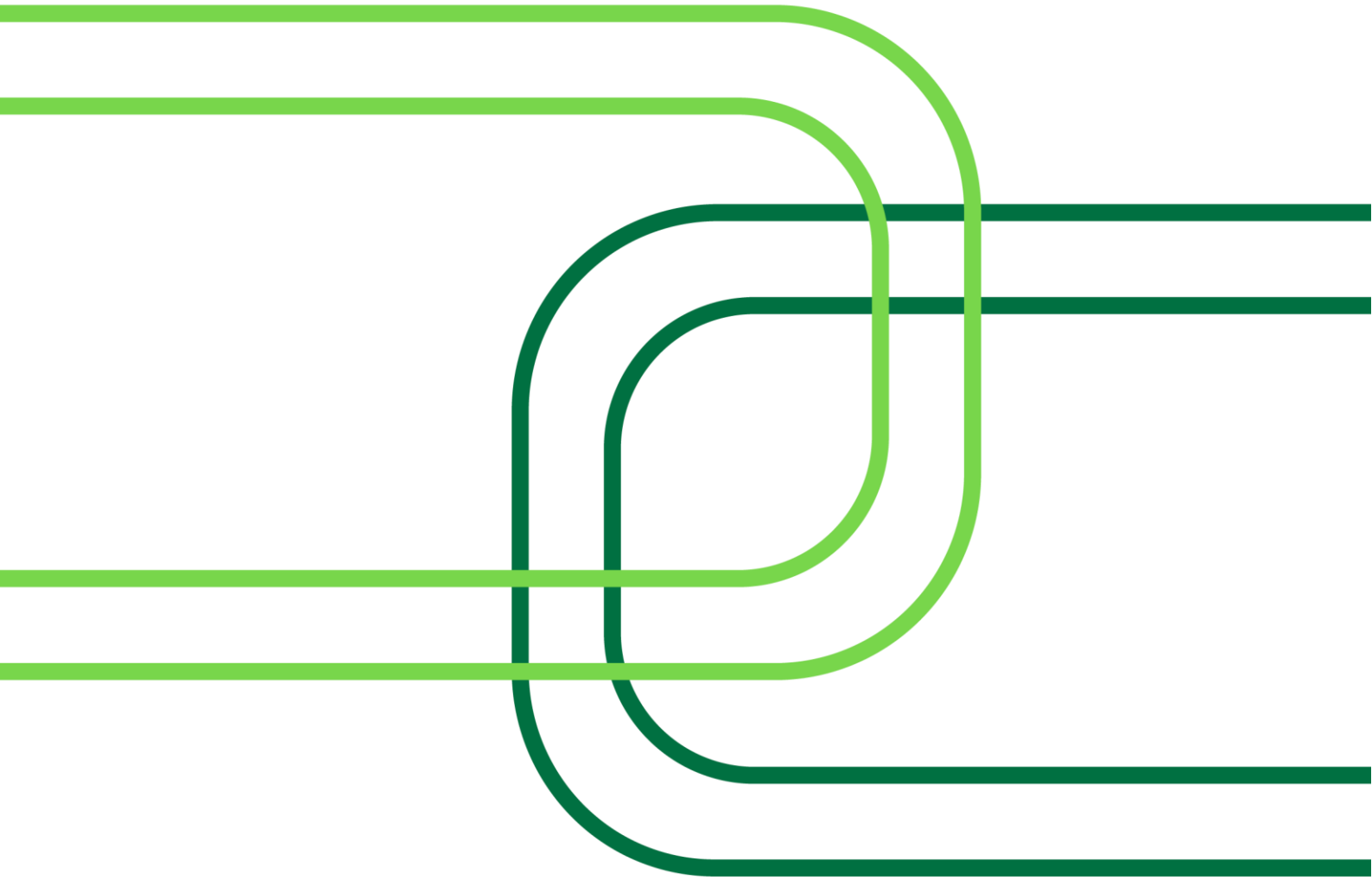
UHY Haines Norton

Prudential Report on the Regional Community, Sport and Recreation Precinct

For the City of Victor Harbor

February 2026



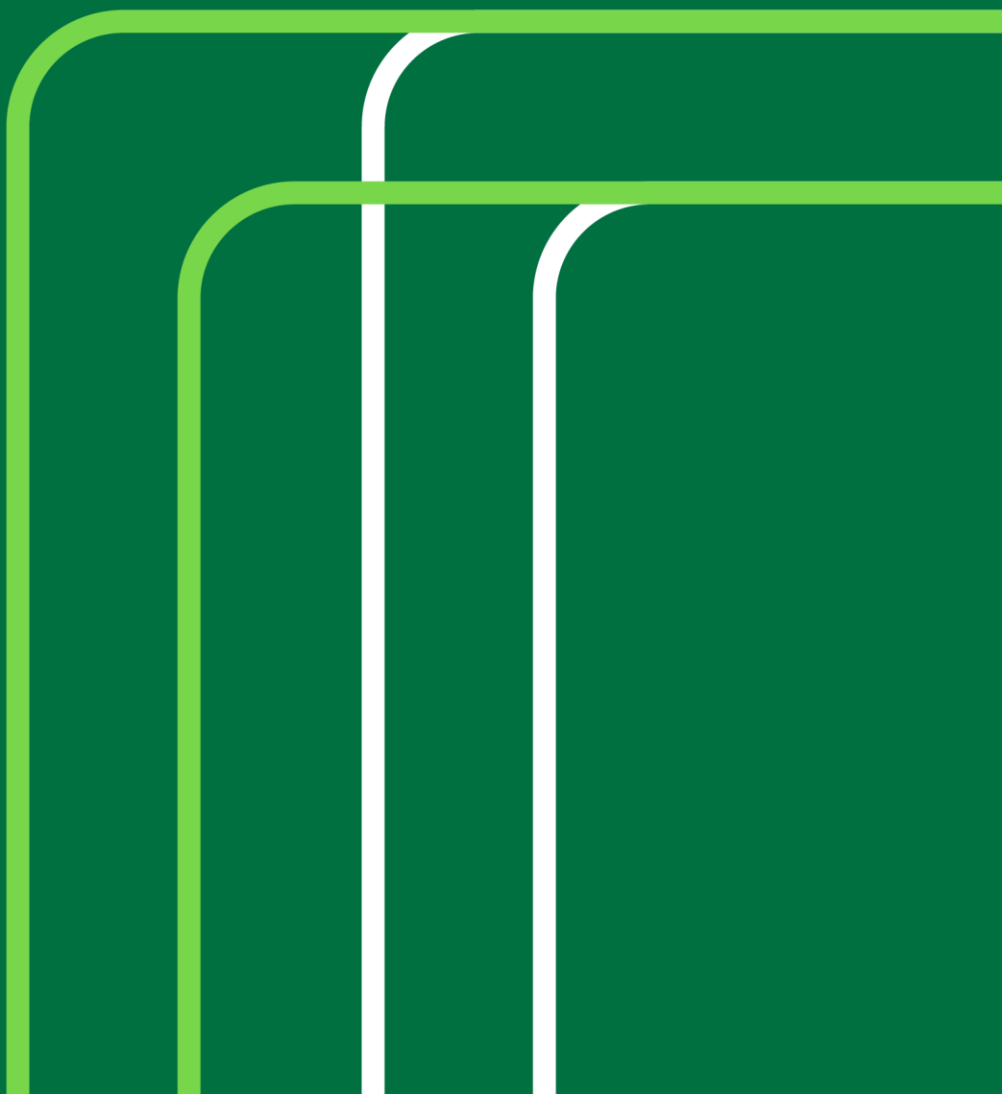
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Purpose and Scope of this Report

The *Local Government Act 1999* (the Act), Section 48 *Prudential Requirements for certain activities* applies. This section sets out that councils must have certain policies and procedures in place relating to prudential management and obtain a report that addresses prudential issues before the council engages in a project.

- Where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years are likely to exceed 20% of the council's average annual operating expenses over the previous five financial years, or
- Where the expected capital cost of the project over the ensuing five years is likely to exceed $4m (indexed) or
- Where the council considers that it is necessary or appropriate

The project exceeds the threshold, and therefore, a Prudential Report is required. This report addresses the prudential issues set out within the Act concerning this project.

Appendix A details the legislative Prudential requirements for a Council to follow in relation to projects.

Definitions and Abbreviations

ABP	Annual Business Plan
AMPs	Asset Management Plans
CAD	Cash Advance Debenture
CoVH	City of Victor Harbor
DNF	Direct Negotiation Framework
EOI	Expressions of Interest
FTE	Full Time Equivalent
HoA	Heads of Agreement
LGFA	Local Government Finance Authority
LTFP	Long-Term Financial Plan
The Act	*Local Government Act 1999*
The Precinct	Regional Community, Sport and Recreation Precinct
RLB	Rider Levett Bucknall

Description and History of the Project

Background

The City of Victor Harbor (CoVH) is considering the development of a regional community, sport and recreation precinct (the Precinct).

As the largest population centre on the Fleurieu Peninsula. Victor Harbor serves as the major district hub for the Southern Fleurieu. The region is expected to experience significant growth, with the South Australian Government's Greater Adelaide Regional Plan identifying Victor Harbor as a 'Satellite City'. The plan sets ambitious population and housing targets, forecasting an additional 12,000 dwellings in Victor Harbor by 2051, representing nearly 40% of the Fleurieu Peninsula's projected housing growth.

Victor Harbor also has one of the oldest demographic profiles in Australia. In 2021, the median age was 60 (up from 58 in 2016), with 42% of residents aged over 65. This compares to Greater Adelaide, where the median age is 39 and only 19% of the population is over 65. This ageing demographic presents future challenges, including pressure on services, facilities and workforce availability. In response, Council has identified the need to work toward a more balanced demographic by attracting and retaining families and young professionals.

Council has stated that delivering the Precinct is a key strategic response to meeting the needs of a growing and ageing population. As a regional hub for sport, recreation, health and community connection, the Precinct will support economic development, promote wellbeing and help attract and retain younger families and workers which is important for fostering a balanced population profile.

Significant planning work has been undertaken over many years to explore options for improved sport and recreation facilities in Victor Harbor. Between 2015 and 2018 a range of planning projects examined various infrastructure solutions at the Encounter Bay Recreation Grounds and Council-owned site referred to as the 'Gillespie Land'. This work ultimately led to the commissioning of a Feasibility Report for development of an indoor sports stadium and outdoor athletics facilities at the Gillespie site. In 2020, the Southern Fleurieu Regional Sports and Recreation Precinct Feasibility and Preliminary Design Project Report was presented to Council. A high-level cost estimate placed the sports development at around $46 million. Although a staging plan was proposed, Council chose not to proceed, pausing the project to reflect on community needs and desired outcomes.

In late 2021, Council purchased a significant parcel of land behind the Victor Harbor TAFE, known as Lot 202 Armstrong Road, recognising its strategic value to the community. The site adjoins the Council-owned Encounter Bay Recreation Grounds and is centrally located between the Investigator College and the Victor Harbor High School.

In early 2022, the Precinct project was reignited with a broader community focus. While sport remained central, a more holistic community approach was identified to ensure long-term sustainability and align with best practice and funding guidelines for major sporting infrastructure.

To guide the project, Council adopted a set of principles aligned with the South Australian Government's sport and recreation infrastructure funding criteria:

- Community benefit - maximising use by a range of users
- Budget impact – deliver a Precinct within a realistic and affordable budget
- Partnership potential – explore public and private partnership opportunities
- Future proofing – design for immediate, emerging and long-term needs
- External funding alignment – meet relevant funding requirements
- Environmental sustainability – prioritise energy and resource efficiency
- Timeframe – consider deliverability
- Location and access – ensure the Precinct is welcoming and inclusive
- Economic return – demonstrate community-wide economic benefits

Council investigated several potential locations, including Lot 202, the Gillespie Land and a parcel owned by Encounter Lutheran College at the Adelaide Road / Welch Road / Waterport Road junction. Encounter Lutheran College proposed its land as an option for the Council's consideration.

Following community and stakeholder consultation, analysis and site assessments, Council determined Lot 202 as the preferred Precinct location. A draft concept and preliminary financial modelling were then developed and

released for community consultation. Despite the footprint being 40% smaller than the earlier 2020 Gillespie proposal, the estimated cost was $43 million.

Over several months, Council reviewed all material relating to the current concept development, including needs analysis, location assessments, design options, staging pathways, consultation outcomes, case studies and economic and financial modelling. This work culminated in a June 2023 Briefing Session where Council identified negotiable and non-negotiable components of the Precinct with a view to 'de-scoping' Stage 1 to ensure a sustainable and affordable investment. Options ranging from $26 million to $50 million were considered.

Council also reviewed rate and long-term financial modelling for a $20 million capital investment. While financially achievable (assuming grant funding), this would have required significant constraints on the long-term capital works program and rate increases above CPI. As a result, Council resolved to explore public–private partnership opportunities to balance affordability, financial sustainability and community needs.

In October 2023, supported by the Alinea Group, CoVH issued an open Expression of Interest (EOI) for private partners. The EOI closed on 16 November 2023.

At its meeting on 11 December 2023, Council considered the EOI outcomes and resolved to enter into a Direct Negotiation Framework Agreement (DNF) with the preferred proponent, Accord, to further develop the proposal.

Following consideration of a draft Prudential Report in April 2024, a Heads of Agreement (HOA) was executed between Council and the Developer for the development of the Precinct. The HOA, initially signed in 2024, has been extended to February 2026 to allow time for detailed design, due diligence and grant funding processes.

The Developer's original proposal included constructing and operating the facility through an outsourced model known as **Model 1**, this was documented in the 2024 Prudential Report. In response to feedback from community groups, CoVH is also exploring **Model 2**, where the Developer constructs the facility and the Council operates it. The current Prudential Report assesses both Model 1 and Model 2.

Assessment Reports to Date

In February 2023, Hudson Howels provided the CoVH with the report 'Regional Community, Sport and Recreation Precinct Options Study and Economic Impact Assessment. This report considered the following:

- Concept Design and Costs
- Stakeholder Consultation
- Funding Opportunities
- Management Options
- Financial Assumptions and Modelling
- Economic Impact Assessment

In April 2023, BRM Advisory provided the CoVH with the report 'Regional Community, Sport and Recreation Precinct Options Study and Economic Impact Assessment: Peer Review Report. This report was a peer review of the Hudson Howels report. The Peer Review assessed the outcomes of the Hudson Howels Report.

UHY Haines Norton prepared a draft Prudential Report in April 2024.

In July 2025, SGL Consulting Group provided the CoVH with the report 'Victor Harbor Regional Community, Sport and Recreation Precinct Model 2 Business Case. This report assessed other project documents and included an assessment of the following:

- Demand
- Community Consultation and Engagement, including expected court utilisation
- Strategic Alignment
- Financial Analysis with a focus on Model 2
- Construction Cost Review
- Management Model
- Long Term Financial Plan
- Risks

In November 2025, an addendum to the Business Case was prepared to reflect the current proposed rental costs and indexations.

In November 2025, Alinea presented Council with an updated, detailed proposal (Model 1). The proposal provides three options for ongoing annual costs to the Council, depending on the grant funding received, and an option for the developer to make an upfront ground lease payment (in lieu of the annual Precinct Occupancy Payment for the term of the lease agreement).

The LTFP models have been updated with the information received in November 2025.

The Project

The Project, known as the Precinct, includes:

- A recreation facility with four multi-purpose courts, gymnastics and health club facilities and meeting spaces
- Entertainment and large format retail spaces, including a hospitality offering
- A childcare centre
- Allied health spaces

The CoVH is considering whether to develop the Precinct and, if so, the operating model to use for the Sports and Recreation Facility.

The two models are;

- **Model 1**: The Developer builds and operates the sports and recreation facility. This includes the construction and operation of the facility via further specific outsourcing contracts.
- **Model 2**: The Developer builds the facility, and the Council operates it by leasing back the operational component. The Developer will retain management and maintenance of the facility, with the Council managing the delivery of the four key functions: the multi-purpose courts, gym, café, and gymnastics.

