality and act as a hub for high ball sports including netball, basketball, volleyball, badminton and indoor tennis. The combined indoor/outdoor multi-purpose sporting facility will consist of:

- Three court indoor stadium;
- Four outdoor courts;
- Retractable stadium seating;
- Car parking ; and
- Lighting (outdoor courts and car park).

The site nominated to accommodate the MRLFR project is the John Cain Memorial Park in Thornbury. Refer to the High Ball Stadium Report and the Major Regional Leisure Facilities Report in the Appendix for further information.

#### **Need for the facility**

Currently Darebin has only one publicly accessible three court multi-purpose stadium at the Reservoir Secondary College, which is not meeting the current needs of the community. Majority of residents are required to travel out of the LGA to participate in high ball sports due to the lack of facilities and infrastructure. Council currently has no indoor sports courts in the southern half of the municipality. This provision does not meet the current or projected future leisure needs of Darebin.

With the Darebin population quickly approaching 150,000 people and projected to grow by an additional 25 per cent over the next 20 years, it is imperative that Council provides high quality sport and recreation facilities that promote the health, wellbeing and vitality of residents. Background studies undertaken by Council's Leisure Services team (the Outdoor Multi-Court Feasibility Study (OMCFS) - December 2014, the Major Regional Leisure Facilities Report (MRLFR) - July 2014 and other scoping exercises) conclude that the current provision of court-sport facilities in Darebin is inadequate to meet current and future demands of the community. These studies identify that there are a large number of key stakeholders, primarily within the south of the LGA, who are in desperate need of additional sporting facilities. It is anticipated that development of the Darebin High Ball Stadium will improve local recreation opportunities in Darebin, and will encourage and grow participation in physical activity.

It is assumed that due to the age profile of the Darebin area, participation in sporting activities will increase in line with the predicted population increases over the next 20 years and demographic profile. Based on discussions with key stakeholders, Netball Victoria and Basketball Victoria and recommendations from a review of existing facilities, it has been identified that there is a potential need in the long term for up to 8 courts for a municipal level facility. In the short term, the immediate need could be satisfied with the provision of two to four courts for a local level facility. The provision of a regional level facility would see the need for between six to 12 indoor / outdoor courts.

#### **Facility size and scale (officer recommendation)**

Council officers recommend the construction of a high ball multi-court facility incorporating a three to four indoor court stadium, four outdoor courts (with space provision to allow the future development of

up four additional courts), associated car parking and ancillary facilities. A facility of this scale will allow the City of Darebin to cater for current and future predicted demand for the facility.

#### **Nexus**

The Darebin High Ball Stadium is an iconic project which will attract visitation from all parts of the City. As the scale of the project provides a municipal wide benefit, the 'nexus' between the facility provided and prospect of usage from contributors is established. Of the 227 charge areas, unspent funds are attributed to 225 charge areas. As the project has a municipal wide catchment, all users who contributed to excess funds will derive a benefit.

It can be argued that the facility will only be used by residents, and therefore non-residential development (such as retail and commercial developments) that contributed to the excess funds may not receive significant benefit. However, it has been judged that such a facility which enhances amenity and makes Darebin 'a better place to live' will attract greater development and visitation to the area. This will create flow on-effects and provide a stimulus to commercial activity in the DCP area.

#### **Project cost and timeframes**

The total project (including contingencies) is estimated at \$14,100,000. The project has a relatively short timeframe, with construction commencing in December 2016 and completing by 2020.

#### **Options for management models for proposed facility**

Leisure Management Solutions (LMS) currently manage the Northcote Golf Course. There is potential for LMS to also take on the management of the new proposed multi-court facility. This would enable efficiencies in management as the golf course is located directly adjacent to the proposed location of the facility.

Darebin City Council may explore a partnership with Moreland City Council for maintenance and management of this facility. This would be an innovative example of cross-Council working and generate financial efficiencies through a pooling of Council resources.

