

**Alexandrina Council and  
City of Victor Harbor  
Fleurieu Regional Aquatic  
Centre  
Section 48 Report**





Disclaimer: This document is for the exclusive use of the person named on the front of this document ('**Recipient**'). This document must not be relied upon by any person who is not the Recipient. BRM Holdich does not take responsibility for any loss, damage or injury caused by use, misuse or misinterpretation of the information in this document by any person who is not the Recipient. This document may not be reproduced in whole or in part without permission.

Liability limited by a scheme approved under Professional Standards Legislation.

**BRM HOLDICH**  
**BUSINESS RESOURCE MANAGEMENT**

**Level 8, 420 King William Street, Adelaide SA 5000**  
**Tel 08 8168 8400 Fax: 08 8168 8499**

ABN: 79 392 957 230

## Table of Contents

1.	INTRODUCTION .....	1
1.1	Background .....	1
1.2	Rationale .....	2
1.3	The Project .....	3
1.4	Legal Framework and Prudential Issues .....	4
2.	RELATIONSHIP WITH RELEVANT STRATEGIC MANAGEMENT PLANS .....	5
2.1	Relevant Strategic Management Plans .....	5
2.2	National Objectives .....	5
2.3	Government of South Australia Strategic Plan .....	6
2.4	Government of South Australia Office for Recreation and Sport Strategic Plan ...	6
2.5	City of Victor Harbor Community Plan 2022 .....	7
2.6	Alexandrina: Connecting Communities 2014 - 23 Community Strategic Plan .....	8
2.7	Alexandrina Council Community Strategic Plan 2009 - 2013 .....	9
2.8	Alexandrina and Victor Harbor Annual Business Plans and Budgets .....	10
2.9	Alexandrina and Victor Harbor Long Term Financial Plans .....	11
2.10	Alexandrina and Victor Harbor Asset Management Plan - Buildings .....	12
2.11	Victor Harbor Capital Works Program .....	13
3.	OBJECTIVES OF THE DEVELOPMENT PLAN .....	14
3.1	Alexandrina Council Development Plan .....	14
3.2	Council Wide Provision .....	14
3.3	Port Elliot and Goolwa District Provisions .....	15
3.4	Relevant Development Zone .....	16
3.5	Approving Authority .....	16
4.	CONTRIBUTION TO ECONOMIC DEVELOPMENT .....	17
4.1	Contribution to Economic Development .....	17
4.2	Impact on Businesses in Proximity .....	18
4.3	Competition .....	19
5.	COMMUNITY CONSULTATION .....	20
5.1	Level of Consultation .....	20
5.2	Community Influence .....	21
6.	FINANCIAL ASSESSMENT .....	22
6.1	Revenue Production, Revenue Projections and Potential Financial Risks .....	22
6.2	Recurrent and Whole-of-Life Costs, Financial Arrangements .....	24
6.3	Financial Viability .....	26
7.	PROJECT RISKS AND MITIGATION STRATEGIES .....	27
7.1	Risk Management .....	27
7.2	Risk Mitigation .....	28
8.	PROJECT DELIVERY .....	29
8.1	Project Management Plan .....	29
8.2	Project Construction Options .....	30
8.3	Project Procurement Plan .....	31
9.	CONCLUSION .....	32
	APPENDIX ONE - COUNCIL RESOLUTIONS .....	33
	APPENDIX TWO - AQUATIC CENTRE CONCEPT PLANS .....	37
	APPENDIX THREE - LOCAL GOVERNMENT ACT, 1999 - SECTION 48 .....	39

## Executive Summary

The following report has been prepared in accordance with Section 48 of the Local Government Act which requires a council to consider a report addressing the prudential issues set out in subsection 2 of the Act before engaging in a project where the expected capital cost over the ensuing five years is likely to exceed \$4 million.

The Aquatic Centre Project is considered to be closely aligned to the goals, objectives and strategies identified within the community and strategic plans of Alexandrina Council and the City of Victor Harbor. The project will enable the Councils to deliver a community requested aquatic facility and additional fitness and recreation services to their communities. Furthermore, the Aquatic Centre Project supports or advances various state priorities and targets identified in the State Strategic Plan and Sport and Recreational Plan.

