



Business Plan

Proposed Major Land Transaction

Shire of Irwin - March 2020

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1 Executive Summary

Batavia Health Pty Ltd closed the Dongara Medical Centre on 24 January 2020 which has had a significant impact on residents, particularly as the Shire has a significant aged demographic and other critical medical requirements within the community. With the very short notice of the pending closure, the Shire began looking at options to maintain a medical service in town. There is also at the same time a critical shortage of GPs in regional WA. The critical elements for attracting GPs to Dongara is the ability to provide them the appropriate medical facility through a peppercorn lease together with other incentives such as housing assistance and a vehicle.

The benefit to the Dongara / Port Denison community lies not just with the provision of local medical services but the flow-on effect to local business, population growth and the local economy as a whole.

During February 2020, the Shire held comprehensive community consultation and feedback sessions together with a community survey. There is an overwhelming mandate from the community for the Shire to act, acquire the Dongara Medical Centre and fund the associated medical services to be offered, rather than pursue projects such as the development of the foreshore. However, the contentious issue was the source of the funding, and in particular, if it were to potentially affect rates. As stated in the report, the results from the consultation sessions were inconclusive.

Based on the strong community mandate to purchase the Dongara Medical Centre, the proposed purchase would be financed through the State's central financial services provider, Western Australian Treasury Corporation (WATC). The Shire's Debt Service Ratio is at the minimum level for WATC's risk assessment team to approve the loan. To ensure approval of the loan, it is proposed to include a rate increase to service the loan repayments. On the loan necessary to acquire the Dongara Medical Centre, the rate increase to service the loan would be approximately 1.9%. Any proceeds from the sale of Shire assets, co-contributions from industry or any other funding source nominated for the Dongara Medical Centre will proportionally reduce the rate increase.

It is recommended that Council acquires the Dongara Medical Centre, equipment, furniture and medical records from Quirko Investments Pty Ltd for \$1,450,000 using a WATC loan by:

- Complying with the appropriate acts and regulations;
- Considering any submissions resulting from the public notice period under Section 3.59 of the *Local Government Act 1995*;
- Writing to the Minister and lobby the necessary agencies for approval to charge a flat fee on the notice of rates, specifically for the Dongara Medical Centre. This would negate the need for the percentage rate increase and instead appear as a transparent annual fee that can easily be adjusted during the life of the loan and terminated at the end of the loan term;
- Should the percentage rate increase be the only option available to the Shire, investigate opportunities to apply differential rates to assist with rate equity;
- Reducing the borrowing amount by attracting corporate contributions;
- Placing Shire-owned Kennedy Heights properties on the market and using the proceeds to offset the loan; and
- Dependent on the above outcomes, secure a loan up to \$1,450,000 on the basis of a rate increase on the 2019/20 total rate revenue in the 2020/21 Budget to service the loan repayments.

2 Introduction

The purpose of this Business Plan is to:

- Advise the community that the Shire proposes to undertake a Major Land Transaction in respect to the proposed acquisition of the medical facility to meet the community's needs for a local general practitioner.
- Provide the opportunity for the community to make submissions on the Business Plan; and
- Satisfy the requirements of Sections 3.58 and 3.59 of the Local Government Act 1995.

3 Background

3.1 General

Batavia Health closed the Dongara Medical Centre on 24 January 2020 which has had a significant impact on residents. With very short notice of the pending closure, the Shire began looking at options to maintain a medical service in town. There is a critical shortage of GPs in regional WA and a critical element of attracting GPs to Dongara is the ability to provide them a great facility at effectively no cost, together with other incentives.

The benefit to the Dongara / Port Denison community lies not just with the provision of local medical services but the flow-on effect to local business, population growth and the local economy as a whole.

In the past, General Practitioner (GP) services within the Shire have been privately owned and operated. The facilities for the GP services over the years included the use of Shire-owned buildings, also renting suitable space in the WA Country Health Services (WACHS) health centre on Blenheim Road.

