



Shire of Tammin

BUSINESS PLAN FOR PURCHASE
OF THE TAMMIN HOTEL
THE SHIRE OF TAMMIN



Shire of Tammin

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Proposal

The following business plan provides a business case for the purchase of the Tammin Hotel (Major Land Transaction). It will review the positives, negatives and risks associated with such a purchase.

The Shire has prepared this business plan setting out the details of a proposed Major Land Transaction, for the purpose of seeking submissions from the community before deciding whether to proceed with the proposed Major Land Transaction. Information about how to make a submission is set out at the end of this business plan.

The purpose of this business plan is to:

1. Inform the community that the Shire is proposing to undertake a Major Land Transaction for the acquisition and development of the Tammin Hotel;
2. Outlines and responds to the legislative framework for the proposal;
3. Provides an analysis of the risks associated with the proposal (and potential mitigation strategies for those risks);
4. Outlines the projected process and timeframes that would be used to undertake the proposal.
5. Provide details of the proposed Major Land Transaction for the consideration by the community;
6. Outlines the financial assumptions relating to the acquisition and redevelopment of the hotel.
7. Provide the community with the opportunity to make submissions about the proposed Major Land Transaction; and
8. Satisfy the regulatory requirements of the Local Government Act 1995.

The proposed transaction, redevelopment works and improvements would be developed over a period of approximately 24 months and, if redeveloped in its entirety, it would involve investment of up to \$1 million of Shire funds (purchase and redevelopment costs). These funds would be recovered over time through short-term accommodation income, profit share arrangements and lease payments from the accommodation and café/hotel owner/operator model.

Although this transaction may not appear to fit the perception of 'normal' local government operations, this proposal has very clear linkages to the Shire's Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021 and specifically promote development and growth in the Shire and provide critical accommodation within the Shire.

The Business 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 Business Plan for a period of at least six (6) weeks. Council will consider all public feedback that is received on the Business Plan prior to determining whether to proceed with the proposal or not.

Proposed Transaction Details

The Tammin Hotel is located at 23 Donnan Street. It comprises of a pub and accommodation.

Land: 23 Donnan Street, Tammin

Land size: Approximately 5,300sqm.

BUSINESS PLAN FOR THE PURCHASE OF THE TAMMIN HOTEL

Current Owner: Saint Soldiers Association
Proposed Purchaser: Shire of Tammin
Land: Zoning – ‘Commercial’ – Tammin Local Planning Scheme.
Licence: Current and in the name of Saint Soldiers
Proposed Purchase Price: \$450,000
Redevelopment Price: \$ 465,000



Early works: The Shire is proposing to acquire the land and redevelop/ remediate the accommodation commencing with the 9 short-stay accommodation units. It is further proposed to remediate the kitchen facilities for the purpose of a café operation (located in the Dining Room and Residence Lounge). It is not proposed in the first instance to commence operation of the public and lounge bar because works associated with these spaces are considered to be outside of the current budgetary provisions.

A significant consideration of the project is the ability to control the appearance of the streetscape. As can be seen below, the hotel is in a run-down condition and the site would benefit from significant landscaping works. It is proposed to improve the street frontage of the hotel, thereby significantly improving the overall character of the townsite. This strategic benefit of controlling the hotel and therefore the ability to manage the streetscape character is considered to be a major factor in the Shire acquiring the hotel as an asset. No matter how much resources the Shire put into townsite improvements, without the direct control of the hotel, the site will always be a potential negative for Shire improvement. Control of this strategic asset will improve the Shire’s ability for economic and

façade/ character management.



Purchase of the Hotel (Major Land Transaction)

The proposal involves four (4) separate phases. These phases, along with the proposed roles and responsibilities of the Shire in each Phase are outlined below:

Phase One: Proposal

The Shire through ongoing discussions with the Hotel owners investigated the potential for the Hotel to be sold. In February 2026 the owners indicated the potential for such a consideration. Internal discussions from senior administration and Council deemed the proposal a strategic project suitable of further investigation. Shire officers continued to discuss the proposed sale with the owners. The Shire undertook basic due diligence activities. An in principal price was agreed and administration drafted a Business Plan for Council and Public consideration.