The development of the Precinct is a total project cost of $26 million for the sport and recreation components, with Council contributing $14 million, of which $4 million is being sought in grant funding. In addition to the capital contribution, the Council's LTFP includes an allocation of $1.7 million towards operating costs (paid up front). The funding gap for the updated Model 1 now requires an ongoing annual payment from the Council equivalent to the Operating Loss. With $4 million in grant funding, the forecast annual loss is $846,000, and the forecast annual loss for Model 2 is $1,106,000. Council may choose to subsidise users which may lead to additional costs to Council in Model 1. For example, exclusive use of the gymnastics are by the Victor Harbor Youth Club is expected to cost Council $180,000 per year.

Executive Summary

Purpose & Strategic Need

The City of Victor Harbor is progressing the development of the Regional Community, Sport and Recreation Precinct (the Precinct), a major strategic project intended to meet the growing community, sport and recreational needs of the Southern Fleurieu region. The Precinct responds directly to the population and housing growth forecasts identified in the Greater Adelaide Regional Plan (2025) and supports Council's long-term objectives for community wellbeing, economic development and regional activation.

Process Undertaken

Over several years, the Council has undertaken extensive planning, analysis, consultation and market engagement to determine the most feasible path forward. This has included site investigations, needs analyses, concept design development, targeted stakeholder consultation, economic impact assessments, risk analyses, and a market-based procurement approach leading to Direct Negotiations with the preferred proponent, Accord.

Delivery Models

Two delivery and operating models have been assessed:

- **Model 1:** Developer constructs and operates the sports and recreation facility.
- **Model 2:** Developer constructs the facility, and Council operates the sporting components, with the developer retaining broader site management.

Grant Dependency & Critical Risk

The updated financial and risk assessments, commercial negotiations, and Business Case evaluations confirm that the project can proceed only if $4 million in external grant funding is secured. This funding remains the most significant risk to the Project and is a precondition to affordability under both delivery models. Without this funding, the Project would place pressure on the Council's operating position and long-term financial sustainability.

Financial Modelling & Affordability

Financial modelling demonstrates that both delivery models are financially achievable within the Council's LTFP, subject to grant funding, however they present materially different risk and sustainability profiles. Model 1 returns the Operating Surplus Ratio to the target range by 2032, while Model 2 does not return to target until 2036 and remains less favourable than Model 1 over the medium term.

Accounting Treatment

From an accounting perspective, the Council's contribution to the Project is treated as an operating expense rather than a capital asset, as the Council will not have care and control of the built facilities.

Under Model 2, additional Right-of-Use assets are recognised, which further impacts operating results and key financial indicators. These accounting treatments materially affect the Council's Operating Surplus Ratio and Net Financial Liabilities forecasts.

Decision Framing

As a result, the choice of operating model represents a key strategic decision for the Council, balancing community outcomes against the longer-term affordability, risk exposure and management capability required under each option.

Independent Review & Assurance

The Council's Long-Term Financial Plan has been updated to incorporate the latest assumptions, including capital contributions, operational impacts, rate increases, and the implications of the Private Public Partnership structure. Independent reviews by SGL Consulting Group, Hudson Howells, BRM Advisory, Alinea Group and Galpins have informed the financial, operational and risk positions presented in this report.

Consultation & Strategic Alignment

Comprehensive consultation demonstrates strong community interest in improved sport and recreation facilities, with the Regional Precinct consistently ranking as the highest-priority major project across residents, businesses and non-resident ratepayers. Strategic alignment is evident across Council's Community Plan 2030, Economic Development Strategy, Asset Management Plans, and long-term urban growth priorities.

Risk Profile

Risk assessments (Council, SGL, and Galpins) identify several high-level risks, primarily related to grant funding, construction cost escalation, selection of the management model, community support, and the completeness of commercial agreements. Many of these risks will continue to reduce once grant funding is secured and the Agreement for Lease is finalised.

The Summary of Findings summarises the project's compliance with prudential requirements and identifies the key matters that the Council must consider.

Summary of Findings

The Summary of Findings (table below) summarises the project's assessment against the requirements of Section 48 of the *Local Government Act 1999,* and identifies the key matters that the Council must consider.

Highlighted in Green: The Prudential issue has been addressed and there is no risk or problems.

Highlighted in Yellow: There are actions that are still to be completed or a potential improvement possibility

Highlighted in Orange: There is an area of risk to consider or recommended actions to improve this area.

Report Headings	**Legislation: *Local Government Act 1999***	**Comments**	
		C	**The Council has addressed the relevant section of the Act, and there is no issue.**
		A	**Actions to be completed or an improvement possibility**
		R	**Recommended actions to improve addressing this area or risk to consider**
Prudential Policies	**S48(aa1)**	**A**	The CoVH has a Prudential Management Policy, which guides the Council on the appropriate due diligence required for projects. The Policy is on the Council's website. This Policy was due for review in November 2025 and is therefore overdue for review. An updated Policy will be presented to the Audit and Risk Committee at their May 2026 meeting and then to Council.
	S48(a1)	**C**	There are currently no regulations relating to S48 of the Local Government Act 1999
Requirement for a Prudential Report	**S48(1) & S48(3) &**	**C**	The Project is not for road construction, maintenance or drainage works and is above the prudential threshold. Therefore, a Prudential Report is required.

Report Headings	Legislation: *Local Government Act 1999*	Comments	
		C	**The Council has addressed the relevant section of the Act, and there is no issue.**
		A	**Actions to be completed or an improvement possibility**
		R	**Recommended actions to improve addressing this area or risk to consider**
	S48(6d)		
Relationship to Strategic Management Plans	**S48(2)(a)**	**C**	The project has a relationship with the Council's Strategic Plans. Other CoVH plans and strategies highlight the need for improved sporting facilities. The Project has factors that should assist the Council in achieving some of its strategic objectives as detailed within its Strategic Management Plan. The Project is included in the ABP and LTFP. The built assets will not be under the CoVH's care and control, and therefore, future renewal requirements will not be incorporated into the Asset Management Plans.
Development Plan	**S48(2)(b)**	In March 2021, the Planning, Development and Infrastructure Act 2016 replaced the Development Act 1993, and at this time, council Development Plans were replaced by the statewide Planning and Design Code.	
		C	A Code Amendment has been completed.
		A	The Community Land revocation is awaiting Ministerial approval.
Economic Impact, Impact on Businesses, Fair Competition	**S48(2)(c)**	**C**	There is a favourable economic impact during the construction stage of the Precinct and also from ongoing operations. Businesses and Sporting Clubs will not be impacted during construction. The Council has a Procurement Policy which ensures fair competition in the marketplace. This policy requires that an EOI be undertaken to generate a shortlist of suppliers to be invited to participate in a tender process. However, only one suitable response was received. The Council, at a Council meeting, determined to pursue direct negotiations with this developer. The Procurement Policy allows the Council to vary the procurement process. The principles of the Procurement Policy were followed. Competitive neutrality principles have been considered during this phase of the project
		A	Competitive neutrality principles will need to be considered with the more commercial activities, such as the Gym, once the Precinct is running.
		R	SGL's Business Case in July 2025 (updated November 2025) raised the question of whether Council's management in Model 2 would have a crowding-out effect, thereby preventing a private business from delivering the service. The Business Case proposed that it may be preferable to outsource facility management to a private operator that can produce a more efficient product while contributing to social and economic benefits for the local community.
Consultation	**S48(2)(d)**	**C**	The CoVH has undertaken extensive consultation with the community and stakeholders.
Revenue Projections and Risk	**S48(2)(e)**	**R**	There are several revenue streams associated with the Project that vary based on the selected management model.

Report Headings	Legislation: *Local Government Act 1999*	Comments	
		C	**The Council has addressed the relevant section of the Act, and there is no issue.**
		A	**Actions to be completed or an improvement possibility**
		R	**Recommended actions to improve addressing this area or risk to consider**
			The most significant source of income is $4 million in grant funding. The Project cannot proceed without this funding, and the income from it is the most significant risk.
Recurrent and Whole-of-Life Costs	**S48(2)(f)**	**C**	The CoVH will not be responsible for general depreciation, as the assets will not be in the Council's care and control; however, there are Right of Use Assets in Model 2, which will impact depreciation. The SGL Business Case has confirmed and identified the costs associated with the Model 2 option.
Effect on the Council's Financial Position	**S48(2)(g)**	The financial viability of a project is measured by the effect on a Council's Long Term Financial Plan (LTFP). Three key Financial Indicators are used by Councils in South Australia to measure the performance of their LTFPs. The Council's LTFP models have been updated with data from the Council's adopted Annual Financial Statements for 2025 and BR1.	
		R	The contribution to the project's capital costs must be treated as an operating cost, not a capital cost, because the CoVH will not have control over the asset. This impacts on the operating costs in 2028. The Right-of-Use Asset also affects the operating costs for Model 2. From 2030 onwards, Model 2 has a less favourable impact on the Operating Surplus Ratio than Model 1. Model 1 returns to target in 2032, and Model 2 returns to target in 2036.
		R	Model 2 exceeds the target in 2030 and is less favourable than Model 1
		C	The Asset Renewal Funding Ratio is not affected by the Project.
Risks	**S48(2)(h)**	**R**	We have reviewed the risk assessments, which include expected risks and appear reasonable; however, we note that the SGL Risk Assessment uses a different risk matrix than the one included in CoVH's Risk Framework. This has resulted in the risks being assessed at a more severe level than they would have been under the CoVH's Risk Framework. Multiple risks remain at a high level. Many of these high-level risks are contingent on the CoVH's decisions, the success of the grant applications and the final formation of agreements.
Project Management	**S48(2)(i)**	**C**	The Project is being managed by the CoVH's Director Environment and Infrastructure, who has appropriate professional qualifications and experience to manage this project. A project team is in place to manage all project components.
		A	Ongoing management of the Precinct is subject to the CoVH's decision and current negotiations.
		A	A project plan will be developed during contract negotiations.
Sale or Disposition of Land	**S48(2)(j)**	**C**	There is no sale of land involved in this project. The project provides a long-term lease on the property. The amended Land Management Agreement will protect the intent of a community dedication of the land in perpetuity.

Report Headings	Legislation: *Local Government Act 1999*	Comments	
		C	**The Council has addressed the relevant section of the Act, and there is no issue.**
		A	**Actions to be completed or an improvement possibility**
		R	**Recommended actions to improve addressing this area or risk to consider**
Qualifications of Author	**S48(4)**	**C**	The experience and qualifications of the lead author and the firm UHY Haines Norton are included in Appendix B.
Independence of Author	**S48(4a) & S48(6a) & S48(6b) & S48(6c)**	**C**	The lead author and the firm UHY Haines Norton declare that they have no interests or conflicts of interest in the Project and are independent.
Council Consideration of the Report	**S48(4b)**	**C**	A Special Meeting of the Audit and Risk Committee will be called on the 2nd February 2026 to review the Prudential Report and then to the next Council meeting.
Public Availability of the Report	**S48(6)**	**C**	The Prudential Report will be publicly available in the agendas for the Audit and Risk Committee and Council.

Specific Project Documentation & Related Policies & Plans

Several Council documents were assessed in compiling this Prudential Report. These documents are listed below;

- Council Documents
  - Annual Business Plan 2025/26
  - Asset Management Plan #03 – Land, Buildings and Open Space, May 2025
  - Community Engagement Summary – Draft 2025/26 Annual Business Plan and Budget
  - Community Engagement Summary Report – Regional Community, Sport and Recreation Precinct Draft Concept
  - Community Plan 2030 reviewed and updated on 24th March 2025.
  - Disability Access and Inclusion Plan 2020-2024, Oct 2020
  - Economic Development Strategy 2020-2030
  - Long Term Financial Plan 2025/26 to 2034/35
  - Precinct Risk Management Plan and Register, Nov 2023
  - Prudential Management Policy, November 2022
  - Regional Community Sport and Recreation Precinct Risk Management Plan
  - Risk Management Policy, August 2023
  - Risk Management Framework, June 2023
  - Urban Growth Management Strategy, 2013 update
- Other Documents
  - Heads of Agreement

- Greater Adelaide Regional Plan Discussion Paper – State Planning Commission 2023
- No sign of construction cost escalation relief until at least 2028 – Property Council of Australia, November 27, 2024.
- Regional Community, Sport and Recreation Precinct Options Study and Economic Impact Assessment – Final Report, Hudson Howells, February 2023
- Regional Community, Sport and Recreation Precinct Options Study and Economic Impact Assessment: Peer Review Report – BRM Advisory, April 2023
- Social Infrastructure Assessment – City of Victor Harbor Community Plan 2023 (February 2024)
- State Sport and Recreation Infrastructure Plan 2020-2040
- South Australian Regional Level Recreation and Sport Facilities Planning Guidelines
- Southern Fleurieu Regional Sport and Recreation – Concept Cost Estimate, Rider Levett Bucknall, May 2023
- Southern Fleurieu Regional Recreation, Sport and Open Space Strategy – Suter & Associates Leisure & Tourism Planners with Jensen Planning & Design, May 2004
- Sport 2030 (Federal Government)
- Victor Harbor Regional Community, Sport and Recreation Precinct Model 2 Business Case – SGL Consulting Group, July 2025, updated November 2025
- Victor Harbor Regional Community, Sport and Recreation Precinct Operating Model Risk Analysis – Galpins, February 2025

Prudential Policies

S48(aa1) requires that a council develop and maintain prudential management policies, practices, and procedures for assessing projects.

S48(a1) requires that prudential management policies, practices and procedures must be consistent with any regulations.

A Prudential Report required under S48 of the Act is not required to address the adequacy of the Council's prudential management policies, practices and procedures; however, as these documents provide the Council with guidance on the appropriate due diligence required for projects, the following is noted:

- The CoVH has a Prudential Management Policy, which the Council reviewed on the 28th of November 2022. It is due for review every three years. It was due for review in November 2025 and is therefore overdue for review. An updated Policy will be presented to the May 2026 Audit and Risk Committee Meeting and will go to the following Council Meeting. It is on the Council's website.
- The Policy gives guidance on the appropriate due diligence required for projects. It sets out the triggers for preparing a prudential report as follows;
    - As per Section 48(1) of the Local Government Act 1999, capital and operating cost levels
    - Where the Council considers that it is necessary or appropriate

S48(aa1)	The CoVH has a Prudential Management Policy, which guides the Council on the appropriate due diligence required for projects. The Policy is on the Council's website. This Policy was due for review in November 2025 and is therefore overdue for review. An updated Policy will be presented to the Audit and Risk Committee at their May 2026 meeting and then to Council.
S48(a1)	There are currently no regulations relating to S48 of the *Local Government Act 1999*

Addressing Legislated Prudential Issues

All discussion in this section relates to the legislated requirements of Section 48 of the Local Government Act 1999. There are no related regulations.

Requirement for a Prudential Report

S48 (1) requires that Council must obtain and consider a report that addresses the prudential issues set out in subsection (2) of S48 before the Council engages in any project where the expenses are calculated to be higher (for the next five years) than 20% of Council's operating expenditure (for the past five years) or where the expected capital cost of the project over the next five years will exceed $4m (indexed), or where Council considers appropriate.

S48 (3) provides that a Prudential Report is not required for work in relation to road construction or maintenance, or drainage works.

S48 (6d) sets out the calculation of the indexing used to determine the current value of $4m

The indexing of the $4m commenced on the 1st of January 2011. Indexing this figure to September 2025 results in a threshold of $6.147 million on the 1st of January 2026.

The Council's contribution to this project is expected to be $14 million towards the capital costs, with further operational costs depending on the selected management model. A $4 million grant has been applied for to reduce the Council's financial impact.

The Project Cost exceeds the financial threshold outlined in S48(2); it therefore requires a Prudential Report.

S48(1), S48 (3) and S48 (6d)	The Project is not for road construction, maintenance or drainage works and is above the prudential financial threshold. Therefore, a Prudential Report is required.

Relationship to Strategic Management Plans

S48 (2) (a) requires the Prudential Report to address the relationship between the Project and relevant strategic management plans.

Section 122 of the Act requires Councils to develop and adopt Strategic Management Plans for the management of their areas. These plans include:

- The Strategic Management Plan
- The Long-Term Financial Plan
- Infrastructure and Asset Management Plans

Strategic Management Plan

The CoVH's Strategic Management Plan is called the Community Plan. The Community Plan sets out the CoVH's aspirations. The latest Community Plan is 'The Community Plan 2030 ', which was reviewed and changes adopted on 24th March 2025.

The Community Plan's aspiration, 'We are a caring, connected and active community,' notes that sport and recreation are deeply embedded in the community's lifestyle and promote health, activity, and social connections.