The Aquatic Centre Project is to be undertaken within the Alexandrina Council area. The proposed development is consistent with the objectives and principles of the Development Plan for Alexandrina Council but not for the zone within which it is located and will therefore need to be assessed on merit.

The Aquatic Centre Project will advance the economic development of the Council areas and provide wider economic impacts for the economy of the State, delivering tangible economic benefits to the community.

Extensive consultation has been undertaken with the community to assess demand for the Project, on the location of the facility and to inform on the potential financial impact. The community has been provided with the opportunity to influence the Aquatic Centre Project.

The Alexandrina and Victor Harbor Long Term Financial Plans reflect the impact of the Aquatic Centre Project and this has been the subject of community consultation. Further, although the capital and future operating subsidy required for the Project is provided for within the Long Term Financial Plans, these will need to be updated as the Project progresses beyond the feasibility stage.

Notwithstanding this, the Aquatic Centre Project should not materially affect either Council's ability to remain within the financial parameters they have established within the Long Term Financial Plans.

A comprehensive Risk Register has been developed for the Project with various risks identified and appropriate mitigations developed. The Risk Register will need to be updated once this exercise has been completed.

The procurement and delivery arrangements for the Aquatic Centre Project have not yet been determined, although various construction procurement models have been identified and considered. Determining the most appropriate model will occur during the detailed planning phase. Each Council has established procurement policies which must be followed during the procurement phase.

## 1. INTRODUCTION

### 1.1 Background

1.1.1 Historically, and at the present time, there has been community pressure on the Alexandrina Council (Alexandrina) and the City of Victor Harbor (Victor Harbor) to provide suitable aquatic facilities.

1.1.2 Since 2001 a series of studies have identified this community support for an aquatic centre, these studies include:

- South Coast Study: Keeping Pace, Report A (2001);
- Southern Fleurieu Family Strategy Stage 1 Report – Family Survey Results (2004);
- Southern Fleurieu Regional Recreation, Sport and Open Space Strategy – Final Report, May 2004 (Suter & Associates);
- City of Victor Harbor Vacant Allotment Survey (2005);
- City of Victor Harbor Non-Resident Ratepayer Survey (2006);
- Recreation Today and Tomorrow: Current and Future Social and Recreational Needs of Older People in the Southern Fleurieu Peninsula (2006);
- City of Victor Harbor Urban Growth Management Strategy Consultation Report (2009); and
- Southern Fleurieu Positive Ageing Taskforce Community Consultation (2011).

1.1.3 Alexandrina and Victor Harbor have a history of working together to progress the investigation of regional aquatic facilities as shown below.

- On 2nd November 2007 a Memorandum of Understanding was signed to jointly investigate site, funding and construction opportunities for a regional swimming pool on the south coast of the Fleurieu Peninsula.
- In 2008 the Councils jointly commissioned a study to explore the potential for the establishment of a Regional Aquatic Centre.
- In November 2009, following an Expressions of Interest process for the private sector to submit Build/Own/Operate proposals Candetti Constructions were selected to prepare a business case and an agreement was executed with them on 9th June 2010. However, this agreement subsequently lapsed before the full and final business case was completed.
- In early 2012 a Working Party was formed, comprising the Mayor, two elected members and the senior member of staff, to revisit and finalise a

preferred site option for an Aquatic Centre. The Working Party was an investigative body and discussion forum with no decision making responsibility.

- 1.1.4 The Working Party considered two sites from those previously nominated in various independent reports and recommended a site within the Alexandrina area on Ocean Road, Hayborough adjacent to the Beyond Today development.
- 1.1.5 The developers of Beyond Today; Environmentally Sustainable Developments, have offered to provide approximately two and a half hectares of land at the northern end of their development to accommodate the Aquatic Centre and associated parking. The land is estimated to have a commercial value of approximately \$1,000,000.
- 1.1.6 Alexandrina and Victor Harbor (the Councils) have agreed to pursue the construction of aquatic facilities on a shared basis in the form of a Regional Aquatic Centre (Aquatic Centre) for the benefit of their communities. In support of this the councils commissioned The Fleurieu Regional Aquatic Centre Business Case (2013).
- 1.1.7 The Business Case was required to address the needs and long term operating budget for the proposed Aquatic Centre and incorporated:
  - a market analysis of the current and projected population and demographic for the likely catchment area;
  - existing facilities in the region;
  - recommended opening hours and management model;
  - likely visits to the facility and anticipated usage patterns (based on benchmarking with similar facilities/regions)
  - a cost benefit analysis of various ancillary facilities such as a hydrotherapy or rehabilitation pool, a crèche and a fitness room and gym.
- 1.1.8 Alexandrina and Victor Harbor are currently consulting with their respective communities on the Aquatic Centre concept plan and the indicative average impact on council rates.
- 1.1.9 The relevant resolutions of the respective Council's, consistent with progressing the Aquatic Centre are detailed at Appendix One.
- 1.1.10 In recognition of the need for a regional facility the City of Onkaparinga and the District Council of Yankalilla have both offered in-kind funding support to the Project.