Phase Two: Land Purchase

Subject to public submissions on the Business Plan and if approved by Council, the Shire would purchase the Tammin Hotel and surrounds, comprising of 5,300sqm of land (hotel, parking, 9 accommodation units, all infrastructure including air conditioning, solar panels and heating systems, two laundry rooms and 2000sqm of strategic land to the rear of the hotel) and the associated Liquor Licence. A purchase price of \$450,000 has been negotiated as the in principal price for the site. The price is reflective of the condition of the hotel, current infrastructure and Liquor Licence, market conditions and market value of the property. If the Shire were to proceed with the acquisition, this would become a standard private treaty land purchase with conditions. Appropriate steps would be undertaken to ensure that the purchase meets all legislative requirements of the Local Government Act 1995 and the associated regulations.

Contract of Sale

If Council resolves to purchase the Tammin Hotel site, Council would enter into a sales contract with the owners for the purchase of the building, land holding and the liquor licence. The contract would be a standard contract for sale of land by offer and acceptance, with an agreed purchase price and subject to conditions.

Phase Three: Development and Operation

The Shire would have a direct role in phase three. Limited town planning and building approvals would be required for the project as the majority of the works would be considered cosmetic and remedial works. The Shire will be responsible for the redevelopment of the building and for the engagement of any future café/ hotel operator to manage the site or part thereof on commercial terms. The development proposal currently envisages the following for the total site:

- 9 rooms (8 x 1 bedroom x 1 bathroom rooms and 1 x 2 bedroom 1 bathroom family suite)
- 140 - 200 sqm café/ kitchen
- External decking
- Landscaping site and clean up

Given the basic infrastructure located in the accommodation, it is estimated the accommodation would be best suited to workers/ basic travel accommodation. It is not envisaged at this point, that significant revenue would be spent to significantly improve the accommodation. The accommodation is very basic and it is proposed to remain as such.



Areas of the hotel which would not be redeveloped in this phase because of budgetary constraints would be:

- 230 sqm hotel/ pub
- 2000 sqm strategic vacant land located behind the hotel site

It is noted minor works to the vacant land may be undertaken to include a parking area and caravan set down area.

Phase Four: Leasing

Subject to an Expression of Interest process and the associated public submission on the proposed disposition of the cafe, the Shire would lease all or part of the property for the purpose of developing and operating a café and or hotel. As the landowner, it is proposed that the Shire would undertake the partial fit-out/ upgrades of the café. Returns would be provided/ recovered through a profit share/ lease payments (to be determined) per annum.

Commercial Lease

If Council resolves to proceed with the project, and subject to consideration of any public submissions during the Expression of Interest regarding the proposed disposition (lease), a lease would be executed on commercial terms for either part or all of the components of the hotel (accommodation, café and pub) depending on the optimal commercial and economic interests for Council and the community.

Strategic Intent

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

- Further progressing the delivery of the Shire's Strategic Community Plan, improving the commercial activity in the town and providing critical short-term accommodation.
- Increasing quality short stay accommodation providing an accommodation product that is not currently available within the Shire.
- Purchase of a strategically located property in the town centre, with approximately 200sqm of vacant land to the rear of the hotel.



- Providing opportunities for food and beverage sales in the town.
- Supporting economic development and in particular tourism.
- Promoting town site growth and beautification.
- Further activating the town centre/ main commercial street and supporting businesses.
- Assist in attracting events to the Shire and supporting other events hosted by surrounding Shire's though the provision of short term stay options in the Wheatbelt.
- Creation of employment opportunities during the refurbishment of the property.
- Creation of full and part-time local hospitality and cleaning jobs as part of the commercial operations.
- Financial returns and diversification of the economic income for the Shire in the form of generating a financial return from the property - income from accommodation, lease/ payments and/ or possible profit-sharing options. Investment returns are considered to exceed current bank interest available.

The expansion of short-term workforce, business and tourist accommodation within the Shire is vital to the economic growth of the Shire and wider region. The high cost of construction and lack of registered builders and tradesmen in Tammin limits the potential for new development, therefore the Shire has attempted to review all options available, including modular and transportable housing.