In 2014, Batavia Health Pty Ltd (Quirko Investments Pty Ltd as trustee for the Quirke Family Trust) together with the support of the Shire, decided to build a privately-owned medical centre at 290 Point Leander Drive, Dongara. In December 2014, after a series of Council meetings, a 5,220 square metre portion of Shire-owned land was authorised by Council to be sold to Quirko Investments Pty Ltd for a medical centre. Construction of the medical centre commenced in November 2015 and was completed in January 2017. The occupancy permit was issued in March 2017.

Since opening in 2017, the practice has had only one full-time GP as Batavia Health was unable to recruit additional GP's that were prepared to work in Dongara. The full-time GP was based in Geraldton and travelled between Geraldton and Dongara on a daily basis to provide services to the local community. Batavia Health had also been supporting the Dongara Medical Centre with visiting doctors from its Geraldton practice, who attended three days a week as a short-term solution. However, this arrangement proved unsustainable in the longer term. Dongara's only full-time GP left the Dongara Medical Centre on 24 January 2020, after which the Dongara Medical Centre's owner, Batavia Health, ceased operations in the Shire of Irwin due to the major challenge of attracting doctors. The Shire was first notified on Monday 16 December 2019 of Batavia Health's intent to close the medical practice in Dongara.

Given the Shire's aged demographic and other critical medical requirements within the community, Council held a confidential (due to commercially sensitive information) Special Council Meeting on 19 December 2019. This meeting was held to address this crisis situation and resolved to support the continuation of this essential service for the community in the short term, by retaining existing medical centre staff and associated services and attempting to recruit locum (temporary) doctors.

In parallel, the Shire commenced work on a more permanent solution, which included two community

consultation and feedback sessions held 6 and 27 February 2020 respectively. The purpose of the consultation was to gather the necessary information in order to present a recommendation to Council for the preferred solution at the 24 March 2020 Ordinary Council Meeting, or sooner if possible.

3.2 Community Consultation

To understand the views of the community and to ensure that the option selected reflects its needs, the Shire together with Aha Consulting developed a survey. The survey contained 15 questions and was available for completion either online or by hand with a closing date of Wednesday, 12 February 2020. The surveys were mailed to residents on 30 January 2020.

To assist residents in completing the survey, the Shire arranged two community consultation sessions held Thursday, 6 February at 10:30am and 6:00pm at the Irwin Recreation Centre Function Room. Approximately 500 community members attended the consultation sessions and over 900 completed surveys were received.

Subject matter experts that participated in the consultation sessions included:

- WA Country Health Services – Regional Medical Director & Acting Operations Manager, Midwest Murchison
- Rural Health West – General Manager, Workforce & Manager Workforce Solutions
- St John Ambulance – Local volunteers T Wisewould and S Rogers.

The main areas of feedback contained in the survey were:

- Should the Shire do something and specifically acquire the existing Dongara Medical Centre and fund the associated services to be offered by a medical centre?;
- For doing something, should the funding be additional rates or redirecting Shire reserves for the building acquisition and services to be offered?;
- If funding was additional rates, what level of rate increase?;
- The importance of what services to be provided through the medical centre;
- The expectation of GP appointment wait times in days;
- General questions regarding the expected use of the medical centre; and
- Miscellaneous demographic questions.

Referring to the attached Medical Centre Consultation Report by the independent consultant Aha Consulting, there was an overwhelming response that the Shire:

- Acquires the Dongara Medical Centre and offers a peppercorn lease to a suitable GP business in establishing the Dongara Medical Centre; and
- Funds the acquisition and associated services to be offered by redirecting existing Shire funds instead of increasing rates.

In terms of the services to be supported by the Medical Centre, high importance was placed by the majority in regards to the following:

- Sufficient GPs to service the community with 1 to 5 day appointment wait times;
- Support WACHS health centre Emergency Department; and
- Support WACHS residential care services for Blake House.

The *unknowns* discussed at the consultation sessions included:

- Selling of Shire-owned residence on Kennedy Heights
 - What it will sell for?
 - How long it would take to sell?
 - When is the best time to sell?
- Drought funding
 - The conditions of use for that funding?
- Co-contribution from large industry in the region
 - Who and how much money would be involved?