## 1.2 Rationale

- 1.2.1 The Victor Harbour Council Urban Growth Management Strategy 2013 – 2030 Draft 2013 Update (UGMS) articulates issues consistently raised from community consultation and resident feedback which includes providing additional recreation facilities, including an indoor swimming pool.

- 1.2.2 The development of an aquatic centre aligns with the Southern Fleurieu Regional Recreation, Sport and Open Space Strategy (2004) and the UGMS Draft 2013 Update.
- 1.2.3 The UGMS identifies one of the main objectives of the strategy as “The sustainable provision of physical infrastructure and community services”. The Councils have a focus on providing lifestyle community services and facilities to reinforce their Strategic Management Plan 2014 - 2023 identified outcome as a “Lifestyle Destination”.
- 1.2.4 The request for a regional aquatic centre was by far the most dominant demand identified by the community during the extensive community engagement and consultation process undertaken by Alexandrina as part of the preparation of the Connecting Communities 2014 - 23 Community Strategic Plan.
- 1.2.5 The Fleurieu Regional Aquatic Centre Business Case (2013) suggests the aquatic centre development would arguably improve community and recreation services for both a growing and ageing population base and tourism / seasonal visitors.

### 1.3 The Project

- 1.3.1 This Project involves the construction of an environmentally sustainable indoor aquatic centre consisting of:
- an 8 lane, 25 metre lap swimming pool;
  - a multi-use rehabilitation, leisure and children’s pool;
  - an outdoor ‘splash and play’ park;
  - a fitness centre facility;
  - a crèche facility;
  - a commercial kiosk; incorporating feature deck with views to wetland and open space surrounds;
  - plant and equipment rooms;
  - office accommodation;
  - dedicated change rooms and toilet facilities;
  - first aid and lifeguard rooms; and
  - dedicated car parking, bus parking, pedestrian linkages and traffic management.
- 1.3.2 The proposed location of the Aquatic Centre is a site situated on Ocean Road, Hayborough adjacent to the Beyond Today development.
- 1.3.3 Concept plans for the Project are included as Appendix Two.

## 1.4 Legal Framework and Prudential Issues

- 1.4.1 This report has been prepared in accordance with Section 48 of the Local Government Act 1999 (Act), this section is reproduced in full as Appendix Three. The development of the Aquatic Centre meets certain criteria specified in section 48 (1) (b) (ii) that require Council to consider a report addressing the prudential issues set out in subsection 2, namely that the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million.
- 1.4.2 The prudential issues identified in Section 48 are:
- (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 market place;*
  - (d) *the level of consultation with 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.”*
- 1.4.3 BRM Holdich has been engaged by the Councils to prepare a report to satisfy the requirements of Section 48.

## 2. RELATIONSHIP WITH RELEVANT STRATEGIC MANAGEMENT PLANS

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

*(a) the relationship between the project and relevant strategic management plans;*

### 2.1 Relevant Strategic Management Plans

2.1.1 Section 122 of the Act requires a council to develop and adopt strategic management plans; these are required to incorporate the extent to which a council's objectives are related to regional, State and national objectives.

2.1.2 For the purposes of this report, the relationship between the Aquatic Centre Project and the following plans is considered relevant.