An Affordable Housing Study was commissioned and completed in November 2025 through WEROC via funding from WEROC and the Wheatbelt Development Commission. The Study identified current worker accommodation needs throughout the whole of the WEROC region relative to key service employees including government officers, Shire staff and local business workers. The Study also included an analysis of delivery models, scale of development options and financial modelling. Minerva Foods - Abattoir previously employed 60 people in the area and prior to them closing because of financial uncertainties in 2025, they were very supportive of additional housing being provided. Whilst Minerva has closed, because of the already large, short supply of housing, the housing problems experienced in Tammin still exist. Should the abattoir reopen the accommodation shortages in the area will become chronic causing significant growth difficulties.

The chronic undersupply of housing is having significant impacts on business growth in the area. Rural businesses want growth, however without a supply of funding or the ability to supply new housing construction, this chronic undersupply will persist. As indicated on page 17 of the Housing Business Plan:

There is an estimated shortage of between 14 -26 public and private sector workforce dwellings in the Shire of Tammin. To accommodate the public and private sector workforce needs between 2025 and 2031, an additional 14 (low estimate) to 26 (high estimate) dwellings are required. Please note the above data is provided without the inclusion of the abattoir.

The above does not account for family housing, short term holiday housing or contractor housing. If the abattoir were included in the above figures, additional housing would be required above the higher estimate of 26 new accommodation units by 2031.

Based on the assessment included in the report, the overall dwelling demand for Tammin is predicted to significant multiples of the current building activity and is estimated to require between 22 and 37 additional dwellings by 2031, being a mixture of workers, community (aged independent living) and family dwellings. Over the previous 2 years 1 new modular unit was constructed, reinforcing the chronic

undersupply of housing in Tammin. Housing for short term holiday travellers are not included in that figure.

Whilst housing and short-term accommodation is not a direct Local Government responsibility, the Study highlighted an opportunity for the Shire of Tammin to contribute by way of a Council-led solution short worker and tourist accommodation shortage. Many other Councils because of necessity have entered the housing supply space. This issue has been driven by the following factors:

1. Restrictions on the supply of short, medium and long-term rental accommodation due to:
 - a. the growth in tourism population (particularly during COVID-19) resulting in an increase in properties purchased for the purposes of short-term rental; and long-term let properties being converted to short-term rentals.
 - b. elevated construction costs (50-60% above Perth costs) and low land values impacting on housing feasibility, requiring Development WA to subsidise or substantial grant funding from State Government to bring lots to the market; and
 - c. extension of trunk infrastructure (large-scale, shared network infrastructure that services multiple users and whole catchments, rather than individual properties), particularly water, sewerage and power, being cost prohibitive for small developments impacting on feasibility.
2. Increased demand for medium to long term rental accommodation being fuelled by the Government Regional Officer Housing (GROH and CEACA) program and other state government agencies (e.g., Horizon). These programs are competing in the private rental market for dwellings.
3. Large amount of government and private infrastructure works eg Main Roads, Western Power Water Corporation all have significant projects located throughout the Eastern Wheatbelt and private projects such as windfarms and sustainable energy projects are being planned or are commencing.
4. High levels of informal rental accommodation, including via friends/families, informal tenancy agreements, employer provided housing and short stay accommodation. This means there is a low level of housing available through real estate agents. There are also issues with the quality of existing housing, as dwellings age and decrease in quality and value.

It is proposed that the Shire purchase the hotel which has 9 workers accommodation units and laundry/kitchen facilities associated with the site. Whilst these accommodation units are basic, 6 of the units are ready to be rented immediately (subject to minor works and upgrades). The other 3 units will require a larger renovation, however this is not considered a large project and again these can be brought to market relatively quickly. This provides 9 near term rentals in the Shire, providing an income for the Shire and a service for our community and businesses. The units also help to address the chronic accommodation shortage addressed above.

While the estimated returns from the proposal are potentially better than those available through term deposits, it does come with an elevated level of risk than more traditional local government investments, which tend to be long term deposits with banks. The Shire's capital is less secure than when in bank deposits and the capital investment reduces the Shire's liquidity, limiting the potential for other capital projects and investments. However, the Shire does own approximately 5 properties within the townsite and has been the primary developer of a significant number of other residential sites, so investment in land and property is not an entirely new space for the Shire.

Finding Tammin's Niche

Tammin experiences a constant flow of east-west traffic, with approximately 2800 traffic movement per day, there is a ready supply of customers passing through Tammin daily. Niche opportunities could thrive in Tammin, such as showcasing unique outback experiences like the existing stargazing opportunities that already exist.