The Project has a relationship with the CoVH's Community Plan and should assist the CoVH in achieving some of its aspirations.

Asset Management Plan

A capital expenditure of $21.07 million was previously included in the capital expenditure component of the CoVH's Asset Management Plan for Land, Buildings and Open Space. This plan was updated in May 2025, and the allowance for this project was removed because it is now included as an operating expense within the LTFP.

It is proposed that a long-term land licence agreement of approximately 99+ years will be entered into. Built assets will be owned and managed by the Developer, and at the end of the agreement, the assets will either need to be removed or provided to the CoVH in an appropriate state, subject to the HoA.

As the CoVH will not have care and control of the built assets, future renewals need not be incorporated into the CoVH's Asset Management Plans.

Annual Business Plan (ABP) and Budget

The 2025-26 ABP includes the Project. $2.5 million is provided in the 2025-26 Budget to advance the Project. This is an operating expense. The expense is unlikely to be fully expended in 2025/26 and would need to be carried forward to 2026/27 (subject to Council approval). The deferral has been included in the LTFP models.

Long Term Financial Plan (LTFP)

The LTFP is reviewed in the Financial Viability and Effect on the Council's Finances section of this report.

Other Council & Relevant Plans

The CoVH's Disability Access and Inclusion Plan supports the Council in understanding and taking into consideration the needs of people living with a disability. These considerations are taken into account when planning infrastructure.

The CoVH's Economic Development Strategy seeks to broaden the local economy beyond seasonal tourism. The Project aims to be a hub for regional sport, thereby extending its economic impact year-round. The Strategy also establishes a principle of seeking collaborative partnerships, which aligns with the Project's intention.

The CoVH's Urban Growth Management Strategy updated in 2025, is the CoVH's blueprint for managing urban growth to 2050 in a way that supports the Council's vision for Victor Harbor to be a place of choice to live, work, invest and visit.

This Strategy noted that:

- Victor Harbor itself is the regional centre that services the Fleurieu Peninsula and is the primary focus for business and commercial services for the region, providing a range of shopping, administrative, cultural, community, entertainment, education and recreational facilities
- Planning for services and infrastructure is essential to support the urban growth of Victor Harbor. This involves planning for recreational facilities
- Targets for the provision of sporting facilities should occurs in line with Sporting Facility Benchmarks (1 indoor court for every 5,000 people)
- An action included investigating the repurposing of facilities which are surplus to need for facilities that are in deficit as identified in Council's Recreation and Open Space Strategy.

The CoVH Recreation and Open Space Strategy 2023-2033 states that:

- The current provision of indoor courts in Victor Harbor includes courts that are not compliant due to inadequate run off areas and therefore limits competition activities

- There was a deficit of 1 indoor court in 2022 and a forecast deficit of 2 indoor courts in 2036.

S48(2)(a)	The project has a relationship with the Council's Strategic Plans. Other CoVH plans and strategies highlight the need for improved sporting facilities. The Project has factors that should assist the Council in achieving some of its strategic objectives as detailed within its Strategic Management Plan. The Project is included in the ABP and LTFP. The built assets will not be under the CoVH's care and control, and therefore, future renewal requirements will not be incorporated into the Asset Management Plans.

Development Plan

S48 (2) (b) requires that the Prudential Report address the objectives of the Development Plan in the area where the Project is to occur.

In March 2021, the *Planning, Development and Infrastructure Act 2016* replaced the *Development Act 1993.* At this time, council Development Plans were replaced by the statewide Planning and Design Code.

The whole parcel of 42A Armstrong Road is described as Allotment 202 in Deposited Plan 127921, being an estate in fee simple in the whole of the land comprised in Certificate of Title Volume 6264 Folio 793 (the "Land"). The City of Victor Harbor purchased the Land from the Department of Infrastructure and Transport (DIT) in 2021 in the long-term interests of the community, given its strategic significance as one of the last sizeable vacant land parcels remaining in the township area and as a potential location for the proposed sporting precinct. The Council applied for and was successful in receiving 50% of the purchase price through the SA Government's 2021/22 Open Space Grant Program. At the time of purchase, the Planning and Design Facilities Code identified the Land as being in a Business Neighbourhood Zone, which provides for community support services and community halls but excludes indoor recreational facilities. It was a condition of the sale that the land be rezoned to a Community Facilities Zone meeting the Council's intended use of the purchase, for recreational purposes. The rezoning process to the Community Facilities Zone has been completed. The Community Facilities Zone is a less intensive land use than the previous zoning and is applicable to the types of use envisaged on the Precinct.

The land is owned by the CoV and is registered as Community Land under the Act. As a condition of purchase, the land was subject to a Land Management Agreement (LMA) between the Minister for Planning, the Local Government and the CoV. The LMA was to ensure that the land was held as community land pursuant to the Act. As part of the Precinct project, an amendment to the LMA has been granted, with the Minister for Planning agreeing that the requirement to hold the Land as Community Land will not apply to the Commercial Precinct, allowing the Council to carry out the development.

The CoVH has completed a Code Amendment under the *Planning, Development and Infrastructure Act 2017* to rezone the land to Community Facilities under the Planning and Design Code.

The CoVH initiated a revocation process under the *Local Government Act* 1999 to remove the community dedication, thereby allowing a long-term lease. The Community Land revocation is now sitting with the Minister. The amended Land Management Agreement will protect the intent of a community dedication of the land in perpetuity while enabling greater flexibility around private entity lease and licensing arrangements.

S48 (2)(b)	A Code Amendment has been completed.
S48 (2)(b)	The Community Land revocation is awaiting Ministerial approval.

Economic Impact, Impact on Businesses, Fair Competition

S48(2)(c) requires that the Prudential Report addresses the expected contribution of the Project to the economic development of the local area, the impact that the Project may have on businesses carried on in the proximity, and, if appropriate, how the Project should be established in a way that ensures fair competition in the marketplace.

Economic Impact

Hudson Howels completed an economic impact assessment of the options in February 2023. Hudson Howels operates across Australia and globally, providing services that include economic research and analysis. Their partners have qualifications and experience in economics.

The Assessment noted the following economic impacts that would arise from Model 1

- During construction for each $1 million (assuming a 2-year construction)
    - Direct Impact
        - 5.203 FTE employed in the Fleurieu and KI
        - 7.143 FTE employed in South Australia
    - Value Added per $ million:
        - 0.655 FTE in Fleurieu and KI
        - 1.008 FTE in South Australia
- Operational Phase per $1 million
    - Direct Impact
        - 8.585 FTE in Fleurieu and KI
        - 10.342 FTE in South Australia
    - Value Added per $1 million
        - 0.9 FTE in Fleurieu and KI
        - 1.087 in South Australia

BRM Advisory's Peer Review in April 2023 noted that changes in expenditure forecasts would change the economic impacts.

Impact on Businesses in the Area

CoVH staff have advised that no roads will be closed during the project's development, and therefore, there will be no negative impact on businesses in the area.

There are currently no sporting clubs in the location, so there will be no need to relocate during construction. The sporting clubs that currently use the existing recreation centre can continue to do so until the new facility is operational.

SGL's Business Case in July 2025 raised the question of whether Council's management in Model 2 would have a crowding-out effect, thereby preventing a private business from delivering the service. The Business Case proposed that it may be preferable to outsource facility management to a private operator that can produce a more efficient product while contributing to social and economic benefits for the local community.

Procurement

The CoVH has a Procurement Policy, last reviewed in November 2023 and reviewed every 3 years.

The Policy reflects the requirement in Section 49 of the *Local Government Act 1999* to ensure that procurement practices, policies, and procedures provide for the ethical and fair treatment of participants.

The Policy sets out how the Council will undertake their procurement activities. The project cost requires a Request for Tender; however, the Policy allows for the use of an EOI where there is either a large market for the proposed goods and/or services or unknown capacity or capability. The objective of an EOI is to prepare a short list of suppliers to be invited to participate in a tender process.

The CoVH engaged the Alinea Group (Alinea) to run a market-based EOI campaign calling for proposals from developers and operators to partner with the Council to deliver the Regional Community, Sport, and Recreation Precinct. The EOI closed on 16 November 2023.

The CoVH set a target for Alinea to attract consortia that could both develop and operate the facilities whilst minimising the CoVH's capital contribution to $10 million and, as far as possible, be financially self-sufficient.

A confidential report was provided to the Council in December 2023, stating that the EOI process had received three responses, of which two did not meet the minimum requirements set by the CoVH. One submission was therefore recommended to the Council as the preferred proponent with whom the Council should pursue direct negotiations to further develop the proposal for the Precinct. The Council endorsed the recommendation to authorise the CEO to enter into a direct negotiation framework agreement with the single developer. The Procurement Policy allows for the Council to vary the process from the policy.

Based on the outcomes of the EOI, Alinea has worked with the CoVH's legal advisor in the preparation of a Direct Negotiation Framework (DNF) to address the following:

- Commercial principles and financial structure
- Tenure arrangements and transfer of titling
- Approach to design and development.
- Returnable works – scope, responsibility (cost/delivery)
- Lease negotiation and lease structuring.
- Risk allocation between parties.
- Value sharing mechanisms
- Key milestones and sunset dates
- Conditions precedent
- Project governance and responsibilities
- Performance security
- Events of default and termination rights
- Treatment of grant funding (if applicable)

- Maintenance and depreciation obligations
- Community service obligations
- Value-add potential.

Both parties signed the DNF in February 2024. Since then, Alinea has led commercial negotiations through to the finalisation of the agreed terms and the Heads of Agreement (HoA). Alinea has undertaken detailed financial modelling and reviewed and tested the preferred proponent's feasibility models in preparation for contract documentation. Alinea has worked with the CoVH's appointed legal advisor.

The HoA has been prepared; Alinea worked with the CoVH and their legal advisor to support the execution of the HoA. Now that it has been executed, Alinea are providing support to the CoVH's legal advisors to finalise contracts. This will include an Agreement for Lease that details the operational requirements and the development framework for the built form, as per the HoA.

The Alinea Group has been involved in a number of similar projects for Local and State Governments across South Australia and Australia.

Competitive Neutrality Considerations & Ensuring Fair Competition in the Marketplace

Competitive neutrality is a principle under the *Competition Principles Agreement (CPA)* requiring government business activities to operate without net competitive advantages over private-sector competitors solely because of public ownership. Its purpose is to maintain a 'level playing field' in which competition is based on efficiency and value rather than on structural advantages of government entities. Competitive neutrality applies where a local government undertakes a significant business activity.

The Precinct's activities bring the Council into a market where private-sector recreation and sport facility operators also compete, and therefore, competitive neutrality obligations must be considered. Applying competitive neutrality means ensuring that the CoVH (and potential private partner) is not advantaged in ways that distort competition in the regional recreation market.

The CoVH undertook a market-based Expression of Interest (EOI) process to attract private-sector proponents able to both develop and operate the facilities. This approach supports competition and minimises any risk that the Council's position as a public authority could distort the market. A competitive process is consistent with the obligation that government entities should not leverage public ownership advantages to influence market outcomes.

Competitive neutrality principles have been appropriately considered and embedded in CoVH's procurement approach, commercial negotiations, land tenure arrangements, and governance framework. The process ensures that the partnership with the private sector operates on a fair and transparent commercial basis, protects the integrity of the marketplace and complies with competitive neutrality obligations.

Competitive neutrality will need to be considered with the more commercial activities such as the Gym, once the Precinct is running.

S48(2)(c)	• There is a favourable economic impact during the construction stage of the Precinct and also from ongoing operations. • Businesses and Sporting Clubs will not be impacted during construction. • The Council has a Procurement Policy which ensures fair competition in the marketplace. This policy requires that an EOI be undertaken to generate a shortlist of suppliers to be invited to participate in a tender process. However, only one suitable response was received. The Council, at a Council meeting, determined to pursue direct negotiations with this developer. • The Procurement Policy allows the Council to vary the procurement process. The principles of the Procurement Policy were followed. • Competitive neutrality principles have been considered during this phase of the project.
S48(2)(c)	• Competitive neutrality principles will need to be considered with the more commercial activities, such as the Gym, once the Precinct is running.
S48(2)(c)	• SGL's Business Case in July 2025 (updated November 2025) raised the question of whether Council's management in Model 2 would have a crowding-out effect, which would otherwise prevent a private business from delivering the service. • The Business Case proposed that it may be preferable to outsource the management of a facility to a private operator who can generate a more efficient product while contributing to the social and economic benefits to the local community.

Consultation

S48(2)(d) requires that the Prudential Report addresses the level of consultation within the local community, including contact with persons who may be affected by the Project and the representations that they have made, and the means by which the community can influence or contribute to the Project or its outcomes.

The CoVH's Community Engagement Summary Report outlines a summary of the consultation activities gathered in relation to the draft concept plan for The Precinct:

- Community input was received during 2022, which informed the selection of the site and the development of the draft concept plan.
- A formal community consultation period relating to the draft concept plan was undertaken from the 19th January 2023 to the 17th February 2023.
- The consultation responses were collected via:
    - Survey via the 'YourSay' website and hardcopy - 193 responses
    - Written feedback – 7 responses
    - Listening posts held in Victor Central Shopping Centre over two days
    - Interactive foyer displays in the Civic Centre from 6th February to 17th February 2023
    - Social Media – four posts made during the consultation period with a reach of 12,300
- The opportunity for the community to provide input was promoted via:
    - YourSay website – 1300 views, 642 document downloads
    - Listening posts in Victor Central on 1st and 8th February 2023
    - Social Media
    - Victor Viewpoint, 10th February 2023 – 2,160 participants with 58.5% opens and 14.4% clicks

- Public notice, advertisements, and articles in local newspapers
- Direct email from the Council and via stakeholder group networks, including local sport and recreation groups, local schools and the Your Say consultation database

The survey respondents were asked to:

- identify their level of support for the draft concept plan:
  - 193 responses
  - 63% indication support
  - 21% supporting the concept with some refinement
  - 16% indicated they did not support the draft concept
- Indicate support for increasing council rates to fund The Precinct:
  - 193 responses
  - 41% supporting a rate increase
  - 27% did not support a rate increase
  - 10% were not sure
  - 22% were not CoVH ratepayers

Approximately 120 people engaged with the Listening Posts at the Victor Central Shopping Centre and provided general feedback on the project, as well as input on important areas of The Precinct, to assist the CoVH in considering the project's staging. Written Responses included:

- Concern regarding traffic
- The addition of squash courts
- Needing a greater understanding of the guiding principles
- Requesting an area suitable for playing card games, the availability of Wi-Fi, and storage for equipment
- Concern over potential cost blowouts and impact on rates
- Parking requirements and staging

A consultation was undertaken on the draft Annual Business Plan for 2025/26. Council's Community Engagement Summary states that one of the key themes that emerged through the consultation was about the Precinct. The Summary noted that respondents raised concerns about the Council's contribution to this project and the associated increase in debt levels. There were also several queries about how the project benefits the broader community and the benefits it will bring. The response to the consultation on the ABP was:

- 21 survey responses
- 20 attendees at the public meeting
- 7 written submissions received.

The CoVH undertook a Community Satisfaction Survey, which was reported to the Council on 23rd June 2025. Responses were received from:

- 356 residents

- 100 businesses
- 125 non-resident ratepayers

The Regional Community Sport and Recreation Precinct remained the highest-ranked major project priority across all groups (residents, businesses and non-resident ratepayers). Its perceived importance declined in 2025 compared to previous years, but it still ranked first.

The SGL Business Case reported that the CoVH also surveyed potential user groups to identify their expected demand for the Precinct.

S48(2)(d)	The CoVH has undertaken extensive consultation with the community and stakeholders.

Project Financial Impact

Revenue Projections and Risk

S48 (2) (e) requires that the Prudential Report address the Project's revenue projections and potential financial risks.

Revenue Projections

Rate Increases from Ratepayers

The Council has included an additional rate rise component for the construction of the Precinct. This is included in the Long-Term Financial Plan (LTFP) as follows, and these increases are in addition to general rate increases and growth.

Year	Projected Rate Increase
2024/25	1.2%
2025/26	1.0%
2026/27	1.5%
2027/28	1.5%
Total	**3.0%**

The increase in rates is to cover additional borrowing expenses and maintenance for the new facility.

There is a risk that the community or Council may reject future rate increases. This would negatively impact the Council's financial position.

Rates from Precinct

The CoVH currently does not receive any rate income from the current Recreation Centre.