- Government of South Australia Strategic Plan - 2102;
- Government of South Australia, Office for Recreation and Sport Strategic Plan;
- City of Victor Harbor Community Plan 2022;
- Alexandrina: Connecting Communities 2014-23 Community Strategic Plan;
- Alexandrina Council Community Strategic Plan 2009-2013;
- Victor Harbor Urban Growth Management Strategy 2008-2030 (updated 2013);
- Alexandrina Council Long Term Financial Plan 2014 - 2023;
- City of Victor Harbor Long Term Financial Plan 2009 – 2019;
- Alexandrina Council Infrastructure and Asset Management Plan;
- City of Victor Harbor Asset Management Plan – Buildings February 2012;
- City of Victor Harbor Capital Works Program 2012 – 2022;
- Alexandrina Council Annual Business Plan 2012/2013; and
- City of Victor Harbor Annual Business Plan 2012/2013.

### 2.2 National Objectives

2.2.1 The Australian Government, through the Department of Regional Australia, Local Government, Arts and Sports, is committed to supporting sport in Australia from grassroots through to elite levels; increasing participation in physical and recreational activities to promote physical and mental health; staging world class major sporting events; and utilising sport as a vehicle to address disadvantage and social inclusion challenges.

2.2.2 Legislation relevant to the Department of Regional Australia, Local Government, Arts and Sports includes the Australian Sports Commission Act 1989. The Aquatic Centre could be considered to support the objectives of the Act through the provision of increased sports and recreation facilities.

### 2.3 Government of South Australia Strategic Plan

2.3.1 The State Strategic Plan has six priorities and identifies a number of targets. Table One identifies relevant state priorities and targets that are supported or advanced through the Project.

**Table 1: Aquatic Centre Project Alignment with the State Strategic Plan 2012**

Relevant State Priority	State Targets Advanced
Our Community	Target 13 Work-life Balance Target 23 Social Participation Target 32: Customer and client satisfaction with government services
Our Prosperity	Target 56: Strategic infrastructure
Our Health	Target 78: Healthy South Australians Target 83: Sport and recreation

### 2.4 Government of South Australia Office for Recreation and Sport Strategic Plan

2.4.1 The Government of South Australia Office for Recreation and Sport Strategic Plan (ORS Strategic Plan) seeks to have all South Australians enjoying lives enriched through participation in active recreation and sport.



2.4.2 The vision of the ORS Strategic Plan is “Active for Life”.

2.4.3 The stated mission of the ORS Strategic Plan is “to support and strengthen the capacity of the active recreation and sport industry”.

2.4.4 The vision and mission of the ORS Strategic Plan will be advanced through the Aquatic Centre Project.

2.4.5 Of the five strategic directions within the ORS Strategic Plan the Aquatic Centre will assist to facilitate the “Increase Participation” direction through the provision of

sports and recreation facilities for the resident and visitor populations of Alexandrina and Victor Harbor.

- 2.4.6 The focus of this direction is to provide more opportunities for more people to access and enjoy lifelong involvement in quality active recreation and sport, in particular, strategy 2.3 would be advanced.

*“Facilitate targeted programs and services to provide opportunities to participate in quality sport, active recreation and physical activity.”*

## 2.5 City of Victor Harbor Community Plan 2022

2.5.1 The City of Victor Harbor Community Plan 2022 identifies the following four objectives.

- A strong economy and supportive business environment;
- The sustainable provision of physical infrastructure and community services;
- Environment and lifestyle protected against the pressures of projected population growth; and
- Leadership, service delivery and organisational management that underpins our strategic directions.

2.5.2 The alignment of the Aquatic Centre Project to two of these objectives and related strategies is detailed in Table Two.

**Table 2: Aquatic Centre Project Alignment with Victor Harbour Community Plan**

Objective	Strategy	How
The sustainable provision of physical infrastructure and community services	2.9 Encourage coordination, collaboration and the effective provision of health and community services in the local area and region.	Through the provision of a multi-use rehabilitation, leisure and children’s pool.
	2.11 Plan for the appropriate location of children’s services, facilities for the aged, recreation and sporting facilities, boating facilities, education services and cemeteries.	Through the construction of an indoor aquatic centre located to service resident and visitor populations of Alexandrina and Victor Harbor.
	2.12 Improve access, lifestyle and information services for people with a disability.	Through the construction and provision of a multi-use rehabilitation, leisure and children’s pool.