There are many successful niches and examples of well run cafés with attractions. Nestled on Forrest Highway in Myalup, The Crooked Carrot is a family-run farm café with breakfast, lunch, and bakery alongside gift and flower shop. They advertise as: *Bring the kids and your four-legged, winged, or otherwise quirky companions - everyone's welcome! stretch out on the lawns, and explore our quirky vintage attractions — the kind of stop that turns “just passing through” into a mini adventure.*



Crooked Carrot: Myalup

It is considered that whilst each town offers the unique, the Shire could work to really improve the economic benefit for the area through the purchase and development of the accommodation and café. It is considered the economic return would not be solely to the Shire, but to the region as a whole. This may involve additional caravan accommodation, promotion of the Shire as an easy and convenient place to stop on people's travels. It is considered the hotel does allow a fresh start for the commercial activities in the town, that will promote the Shire as a place to visit stop and stay. The proposal will also grow the overall economic development of the town, with the goal to assist continued business growth.

Hotel Liquor Licence

A liquor licence allows a business to legally sell and serve alcohol, either directly or through the service of food. There are many types of liquor licenses, with slight differences to each of the licenses, including the type of service, hours of trading and type of venue. There is a significant benefit in the venue having a current liquor licence. Benefits include:

- **Competitive Advantage:** Establishments that serve alcohol often attract a wider demographic and are chosen over unlicensed competitors for group bookings and functions.
 - **Business Asset:** A liquor licence can increase the overall goodwill and valuation of a hospitality business when it is time to sell or transfer ownership.
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- Higher Profit Margins: Alcohol carries significant markup potential, substantially boosting the average spend per customer, thereby improving the return to any operator of a facility with a liquor licence.
- Increased Dwell Time: Patrons tend to stay longer and order more food when beverages are readily available. Licenced venues also provide a meeting and community space for locals to gather, celebrate and engage.

A liquor licence unlocks diverse revenue streams across hospitality, tourism, and events while ensuring compliance with local and state laws. A valid liquor licence such as a hotel licence is a valuable asset that will be included in the sale of the property.

Notwithstanding the benefits, it is also noted that the service of alcohol can have negative consequences to an area.

- Noise, nuisance and disorderly behaviour: Licences can attract community complaints regarding damage to property, drunkenness and anti-social behaviour. If noise or patron behavior frequently disturbs the quiet or good order of the neighborhood, authorities can impose further restrictions, issue fines, or revoke trading permits. The Shire has not had an operational hotel for several years and therefore the instances of drunkenness, anti-social behaviour and damage to property is limited currently. The operation of a licenced venue could increase noise, nuisance and disorderly behaviour.

Statutory Frameworks

The Shire as a local government body is established under Division 2 of Part 2 of the Local Government Act 1995 (hereafter referred to as “the Act”). The Shire of Tammin is a body corporate, with power to acquire, hold and dispose of property under Section 2.5 of the Act. The Act provides for, and regulates, the exercising of various executive functions of a local government.

Regulation for the disposing of property

Relevant to this Business Plan, the Act regulates the purchase and disposal of property by a local government. This regulation is consistent with the purpose of the Act in promoting greater community participation in the decisions and affairs of the local government and greater accountability of local governments to their communities.

Section 3.58 applies generally to disposal of property, other than specified ‘excluded’ dispositions. Sections 3.59 of the Act provides for certain administrative requirements that must be complied with before undertaking a land transaction involving the acquisition, development or disposing of land. Section 3.59 applies to land transactions, including ‘Major Land Transaction’. A ‘Major Land Transaction’ is a land transaction with a total expenditure of more than the prescribed lesser of two amounts.

In the case of the Shire of Tammin as a regional local government the prescribed amount is either \$2 million or 10% of the Shire’s operating expenditure (incurred from the municipal fund in the last completed financial year). The total value of the proposed acquisition and development of the Tammin Hotel will be less than the prescribed \$2million. The Shire in 25/26 had an operating expenditure of \$4.17 million. The offer price for the hotel is \$450,000, therefore the purchase price is above the 10% of the Shire’s operating expenditure. The Shire is therefore required to draft and advertise a Business Plan.