The Shire provided the option for community members to complete another survey at the consultation sessions, these results provided different outcomes to the postal survey when residents were furnished with additional information. The first major outcome was the consideration of different options for the medical facility. Listed below are those options, which includes feedback from the Shire provided at the sessions:

- Use of the Blenheim Road Health Centre rooms:
 - Not possible during their proposed refurbishment works commencing later in 2020 for a period of two or more years.
 - WACHS to provide feedback as to whether there would be rooms available in the new layout for GPs, but this would be after the completion of the refurbishment works.
- Leasing the Medical Centre from Batavia Health:
 - Approximately 2% of rates would be going outside the Shire to Batavia Health. It would be better for these rates to stay in the community, which would mean acquiring the facility as a community asset;
 - Short-term leasing will impact the ability to recruit GPs and locums, unless it was a 5 year lease which is the standard term for local government contracts with GPs;
 - A 5 year lease for the Dongara Medical Centre would cost ratepayers approximately \$600,000;
 - The only real benefit of leasing is to allow sufficient time to renovate another site.
- Renovate another site – examples include the Irwin Recreation Centre’s Ocean Room:
 - Whilst a cheaper option than buying the Medical Centre, the loan repayment saving is not the dominant factor as it is estimated to be less than \$50,000 per year. The major issue with this option is that it restricts the GP’s ability to generate sufficient revenue possibly resulting in the practice running at a loss, which in turn will become a rate burden on the community. The impact on rates could be \$250,000 or higher to maintain the desired levels of service as requested in the postal survey results, or risk repeating the situation where less than half of the population have access to the local GP.
- Quirko Investments Pty Ltd to sell to a private buyer/GP:
 - The price to a private buyer would be in the vicinity of \$2,000,000 due to the inclusion of the carpark. Without Shire involvement, the rate of return on investment would be around 2%, which is not an attractive investment opportunity particularly when considering the risks associated with this type of investment;
 - A number of larger medical practices have been approached, but there has been little interest;
 - It appears that the population threshold for a self-sustaining practice is around 5,000.

Referring to the attached consultation report, there was a large variation of views between the morning and evening consultation sessions once the community was furnished with the above information and participated in associated discussion. The evening session accepted the rate rise, or a combination of a smaller rate rise together with the input of Shire funds, as a reasonable course to acquire the Dongara Medical Centre and fund the associated medical services to be offered. The morning session favoured the Shire using discretionary funds only. There was little support from both sessions to renovate a Shire building, though there was some support to lease the Dongara Medical Centre for a period to allow time to investigate other options.

As a courtesy to those who attended the consultation sessions held 6 February 2020 and others that may be interested, the Shire arranged two community consultation feedback sessions held 27 February 2020 at 3:30pm and 6:30pm at the Irwin Recreation Centre's Function Room. There were approximately 60 attendees across both sessions, where Aha Consulting provided the community with public feedback from the consultation report findings.

In summary, there is a strong mandate from the community for the Shire to acquire the Dongara Medical Centre and fund the associated medical services to be offered, rather than pursue projects such as the development of the foreshore. However, the contentious issue was the source of the funding, and in particular, if it were to potentially affect rates. As stated in the report, the results from the consultation sessions were inconclusive.

3.3 Medical Centre Facility

The Shire commissioned Opteon, as per the attached report, to independently value the Dongara Medical Centre at 290 Point Leander Drive, Dongara. The value came back at \$1,250,000 for the land and building, but excludes the carpark, furniture, equipment, consumables and professional practice goodwill (9 years of medical records for 2,883 patients).

The overall price breakdown including furniture, equipment, consumables and professional practice goodwill, but excluding the carpark is as follows:

\$1,250,000	Land and building excluding carpark
\$136,777	Furniture and medical equipment less depreciation
\$34,926	IT hardware, computer and phone systems less depreciation
\$144,150	Professional practice goodwill (9 years of medical records for 2883 patients)
<u>\$7,474</u>	Consumables
<u>\$1,573,327</u>	

To acquire the Dongara Medical Centre, Quirko Investments Pty Ltd have set the sale price to \$1,450,000 which includes the land, building, furniture, equipment, carpark and professional goodwill (medical records with history). This is a walk out / walk in sale where the facility is effectively brand new, fully equipped and certified. The practice includes pathology and surgery rooms. With the purchase of the facility, the Shire will be able maintain a medical service in town including the pathology service.