Objective	Strategy	How
	2.13 Ensure high quality open space and recreation facilities are provided and maintained.	Through the construction of a multi-purpose indoor aquatic centre with fitness centre facility and a commercial kiosk; incorporating a feature deck with views to wetland and open space surrounds.
Environment and lifestyle protected against the pressures of projected population growth	3.7 Encourage a vibrant community culture.	The Aquatic Centre will be a modern construction designed in conjunction with the community to provide facilities in which they can socialise and maintain health together.
	3.9 Encourage community interaction including participation in sport and recreation opportunities.	The Aquatic Centre will provide facilities that increase sport and recreation opportunities in an environment in which members of the community can socialise, maintain health and fitness with appropriate crèche care for children.
	3.10 Promote concepts of “connected communities” and “communities for all”.	Through the construction of an indoor aquatic centre located to service resident and visitor populations of Alexandrina and Victor Harbor with dedicated car parking, bus parking, pedestrian linkages and traffic management.

2.5.3 This Aquatic Centre Project is considered to be aligned with objectives and strategies identified within the City of Victor Harbour Community Plan 2022.

## 2.6 Alexandrina: Connecting Communities 2014 - 23 Community Strategic Plan

2.6.1 The Alexandrina Connecting Communities 2014 – 23 Community Strategic Plan identifies the following four aspirations for 2040:

- Innovate Throughout Our Region;
- Thrive in ‘Clean, Green’ Futures;
- Participate in Wellbeing; and
- Activate our Spaces.

2.6.2 The alignment of the Aquatic Centre Project to three of these aspirations and related strategies is detailed in Table Three.

**Table 3: Aquatic Centre Project Alignment with Alexandrina Community Plan 2014 - 2023**

Aspiration	Outcome / Strategy	How
Innovate Throughout Our Region	<b>RESILIENT Economy</b> Attract diverse local industries and strengthen our workforce to grow the local economy and increase employment opportunities <i>Advocate/Influence</i>	Increased employment opportunities through the diverse range of activities to be undertaken at the Aquatic Centre.
	<b>PRODUCTIVE Community Assets</b> Expand and renew community infrastructure for economic, community and environmental benefit <i>Provide/Respond</i>	Through the construction and operations of an indoor aquatic centre offering a diverse range of services and activities.
	<b>PROACTIVE Leadership and Accountability</b> Pursue regional cooperation and promote the voice of community, in regional, state, national forums <i>Advocate/Influence</i>	The Aquatic Centre Project is a tangible example of regional cooperation.
Activate our Spaces	<b>MEMORABLE Experiences</b> Identify and encourage lifestyle, heritage and visitor experiences <i>Facilitate/Initiate</i>	The Aquatic Centre will cater for the lifestyle needs of residents and visitors, the commercial kiosk will provide a view of the wetlands.
Participate in Wellbeing	<b>COLLABORATIVE Community Ventures</b> Seek to match local wellbeing needs to funding and partnership opportunities across government, non-government and private sectors <i>Advocate/Influence</i>	The Aquatic Centre will be partially funded through the RDA and is to be constructed in response to identified community demand.

2.6.3 The Aquatic Centre Project is considered to be aligned with the aspirations and outcomes identified within the Alexandrina Connecting Communities 2014 – 23 Community Strategic Plan.

## 2.7 Alexandrina Council Community Strategic Plan 2009 - 2013

2.7.1 The vision of the Alexandrina Council Community Strategic Plan 2009 – 2013 is ‘Preserving the Past, Securing the Future, Together Enhancing Our Lifestyle’.

2.7.2 The Community Strategic Plan identifies the following four objectives.

- A vibrant, cohesive and diverse community providing a healthy, quality lifestyle;
- Sustainable economic growth supporting industries and businesses;
- Sustainable natural and built environments that meet the needs of a growing community and economy; and

- Progressive leadership, good governance, efficient and effective services.

2.7.3 The alignment of the Aquatic Centre Project to two of these objectives and their related goals is detailed in Table Four.

**Table 4: Aquatic Centre Project Alignment with the Alexandrina Community Strategic Plan**

Strategic Focus	Goal	Outcome	How
Community	'A vibrant, cohesive and diverse community providing a healthy, quality lifestyle'	Sport, recreation and leisure opportunities that contribute to the health and well-being of the community and visitors	The Aquatic Centre will provide a range of sport and recreation facilities to service the Alexandrina resident and visitor populations. The Aquatic Centre will provide an environment in which members of the community can socialise, maintain health and fitness with appropriate crèche care for children.
		Optimal quality of life for the frail, aged, people with disabilities and their carers	Through the construction and provision of a multi-use rehabilitation and leisure pool.
Natural and Built Environment	Sustainable natural and built environments that meet the needs of a growing community and economy	Council buildings and facilities that meet community needs	The Aquatic Centre will be a modern construction designed in conjunction with the community.