Interaction between s 3.58 and s 3.59 of the Act

The Act recognises that there can be an area of overlap in the operation of sections 3.58 and 3.59 of the Act. The Act therefore provides for certain dispositions to be “excluded” from the application of s 3.58:

see Local Government (Functions and General) Regulations 199630(2a) (c). Where a business plan gives the details of the names of all the parties concerned, the consideration to be received, and the market value of the proposed disposition as ascertained by a valuation carried out not more than 12 months before the proposed disposition, then s 3.58 of the Act will not apply to the proposed disposition of property.

In accordance with Section 3.59 of the Act, a business plan in respect of a Major Land Transaction 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 current plan prepared under Section 5.56;
- (e) The ability of the local government to manage the undertaking or the performance of the transaction; and
- (f) Any other matter prescribed for the purposes of this subsection.

Section 3.59 of the Act also requires the Shire to –

- (a) Give State-wide public notice stating that –
 - (i) The Shire proposes to enter into the Major Land Transaction described in the notice;
 - (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.

Proposed Development Timetable

Given the Shire will be undertaking a significant amount of the refurbishment works, including accommodation upgrades and the fit-out of a café in the first instance (either directly, contractors or through community activities), the timeframes for those works are unknown as it is dependant on the extent of works required once initial investigations are undertaken. That being said, 6 of the accommodation units are in reasonable condition and therefore only minor upgrades are proposed, thereby improving the financials of the project.

Given much of the works currently identified been assessed to be cosmetic, it is considered there is a strong ability to appropriately manage completion within the allocated timeframes. It should be noted a full structural assessment of the building will be undertaken as part of the Shire's Due Diligence. It is proposed that all works to the café and accommodation will be completed by 30 June 2027, depending on successful terms being agreed to with the current owners by 30 September 2026 and procurement requirements being completed by the Shire in a timely manner.

Proposed Project Financials

Purchase: The purchase price of the property is \$450,000 and reflects the valuation of the property for development in its current condition. It is noted that limited works to the buildings have been undertaken over previous years and the current condition of the property is reflective of that. Works are required to be undertaken to achieve a fully operational accommodation units. For the development of a café, works to the kitchen will be required including full cool room storage replacement.

The sale of the property is subject to GST based on the commercial value, however the Shire would be entitled to claim this amount as an input tax credit. Stamp duty would not apply as local government is exempt from stamp duty.

Constructions Costs: The estimated construction cost of Stage 1 of the hotel is budgeted at \$465,000. A 20% contingency has also been allowed for, however given the majority of the works are non structural (subject to full assessment), significant costs over-runs are not expected. A full building survey will be undertaken. The cost of the purchase and the redevelopment cost would be funded by a mix of municipal funds and Reserves. The Shire is currently debt free. The Shire currently has reserves of in-excess of \$900,000 in its Asset and Development Asset Reserves.

Accommodation Operations:

Compared with current term deposit rates, which average 5 – 5.5%, the purchase has the capacity to realise \$122,000 per annum (approximately 11% return on investment) after operational expenses and costs. By comparison, \$112,000 equals to 8% of rates, therefore the generation of \$122,000 as income through the accommodation enables the Shire to generate significant income outside of the standard rates collection. While the return on investment at 11% shown is higher than current term deposit bank rates, it should be noted that:

- Investing with cash investment in banks present a very low capital risk. Interest rates are currently rising and it is anticipated there is another one or two additional cash rate increases in 2026. There is a higher capital risk associated with a property investment of this nature, whoever it has a strategic benefit to the Shire; and
- The financial risks associated with this development need to be weighed against other financial and non-financial benefits associated with additional rates income, marketing of the Shire, economic development, town centre activation, tourism and local employment.

Café Operations

The return from a café operation is currently unknown, however it is proposed the Shire would fit out the infrastructure for a café and then either lease the café as a commercial interest. Alternatively operate the café as part of a profit share agreement or the Council based on economic returns could operate the café itself. The estimated returns on a conservative income return could range from \$10,000 up to or exceeding \$20,000, equating to an approximate 1% investment return each year.

Estimated Redevelopment Budget Costs

It is estimated the project will cost:

Purchase price: \$450,000

Redevelopment: \$465,000 ex gst for all fit-out costs.