As noted above, the Shire is seeking co-contribution from large industry in the region towards the purchase price of the facility.

Based on the strong community mandate to purchase the Dongara Medical Centre, the proposed purchase would be financed through the State's central financial services provider, Western

Australian Treasury Corporation (WATC), who offer interest rates in the vicinity of 1.2% to 2.4% depending on the loan term. The estimated annual repayment for a loan term of 20 years is approximately \$90,000. The Shire's Debt Service Ratio is at the minimum level for WATC's risk assessment team to approve the loan. To ensure approval of the loan, it is proposed to include a rate increase on the 2019/20 total rate revenue in the 2020/21 Budget to service the loan repayments. On a \$1,450,000 loan, the rate increase to service the loan would be approximately 1.9%. Any proceeds from the sale of Shire assets, co-contributions from industry or any other funding source nominated for the Dongara Medical Centre will proportionally reduce the rate increase. The Shire will ensure the proposed loan has flexibility to be paid off early or that the interest payable over the life of the loan is affordable should the loan be paid off early.

It is proposed that this rate increase is for the life of the loan and a proportional adjustment is made at the end of the loan to reduce the rates by the amount of the increase for the medical centre.

The proposed loan would require local public notice for a period of one month under Section 6.20 (2) (a) of the *Local Government Act 1995*. This local public notice is non-binding and does not commit the Council to proceeding with the loan at the end of the notice period.

The proposed purchase is considered a major land transaction under Section 8A (1) (b) of Part 3 in the *Local Government (Functions and General) Regulations 1996*. In accordance with Section 3.59 of the *Local Government Act 1995*, the Shire must, before entering into a major land transaction:

- Give statewide public notice for a period of 6 weeks of its proposal to enter into a major land transaction;
- Prepare a business plan and make it available during this period;
- Accept any public submissions about the proposed transaction during this period; and
- Consider any public submissions before a final recommendation to Council

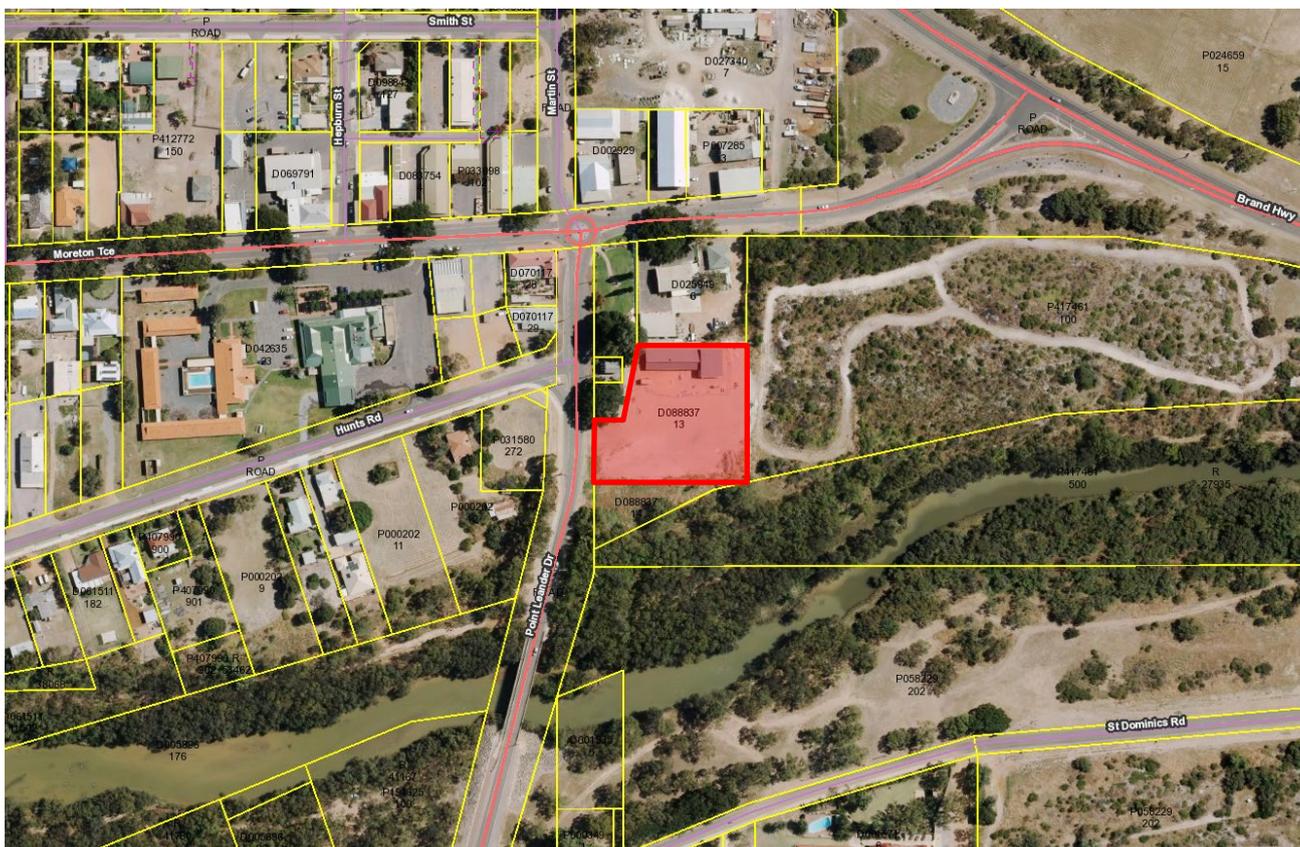
It is recommended that Council acquires the Dongara Medical Centre, equipment, furniture and medical records from Quirko Investments Pty Ltd for \$1,450,000 using a WATC loan by:

- Complying with the appropriate acts and regulations;
- Considering any submissions resulting from the public notice period under Section 3.59 of the *Local Government Act 1995*;
- Writing to the Minister and lobby the necessary agencies for approval to charge a flat fee on the notice of rates, specifically for the Dongara Medical Centre. This would negate the need for the percentage rate increase and instead appear as a transparent annual fee that can be easily be adjusted during the life of the loan and terminated at the end of the loan term;
- Should the percentage rate increase be the only option available to the Shire, investigate opportunities to apply differential rates to assist with rate equity;
- Reducing the borrowing amount by attracting corporate contributions;
- Placing Shire-owned Kennedy Heights properties on the market and using the proceeds to offset the loan; and
- Depending on the above outcomes, secure a loan up to \$1,450,000 on the basis of a rate increase on the 2019/20 total rate revenue in the 2020/21 Budget to service the loan repayments

3.4 Site Information

The subject site is located close to the main highway entry of the Dongara Town Centre, as indicated in the below figure. The site is accessed from Point Leander Drive just south of the Moreton Terrace/Point Leander Drive roundabout and just north of the Irwin River bridge.

In 2016 the site was developed with the construction of the medical centre building and public carpark. The 401 sqm building provides a large reception/waiting room, six consulting rooms, a large treatment room, lunch/staff room, secondary small waiting room and ablutions.



Site Land information

The following information relates to the Dongara Medical Centre site in its entirety:

Land Details

Freehold Lot 13 on Diagram 88837, Volume 2218 Folio 361

Site area is 5,217 sqm.

Land Ownership

The Registered Proprietor is Quirko Investments Pty Ltd of 361 Marine Terrace, Geraldton WA 6530 with an ownership date from 10 December 2015.

Encumbrances

The following notations are registered on the Certificate of Title:

1. H957185 Memorial – Heritage of Western Australia Act 1990. As to portion only. Lodged 13 December 2001.

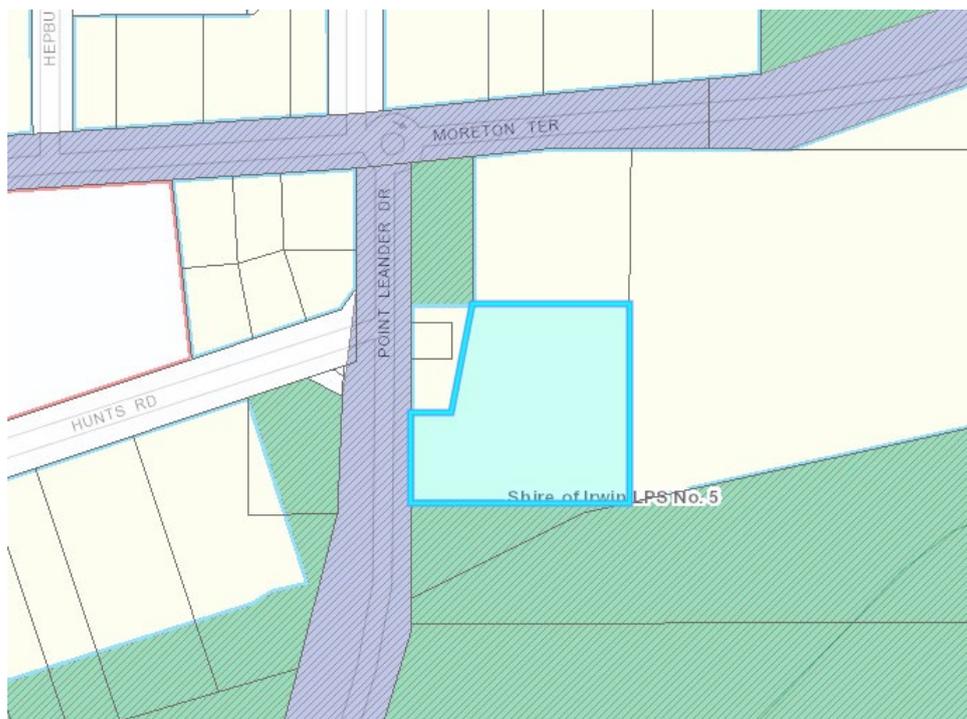
2. N198743 Caveat – relating to deed titled ‘Sale of Lot 13 Point Leander Drive, Dongara’. Lodged 10 December 2015.



The deed contained within the Caveat details the restricted use of the site for the provision of medical and allied health services for a minimum of 10 years being 2025.

Land Zoning

Under the Shire of Irwin’s current Local Planning Scheme No 5 the subject property is zoned ‘Town Centre’.



Current Use

The site has been operating as the Dongara Medical Centre from 2016.

Heritage

The memorial placed on the title relates to the State Heritage listed Moreton Bay Fig Trees and the well which is located next to the former Irwin Roads Board building. In 2015 the land parcels were rearranged which resulted in the State Heritage listed places no longer being contained within the subject site. The memorial remains on the title of Lot 13, however, only now relates to these heritage significant places adjacent to the site.

4 Legislative Requirements

4.1 Preparation of a business plan

In accordance with Section 3.59 of the *Local Government Act 1995*, before a local government enters into a major land transaction the local government is to prepare a Business Plan.

The clear purpose of Section 3.59 is to demonstrate that a proposed major transaction will not compromise the ability of the local government to deliver its core functions. The requirements of a Business Plan ensure's the impact of the transaction on the Shire's operations is considered and the Shire's ability to manage the transaction is assessed prior to proceeding with the transaction.

The Business Plan is to include an overall assessment of the major land transaction and is to include details of:

- a) Its expected effect on the provision of facilities and services by the local government;
- b) Its expected effect on other persons providing facilities and services in the district;
- c) Its expected financial effect on the local government;
- d) Its expected effect on matters referred to in the local government's forward plan;
- e) The ability of the local government to manage the performance of the transaction; and
- f) Any other matter prescribed for the purpose of this subsection.

The *Local Government Act 1995* also requires the local government to:

(4) *The local government is to —*

(a) give Statewide 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; and

(c) publish a copy of the business plan on the local government's official website.

A major land transaction means the acquisition, disposal or development of land where the value of the transaction is more than the amount prescribed by regulation. In the case of the Shire of Irwin,

that amount is defined in the *Local Government (Functions and General) Regulations 1996* as the lesser of –

- a) \$2,000,000; or
- b) 10% of the operating expenditure incurred by the Shire from its municipal fund in the last completed financial year.