If the centre is privately run (Model 1), it is subject to CoVH rates. The amount of rates received by the CoVH in Model 1 would be approximately $150k, scaling to $185k over 3 years, and then ongoing, depending on the rates set each year, and subject to capital valuation each year. For modelling purposes, a conservative figure of $96k has been used, as per the Alinea documentation.

In Model 2, the CoVH is the lessee, and therefore, no rates would apply to the Indoor Recreation Centre; however, rates would apply to the remainder of the Precinct. The remaining rates would range from approximately $30k to $96k, depending on the rates set each year and subject to capital valuations and discretionary rebates.

Precinct Occupancy

The Precinct Occupancy payment is 7% of the commercial rent equivalent payable to the CoVH where the Council is not the tenant. In Model 1, this payment is $97k, scaling to $153k on an ongoing basis. In Model 2, this payment is $65k, scaling to $112k on an ongoing basis. For the purposes of modelling $97k has been used for both.

Lease Revenue

The HoA set out a rent of 2% of Net Revenues for the Recreation Facility as payable to the Council after 10 years of the lease. This is not factored into the LTFP because it falls outside the 10 years of that plan.

Grant Income

The CoVH is currently seeking grant funding. The Council has been informed that the Project will not eventuate unless $4 million in grants has been secured. The risks around Grant Income are included in the CoVH Project Risk Register in Appendix C.

Loan Funds

The CoVH will fund its portion of the Project costs through borrowings. The Council staff have discussed required borrowings with the LGFA and have supplied the LGFA with the Council's current LTFP, which includes the costs of Model 2. The CoVH's Net Financial Liabilities (NFL) remain under 100% for all options. The LGFA must obtain Board approval if a Council seeks borrowing facilities and its NFL exceeds 100%. The LGFA also considers the Council's Operating result. The CoVH's operating result falls below break-even in the first 5 years of the LTFP but recovers from Year 6. The LGFA have advised that the CoVH may need to reduce other CADs prior to securing funding.

Disposal of Existing Recreation Centre

The CoVH can consider the future disposal of the existing Recreation Centre at 5 George Main Road, Victor Harbor. The capital income from the sale of this facility has been included in the Council's LTFP.

Reduction in Income from Existing Recreation Centre

Currently, the CoVH receives an average of $56k per year in user charges for the current centre. Once users have moved to the new centre, this income will no longer be received. The CoVH also currently recovers maintenance costs; however, this won't continue once the current centre ceases to be used.

Operating Income from Precinct

SGL's Business Case for Model 2 states that for the CoVH to manage the expected operating loss, fees and charges for the Precinct will need to increase. For instance, court hire rates would need to increase annually by increments of $2 to $4 per hour to offset increases in labour, utility, and insurance costs. The Business Case states that increases in such fees and charges could result in reduced demand and, therefore, lower overall income expected.

The Business Case also notes that there could be opportunities for additional revenue during low-use periods. However, the Business Case notes that developing such opportunities is likely to require significant program skills and additional expenses, such as the hiring of equipment. This means that additional activities are unlikely to significantly affect the Precinct's financial position.

The Business Case notes that the main income-generating items are the operation of the fitness centre and café. The operation of these areas is not included in the Business Case for Model 2, as the Business Case notes that the CoVH does not have the programming, fitness centre, or café management experience, which would likely result in operational mistakes and require a significant investment in operating equipment.

The Business Case analysis notes the expected demand for the Precinct. It states that there are a number of established fitness centres or gyms in the Victor Harbor catchment, and as a consequence, any new facility would

be competing for a share of the same market. It also notes that a sustainable gym/fitness centre would typically aim for a membership of 350-500, with larger facilities aiming for 800. A new gym/fitness facility will likely result in reduced membership at existing facilities, potentially impacting the ongoing financial viability of some of them.

Summary Table

The table below summarises the revenue streams and associated risks:

Revenue Stream	Description	Associated Risks
Rate increases from Ratepayers	Additional rate increases included in the LTFP to fund borrowings and maintenance of the new Precinct	The community or Council may reject future rate increases, reducing the Council's financial capacity.
Rates from Precinct	In Model 1, the private operator pays full rates. In Model 2, only the area of the precinct not leased by the Council is rated.	Rate revenue depends on annual valuations and discretionary rebates. Lower-than-expected capital valuations could reduce rate income from this precinct. Model 2 does not generate rate income for the areas leased by the Council.
Precinct Occupancy Payment	Percentage (7%) of the commercial rent equivalent payable to the CoVH where Council is not the tenant	Depends on the commercial rent market and operator performance
Lease Revenue (after 10 years)	2% of Net Revenues from Recreation Facility payable under HoA after year 10	No short-term financial support, dependent on operator profitability
Grant Income	The Project requires $4 million in grants to proceed	This is the highest risk revenue stream; grant approval is not guaranteed.
Loan Funds	Borrowing through the LGFA	Interest rate shifts, LGFA approval conditions.
Disposal of Existing Recreation Centre	Capital income from the sale is included in the LTFP	Market value uncertainty and sale timing may not align with cash flow needs.
Loss of Income from Existing Recreation Centre	Loss of approximately $56k per year in user charges and maintenance recovery	Known amount that will reduce once users move to the new Precinct.
Operating income from Precinct (model 2)	Programs, court hire, gym, café, etc., require increases in fees	Fee increases may reduce demand. CoVH lacks specialist operating skills
Commercial operations (Gym & Café)	Main income generators but excluded from Model 2 due to operational complexity.	High skill needs, strong local competition, and risk of crowding out existing operators.

S48(2)(e)	There are several revenue streams associated with the Project that vary based on the selected management model. The most significant source of income is $4 million in grant funding. The Project cannot proceed without this funding, and the income from it is the most significant risk.

Recurrent and Whole-of-Life Costs

S48(2)(f) requires that the Prudential Report address the recurrent and whole-of-life costs associated with the Project, including any costs arising from the proposed financial arrangements.

Project Costs

Hudson Howels' Options were peer-reviewed by BRM Advisory in April 2023. BRM Advisory is a firm that provides analysis of Business Cases to many councils in South Australia.

This review made a number of recommendations, including that Rider Levett Bucknall (RLB) be re-engaged to provide an updated cost estimate and greater clarity on the likely cost of the Precinct.

RLB provided a concept cost estimate in May 2023, with options ranging up to $50 million.

RLB is a firm with Directors who are members of the Australian Institute of Quantity Surveyors. RLB has provided costing services for many large infrastructure projects.

In June 2023, the CoVH reviewed the scope of work. This process developed the list of non-negotiables and negotiables endorsed by the CoVH at the August Council meeting.

The revised construction budget for the recreation facility is $26 million, with CoVH contributing an estimated $14 million. The CoVH is applying for grant funding to reduce the net cost to the Council and to bridge the funding gap of $4 million, ensuring the project proceeds. Council's contribution will be an operational cost, as the asset will not be in the Council's care and control. The HoA requires a maximum of $1.7 million to be contributed towards operating costs over the first 7 years, with $1.1 million required over the first 5 years. The modelling has assumed the full $1.7 million is paid upfront.

The Council notes that the public/private partnership would deliver $44 million worth of facilities for its community including much needed childcare, allied health and recreational offerings.

The Council's net $10 million contribution to capital costs will be prorated based on costs incurred and released directly to the construction contractor.

Galpin's undertook an analysis of the financial models for the two options and provided a report in February 2025. Galpin's is an accounting firm that undertakes considerable accounting, analysis and auditing work for Local and State Government in South Australia.

In their analysis, they reviewed the forecast net financial impact (capital/one-off costs, ongoing operating costs, and income (including rate increases)) over 10 years for each model.

SGL, the author of the Business Case for Model 2, prepared a financial operating model based on a range of assumptions on expected revenue and expenditure. This was presented to the Council on the 14th July 2025. The Business Case was updated in November 2025 to consider the updated assumptions for the facility lease arrangements.

Financial modelling was undertaken for two additional models. The 'do nothing' approach was considered for reference only, as the Council has progressed beyond this option and committed funds through the approach-to-market and detailed design phases. A Council Build and Operate model was considered for a traditional Council build on a smaller scale, only delivering the Recreation Centre component of the Precinct. This model would require either a greater contribution from the Council or significant grant funding. It has been considered unlikely that the facility could be delivered to the community within a reasonable timeframe under a traditional Build and Operate model.

The updated LTFP includes Model 1.

Depreciation

It is proposed that a long-term land licence agreement of approximately 99+ years will be entered into. Assets will be owned and managed by the Developer, and at the end of the agreement, they will either need to be removed or provided to the CoVH in an appropriate condition, subject to the HoA.

As the CoVH will not have care and control of the asset, it will not be responsible for depreciation accounting. However, there is a Right-of-Use asset in Model 2 that affects depreciation.

This applies regardless of the model selected. In Model 2, the CoVH will lease back from the Developer.

Right of Use of Assets

For Model 2, Council will need to consider the potential accounting impacts of the proposed arrangements in Council's key financial indicators, specifically the Net Financial Liabilities Ratio.

In preparation for the Long Term Financial Plan, modelling was undertaken to include allowances for right-of-use asset transactions and amortisation for Model 2. The inclusion of Right-of-Use assets significantly changed operating deficits, key financial indicators (particularly Net Financial Liabilities), and borrowings.

Borrowing Costs

The Precinct will require significant borrowing, resulting in the Council's total borrowings for all activities peaking in 2028/29 at $22.952 million for model 1 or $23.018 million for model 2.

The CoVH will need to cover the interest costs on total borrowings. Interest has been included in both models.

Other Operational Costs

Hudson Howells' Option Study and Economic Impact Assessment researched stakeholders and management options. BRM Advisory reviewed potential management options. The lessee will be responsible for ongoing operational costs over the long term; however, the HoA requires a Council contribution of $1.7 million to cover operational costs in the initial years.

The ongoing contribution under the HoA is required regardless of the model chosen.

In Model 2, the Council will also have ongoing lease, staffing and maintenance costs.

Renewal of Asset

The Council will not have care and control of the asset and will not be responsible for its renewal.

S48(2)(f)	The CoVH will not be responsible for general depreciation, as the assets will not be in the Council's care and control; however, there are Right of Use Assets in Model 2, which will impact depreciation. The SGL Business Case has confirmed and identified the costs associated with the Model 2 option.

Financial Viability & Effect on the Council's Financial Position

S48(2)(g) requires that the Prudential Report address the Project's financial viability and the short and longer-term estimated net effect of the Project on the financial position of the Council.

We have reviewed the SLG Business Case, Galpins' costings and the inputs into the Council's LTFP.

The Public-Private Partnership delivery model was developed to reduce the financial impact on current ratepayers. The CoVH previously wrote to the neighbouring Councils seeking their contributions to the regional facility, but they declined to contribute.

Financial modelling was undertaken for two additional models. The 'do nothing' approach was considered for reference only, as the Council has progressed beyond this option and committed funds through the approach-to-market and detailed design phases. A Council Build and Operate model was considered for a traditional Council build on a smaller scale, only delivering the Recreation Centre component of the Precinct. This model would require either a greater contribution from the Council or significant grant funding. It has been considered unlikely that the facility could be delivered to the community within a reasonable timeframe under a traditional Build and Operate model.

The updated LTFP includes Model 1.

Financial Viability of the Project

The financial viability of a project is measured by the effect on a Council's Long Term Financial Plan (LTFP). Three key Financial Indicators are used by Councils in South Australia to measure the performance of their LTFPs. They are detailed below.

Effect on the Financial Position of the Council

Three mandatory financial ratios are used by Councils in South Australia to measure the performance of their Long-Term Financial Plans and their financial position.

These indicators are described below:

Operating Surplus Ratio

The Operating Surplus Ratio measures the difference between operating income and operating expenses for the year. An operating surplus arises when operating revenue exceeds operating expenses, and an operating deficit occurs when revenue is less than expenses.

The Operating Surplus Ratio expresses the operating surplus (or deficit) as a percentage of operating revenue.

The table below shows the Operating Surplus Ratio for four scenarios: No project, Council builds facility, and Models 1 and 2. The models have also been updated with data from the Council's adopted Annual Financial Statements for 2025 and BR1.

'No Project' is the base for comparison only, as the Council has moved beyond this stage, having already undertaken some expenditure.

If the Council were to build the facility, it would incur significant capital and borrowing costs, resulting in an Operating Surplus Ratio below the target for the entire LTFP.

In Models 1 and 2, the contribution to the project's capital costs must be treated as an operating cost, not a capital cost, because the CoVH will not have control over the asset. This impacts on the operating costs in 2028. The Right-of-Use Assets also affect the operating costs for Model 2. From 2030 onwards, Model 2 is less favourable than Model 1. Model 1 returns to target in 2032, and Model 2 returns to target in 2036.

(α) In Model 1 in 2028/29, there is a one-off subsidy for the Gymnastics Club, which results in a lower Operating Surplus Ratio than Model 2 for that year.

30th June FY	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
No Project	-4.04%	-0.33%	1.78%	1.18%	1.98%	3.2%	3.20%	3.11%	2.39%	2.99%
Council Build	-4.64%	-2.40%	-2.76%	-3.46%	-2.14%	-0.94%	-1.07%	-1.14%	-1.23%	-1.67%
Model 1	-6.31%	-20.66%	-5.38% (α)	-2.40%	-0.97%	0.28%	0.24%	0.19%	0.13%	1.41%
Model 2	-6.31%	-20.66%	-4.39%	-2.94%	-1.45%	-0.13%	-0.11%	-0.30%	-0.30%	0.98%
Target	0% to 3%									

Net Financials Liabilities Ratio

This ratio is calculated using the Council's total liabilities less financial assets as a percentage of total operating income.

The table below shows the Net Financial Liabilities Ratio for four scenarios: No project, Council builds the facility and Models 1 and 2. The models have also been updated with data from the Council's adopted Annual Financial Statements for 2025 and BR1.

'No project' is the base for comparison only, as the Council has moved beyond this stage, having already undertaken some expenditure.

If the Council were to build the facility, there would be an increase in the Council's liabilities for borrowing. This brings the Council close to the target in 2029. This may require changes in other priorities.

Model 2 increases liabilities due to Right-of-Use Assets and brings the Council close to the target in 2029 and exceeds it in 2030. This puts borrowing at risk and may require changes in other priorities.

Model 2 is less favourable than Model 1.

30th June FY	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
No Project	38.79%	33.59%	32.25%	26.29%	18.60%	11.95%	9.60%	5.76%	-11.81%	-21.31%
Council Build	59.08%	85.10%	86.83%	78.50%	73.88%	70.20%	70.86%	69.90%	54.48%	46.54%
Model 1	39.96%	54.88%	62.52%	53.77%	48.68%	44.48%	44.54%	42.99%	27.01%	18.35%
Model 2	39.96%	54.88%	88.29%	108.34%	72.81%	67.76%	66.93%	64.69%	47.99%	38.63%
Target	Maximum 90%									

Asset Renewal Funding Ratio

This ratio is calculated by dividing the Council's expenditure on asset renewal/replacement by the renewal levels required in the Asset Management Plans.

A 100% ratio means the Council fully funds its Asset Management Plans.

The Council's Asset Renewal Funding Ratio Targets are between 90% and 110%, with a rolling 3-year average of 100%

The Council's Asset Renewal Funding Ratio is expected to be 100% across all options, as the Council plans to continue its renewal programs.

The Project does not affect the Asset Renewal Funding Ratio.

S48(2)(g) **Operating Surplus Ratio**	The contribution to the project's capital costs must be treated as an operating cost, not a capital cost, because the CoVH will not have control over the asset. This impacts on the operating costs in 2028. The Right-of-Use Asset also affects the amortisation and interest costs for Model 2. From 2030 onwards, Model 2 has a less favourable impact on the Operating Surplus Ratio than Model 1. Model 1 returns to target in 2032, and Model 2 returns to target in 2036.
S48(2)(g) **Net Financial Liabilities Ratio**	Model 2 exceeds the target in 2030 and is less favourable than Model 1
S48(2)(g) **Asset Renewal Funding Ratio**	The Asset Renewal Funding Ratio is not affected by the Project.

Risks

S48 (2)(h) requires that the Prudential Report address the risks associated with the Project and the steps that can be taken to manage, reduce or eliminate those risks (including the provision of periodic reports to the Chief Executive Officer and the Council).