Contingency: \$183,000 (20% of purchase price and redevelopment costs)

Total project cost: \$1,098,000

This is a tight budget and given the current condition of the property, there is potential risks associated with major works to the building. As there are potential significant risks, the Shire has identified a 20% contingency/ escalation assumption to the project of approximately \$183,000 (inc of purchase price). The above cost does not recognise any redevelopment of the pub, only to improve the accommodation and to facilitate the development of a café. It is noted however, that a full building inspection will be undertaken prior to contract of sales being agreed. Further, on inspection, it is considered whilst the accommodation is basic, it is fit for purpose for workers accommodation needs.

Council will make an allocation in the 26-27 budget for the purposes of Council to purchase the hotel. As this proposal is dependent on municipal funding and Reserves, a Council resolution will be determined when Council endorses its future 26/27 budget.

Costs for the proposal:

Hotel Project	Costs
Hotel purchase price	\$450,000
Administration, procurement, project management	\$25,000
Headworks and Landscaping	\$25,000
Electrical	\$50,000
Plumbing	\$50,000
Entrance access	\$20,000
Café development	\$118,000
Accommodation remediation	\$147,000
TOTAL	\$915,000

It is further noted that a 20% contingency has been included in the budget estimates which increases the overall budget to \$1,098,000. It is not expected to expend the contingency, however, the addition funds do allow for continued escalation in inflation and fuel increase (surcharges).

Costs are based on industry assessments of material costs and estimated costings for remediation works for the accommodation and the development of the proposed cafe.

The above investment/ costs are supported by high-level costings based on the following assumptions for inclusions and contingencies:

- Construction costs are based on costs provided through construction costs of recently quoted dwellings/ construction costs. It is assumed in the above costings, community participation will be also donated with regard to labour for certain jobs, eg painting and minor demolition works.
- Fuel costs and the associated inflationary expenses are not fully accounted for in the above budget.
- There is a reasonable standard of the buildings and structures and that no building defects exist.
- That there will be no requirement for asbestos removal from the building/ structures.

Costs and quotes are estimated as of May 2026 and do not include market-rate escalation, which given

inflation and the current international conflicts, costs may escalate further. Where possible costs and works will be undertaken by the Shire to minimise costs.

Shire Financial Implications

The Shire has undertaken a cost/ investment return for the proposed project. Based on an overall cost of \$1,098,000 (all costs including 20% contingency), the Shire will fund the project from current municipal funds and Reserves.

Based on investment return from the accommodation and the café, minus management fees, cleaning fees and maintenance costs, it is estimated that the annual return to the Shire would be approximately \$122,000 representing an 11% return on investment. Whilst these figures are purely based on estimates, it is considered that estimated costs are conservative and therefore would be achievable returns for the Shire.

It is noted that should the returns estimated reduce or not reach estimates, then a lower return would be received. As an example, if the occupancy were to reduce to 40%, the annual return would be approximately \$52,000, still representing a 4.7% return on investment (including contingency). It is considered a 4.7% return on investment per annum is still a reasonable return but is less than a bank's investment return. It is noted this does not include any uplift in use of the land, accommodation and the commercial opportunities of the property such as the lease of the pub.

Shire Budget / Financial Implications

The purchase and redevelopment of the hotel is currently listed as a project within the Shire's 2026/27 Annual Budget to be considered in June 2026. The project is not currently included within the Shire's Long Term Financial Plan. The Shire currently has healthy financial reserves. In particular, the balance of the Shire's Asset Management and Renewal and Asset Development Reserves with balances of \$362,278 and \$604,587 as of 30 June 2026. The stated purpose of the Asset Management and Renewal Reserve is for:

“renewal and urgent maintenance of Shire properties and infrastructure.”

The stated purpose of the Asset Development Reserve is for:

“future development of Shire properties and infrastructure”

The purchase and fit out to the hotel are consistent with these two reserve purposes. It is proposed that the purchase of the hotel is taken from the Shire's Reserves and all development costs are utilised from the Shire's municipal funds. Should the Asset Development Reserve be utilised a total of \$154,587 will be left in the Reserve.

Budget Surplus: On occasion, surpluses that have been identified in Council's budget reviews have been allocated to the Asset Management and Renewal and Asset Development Reserves as there was an identification that housing/ accommodation and economic development within the Shire was an important strategic goal. Interest generated from the Asset Management and Renewal and Asset Development Reserves are re-invested within the reserve. While the Shire's capital expenditure program is projected to remain relatively stable throughout 2026/27, the Shire's Long Term Capital Works program shows a decreasing level of capital works expenditure being anticipated over following financial years because the Shire has been proactive in maintaining and improving Shire infrastructure as required.