The proposed acquisition of the medical centre will constitute a major land transaction, in accordance with the *Local Government Act 1995*.

4.2 Absolute Majority

Once Council has considered any public submissions, it may then resolve to proceed with the major land transaction, in accordance with Section 3.59(5) of the *Local Government Act 1995*. The voting requirement for this decision is required to be by absolute majority.

5 Assessment of Major Land Transaction

5.1 Effect on the provision of facilities and services by the Shire

The provision of a medical centre and private General Practice (GP) providers has no effect on other Shire facilities and services, as it will be the only service of its kind in the Shire.

5.2 Effect on other persons providing facilities and services in the district

There are no other private General Practice (GP) providers in the Shire. The Shire acquiring the Dongara Medical Centre and employing residential GP's provides a wholistic approach to the provision of medical services within the Shire. An important requirement is for the private GP to support the WA Country Health Services (WACHS) health centre Emergency Department and Blake House.

5.3 Expected financial effect on the Shire of Irwin

The financial implications include:

- The 2019/20 Budget Review adopted by Council at the 25 February 2020 Ordinary Council Meeting captured funding for:
 - Principal GP vehicle purchase - \$65,000;
 - Housing allowance - \$2,170 per month; and
 - Medical Centre lease, locum rental cars and housing - \$38,000 per month until 30 June 2020
- 2020/21 Budget - \$95,000 allowance for medical centre loan repayment plus operating costs, housing subsidy and use of the car.

5.4 Effect on matters referred to in the plan for the future

Strategic Community Plan 2017 - 2027

3.1.2 Advocate for retention of existing and enhanced facilities and health and social support services

4.1.3 Maintain effective working relationships with relevant stakeholders

5.5 Ability of the Shire to manage the undertaking

The critical success factors for the Shire to manage the undertaking will be administered inside a formal contract between the Shire and the Principal GP and includes the following:

- Target three GPs with a minimum of two being residential in the Shire;

- GP key performance indicators (KPIs) – centre operating hours, patient waiting times, GP sessions;
- GPs to provide support to WACHS health centre including the Emergency Department and Blake House;
- Shire provides the building under a peppercorn lease arrangement;
- The principal GP receives all the billing revenue, which is the primary source of income;
- GP responsibilities include: admin staff wages, nurses wages, engagement of locums when required, medical consumables, staff amenities, cleaning, needle disposal, shredding, sanitary waste, billing revenue, other administration costs (accounting, bank charges, freight, laundry, stationery, postage);
- The Shire provides up to three GPs a suitable vehicle including operating costs;
- The Shire provides up to three GPs a housing allowance;
- The Shire will own and maintain the IT system and software including medical records, however, access to medical records will be restricted to the Principal GP and approved medical centre staff;
- The Shire will own and maintain the building, furniture and equipment;
- The Shire will be responsible for the pathology service including receiving rental revenue;
- The Shire will be responsible for allocating rooms to WACHS Allied Health Services during the refurbishment of the Health Centre including receiving rental revenue;
- Encourage regional support to surrounding towns;
- Customer complaints to be managed by the Shire;
- Where patients pose a hazard to the safety or wellbeing of practice staff, the principal GP must consult with the Shire CEO before any long-term remedial action is taken, such as banning the patient from the medical centre; and
- Regular meetings with the Shire CEO and Council to ensure service delivery KPIs are being achieved and to monitor the overall financial viability of the medical centre.

6 Business Plan Advertising and Submissions

Section 3.59 of the *Local Government Act 1995* requires the Shire to give statewide public notice of the major land transaction under consideration and inviting public submissions for a minimum period of six weeks.

A notice will be placed in the West Australian on Saturday, 14 March 2020 and in the Dongara Denison Local Rag on Wednesday, 11 March 2020. This notice and business plan will also be available to view on the Shire's website www.irwin.wa.gov.au and available for inspection at the Shire's Administration Centre.

Submissions are to be made in writing to the Chief Executive Officer and received no later than 12.00pm, 27 April 2020.

Submissions are to be addressed to:

Chief Executive Officer
 Shire of Irwin
 PMB Box 21
 DONGARA WA 6525