The CoVH has a Risk Management Framework that guides risk assessment for the Council. This Framework is included in Appendix D.

Risk of Not Undertaking the Project

The risks of not undertaking a project should also be considered. The risks of not undertaking the Project or delaying the Project are:

- That the community's needs are not fulfilled.
- Delaying the project could increase future costs by approximately 5% per annum. This escalation indicator is provided by the Property Council of Australia Report: 'No sign of construction cost escalation relief until at least 2028', Nov 2024. On a $26 million project, the potential escalation could be $1.3 million per year, which has a compounding effect.
- Delaying the project could result in the Private Public Partnership with the Developer failing.
    - If commercial negotiations are not completed, the Council may be required to pay penalties depending on the stage of negotiations reached as per the HoA. There is an allowance within the LTFP to fund such penalties if the project doesn't proceed.

Project Risk Assessments

CoVH Risk Assessments

The CoVH prepared a Regional Community Sport and Recreation Precinct Risk Management Plan, including a risk register, which was included in the Prudential Report in April 2024. Council staff have updated the Risk Management Plan and risk register. The updated risk register is included in Appendix C. These risks relate to the Project as a whole. Specific risks regarding Model 1 and Model 2 are included in Galpin's and SGL's Risk Assessments.

Council staff have identified 50 risks in relation to the Project. The table below shows the initial and residual risk levels:

Risk Levels	Initial	Residual
Extreme	4	0
High	33	12

Medium	13	18
Low	0	20
Total	**50**	**50**

The following table lists the risks that remain at a high level with current controls in place. Council staff have identified mitigation measures to reduce this risk level or made comments to provide a fuller understanding of the risk.

CoVH Risk Number	Risk Description	Mitigation Measure or Comment	Risk Level
3	Failure to achieve external grant funding.	Applications for Grant Funding have been made	**High**
4	Funding achieved is less than the amount set by the Council.		**High**
5	Failure to receive grant funding within a reasonable timeframe		**High**
6	Cost estimate increasing beyond the budget	To be managed as part of the negotiation process	**High**
7	Failure to budget for Inflation Costs		**High**
8	Unplanned costs due to design variations		**High**
15	Refusal of Community Land Revocation	Currently awaiting the Minister's decision. Even if the Minister approves, the Council could resolve not to proceed with the revocation.	**High**
19	Lack of support by the Community on the associated cost impacts	Applications for Grant Funding have been made with the aim of reducing the cost impacts on the community	**High**
21	Changes in the cost estimate and the finance model, and the impact on the cost to the community	Applications for Grant Funding have been made. The risk reduces once the Agreement for Lease has been signed.	**High**
27	The contract sum is over budget	Risk to the CoVH is reduced once the Agreement for Lease is signed.	**High**
45	The Developer becomes insolvent during construction or during the lease/operating period.	To be managed as part of the negotiation process	**High**
48	Failure to dispose of the existing Recreation Centre	Disposal of the current Recreation Centre is included in the LTFP	**High**

Galpins Risk Assessment

Galpins' Risk Register is included in Appendix C. Galpins considered general risks regardless of the model adopted, as well as specific risks for Models 1 and 2. Galpins does not cover the risks regarding the Project as a whole to the same degree as the Council staff have, but concentrates on the management models.

The table below summarises the risk levels included in the Galpins assessment.

Risk Levels	Both Models	Model 1	Model 2
Extreme	0		
High	3	1	3
Medium	3	1	2
Low	0		
Total	**6**	**2**	**5**

The table below shows the High risks, the existing controls, and the proposed treatments. We note that the risks identified as High in the model are also listed in the CoVH risk register.

Risk Description	Existing Controls	Proposed Treatments	Risk Level	
			Model 1	Model 2
Models 1 and 2				
1. Modelling does not reflect potential future scenarios	Update the Business case, including further stress testing of revenue and cost variables, particularly for Model 2		**High**	**High**
2. Construction Cost estimate increases beyond the budget. Failure to budget for inflation.	Principles included in the market approach and response, any increase in construction cost will be a risk to the developer once the contract is finalised. Community and Council engagement on design. Council Program (scope and quality) & Cost Variation Controls, once the project commences.	Establish parameters where proposed cost increases from the Developer exceed the current budget and therefore require additional approval.	**High**	**High**
3. Operational cost estimate exceeded by the Developer.	The Council is not responsible for the Developer (and therefore Operator) contractually (Developer has undertaken its own modelling and is paid a premium by the Council (17%). The Council's management model of the Precinct: Formal agreed and contracted Precinct Management Authority. At year 42, the Council has the first right of purchase of the Recreation Centre.	Consider specific actions under both Model 1 and Model 2 risks.	**High**	**High**
Specific to Model 1				
1. Lack of engagement and participation of all parties invited to the Precinct	Continued engagement of disengaged 3rd parties	Direct subsidy to be considered by the council Formal broader communication regarding the Council position	**High**	**N/A**
Specific to Model 2				
1. Lack of Community acceptance of the subsidy for a relatively small number of participants	Continued engagement with disengaged 3rd parties.	Broader communication regarding the model chosen and the reasons	**N/A**	**High**
2. Poor or ineffective management of multipurpose courts (by the Council)		Establish an appropriate Management model to ensure the Precinct's success. Focus heavily on the Precinct's management structure and succession planning. Delegations of Authority established (over and above financial delegations).	**N/A**	**High**
3. Underestimation of management of the Precinct, including staff and maintenance costs	Business Case requires additional assumption verification and stress testing to ensure estimations are included within the LTFP		**N/A**	**High**

SLG Risk Assessment

The SGL Business Case considered Model 2 and identified 8 risks associated with it. SGL used a different risk matrix than the one included in the CoVH's Risk Management Framework, resulting in a higher risk assessment than would have been obtained if using the Council's matrix. The SLG risk assessment is included in Appendix C, and the Risk Matrix used is in Appendix E.

The table below shows SGL's risk assessment and a column showing the risk level if the Council's risk matrix had been used:

Risk Number	Risk Description	SGL Rating	Rating using CoVH Risk Matrix	Preventative Measures and Notes where CoVH risk level is High
1	Overestimation of demand projections	High	High	SGL identified demand projections based on the likely catchment and participation rates across the community
2	Underestimated operational costs	High	Medium	
3	Overprovision of facilities	Low	Low	
4	Under-provision of facilities	High	Medium	
5	Revenue ramp-up period	High	Medium	
6	Securing grant funding	Extreme	High	A reliance on state/federal grant funding has been identified as over realistic. If funding falls short, the additional cost will be borne by the Council or ratepayers.
7	Facility delivery	Extreme	High	Developer insolvency could have a major impact on the delivery of the Precinct. Controls and guarantees should be sought to support the Council's step in rights.
8	Construction timeline	Extreme	High	Delivery contingent on grant funding could result in delays if funding is not secured within the required timeframes or at the required levels.

SGL has assessed the assumptions contained in a number of reports received by the Council and makes the following comments regarding Model 2, where the Council is the operator of the sport and recreation facilities of the Precinct.

- The CoVH's experience in managing, operating and programming multi-court recreation facilities is a critical consideration for the success of the Precinct under Model 2, where Council acts as the operator.
- Without a proactive and commercially minded management approach, the facility is likely to fall short of its utilisation and revenue targets, increasing the risk of ongoing operational deficits and greater reliance on Council subsidies.

Risk Summary

Multiple risks have been identified across the 3 risk registers in Appendix C, with many currently at a high level. Many of these high-level risks are contingent on the CoVH's decisions, success of the grant applications, and final formation of agreements.

The main high-risk areas are summarised below:

Risk Area	Whole Project	Model 1	Model 2
Grant Funding	X		X
Cost & Income estimations & over-runs	X		X
Land Revocation	X		

Risk Area	Whole Project	Model 1	Model 2
Community Support	X		
Developer becomes insolvent	X		
Engagement of users		X	
Management Issues			X

S48(2)(h)	We have reviewed the risk assessments, which include expected risks and appear reasonable; however, we note that the SGL Risk Assessment is using a different risk matrix than the one included in the CoVH's Risk Framework. This has resulted in the risks being assessed at a more severe level than they would have been under the CoVH's Risk Framework. There are multiple risks that remain at a high level. Many of these high-level risks are contingent on the CoVH's decisions, the success of the grant applications and the final formation of agreements.

Project Management

S48 (2) (i) requires that the Prudential Report address the most appropriate mechanisms or arrangements for carrying out the Project.

The lead project management will be undertaken by the CoVH's Director of Environment and Infrastructure. This officer has qualifications in Engineering and is a Chartered Professional Engineer in Project Management and Civil Engineering, is a member of the Institute of Engineers Australia and the Institute of Public Works Engineering Australasia. The officer has 24 years of experience in project management, including asset management systems for roads, stormwater, traffic control, public lighting, and coastal protection, as well as overseeing design consultants and civil contractors.

We are satisfied that the Project Manager's experience and qualifications provide them with the expertise to project manage this project.

To reduce key person risk, the following project team has been formed, including staff from multiple departments. The roles and responsibilities are outlined below:

Staff Member Role	Project Responsibilities
CEO	Project Sponsor Review of commercial negotiations and legal advice relating to contract and leasing Crisis Management Politics and advocacy
Director Environment and Infrastructure	Lead Project Manager Budget authorisations and resourcing Reporting to the Senior Management Team and Council Members Consultant Management Review of commercial negotiations and legal advice relating to contract and leasing Identifying Grant funding opportunities and submission of applications
Director Community and Development	Code Amendment Planning advice Strategic considerations
Group Manager Governance and Finance	Financial modelling for the Council's contribution and operating options Funding plans Financial advice on rating and asset depreciation
Manager City Infrastructure	Assistant Project Manager Engineering input into planning matters

Staff Member Role	Project Responsibilities
	Detailed design review Assist with review of commercial negotiations and legal advice relating to contract and leasing
Project Officer	Community Land Revocation Amendments to the Land Management Agreement Stakeholder liaison with sporting groups and local schools Childcare stakeholder liaison
Strategy and Engagement Business Partner	Prepare and manage project communications for the wider community Media releases and responses Grant funding review and support Advocacy documents Stakeholder updates
Executive Assistant	Support the CEO (Project Sponsor) Monitoring invoicing Tracking project budget
Executive Assistance Environment and Infrastructure	Supporting Director, Environment and Infrastructure Meeting coordination and administration
Arts and Cultural Facilitator	Lead conversations with the Ngarrindjeri Aboriginal Corporation Coordination of public art components

The project's resourcing requirements will change depending on the operating model the Council endorses moving forward and the delivery timeframe.

Delivering the project through a Private Public Partnership would require less Project Management than a traditional design and construction project. Model 2 would require more Project Management than Model 1, especially during commercial and legal negotiations, detailed design and construction.

If the CoVH enters into a contract with Accord for the delivery of the Precinct, the project team will need to consider the resourcing requirements of the endorsed operating model and may consider engaging a specialist project manager to support the construction phase of the project. External resource requirements would consider the existing qualifications and resources within Council at the time, as well as the requirements for other capital projects to be delivered concurrently and for Business as Usual activities.

For any operating model delivered by Accord, the HoA includes the establishment of a Precinct Management Authority, which would require an ongoing resourcing requirement for Council. This would be similar to the existing Recreation Centre Management Committee (a Section 41 Committee) or the recreation and oval planning groups.

The project team is supported by consultants providing specialist advice and reports for the project, including to date:

Consultants	Role
Treadwell	Feasibility and preliminary design
Inside Edge	Feasibility review, site analysis and concept design
Hudson Howells	Management, operating modelling and economic impact assessment
BRM	Review of management and operating modelling
Norman Waterhouse	Legal advice
Alinea Group	Approach to market, advisory, and commercial negotiations
UHY Haines Norton	Prudential reporting and Long-Term Financial Planning review
HDS Australia	Traffic Impact Statement to support code amendment
Ecosphere	Flora and Fauna assessment to support code amendment.

The governance team formally meets fortnightly and provides a weekly project update to the Senior Management Team as part of the standing agenda.

Council Member updates are provided at monthly briefings and information sessions.

The CoVH staff have stated that the project's resourcing requirements will continue to be assessed as the project progresses.

The expected timeline for the commercial negotiations is as follows:

- Heads of Agreement extended to February 2026
- Prudential January 2026
- Contract endorsed February 2026

The ongoing management of The Precinct is subject to council decision and current negotiations.

S48(2)(i)	The Project is being managed by the CoVH's Director Environment and Infrastructure, who has appropriate professional qualifications and experience to manage this project. A project team is in place to manage all project components.
S48(2)(i)	Ongoing management of the Precinct is subject to the CoVH's decision and current negotiations
S48(2)(i)	A project plan will be developed during contract negotiations

Sale or Disposition of Land

S48 (2) (j) requires that the Prudential Report address the valuation of any land that will be sold or disposed of.

There is no sale of land directly involved in this Project. As a separate issue, the Council may consider the future disposal of the existing Recreation Centre at 5 George Main Road, Victor Harbor. A potential sale is included in the LTFP.

The whole parcel of 42A Armstrong Road is described as Allotment 202 in Deposited Plan 127921, being an estate in fee simple in the whole of the land comprised in Certificate of Title Volume 6264 Folio 793 (the "Land"). The City of Victor Harbor purchased the Land from the Department of Infrastructure and Transport (DIT) in 2021 in the long-term interests of the community, given its strategic significance as one of the last sizeable vacant land parcels remaining in the township area and as a potential location for the proposed sporting precinct. The Council applied for and was successful in receiving 50% of the purchase price through the SA Government's 2021/22 Open Space Grant Program. At the time of purchase, the Planning and Design Facilities Code identified the Land as being in a Business Neighbourhood Zone, which provides for community support services and community halls but excludes indoor recreational facilities. It was a condition of the sale that the land be rezoned to a Community Facilities Zone meeting the Council's intended use of the purchase, for recreational purposes. The Community Facilities Zone is a less intensive land use than the previous zoning and is applicable to the types of use envisaged on the Precinct.

The land is owned by the CoVH and is registered as Community Land under the Act. As a condition of purchase, the land was subject to a Land Management Agreement (LMA) between the Minister for Planning, the Local Government and the CoVH. The LMA was to ensure that the land was held as community land pursuant to the Act. As part of the Precinct project, an amendment to the LMA has been granted, with the Minister for Planning agreeing

that the requirement to hold the Land as Community Land will not apply to the Commercial Precinct, allowing the Council to carry out the development.

A portion of the land (approximately 32%) is currently under consideration by the Minister for Local Government for revocation of Community Land status to enable a longer-term lease, noting that the remaining portion will remain Community Land and that the CoVH retains ownership of the whole site.

The CoVH initiated a revocation process under the *Local Government Act* 1999 to remove the community dedication, thereby allowing a long-term lease. The Community Land revocation is now sitting with the Minister. The amended Land Management Agreement will protect the intent of a community dedication of the land in perpetuity while enabling greater flexibility around private entity lease and licensing arrangements.

S48(2)(j)	There is no sale of land involved in this project. The project provides a long-term lease on the property. The amended Land Management Agreement will protect the intent of a community deduction of the land in perpetuity.

Qualifications of Author

S48 (4) requires that the Prudential Report be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues of the Project.

UHY Haines Norton has been engaged to complete the Prudential Report with the lead author, Corinne Garrett, a firm employee.

Detailed information about UHY Haines Norton and the lead author can be found in Appendix B.

S48(4)	The experience and qualifications of the lead author and the firm UHY Haines Norton are included in Appendix B.

Independence of Author

S48 (4a) requires that the Prudential Report must not be prepared by a person who has an interest in the relevant Project.

S48 (6a), S48 (6b) and S48 (6c) detail what an interest would be.

Neither the lead author, Corinne Garrett, nor the firm UHY Haines Norton has any interest or conflict of interest in this Project.

S48(4a), (6a), (6b), (6c)	The lead author and the firm UHY Haines Norton declare that they have no interests or conflicts of interest in the Project and are independent.

Council Consideration of the Report

S48 (4b) requires that the Council must give reasonable consideration to a Prudential Report and must not delegate the requirement to do so.

S126 (4)(i) of the Act requires that the Council's Audit and Risk Committee's functions include the reviewing of any report obtained under section 48(1) of the Act.

A Special Meeting of the Audit and Risk Committee will be called on the 2nd February 2026 to review the Prudential Report and then to the next Council meeting.