2.7.4 This project is considered to be aligned with the vision and strategic focus areas, goals and outcomes of the Alexandrina Council Community Strategic Plan 2009 - 2013.

## 2.8 Alexandrina and Victor Harbor Annual Business Plans and Budgets

2.8.1 The Aquatic Centre Project is not identified in the Alexandrina 2012/2013 Annual Business Plan and Budget. The expenditure incurred to date is to be incorporated as part of the planned April budget review.

2.8.2 The Aquatic Centre Project is identified in the Victor Harbor 2012/2013 Annual Business Plan and Budget, with a provision for expenditure of \$80,000 in the detailed budget. Year to date expenditure is estimated to be \$50,000. No budget variation is likely to be required.

- 2.8.3 Should the Project progress it will need to be identified and included as part of the normal budget development processes for inclusion in the 2013/2014 Annual Business Plan and Budgets for each Council.
- 2.8.4 It should be noted that the Aquatic Centre Project has been identified within the business case as having a capital development cost of \$21 million.
- 2.8.5 Furthermore, these estimated costs are concept, pre tender estimates only. Once the concept is agreed and the design finalised the cost can be established with greater certainty for inclusion in the relevant Plans.

## 2.9 Alexandrina and Victor Harbor Long Term Financial Plans

- 2.9.1 The Aquatic Centre Project involves significant capital works to be funded through rate increases and Regional Development application funding as updated in the individual Council's Long Term Financial Management Plans (LTFP).
- 2.9.2 The Aquatic Centre Project projects an operating deficit for the life of the Project. The losses forecast for the first five years are shown below, the losses from year five onwards are forecast to be constant at \$241,876 per annum.

Year 1	Year 2	Year 3	Year 4	Year 5
\$364,067	\$324,640	\$285,622	\$263,544	\$241,876

- 2.9.3 The Alexandrina LTFP 2014 – 2023 has set targets for its Key Financial Indicators to guide revenue and expenditure decisions, overall budget strategies and future decision making. These targets promote a breakeven position in the long term plus a margin for risk and uncertainty. The short, medium and long term targets to achieve this aim are shown below.

Indicator	Target Short Term Years 1-3	Target Medium Term Years 4-6	Target Long Term Years 7-10
Operating Surplus/(Deficit) Ratio - %	(5) to 2%	(3) to 3%	5 to 8%
Net Financial Liabilities Ratio - %	≤120%*	≤125%*	≤100%
Interest Cover Ratio - %	≤8%	≤10%	≤6%
Asset Sustainability Ratio - %	90-100%	90-100%	90-100%

- 2.9.4 The Alexandrina LTFP includes capital allocations for the Aquatic Centre Project in FY2014, 2015 and 2016 reflecting expenditure associated with the various stages of construction of the Project.
- 2.9.5 The Alexandrina LTFP includes provision for their contribution to the projected operating losses, depreciation and financing their capital contribution.

2.9.6 Notwithstanding the inclusion of the Project with the exception of 2013/14, Alexandrina remains within its targets for the operating surplus / (deficit) ratio for life of the long term financial plan. The net financial liabilities ratio peaks at 120.1% in 2016/17 and reduces over the following years of the plan. The interest cover ratio is within the target range of 10% rising to a maximum ratio of 6.4% in 2016/17. The asset sustainability ratio ranges from 68% in 2013/14 to 100% over the period of the plan, with the ratio peaking at 137% in 2019/20, this is due to the timing of renewal projects during the Plan. On Average over the 10 year life of the Plan the asset sustainability ratio is 94%, within the target range.

2.9.7 The Victor Harbor LTFP has set targets for its Key Financial Indicators to guide revenue and expenditure decisions, overall budget strategies and future decision making. The medium and long term targets to achieve these are shown below.