# 5 APPENDIX

Refer to attached spreadsheet for data tables to be included in this Appendix.

TABLE 4 INTEREST ON UNSPENT FUNDS

Year	Community	Drainage	Parkland	Roads	Grand Total	Invoiced not paid	Available Funds	Spent Funds	Balance of fund	Avg Cash Rate	Deemed Interest
2003								-\$ 675,131.00	-\$ 675,131.00	4.75%	\$ -
2004								-\$ 363,486.00	-\$ 1,038,617.00	5.06%	\$ -
2005	\$ 59,969.95	\$ 34,142.55	\$ 2,854.58	\$ 192,948.28	\$ 289,915.36	-\$ 49,163.30	\$ 240,752.06	-\$ 321,110.00	-\$ 1,118,974.94	5.33%	\$ -
2006	\$ 94,328.23	\$ 138,563.43	\$ 7,785.72	\$ 442,395.79	\$ 683,073.17	-\$ 115,834.27	\$ 567,238.90	-\$ 333,851.00	-\$ 885,587.04	5.54%	\$ -
2007	\$ 132,337.41	\$ 107,569.18	\$ 18,323.75	\$ 420,285.29	\$ 678,515.63	-\$ 115,061.41	\$ 563,454.22	-\$ 199,939.00	-\$ 522,071.82	6.10%	\$ -
2008	\$ 130,145.20	\$ 149,415.10	\$ 14,080.36	\$ 661,789.69	\$ 955,430.35	-\$ 162,020.09	\$ 793,410.26	-\$ 302,238.00	-\$ 30,899.56	6.83%	\$ -
2009	\$ 141,908.04	\$ 125,175.99	\$ 16,440.15	\$ 597,723.17	\$ 881,247.35	-\$ 149,440.27	\$ 731,807.08	-\$ 212,920.00	\$ 487,987.52	4.73%	\$ 23,081.81
2010	\$ 179,295.71	\$ 245,197.40	\$ 10,418.90	\$ 743,072.77	\$ 1,177,984.78	-\$ 199,760.45	\$ 978,224.33	-\$ 269,159.00	\$ 1,197,052.85	3.67%	\$ 43,931.84
2011	\$ 228,775.16	\$ 206,792.21	\$ 19,510.23	\$ 1,058,136.32	\$ 1,513,213.92	-\$ 256,607.98	\$ 1,256,605.94	-\$ 149,939.00	\$ 2,303,719.79	4.67%	\$ 107,583.71
2012	\$ 189,811.14	\$ 241,424.22	\$ 12,316.07	\$ 606,191.69	\$ 1,049,743.12	-\$ 178,013.47	\$ 871,729.65	-\$ 223,917.00	\$ 2,951,532.44	4.63%	\$ 136,655.95
2013	\$ 211,479.92	\$ 167,432.02	\$ 17,908.68	\$ 869,479.11	\$ 1,266,299.73	-\$ 214,736.73	\$ 1,051,563.00	-\$ 135,553.00	\$ 3,867,542.44	3.13%	\$ 121,054.08
2014	\$ 200,503.96	\$ 306,969.99	\$ 14,075.88	\$ 853,577.82	\$ 1,375,127.65	-\$ 233,191.57	\$ 1,141,936.08	-\$ 15,992.00	\$ 4,993,486.52	2.52%	\$ 125,835.86
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-\$ 22,651.00	\$ 4,970,835.52	2.35%	\$ 116,814.63
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,970,835.52	2.00%	\$ 49,708.36
	\$ 1,568,554.72	\$ 1,722,682.09	\$ 133,714.32	\$ 6,445,599.93	\$ 9,870,551.06	-\$ 1,673,829.54	\$ 8,196,721.52	-\$ 3,225,886.00			\$ 724,666.24

Source: City of Darebin

## High Ball Stadium Report

## Major Regional Leisure Facilities Report

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