S48(4b)	A Special Meeting of the Audit and Risk Committee will be called on the 2nd February 2026 to review the Prudential Report and then to the next Council meeting.

Public Availability of the Report

S48(6) allows the Council to protect its commercial value or avoid disclosing the financial affairs of a person by considering part or all of a Prudential Report in confidence and keeping associated documents in confidence.

The Prudential Report will be publicly available in the agendas for the Audit and Risk Committee and Council.

S48(6)	The Prudential Report will be publicly available in the agendas for the Audit and Risk Committee and Council.

Appendix A – Legislation Detail

Section 48 – Prudential requirements for certain activities.

(aa1) A council must develop and maintain prudential management policies, practices, and procedures for the assessment of projects to ensure that the Council –

(a) Acts with due care, diligence, and foresight; and
(b) Identifies and manages risks associated with a project; and
(c) Makes informed decisions; and
(d) Is accountable for the use of Council and other public resources.

(a1) The prudential management policies, practices and procedures developed by the Council for the purposes of subsection (aa1) must be consistent with any regulations made for the purpose of this section.

(1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the Council –

(b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership, or other similar body) –

(i) where the expected operating expenses calculated on an accrual basis of the Council over the ensuing five years is likely to exceed 20 per cent of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements); or

(ii) where the expected capital cost of the Project over the ensuring five years is likely to exceed $4,000,000 (indexed); or

(iii) where the Council considers that it is necessary or appropriate.

(2) The following are prudential issues for the purposes of subsection (1);

(a) The relationship between the Project and relevant strategic management plans;
(b) The objectives of the Development Plan in the area where the Project is to occur.
(c) The expected contribution of the Project to the economic development of the local area, the impact that the Project may have on businesses carried on in the proximity and, if appropriate, how the Project should be established in a way that ensures fair competition in the marketplace.
(d) The level of consultation within the local community, including contact with persons who may be affected by the Project and the representations that have been made by them, and the means by which the community can influence or contribute to the Project or its outcomes.
(e) If the Project is intended to produce revenue, revenue projections and potential financial risks.
(f) The recurrent and whole-of-life costs associated with the Project, including any costs arising out of proposed financial arrangements.
(g) The financial viability of the Project and the short and longer-term estimated net effect of the Project on the financial position of the Council.
(h) Any risks associated with the Project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the Council)
(i) The most appropriate mechanisms or arrangements for carrying out the Project.

(j) If the Project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the *Land Valuers Act 1994*

(2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the projects as a whole.

(3) A report is not required under subsection (1) in relation to-

(a) road construction or maintenance; or
(b) drainage works.

(4) A report under subsection (1) must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues set out in subsection (2)

(4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant Project (but may be prepared by a person who is an employee of the Council).

(4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection)

(6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the Council).

(6a) For the purposes of subsection (4a) a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the Project were to proceed.

(6b) A person is closely associated with another person (the relevant person)

(a) If that person is a body corporate of which the relevant person is a director or a member of the governing body; or

(b) If that person is a proprietary company in which the relevant person is a shareholder; or

(c) If that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or

(d) If that person is a partner of the relevant person; or

(e) If that person is the employer or an employee of the relevant person; or

(f) if that person is a person for whom the relevant person has received or might reasonably be expected to receive a fee, commission, or other reward for providing professional or other services; or

(g) If that person is a relative of the relevant person.

(6c) However a person or a person closely associated with another person will not be regarded as having an interest in a matter:

(a) By virtue only of the fact that the person

(i) Is a ratepayer, elector, or resident in the area of the Council; or

(ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisations or

(b) In a prescribed circumstance.

(6d) In this section, $4,000,000 (indexed) means that that amount is to be adjusted for the purposes of this section on the 1st of January of each year, starting on the 1st of January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter 2009.

(6e) In this section –

Employee of a council includes a person working for the Council on a temporary basis;

Non-profit association means a body (whether corporate or unincorporated) –

(a) That does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
(b) That is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.

(7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

Section 126 – Audit and Risk Committee

126 (4) The functions of a council audit and risk committee include:

(i) reviewing any report obtained by the council under section 48(1)

Appendix B – UHY Haines Norton

UHY Haines Norton Adelaide is a respected firm of Chartered Accountants and Consultants. The antecedents have provided extensive professional services to clients in various industries, including Local Government, for nearly 70 years.

The firm is part of the Australasian UHY Haines Norton network. Across each of our independent offices, partners and staff provide various mainstream and specialist services to clients across many market segments in the public and private sectors. The network is structured to share experience and resources for the benefit of our clients.

The Adelaide firm has one managing partner and twenty staff who combine experience gained in Australia and overseas, both within the firm and from employment with major international accounting firms. Our philosophy is to provide informed professional advice and practical services. We also aim to provide direct contact between the most senior members of our firm and the management groups of our clients.

The firm has extensive specialist skills in servicing Local Government entities in various areas, including financial management, financial reporting, governance, internal and external audit, risk management, due diligence, and prudential reports.

Our lead author for this report is Corinne Garrett, Local Government Consulting Manager. Corinne's qualifications and experience are detailed below.

Qualifications

- Master of Laws, Enterprise Governance
- Graduate Certificate in Internal Auditing, Institute of Internal Auditors
- Bachelor of Business (Financial Planning), RMIT
- Graduate AICD Company Directors Course, Australian Institute of Company Directors
- Executive Management Program, SA Local Government Managers Association
- Professional Management Program, University of Adelaide, Graduate School of Business
- Auditing Occupational Health and Safety Management Systems, SAI Global
- Management Systems Auditing, SAI Global

Professional Memberships

- AICD Member, Australian Institute of Company Directors
- IIA Professional Member, The Institute of Internal Auditors Australia
- FIPA Fellow, Institute of Public Accountants
- RMIA Risk Management Institute of Australasia

Experience

Corinne has been with UHY Haines Norton since 2012, following an extensive career in Local Government spanning over 25 years. She has in-depth knowledge of financial management processes, procedures, and risk management.

Corinne oversees the Local Government Consulting division of UHY Haines Norton Adelaide. She has a wealth of experience in this sector, which gives her a clear understanding of legislative and compliance processes and requirements.

Corinne's experience spans governance, finance, administration, and strategic planning. Corinne has experience developing annual business plans, annual reports, and community consultation material. She has also worked closely with elected members of Local Government and Audit and Risk Committees, developing and implementing long-term financial plans, policies, and compliance measures.

Corinne also profoundly understands the vital role of internal and external audits in organisations and audit committees. She has had extensive involvement in working with audit committees and ensuring critical review areas are undertaken to assist the committee in discharging their obligations.

Corinne has undertaken an extensive range of projects in the Local Government, including:

- Section 48 Prudential Reviews
- Rating Procedures
- Rating Reviews
- Financial Management – Overview, mentoring, training, reporting, budgeting
- Analysis of Costs and Services
- Internal Financial Controls Reviews
- Internal Audits
- Development of Risk Management Framework and Business Continuity Plan
- Business Analyst Projects
- Assessment of financial risks, creation of workflows, procedures and financial reporting, Annual Business Plans and Budget Development
- Review of Information Technology Capacity
- Review of Long-Term Financial Plans
- Training Programs on Financial Management – LGA and Municipal Training
- Elected Member training in finance and budgeting for fifteen councils.

Corinne's board and audit committee roles include;

- Member of the Audit and Risk Committee for the City of Holdfast Bay
- Chair of the Audit Committee for the Highbury Landfill Authority
- Past Deputy Chair and Member of the SA Chapter Committee of the Australian Institute of Internal Auditors
- Past Chair of the Audit & Risk Committee for the City of Prospect
- Past Independent Member of the Audit & Risk Committee for the City of Onkaparinga
- Past Independent Member of the Audit Committee for the Town of Walkerville
- Past Board Member of the Statewide Superannuation Board until its merger with Hostplus in April, and past member of the Hostplus Transition Committee
- Past member of the Revenue Professionals Board

Appendix C – Project Risk Registers

CoVH Risk Register – Updated September 2025

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
Finance and Funding						
1	Failure to achieve agreement (Council resolution) on the design and cost estimates.	Financial/ Design	**High**	Regular consultation and discussion with Council Members through workshops, council reports, and Council Member weekly update as appropriate. *Council Members provided with a range of analysis and investigation documents to inform decision making.* *At the Ordinary Council Meeting on 28 August 2023, Council endorsed the list of Negotiables and Non-negotiables as the principles on which the market-based approach will be based and endorsed that Council immediately progress to a market-based approach for the delivery of the Regional Community, Sport and Recreation Precinct.*	Project Team	**Medium**
2	Failure to achieve majority support from the community on the design and associated cost impacts, including community misunderstanding of the Council's financial position.	Financial/ Design	**High**	Public consultation and community engagement to offer opportunities for comment and input. Information to explain design options/constraints, choices and costs. The outcomes of any decisions should be explained clearly to the community and to those who contributed to the engagement. The Council provides adjusted financial reporting on the key financial indicators, excluding the project. Simple explanations regarding operating deficits and borrowing are to be provided to the community. All engagement is to align with the project communications and engagement strategy.	Project Team	**Medium**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
3	Failure to achieve external grant funding.	Financial	**High**	Project aligned with best practice principles and ORSR infrastructure planning guidelines. Regular communication with ORSR and advocacy of the project with Local and Federal MPs. The project has also been submitted for inclusion on the State Sport and Recreation Infrastructure Projects list. *At the Ordinary Council Meeting on 24 July 2023, Council committed a capital budget for the Regional Community, Sport and Recreation Precinct of $20 million, with a caveat that Council's contribution is capped at $10 million.* *Accord's updated detailed proposal identified a funding gap, with a minimum of $4,000,000 in grant funding required for the project to proceed.* *Council have already applied for grant funding from both State and Commonwealth Governments and has been actively advocating for the project both locally and in Canberra.*	Project Team CEO / Mayor	**High**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
4	Funding achieved is less than the amount set by the Council	Financial	**High**	The Council will be required to reconsider its financial position in the context of its Long Term Financial Plan and Treasury Management Policy. There would have to be a Council resolution to proceed with the project using the received funding (or defer the project and seek other funding opportunities). Consideration could also be given to staging options for the project. *At the Ordinary Council Meeting on 24 July 2023, Council committed a capital budget for the Regional Community, Sport and Recreation Precinct of $20 million, with a caveat that Council's contribution is capped at $10 million.* *Grant funding is one of the options for the balance of the funding; the alternative is for a developer to contribute the remaining funding. Council have commenced the market-based approach and is in negotiations with a preferred proponent to deliver the Precinct at their cost with a maximum $10 million contribution from Council. This approach is not subject to grant funding; any grant funding would reduce the Council's contribution or help keep operating costs low for the community.* *The Approach to market in late 2023 resulted in a proponent accepting the Council's non-negotiables. If the full grant funding is not achieved, Council could consider reviewing the Long Term Financial Plan to defer other capital projects to cover the funding shortfall.*	Council SMT Project Team	**High**

