

## 19.2 REPEAL OF TRANSFER OF CAPALABA TOWN CENTRE EXPRESSION OF INTEREST LAND

### Objective Reference:

**Authorising Officer:** John Oberhardt, General Manager Organisational Services

**Responsible Officer:** John Oberhardt, General Manager Organisational Services

**Report Author:** Deborah Corbett-Hall, Chief Financial Officer

**Attachments:** Nil

The Council is satisfied that, pursuant to Section 275(1) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (h) *other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.*

### PURPOSE

The purpose of this report is to request that Council repeals part of its resolution from 13 December 2017 to transfer land and buildings to Redland Investment Corporation Pty Ltd (RIC) and note the impact to the Redland City Council (RCC) Financial Statements for the 2019-2020 financial year.

### BACKGROUND

On 13 December 2017 at agenda item 16.1.2, Council resolved (amongst other items) to transfer the properties listed in that report to Redland Investment Corporation and to note the joint governance arrangements between Council and RIC, a wholly owned subsidiary of Council and the Expression of Interest process.

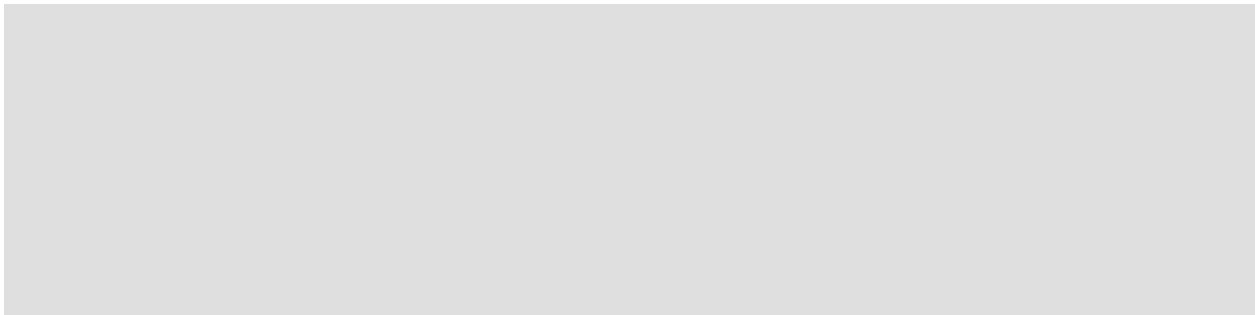
The joint governance arrangements were to be implemented for the ongoing management of the project. The relevant land and buildings are listed in the attachment.

### ISSUES

1. Redland Investment Corporation is looking into options for the transfer of the Capalaba land and properties and does not currently wish to receive the land and buildings onto its balance sheet at the end of this financial year. Due to the time that has passed since the original resolution date, Council can no longer maintain the current accounting treatment and Council is unable to transfer the land and buildings, effectively unable to enact the resolution on the books.
2. In accordance with the Australian Accounting Standards, the Council resolution from 13 December 2017 triggered accounting treatment that moves the land and buildings from 'non-current' classification on Council's Statement of Financial Position to 'current' classification, and it also means the buildings no longer depreciate as they are deemed to be 'held for sale or transfer'. Council cannot maintain this accounting treatment beyond 30 June 2020 as
  - This is over two years from the date of the Council resolution.
  - RIC has stated the transfer is unlikely to be completed in the next financial year.

3. For land and buildings that is not held for sale or transfer, Council revalues these assets annually by way of a periodic comprehensive revaluation (by engaging either independent expert valuers or suitably qualified internal staff) and the use of indices in the interim years.

4.



5.



6. As part of its annual asset revaluation exercise, RCC has received an independent valuation following a procurement process that reassessed the fair value of the buildings at 30 June 2020 to \$6.2 million. Of note, this valuation will be further reviewed at 30 June 2020 due to possible COVID-19 impacts. Following RIC's indication that it will not be in a position to receive the land via transfer at the end of this financial year, this will lead to a write back of depreciation of \$371,000 per annum from June 2018 to June 2020, \$742,000 in total.

## STRATEGIC IMPLICATIONS

### Legislative Requirements

This report is tabled in accordance with the requirements of the following:

- *Local Government Act 2009* (Qld)
- Australian Accounting Standard AASB 116 Property, Plant and Equipment
- Australian Accounting Standard AASB 5 Non-current Assets Held for Sale and Discontinued Operations
- Australian Accounting Standard AASB 13 Fair Value Measurement.

### Risk Management

There are no foreseen risks to Council if it changes its resolution form 13 December 2017. Should Council retain the existing resolution, the land and buildings will need to transfer to RIC at the end of this financial year to remove risk of non-compliance with both the Australian Accounting Standards and to implement the Council resolution.

### Financial

The accounting standards require Council to account for the two years of depreciation (2018-2019 and 2019-2020) if the assets are no longer being held for sale or transfer. This will result in an impact to Council's depreciation expense in the order of \$742,000 which is unbudgeted in the 2019-2020 financial year. This is not a cash outflow for Council but will impact on the operating position for the 2019-2020 financial year.

If Council transferred the assets to RIC on or before 30 June 2020, Redland Investment Corporation has stated it would be required to pay a land tax of \$180,000 as it is a for-profit entity and is subject to land tax.

### People

No impacts are expected, any accounting updates will form part of Council's end of year accounts finalisation process.

### Environmental

No impacts expected as this is a request to repeal part of an existing Council resolution noting a change in options as notified by Redland Investment Corporation.

### Social

No impacts expected as this is a request to repeal part of an existing Council resolution noting a change in options as notified by Redland Investment Corporation.

### Human Rights

No impacts expected as this is a request to repeal part of an existing Council resolution noting a change in options as notified by Redland Investment Corporation.

### Alignment with Council's Policy and Plans

The recommendation is in accordance with Council's 2018-2023 Corporate Plan and specifically Inclusive and Ethical Governance.

### CONSULTATION

Consulted	Consultation Date	Comments/Actions
RCC and RIC Technical Working Group	Monthly Meetings	Consultation has occurred between RCC and RIC at a monthly technical working group, attended by executives from both entities.

### OPTIONS

#### Option One

That Council resolves as follows:

1. To repeal part of the Council resolution from agenda item 16.1.2 on 13 December 2017: 'to transfer the properties listed in the report to Redland Investment Corporation' (refer appendix 1 for the asset listing).
2. To note the impact to Council's operating expenditure in unbudgeted depreciation for the 2019-2020 financial year in the order of \$742,000.
3. To ensure that the report and annexures remain confidential in accordance with legislative requirements, including maintaining the confidentiality of legally privileged, private and commercial in confidence information.

**Option Two**

That Council resolves as follows:

1. To seek further information from the officers.
2. To ensure that the report and annexures remain confidential in accordance with legislative requirements, including maintaining the confidentiality of legally privileged, private and commercial in confidence information.

**OFFICER'S RECOMMENDATION**

That Council resolves as follows:

1. **To repeal part of the Council resolution from agenda item 16.1.2 on 13 December 2017: 'to transfer the properties listed in the report to Redland Investment Corporation' (refer appendix 1 for the asset listing).**
2. **To note the impact to Council's operating expenditure in unbudgeted depreciation for the 2019-2020 financial year in the order of \$742,000.**
3. **To ensure that the report and annexures remain confidential in accordance with legislative requirements, including maintaining the confidentiality of legally privileged, private and commercial in confidence information.**