Ratio	Target Medium Term 3-5 years	Target Long Term 5-10 years
Operating Surplus	Breakeven 0%	Between 5% -15%
Net Financial Liabilities	Less than 75%	Less than 50%
Asset Sustainability	80% Average (3 years)	Over 80% Average

2.9.8 The Victor Harbor LTFP includes sufficient capital provision in the projects area for their contribution to the Project, it also includes provisions for their share of the projected operating losses, depreciation and financing their capital contribution.

2.9.9 With the Project in the Victor Harbor LTFP the following impact on key financial indicators is noted.

- Operating surplus ratio is within targets;
- Net Financial Liabilities Ratio peaks during the Project construction years but reduces rapidly thereafter; and
- Asset Sustainability Ratio fluctuates dependent on councils works program which is normal (current target is under review) and falls away as capital projects towards the end of the LTFP have yet to be identified.

## 2.10 Alexandrina and Victor Harbor Asset Management Plan - Buildings

2.10.1 The Aquatic Centre Project is a new initiative and will therefore need to be included within the Alexandrina and Victor Harbor Asset Management Plan, Buildings category. The Asset Management Plan generically sets aside funding for renewal of Council buildings.

2.10.2 The Asset Management Plan will need to be amended to reflect the addition of the Aquatic Centre and the associated increase in the value of Councils assets, in order to ensure Council is informed of the costs associated with maintaining Council assets.

## **2.11 Victor Harbor Capital Works Program**

- 2.11.1 An indoor aquatic facility is identified in the Victor Harbor 10 Year Capital Works Program 2012 – 2022.
- 2.12 The capital works program will need to be progressively amended as the project progresses beyond concept and pre-tender estimates through the various project phases to reflect updated financial information in order to ensure Council is informed of the costs associated with construction and maintenance of the Aquatic Centre.

### 3. OBJECTIVES OF THE DEVELOPMENT PLAN

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

(b) *the objectives of the Development Plan in the area where the project is to occur;*

#### 3.1 Alexandrina Council Development Plan

3.1.1 The Aquatic Centre Project is to be situated within the Alexandrina Council area.

3.1.2 Development in Alexandrina Council is governed by the Development Plan – Alexandrina Council, pursuant to Section 33 of the Development Act 1993. The Development Plan is a tool which assists to guide and facilitate appropriate development.

3.1.3 The latest consolidated version of the Alexandrina Council Development Plan is dated 29 November 2012, any Development Application for the Project would be assessed against the relevant consolidated version applying at the time of lodgement.

3.1.4 The Development Plan covers matters including zoning issues, building and land appearance and neighbourhood character, land division, building siting and setbacks and environmental guidelines.

3.1.5 The Development Plan is arranged with the Council-wide Objectives and Principles of Development Control appearing first, followed by more detailed policies relating to particular zones, and policy areas.

#### 3.2 Council Wide Provision

3.2.1 From the objectives applying to the whole of the Council area, the following appear to be the most relevant.

Form of Development

**Objective 2:** A proper distribution and segregation of living, working and recreational activities by the allocation of suitable areas of land for those purposes.

**Objective 3:** The proper location of public and community facilities by the reservation of suitable land in advance of need.

Appearance of Land and Buildings

**Objective 45:** The amenity of localities not impaired by the appearance of land, buildings, and objects.

3.2.2 There are a number of the Principles of Development Control (PDC) of the Council-wide section of the Development Plan which are seen as particularly relevant when considering any development application for the Project, these include:

- Structure Plans - Development should be in accordance with the structure plans for the whole of the council area and the townships of Port Elliot, Middleton, Goolwa, Mount Compass, Strathalbyn, Langhorne Creek, Milang, Clayton.
- PDC 115 -119 Movement of People and Goods – dealing with the provision of car parking and access and egress issues.
- PDC 146 – 150 Conservation and native vegetation issues
- PDC 151 Development should minimise energy requirements, maximise efficient use of energy and reduce greenhouse gas emissions.
- PDC 152 The appearance of land, buildings and objects should not impair the amenity or character of the locality in which they are situated.
- PDC 173 – 191 addressing the Form of Development.
- PDC 201 – 222 – addressing Conservation issues.

3.2.3 The amenity values, environmental conservation, pleasant character, and high level of design type principles will be required to be addressed in any Development Application.