5	Failure to receive grant funding within a reasonable timeframe	Financial	**High**	Council would reconsider the project in total, investigate staging options and, depending on how the project scope changes, re-consult with the community. The current position is that the project, in its current form, depends on significant external funding, which has been clearly communicated to the community. Completing the design and documentation phase also ensures that the project has 'shovel-ready' status and puts it in a favourable position to take advantage of future grant opportunities as they become available. *At the Ordinary Council Meeting on 24 July 2023, Council committed a capital budget for the Regional Community, Sport and Recreation Precinct of $20 million, with a caveat that Council's contribution is capped at $10 million.* *Grant funding is one of the options for the balance of the funding; the alternative is for a developer to contribute the remaining funding. Council have commenced the market-based approach and is in negotiations with a preferred proponent to deliver the Precinct at their cost with a maximum $10 million contribution from Council. This approach is not subject to grant funding; any grant funding would reduce the Council's contribution or help keep operating costs low for the community.* The Heads of Agreement includes sunset clauses that allow for commercial negotiation to terminate if grant funding is not achieved within the agreed timeframes. To date, Council and Accord have mutually agreed to terminate the Heads of Agreement to allow additional time to secure grant funding. *Council is committed to purchasing the detailed design to allow for the application to grant funding that requires "shovel-ready" designs for application.*	Council SMT Project Team	**High**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
6	Cost estimate increasing beyond budget	Financial/ Design	**Extreme**	Constant review of cost as details are resolved. For example, the project will be re-costed in the concept phase to understand changes in market conditions and the impact of design changes (e.g., staging options). The increase in construction costs would pose a risk to the developer once the Agreement for Lease is signed. This risk needs to be managed as part of the negotiation process and, to date, has identified a funding gap that requires a minimum of $4,000,000 in grant funding to be achieved for the project to proceed. *At the Ordinary Council Meeting on 28 August 2023, Council endorsed the list of Negotiables and Non-negotiables as the principles on which the market-based approach will be based and endorsed that Council immediately progress to a market-based approach for the delivery of the Regional Community, Sport and Recreation Precinct.* *At the Ordinary Council Meeting on the 28th July 2025, Council endorsed the concept floor plan for the Recreational Facility within the Regional Community, Sport and Recreation Precinct for the purpose of progressing to detailed design. The current financial modelling assumes approvals in early 2026 with construction commencing in mid-2026. It has been advised that an additional cost of $1.3 million is estimated for every year that construction is delayed beyond that timeframe.*	Consultant Team & Council Teams	**High**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
7	Failure to budget for Inflation Costs	Financial	**Extreme**	Given the current nature of the construction industry, a contingency has been allowed for in the Cost Estimate, using historical trend rates of inflation, as advised by the professional cost estimator. A commitment to review the cost estimate at key stages will assist Council to minimise the risk of unexpected costs as a result of inflation. The increase in inflation cost will be the risk of the developer once the Agreement For Lease is signed. This risk needs to be managed as part of the negotiation process. Additional grant funding or reduction of scope could be considered to address inflation costs prior to entering into the Agreement For Lease.	Consultant Team	**High**
8	Unplanned costs due to design variations	Financial/ Design	**High**	Further refinement of the concept plan and understanding of the evidenced community needs will determine the design needs for the development. The consultant & Council teams will manage and review design decision implications on the costs and keep Council Members informed. Design contingencies are provided for in initial cost estimates. Unplanned costs will be the developer's risk. This additional cost could be passed onto the users/community or require a higher ongoing operating contribution from Council. This risk needs to be managed during the negotiation process. *In July 2025, the Council endorsed the concept floor plan for the Sport and Recreation Facility, developed with key users' input through the Stakeholder Reference Group.* *Once the Agreement for Lease is signed, the risk to Council will be reduced.*	Consultant Teams & Council Teams	**High**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
9	Unbudgeted variations requested by Council	Financial/ Design	**High**	Further development of the concept plan and community needs will determine the design needs for the development. The consultant & Council teams will manage and review design decision implications on the costs. *At the Ordinary Council Meeting on 28 August 2023, Council endorsed the list of Negotiables and Non-negotiables as the principles on which the market-based approach will be based. Council have entered into a Heads of Agreement with Accord*. *In July 2025, the Council endorsed the concept floor plan for the Sport and Recreation Facility, which was developed with the key users' input through the Stakeholder Reference Group.*	Consultant Teams & Council Teams	**Medium**
10	Construction Program Variations	Financial	**Extreme**	Management of the Construction Program by an appointed Project Manager, and cost control by the Quantity Surveyor. Regular meetings of a project governing board. *The financial risk associated with extension of time after construction commences, is a risk to Council if required to achieve grant funding obligations.*	Consultant Teams	**Medium**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
11	Inaccurate Cost Estimation	Financial	**High**	Accord provided cost estimates based on designed development with the preferred building. Some escalation and contingency is allowed for in the early cost estimate due to the preliminary nature of the design proposal. Consultant / project team to monitor costs throughout process as further detail is developed. *There is still a risk of inaccurate cost estimates until the Agreement For Lease is signed.*	Consultant	**Medium**
Planning and Approvals						
12	Lack of availability of Design Team & Stakeholder Resources	Design	**Medium**	Council have committed to purchasing the detailed design to allow for application to grant funding that requires "shovel ready" designs for application. The Heads of Agreement enables Accord to proceed with the detailed design ahead of the Agreement for Lease. Accord has established a design team and has commenced detailed design. A Stakeholder Reference Group, that included key end users, was established to inform the concept design process. Meetings of the Stakeholder Reference Group were attended by Accord's design team. At the Ordinary Council Meeting on the 28th July 2025, the Council endorsed the concept floor plan for the Recreational Facility within the Regional Community, Sport and Recreation Precinct for the purpose of progressing detailed design.	All parties	**Low**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
13	Design finalisation delays the planning approval.	Design	**High**	Regular consultation and discussion on the key issues to achieve milestone sign-offs. The Heads of Agreement enables Accord to proceed with the detailed design ahead of the Agreement For Lease. Input from key stakeholders has enabled Council to adopt the concept in July 2025 that will inform the planning application. Accord held a pre-lodgement meeting with Council DA staff and Assessment Manager on the 21st November 2025.	Council Team Leaders and all parties.	**Low**
14	Planning approval delays due to non-compliance with the associated Planning Regulations	Governance / Project	**Medium**	Meetings have been held with State Government Planning representatives for the planning matters. Code Amendment has been completed. Changes to the Land Management Agreement have been endorsed and added to the land title. The partial Community Land revocation process is well advanced, with consultation complete and now with the Minister for Local Government for decision. Accord has engaged a planning consultant. On the 5th November 2025, the office of the Minister for Planning confirmed by letter, that, on balance, that it is neither necessary nor warranted to call in the application. The Fleurieu Reginal Assessment Panel is independent of the Council's administration and is well placed to properly assess the merits of the application against the Planning and Design Code, in accordance with the requirements of the Act and the Planning, Development and Infrastructure (General) Regulations 2017.	Council Teams	**Low**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
15	Refusal of Community Land Revocation	Governance/ Project	**High**	Community engagement and consultation has been undertaken. Briefing Sessions have been held with Elected Members, and the Council has endorsed seeking the minister's approval to revoke the Community Land Status on the required portion of land. The partial Community Land revocation process is well advanced, with consultation complete and now with the Minister for Local Government for decision. The Minister has requested a copy of the updated Prudential Report. *Even after the Minister's approval, the Council could resolve not to proceed with the revocation.*	Council Minister for Local Government	**High**
16	Third-party approvals, environmental and heritage	Governance / Project	**High**	Heritage and cultural surveys to be undertaken, environmental referrals will form part of the development process. *This is still a risk to the project; however, the risk to Council is reduced once the Agreement for Lease is signed.*	Council Teams	**Medium**
Site Considerations						
17	Adequate Site Investigation for the Suitability of the Proposal	Governance/ Legal	**Medium**	Heritage and cultural surveys to be undertaken, environmental referrals will form part of the development process. There is still a risk to the project however the risk to the Council is reduced through the market based approach for the delivery of the Regional Community, Sport and Recreation Precinct.	All Parties	**Low**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
Community Support						
18	Lack of support by the community on the proposed location	Project/ Reputation	**High**	Community consultation was undertaken in April 2022 on three potential site options. Lot 202 was a clear preference throughout this consultation and was also supported by Council's own site investigations and an independent assessment.	Project Team	**Low**
19	Lack of support by the Community on the associated cost impacts	Project/ Reputation	**High**	Preliminary cost impacts have been provided to the community for comment (consultation occurred during January / February 2023). Further consultation with the community will occur during the annual business plan preparation process to enable additional input and feedback to be considered by Council. Grant funding has been applied for to reduce the cost impacts on the community.	Project Team	**High**
20	Agreement by the Community on the Concept Design Proposal	Project/ Reputation / Design	**High**	Community consultation undertaken in January / February 2023 provided clear support for the concept design. Continued engagement will assist to keep community informed on design. *In July 2025 Council endorsed the concept floor plan for the Sport and Recreation Facility, that was developed with the key users input through the Stakeholder Reference Group.*	Council Teams	**Low**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
21	Changes in cost estimate and finance model, and the impact on cost to the community	Financial	**High**	Consultant / project team to monitor costs throughout process as further detail is developed. Grant funding has been applied for to reduce the cost impacts on the community and bridge the $4,000,000 funding gap. Council annually reviews the Long Term Financial Plan and can take into account any known cost increase as they occur. *This is still a risk to the project however the risk to Council is reduced once the Agreement For Lease is signed.*	Consultant Team & Council Teams	**High**
Design						
22	Loss of project intellectual property through changes in key staff	Project	**High**	Regular communication and adequate documentation throughout the project to capture and record information. A project steering committee was formed and meeting fortnightly to reduce the single officer reliance and to allow for key staff to take leave without impacting on the project.	Consultant Teams & Council Teams	**Low**
23	Lack of agreement & understanding between parties of the design deliverables	Project / Governance	**Medium**	Regular collaboration and milestone targets set to ensure common understanding. Council Staff to attend the Accord detailed design meetings. *In July 2025 Council endorsed the concept floor plan for the Sport and Recreation Facility, that was developed with the key users input through the Stakeholder Reference Group* *This is still a risk to the project however the risk to Council is reduced once the Agreement For Lease is signed.*	All Parties	**Low**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
24	Design compromises resulting from competing outcomes, legislative requirements and the multi-purpose nature of the project	Consultant/ Council/ Stakeholders	**High**	Concept plans and consultation. Cost benefit analysis. Engage subject matter expert consultants and utilise staff expertise. *In July 2025 Council endorsed the concept floor plan for the Sport and Recreation Facility, that was developed with the key users input through the Stakeholder Reference Group* *This is still a risk to the project however the risk to Council is reduced once the Agreement For Lease is signed.*	Council Teams and consultants.	**Low**
25	Building within a flood prone area	Project / Governance	**Medium**	Passive recreation infrastructure only in flood plain areas. The proposed lease area is outside of the flood plain.	Consultants	**Low**
26	Exposure to legal risk by project not complying with legislation	Legal / Governance	**Medium**	Review of design in accordance with State Sporting Guidelines, Australian Standards including BCA and Council Policies. Use subject matter expert consultants and staff.	Council Team Leader & Consultant Teams	**Low**
Construction						
27	Contract sum being over budget	Financial	**High**	Tender prices in the open market may differ from expected budgets and cost estimates. Cost negotiation and value management sessions may be required to reduce costs. Final decision will be required by Council before commencing / signing contact. *This is still a risk to the project however the risk to Council is reduced once the Agreement For Lease is signed.*	Consultants/ Contractor/ Council	**High**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
28	Project construction behind scheduling.	Financial	**High**	Time estimation for construction will be managed by the construction contractor and monitored by the Project Manager to ensure project scheduling is met. Construction contract to have clauses to address this. *This is still a risk to the project however the risk to Council is reduced once the Agreement For Lease is signed.*	Consultant Team/ Contractor	**Medium**
29	Unexpected design variations	Financial/ Design	**Medium**	Regular collaboration between Contractor, Consultant and Project Teams to resolve design concerns. *In July 2025 Council endorsed the concept floor plan for the Sport and Recreation Facility, that was developed with the key users input through the Stakeholder Reference Group* *This is still a risk to the project however the risk to Council is reduced once the Agreement For Lease is signed.*	Consultant Team/ Contractor	**Low**
30	Client Variations	Financial	**Medium**	Regular collaboration between Contractor, Council and Consultant to resolve issues as they arise. *In July 2025 Council endorsed the concept floor plan for the Sport and Recreation Facility, that was developed with the key users input through the Stakeholder Reference Group* *This is still a risk to the project however the risk to Council is reduced once the Agreement For Lease is signed.*	Council Team Leader/ Consultant Team/ Contractor	**Medium**
31	Client sign-off/approval delays	Financial	**Medium**	Collaboration between all parties to ensure construction programming dates can be achieved and approvals sought within the timeframe. *This is still a risk to the project however the financial risk to Council is reduced once the Agreement For Lease is signed*.	Consultant Team/ Contractor	**Low**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
32	Dispute Occurrences	Financial	**Medium**	Regular collaboration between Contractor, Consultants and Project Manager to construction issues as they arise. The project Control Group during construction will help resolve disputes in a timely and professional manner. *This is still a risk to the project however the financial risk to Council is reduced once the Agreement For Lease is signed.*	Consultant Team/ Contractor	**Low**
33	Weather & Seasonal Implications	Financial	**High**	Contract format to allow for sufficient wet weather occurrences. Weather delays beyond this allowance may occur. *This is still a risk to the project however the financial risk to Council is reduced once the Agreement For Lease is signed.*	Consultant	**Medium**
34	Industrial Relations Issues	Financial/ Legal	**Medium**	Contractor Selection and review of their construction expertise may limit potential occurrences. *This is still a risk to the project however the financial risk to Council is reduced once the Agreement For Lease is signed*.	Consultant Team/ Council Team Leader	**Low**
35	Public Safety during construction	Safety / legal	**High**	Site fencing and control to be implemented. A project specific WHS plan will be developed for the project.	Consultant Team/ Contractor	**Low**
36	Poor Soil Conditions/ Site Contamination	Financial	**High**	Research of the site soil conditions via geotechnical survey has been undertaken. However, there is still the chance that a soil area that was not tested may have different structural design parameters. *This is still a risk to the project; however, the financial risk to Council is reduced once the Agreement for Lease is signed.*	Contractor/ Consultant	**Medium**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
Management & Operations						
37	Mismanagement of facility	Governance/ financial / reputation	**High**	Comprehensive consideration is given to management options for the facility to achieve an outcome that balances community and financial factors. A review schedule should be established to monitor the facility's performance. *This is still a risk to the project; however, the financial risk to Council is reduced once Council decide on the operating model (outsourced or internal).*	Management	**Low**
38	Conflicts between users of the facility and management (scheduling clashes, use requirements and expectations)	Safety/health	**High**	Governance structure for the management of the facility to be clear prior to opening with agreement from all stakeholder groups on how this will function. *This is still a reputations risk to the project however the risk to Council is reduced once the Agreement For Lease is signed if the operations are outsourced.*	Management	**Medium**
39	Under utilisation of facility / revenue does not meet forecasts with Model 1 – external operator	Financial /reputation	**High**	This is still a risk to the project however the financial risk to Council is reduced once the Agreement For Lease is signed if the operations are outsourced.	Councils	**Low**
40	Underutilisation of the facility and revenue does not meet forecasts with Model 2 – Council as the operator.	Financial /reputation	**High**	Councils can absorb losses by adjusting and increasing external income (rates) through the Long Term Financial Plan. A business case has been prepared using conservative assumptions. The business case was updated in November 2025 to consider updated assumptions. Adopting a review schedule for facility operations will enable Council to monitor and adapt operations to minimise this occurrence.	Council	**Medium**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
41	Inadequate budget forecasts for maintenance and depreciation with Model 1 – external operator	Financial	**High**	This is still a risk to the project; however, the financial risk to Council is reduced once the Agreement for Lease is signed if the operations are outsourced.	Management	**Medium**
42	Inadequate budget forecasts for maintenance with Model 2 – Council as the operator	Financial	**High**	Incorporate into the Building Asset Management Plan. Maintenance costs (such as court resurfacing) are to be budgeted in the Long-Term Financial Plan and regularly adjusted in accordance with the Lease Agreement.	Management	**Medium**
43	Operating costs are greater than estimated in the business case with Model 1 – external operator.	Financial	**High**	This is still a risk to the project; however, the financial risk to Council is reduced once the Agreement for Lease is signed if the operations are outsourced.	Management	**Low**
44	Operating costs are greater than estimated in the business case with Model 2 – Council as the operator.	Financial	**High**	The Business Case has been prepared using conservative assumptions and reviewed by professional consultants. The Business Case was updated in November 2025 to consider updated assumptions. Councils can absorb losses by adjusting and increasing external income (rates) through the Long Term Financial Plan. An agreed review schedule for operations will assist in minimising this risk.	Management	**Medium**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
45	The Developer becomes insolvent during construction or during the lease/operating period.	Financial	**Extreme**	Negotiations with the Developer as part of the Agreement for Lease will need to include multiple safeguards for Council, both during development and during operation. For example: • A key development safeguard for Council during the development phase is that the Developer's investment will be running at a pro-rata allocation to cost relative to Council's funds as the rec centre precinct is developed. This protects the Council from its capital being invested first, without the developer investing any material capital. • There will be a step-in right for the Council to work with the financier in the event that the developer goes bust during construction. • The right for the Council to work with financiers on a satisfactory solution if the operational asset owner runs into financial difficulty. • The recreation centre uses will be protected in the lease such that they cannot change use without Council consent.	Consultant Teams	**High**
46	Community rejects rate increases resulting from this project	Financial	**High**	The Long-Term Financial Plan has allowed for incremental rate increases over multiple years, with two years already applied. Community consultation is undertaken each year prior to Council's budget adoption. Council reviews the Long-Term Financial Plan annually and could make changes to service levels to reduce the rate increase if the community demands it.	Council	**Medium**

Item	Potential Risk	Risk Type	Initial Risk	Control Measure	Responsibility	Residual Risk
47	The commercial aspects of Precinct Occupancy are delayed, resulting in a loss of ground lease revenue.	Financial	**Medium**	In November 2025, the developer confirmed that they have considered bringing forward the commercial aspects of the precinct to improve the financial viability of the project. The negotiations with the Developer as part of the Agreement For Lease will need to include multiple safeguards for Council during development.	Consultant Teams	**Low**
48	Failure to dispose of the existing Recreation Centre	Financial	**High**	The disposal of the existing Recreation Centre is included in Council's adopted Long Term Financial Plan. The disposal is subject to Council approval at the time.	Council	**High**
49	After disposal by Council, the existing Recreation Centre competes with demand for a new Sport and Recreation Facility.	Financial/ Reputational	**Medium**	Securing leases for key stakeholders in the new facility prior to the disposal of the existing facility.	Council	**Medium**
50	Future potential assignment of lease arrangements to a third party and the rights the council has in relation to this potential assignment	Governance/ Financial/ Reputation	**High**	The negotiations with the Developer as part of the Agreement for Lease will need to include multiple safeguards for Council with regard to future potential assignment of the lease to a third party.	Council	**Medium**

Galpin's Identified Risks

Model 1 & 2 Risks

The Galpin's Risk Analysis report notes that risks are associated with both models, regardless of which is chosen. Galpins have concentrated their assessment on the risks inherent in the 2 models being considered, not on the larger risks such as environment, community benefit, etc, from the Precinct as a whole.