The Shire has submitted a proposal for the development of five new houses in addition to this project. This project is estimated to cost \$2.5 million. The development of the five houses are two thirds grant funded by the State Government. Should the Shire be successful a maximum amount of \$1 million will be required from Shire funding. It is proposed the Shire obtain a loan for the Shire's funding portion, however funds from the Shire's Reserves may also be utilised. The net impact of the above is that the Council's Asset Management and Renewal and Asset Development Reserves balances are projected to decrease should the Shire be successful in the funding opportunities currently applied for, however the benefit to the Shire from these projects are significant. While sufficient funds are likely to be available within the Reserve for most of these projects, it is anticipated loans will be required should the Shire be successful in all funding opportunities (overall projected load from Treasuries should all projects and grant applications be successful would amount to \$1,000,000).

There is an opportunity cost in the purchase of the hotel investment in that, if funds are spent on this proposal, there will be a lesser amount of Council funds available for other projects (including other investment opportunities). Having said that, financial modelling indicates that the Shire's Reserve would return to current levels within four years (based on only the investment return being transferred into reserves) and it is anticipated that this purchase can be afforded without damaging the Shire's ability to deliver its current adopted 10-year capital works program.

There is also a great opportunity cost, which includes the strategic purchase of a large parcel of land within the townsite which is along Great Eastern Highway. This site will enable the main streetscape to be managed, but also provides a large parcel of vacant land (2000sqm) to the rear of the hotel for the provision of additional housing, car parking or caravan stays, again improving the services the town provides but also allowing for future income/ business uplift to the area.

The Long-Term Financial Plan (including the long-term Capital Works plan) is currently being revised and updated due for Council's consideration in July 2026. An updated Long Term Financial Plan will include the expenditure and income projections included within this report should Council proceed with the purchase of the hotel. These financial projections will be considered in conjunction with community submissions that are received during the public comment period.

Operational Costs: Once the Hotel is refurbished and in operation, the Shire will incur operational costs related to the running of the accommodation, including cleaning, management and maintenance. Those costs have been estimated and result in costs of approximately \$130,000 per annum.

Income received from the accommodation is estimated at approximately \$242,000 per annum, plus \$10,000 from the café, resulting in total income of \$252,000. Minus the cleaning, management and maintenance of \$130,000, results in estimated profits of \$122,000 per annum. Best estimates have been used to guide cost projections such as \$70,000 cleaning costs, \$30,000 for management costs and \$30,000 for maintenance costs. Longer term the maintenance costs for the site will increase, however given the initial redevelopment costs of \$465,000, it is considered in the first couple of years operational costs will be minimised.

These costs have been accounted for in the Shire's estimated return (positive) of approximately \$122,000 per annum, with potential for that investment return to grow through improved café operations, expenditure and maintenance savings, development of the pub as a commercial operation either through direct operation or lease agreements and the long-term redevelopment of the land at to the rear of the

hotel for either additional accommodation or the potential for overnight caravan/ mobile home accommodation. It is considered the long term strategic potential of the site is important to the Shire.

Procurement Strategy

The Shire will follow a rigorous procurement and redevelopment process for any contractors engaged, as per the Local Government Act 1995, undertaking thorough public quotation processes to engage contractors or will utilise the WALGA preferred panel supplier list where applicable. It is envisaged the Shire will be able to undertake much of the early remediation and beautification works, minimising external expenditure.