#	Risk Description	Causes *(Actual and Potential)*	Potential Consequences	L	C	Risk	Existing Controls and Proposed Treatments (new)
1	**Modelling** does not reflect potential future scenarios	• Business Case initially created 5 years ago • Potential for greater scenario and assumption stress testing to assess potential impact to whole of Council financials, particularly regarding various models proposed	Financial impacts to Council Final Agreement between Council and proponent does not include all costs and potential eventualities	P	C	H	**Existing:** • Update Business case, including further stress testing of revenue and cost variables, particularly for Model 2
2	**Construction** Cost estimate increasing beyond budget; Failure to budget for **Inflation**	• Proponent underestimates cost to deliver within design parameters • Ongoing construction cost increases • Council's expected design cost may be higher than current agreement as full design not yet completed and agreed • Further project approval delays may impact cost estimates currently agreed	Additional cost to Council Reduced design quality or functionality	P	C	H	**Existing**: • Principles included in the market approach and response; any increase in construction cost will be a risk to the developer once contract finalised • Community and Council engagement on design
							• Council Program (scope and Quality) & Cost Variation Controls once project commences **Proposed Treatments:** • Establish parameters where proposed cost increases from Developer exceed current budget and therefore require additional approval

#	Risk Description	Causes *(Actual and Potential)*	Potential Consequences	L	C	Risk	Existing Controls and Proposed Treatments (new)
3	Operational **cost** estimate exceeded by Developer *and / or* sub-optimal **usage** *and / or* insufficient **revenue**	• To be cost effective (for example increasing maintenance), rental rates are increased by the Developer which are passed on to users, leading to lower usage • Underestimated operational costs of both Developer and Operator(s) • Poor or ineffective management of the Precinct, impacting on customer experience and usage • Higher rates for access to multi-purpose courts vs existing facilities (although improved quality) which impacts on usage and revenue • Potential for some predicted participants in new facility to not engage (under both models, but for different reasons) • Potential for increased competition in the market over the medium-longer term, for example new and/or existing local institutions expand with	Catastrophic failure by Developer / Operator, leading to Council being responsible for Precinct Council financial impacts to maintain ongoing operations (in addition to $1.7m additional contribution already allocated)	P	C	H	**Existing**: • Council not responsible for subsidy of Developer (and therefore Operator) contractually (Developer has undertaken own modelling and is paid a premium by Council (17%)) • Council's management model of the Precinct: Formal agreed and contracted Precinct Management Authority • At year 42, Council has first right of purchase of the Recreation Centre **Proposed Treatments:** • Consider specific actions under both Model 1 and Model 2 risks

#	Risk Description	Causes *(Actual and Potential)*	Potential Consequences	L	C	Risk	Existing Controls and Proposed Treatments (new)
		predicted population growth developing their own sport and recreation facilities • Adopting a more commercial approach to the facility assists in limiting financial contribution by the operator/council, however impacts on community costs and therefore usage					
4	**Transparency** / visibility of Operator's performance Insufficient or mismanaged **Sinking Fund**	• Sinking Fund expenditure not fully controlled by Council; Potential for estimated Sinking Fund requirements insufficient • Quality of community experience against council expectations are not always visible or understood by Council • Quality, skill and experience of on-site management will be significant determinant of financial success	Financial impact in medium term Contract fails to incorporate all eventualities leading to increased Council financial impacts	P	Mo	M	**Existing**: • Broader operational management model of Council: Formal agreed and contracted Precinct Management Authority • Council input and agreement on customer price increases **Proposed Treatments:** • Consider dispute resolution controls, particularly where proposed increases (for both Sinking Fund and user rates) for Developer and Operator are demanded to ensure ongoing financial sustainability of the Precinct
5	Failure to achieve or fully receive budgeted **grant** funding ($4m)	• Not complying with actual or perceived requirements to receive government funding (i.e. multi-purpose site) • Grant application not successful; federal government election uncertainty	Relatively small amount of grant funding not received can halt whole project Council financial impacts (in addition to	P	Mo	M	**Existing**: • Grant application processes **Proposed Treatments:** • LTFP modelling to consider deferring other projects or approving the

#	Risk Description	Causes *(Actual and Potential)*	Potential Consequences	L	C	Risk	Existing Controls and Proposed Treatments (new)
			$1.7m additional contribution)				project within existing budget where grants not successful
6	**Lease** arrangement **Developer** catastrophic failure	• 99-year lease and related negotiations are often complex • Council has a buy-back option at year 42 which requires contractual protections for both parties within the final agreement with the Developer • Changing community expectations and demands for uses over time can result in facility obsolescence • Developer suffers going concern issue (or change in ownership structure) and Council required to take over control and running of Precinct • High effort required to ensure contract is acceptable to both parties	Financial Impacts in the longer-term Final negotiations can impact on commencement date Legal agreements fail to incorporate all eventualities leading to increased Council risk	P	Mo	**M**	**Existing**: Contract negotiations to include: • Catastrophic failure of Developer and ensure appropriate Council protections • Year 42 buy-back option to include appropriate assumptions (for example consideration of annual CPI rates against initial investment and improvements as part of final contract)

Model 1 Specific Risks

Model 1: Build and Operated by the Developer, including construction of the facility and full outsourcing of the operation of the facility for the period of the lease (including further sub-leasing of the site to 3rd parties on a commercial basis).

#	Risk Description	Causes *(Actual and Potential)*	Potential Consequences	L	C	Risk	Existing Controls and Proposed Treatments
1	Lack of **engagement** and participation of all parties invited to the Precinct	• Proposed 3rd party Operator currently not acceptable to key existing tenant in Victor Harbor Recreation Centre (VHRC) • Existing lease fees at VHRC waived (approx. 40 years ago) in lieu of upfront investment (approx. $150,000); expectation to continue • Expected large increase in costs for gymnastics participants; potential for Gymnastics club to not participate in new location	Not used or under-utilised space which is being paid for by Council Reputational damage	P	C	H	**Existing**: • Continued engagement of disengaged 3rd parties **Proposed:** • Direct subsidy to be considered by Council (reducing annual additional cost under Model 2 by approx. $1.3m per year) • Formal broader communication regarding Council position
2	Sub-optimal **café** outcomes	• Inability of 3rd Basketball Association to run café as a subsidy for additional cost of new facility for basketball participants • Customers will potentially be subjected to a more 'commercial' café	Basketball participation impacted due to increasing costs vs existing facility Reputational damage	P	Mo	M	**Existing**: • Continued engagement of disengaged 3rd parties **Proposed Treatments:** • Direct subsidy to be considered by Council (reducing annual additional cost under Model 2 by approx. $1.3m per year)

Model 2 – Specific Risks

Model 2: Build by the Developer with Council becoming the Operator of the Recreation, Leisure & Entertainment facilities. The Council Operating function includes: 4 multi-purpose courts, Gymnastics area, Café and Health club/gym. An Initial 10-year impact on the CoVH budget in addition to Model 1.

#	Risk Description	Causes *(Actual and Potential)*	Potential Consequences	L	C	Risk	Existing Controls and Proposed Treatments
1	Lack of **Community acceptance** of subsidy for a relatively small number of participants	• Specifically in relation to Gymnastics demands and the reported 130 Gymnastics participants • Potential for future subsidies requested from other participants in the Precinct or other Council locations • Difficulty for Council to justify additional cost and effort required	Not used or under-utilised space which is being paid for by Council Reputational damage post commencement	P	Ma	H	**Existing**: • Continued engagement of disengaged 3rd parties **Proposed Treatments:** • Broader communication regarding model chosen and reasons
2	Poor or ineffective **management** of multipurpose courts (by Council)	• Operation of multi-purpose courts not 'core business' of Council (nor a Strategic Objective); expected additional effort to manage increased outposted staff in addition to direct costs • High reliance on quality of management staff of the Precinct; expect greater investment to ensure continuity and reduce impact on core Council operations • Increased requirement for Senior staff with skills and experience in managing, operating and/or maintaining the facility and have control over day-to-day operation, including operational decisions on an ad hoc basis	Financial impacts resulting from additional effort to manage Precinct Other administration impacts Reputational impacts resulting from perception that Council operates the whole Precinct	P	C	H	**Proposed Treatments:** • Establish appropriate Management model established to ensure success of the Precinct • Focus heavily on management structure and succession planning of the Precinct • Delegations of Authority established (over-and-above financial delegations)

#	Risk Description	Causes *(Actual and Potential)*	Potential Consequences	L	C	Risk	Existing Controls and Proposed Treatments
3	Underestimation of management of the Precinct, including **staff** and **maintenance costs**	• As operating a Precinct is not core business of Council, there is potential to under-estimate real / direct cost of operation • Issues with consistent and effective management of the Precinct can cause inefficient operations	Financial impact to Council – over-and-above current estimate under Model 2	P	M	H	**Existing**: Business Case requires additional assumption verification and stress testing to ensure reasonable estimations are included within the Long-Term Financial Plan
4	**Under-estimation** of potential revenue	• Current financial modelling does not include any rental income for Gymnastics, and Café (subsidised) as well as Gym (not included in current financial model) • Potential for additional revenue to be realised where court hire rates are closer to Commercial Operator proposed court hire rates (for multi-purpose courts)	Model 2 may be disregarded as under-estimate impacts on 8-year financial model	P	Mo	M	**Existing**: • Existing modelling does not reflect full potential revenue **Proposed Treatments:** • Consider if outsource Gym and Café to create additional revenue (currently underestimated) • Update Existing financial model once additional options have been included
5	Increased obligation to ensure operating on a **competitively neutral** basis	• Where Council operates a Gym, potential for competitive neutrality issues to arise	Reputational impacts Under-usage of gym Financial Impact on Council	P	Mo	M	**Proposed Treatments:** • Monitor Gym to ensure operating on a competitively neutral basis

SLG Risk Register

Risk (hazard)	Person(s) affected	Risk rating[3]			Preventative measures (controls)	Responsibility	Notes
		L	C	R			
1. Overestimation of demand projections	Council	B	3	H	SGL review has identified demand projections based on the likely catchment and participation rates across the community.		
2. Underestimated operational costs	Council Community Facility users	C	3	H	SGL financial model has identified staffing and other operational costs based on similar regional facilities and industry standard rates.		
3. Overprovision of facilities	Council Community	D	2	L	The facilities to be provided have been based on identified and quantified demand.		This is subject to the key user groups of basketball and gymnastics committing to utilisation of the Precinct.
4. Under-provision of facilities	Council User Groups	C	3	H	The design has been prepared as scalable to accommodate future growth. SGL assessment has identified potential conflict between various use groups at peak times based on requested usage times, however		A four court facility will be underutilised with peak at 43.8%, shoulder at 26.2% and off peak at 14.7%.

					overall a four court facility will be underutilised		
5. Revenue ramp up period	Council Community Users	C	3	H	Rate payers, users or council may incur additional costs of the ramp up period is not realised.		
6. Securing grant funding	Council Community	C	4	E	A reliance on state/federal grant funding has been identified as over realistic. If funding falls short, the additional cost will shift to Council or rate payers.		
7. Facility delivery	Council Community	C	5	E	Developer insolvency could have a major impact on delivery of the Precinct. Controls and guarantees should be sought to support Council step in rights.		
8. Construction timeline	Council Community Users	C	4	E	Delivery contingent on grant funding could result in delays if funding is not secured in the timeframes or at the levels required.		

Appendix D – CoVH Risk Framework

Consequence Table

CONSEQUENCE TABLE					
	Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
Legal and Complaince	Negligible impact - impact can be managed through routine activities. Dispute resolved through internal process or expertise. Use of words "breach".	Additional internal management efforts required to manage impact. Dispute resolved through legal advice. Legal risk in Council not adopting a report recommendation.	Minor impact of critical Council's Corporate Governance and Accountability Strategic objectives. Significant adjustment to manage impact. Corporation directed to undertake specific activities to remedy breaches in legislation that may require the involvement of legal firms.	Major impact on Council ability to achieve its Corporate Governance and Accountability Strategic objectives. Impact cannot be managed within Council framework. Deliberate breach or gross negligence / formal investigations from third party (Ministerial Involvement, Ombudsman or ICAC).	Significant impact on Council ability to achieve its Corporate Governance and Accountability strategic objectives. Major breach of legislation resulting in major corporation penalties, fines, ICAC investigation that may result in imprisonment of corporation staff; or class action.
Employee and Public Safety	Issue causes negligible impact. Minor injuries requiring first aid or incidence of non-treatment injuries.	General morale and attitude problems. Injury in the workplace.	Widespread issues cause failure to deliver several minor strategic objectives and recoverable failure of day to day service. Doctor attendance for injury.	Issues cause widespread failure to deliver essential services. Temporary disability or hospital admission for 1-3 days.	Death or permanent disability or long term hospital admissions.
Environmental	Minor adverse event that can be remedied immediately or within 24 hours.	Isolated instances of environmental damage requiring effort to fix in the short term within 3 months.	Adverse events that cause widespread damage but reversible in the short to medium term within 3-6 months. May incur cautionary notice of infringement notice.	Significant adverse event causing widespread damage which may be reversed through appropriate remedial action in the medium term - 6-12 months. Penalties may apply.	Major adverse environmental event requiring continual long term remedial action. Significant penalties may apply. Impact lasting greater than 12 months.
Financial Management	Financial impact on total budget (income or expenditure) <$20,000. Budget variation manageable within the activity area.	Financial impact on total budget (income or expenditure) between $20,001 and $100,000. Budget variation manageable with the activity area or department.	Financial impact on total budget (income or expenditure) between $101,000 and $250,000. Budget variation manageable within the department or total council budget. Budget amendment advised through regular budget reviews.	Financial impact on total budget (income or expenditure) between $250,000 and $1,000,000. Budget variation requires additional funding, notification to CEO and report to Council. Budget recovery within next financial year.	Financial impact on total budget (income or expenditure) >$1,000,000. Budget variation requires additional funding, report to CEO and report to Council. Budget recovery over the next two or more years.

CONSEQUENCE TABLE					
	Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
Information Technology	Interruption to an IT service not requiring any further remedial action and with minimal impact on customers for a few hours.	Interruption to an IT service requiring further remedial action and with moderate impact on customers up to 24 hours.	Interruption to core business functions or an IT service with significant customer impact for up to 48 hours.	Interruption to core business function or an IT service for 2-7 days.	Interruption to core business function or an IT service for more than 7 days.
Infrastructure and Assets	Some damage where repairs are required however facility or infrastructure is still operational, or alternative is available.	Short term loss or damage where repairs required to allow the infrastructure to remain operational using existing internal resources and maintenance budgets.	Short to medium term loss of key assets and infrastructure were repairs required to allow the infrastructure to remain operational. Cost outside of budget allocation. <$100,000.	Widespread, short term to medium term loss of key assets and infrastructure were repairs required to allow the infrastructure to remain operational. Cost significant and outside of budget allocation. >$100,000.	Widespread, long-term loss of substantial key assets and infrastructure where infrastructure requires total rebuild or replacement.
Reputation	Political activity that requires minor change in operations. Negligible adverse impact upon social health and wellbeing of the community which has little of no impact upon the community. Issue may result in a number of adverse community concerns No lost opportunity or no future rectification.	Political activity that requires changes in operations. Minor adverse impact upon social health and wellbeing of the community which may have minor impact upon the community. Issue may attract limited media coverage, and community complaints. Little lost opportunity or requiring little future rectification.	Political activity that requires changes in operations with budget and resource implications Moderate level of community concern and moderate impact on community wellbeing. Some lost opportunity or requiring some future rectification.	Political activity that requires changes in operations with significant ongoing budget or resource implications. Significant level of community concern and complaints Major lost opportunity or requiring major future rectification.	Political activity that results in irreparable damage. Major community unrest. Community outrage. Prolonged adverse media attention. Staff and Council Members forced to resign. Significant lost opportunity or requiring significant future rectification.
Service Delivery	Interruption to a service (internal or external) not requiring any further remedial action and with minimal delays or impact on customers for a few hours.	Interruption to a service (internal or external) requiring further remedial action and with moderate impact on customers for up to one (1) day.	Non-essential business functions with moderate customer impact from 2-7 days. Limited staff compliance to Customer Service Framework service standards.	Non-essential business functions with significant customer impact for more than 7 days. Widespread staff non-compliance to Customer Service Framework standards.	Interruption to core business function or essential service for more than 7 days. Non-essential business function criteria.

Likelihood Table

Likelihood	Explanation – Operations	Percentage/ Likelihood of occurrence	Explanation – Projects / Business Case	Frequency
Certain to occur	It is **expected to occur** in most circumstances, immediately or within a short period – likely to occur most weeks or months.	90% chance of occurrence	Could be expected to occur more than once during the study or project delivery.	Expected to occur in most circumstances.
Very likely	**Will probably occur** in most circumstances – several times a year.	50% - 90% chance of occurrence	Could easily be incurred and has generally occurred in similar studies or projects.	Probably will occur.
Possible	**Might occur at some time** - within a one – two year period.	25% - 50% chance of occurrence	Incurred in a minority of similar studies or projects.	Moderate probability of an incident.
Unlikely	**Could occur at some time** - in a two - five year time frame.	5% - 25% chance of occurrence	Known to happen, but only rarely.	Low probability of an incident.
Rare	**May occur only in exceptional circumstances**. Could be incurred in a 5 - 30 year timeframe.	<5% chance of occurrence	Has not occurred in similar studies or projects. Conceivable but in extreme circumstances.	Extremely low probability. Will only occur in exceptional circumstances.

Risk Matrix

CORPORATE RISK MATRIX					
LIKEIHOOD	CONSEQUENCE				
	5	4	3	2	1
	Insignificant	Minor	Moderate	Major	Catastrophic
CERTAIN TO OCCUR	Medium	High	High	Extreme	Extreme
VERY LIKELY	Medium	Medium	High	High	Extreme
POSSIBLE	Low	Medium	Medium	High	High
UNLIKELY	Low	Low	Medium	Medium	High
RARE	Low	Low	Medium	Medium	High

Appendix E – SGL Risk Matrix

	Consequence				
Likelihood	**Insignificant** **1**	**Minor** **2**	**Moderate** **3**	**Major** **4**	**Catastrophic** **5**
A (Almost certain)	**H**	**H**	**E**	**E**	**E**
B (Likely)	**M**	**H**	**H**	**E**	**E**
C (Possible)	**L**	**M**	**H**	**E**	**E**
D (Unlikely)	**L**	**L**	**M**	**H**	**E**
E (Rare)	**L**	**L**	**M**	**H**	**H**

UHY
Connect to possibility

Let us help you achieve further business success

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