Management of the project will adhere to the Purchasing Policies of the Shire, which are grounded in the *Local Government Act 1995*, and the *Local Government Act (Functions and General) Regulations 1996*. A comprehensive review and update of the Shire’s Purchasing Policies has revealed a consistent alignment with best practice principles and objectives. Overarching Purchasing Policy objectives include:

- Ensuring adherence to best practices in procurement
- Ensuring compliance with the State Records Act 2000 and associated records management practices
- Undertaking procurement processes that ensure value for money for the Shire by delivering the most advantageous outcome possible
- Ensure openness, transparency, fairness and equity through the procurement process to all potential suppliers
- Ensure efficient and consistent procurement processes are implemented and maintained across the Shire

Development Risks

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Term deposit interest rates exceed the 11% rate of return estimated for the accommodation and café, thereby reducing the direct financial return on investment.	Possible (3)	Moderate (3)	Moderate (5-9)	Construction cost escalation rates are expected to continue to increase in the short-to-medium terms from recent historical highs because of the fuel crisis and conflict in Iran impacting on shipping in the Strait of Hormuz. On-site works are considered as	Long term forecasts indicate that interest rates are likely to continue to be stable, with one increase projected by the end of 2026, however interest rates are not estimated to increase above the investment return of 11%.

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				<p>remediation works with no significant structural works required indicating that construction material and contractors can be managed adequately.</p> <p>Financial cost estimates also include regional and project contingencies of 20%.</p>	<p>The investment provides other significant financial and nonfinancial benefits (rates, marketing, economic development, tourism, local employment, etc).</p>
<p>The Shire cannot recover its fit-out contribution for the accommodation and cafe through long term investment.</p>	<p>Unlikely (2)</p>	<p>Moderate (3)</p>	<p>Moderate (5-9)</p>	<p>All local government staff involved have experience in construction and project management. The Shires capacity and capability to undertake works are considered appropriate.</p>	<p>Control through resource management.</p> <p>The Shire considers itself suitably resourced to ensure the ongoing management and contribution for the project.</p> <p>The Shire has access to all equipment required to undertake the works where Shire workers can undertake the job and in an appropriate timeframe. Only material costs will be required.</p> <p>Contractor where required can be managed through quotations, cost escalation monitoring and direct project management.</p>

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					The project is staged and can be scaled back if required to save costs and resources.
Investment in this project means that other Community projects cannot proceed.	Possible (3)	Moderate (3)	Moderate (5-9)	<p>Over recent years, the Shire has contributed to a significant number of community projects.</p> <p>Where new projects cannot be funded, the Shire will continue to work with Community groups to fulfill appropriate requests.</p>	The purchase will not proceed if it was determined that project funding negatively impacted on Council's ability to fund it's 10 year Long Term Capital Works programs.
Development costs exceed budget.	Possible (3)	Moderate (3)	Moderate (5-9)	<p>A 20% contingency budget has been set to allow for the current high inflationary economic environment.</p> <p>Also given the relatively small nature of the redevelopment, costs can be constrained and suitably managed where required.</p>	The Shire fit out contribution would be capped and where costs escalate the project can be modified to fulfill singular elements of the project eg just the accommodation.
Structural defects or development complexities arise such as asbestos removal.	Possible (3)	Moderate (3)	Moderate (5-9)	Assessment of the buildings will be undertaken prior to purchasing the property.	The project can be staged should issues arise with building structures, meaning individual elements of the refurbishment can be removed and addressed at

					a later stage when costings/ funds become available.
Hotel does not generate predicted returns.	Possible (3)	Moderate (3)	Moderate (5-9)	Where possible estimates of the financial return are conservative to ensure prudent financial management.	Financial modelling indicates that hotel will be profitable and financials are based on conservative estimates.
Reputational issues: Lack of community support identified through public consultation regarding the Business Plan.	Possible (3)	Moderate (3)	Moderate (5-9)	The Business Plan will be provided to the whole community to facilitate robust discussions prior to proceeding with the project.	Council can consider whether to proceed with the project or not after feedback on the draft business plan. Should the Council receive overwhelming negative feedback or community concern, the Council will not proceed to contract sale.

Risk Matrix

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

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

Risk Rating

Risk Rating	9
Does this item need to be added to the Shire's Risk Register	No
Is a Risk Treatment Plan Required	No

Conclusion and Proposal Request

The purchase and development of the Tammin Hotel is consistent with Council's Strategic and long-term land use plans to provide accommodation and improve the economic growth in the area. Given the Shire's relatively healthy balance sheet, the strategic value of the development and potential for economic and community return, it is considered there is value in the Shire progressing with the purchase and redevelopment of the site. The Shire is seeking community feedback regarding the Business Plan for this development and welcomes all feedback submitted.

Community responses can be provided/ addressed to:

Andrew Malone

Chief Executive Officer

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Tammin WA 6409

Or

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