3.2.4 Furthermore, considering the broader intent of the Development Plan, a facility such as an Aquatic Centre is envisaged (possibly in conjunction with broader health, medical and social facilities). This would need to be highlighted and addressed in any planning submission.

3.2.5 Notwithstanding the intent of the Development Plan it should be noted that if the Project was to proceed on the site, development would be occurring on land not set aside in advance of need in accordance with Objective 3.

### 3.3 Port Elliot and Goolwa District Provisions

3.3.1 Part C of the Development Plan relates to Port Elliot and Goolwa, the following objectives apply to the whole of the Port Elliot and Goolwa District shown on Map Alex/2. These are additional to the objectives that apply to the Council-wide area.

**Objective 1:** Compact living and business areas ensuring residents are within reasonable distance of community facilities.

3.3.2 The following additional Principles of Development Control apply exclusively to the Port Elliot and Goolwa District as shown on Map Alex/2. They are additional to those which apply to the Council-wide area.

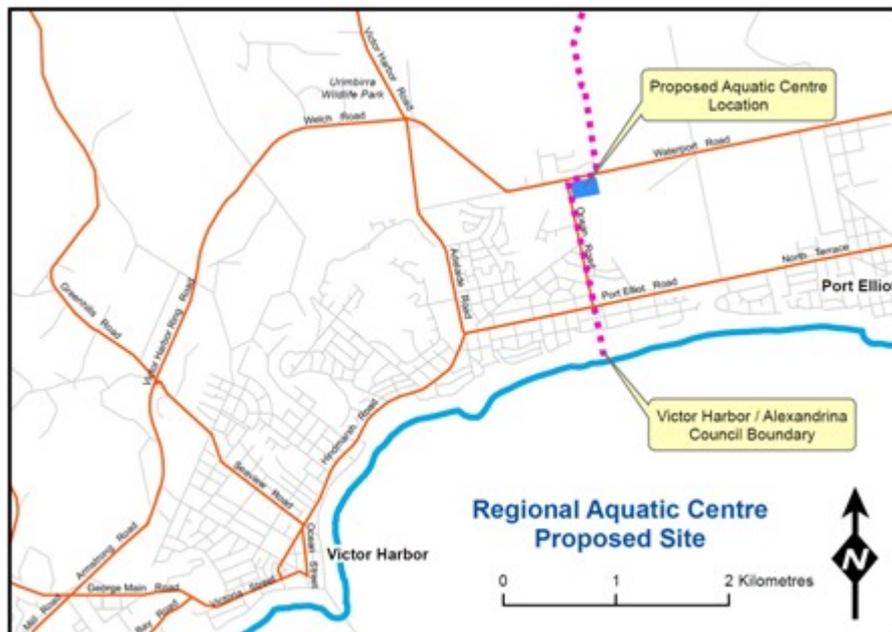
PDC 1 Land proposed for living, working and recreational activities should be used only for those purposes.

3.3.3 The Objectives of Part C support the notion of developing an Aquatic Centre within the Port Elliot area however, the Principle of Development Control 1 does not,

expressing that these types of facilities should be developed on land that has already been flagged for such use.

### 3.4 Relevant Development Zone

- 3.4.1 The Aquatic Centre is to be located on a 2 ha portion of the freehold land (located at the North West corner of the Land bounded by Waterport Road and Ocean Road Hayborough SA 5211) comprised in CT Volume 6082 Folio 451 and is located in the Landscape Port Elliot West Zone of the Alexandrina Council Development Plan.



- 3.4.2 The Landscape (Port Elliot West) Zone does not anticipate this form of development, nor do the structure plans contained within the Development Plan.
- 3.4.3 The proposed Aquatic Centre Project development is not explicitly envisaged, nor is it proscribed as a 'non-complying' form of development in the Development Plan, therefore a Development Application for the Project would be assessed as an on-merit form of development.
- 3.4.4 Thus, the Landscape (Port Elliot West) Zone will not be considered in isolation and the weight must be placed on the broader Development Plan Objectives and Principles of Development Control in order to assess whether or not specific development is 'seriously at variance' with the Development Plan, or possess enough 'merit' in order to warrant consent.

### 3.5 Approving Authority

- 3.5.1 Alexandrina has received advice from the Minister's Office confirming that Council's Development Assessment Panel is the relevant authority for determining a Development Application for a regional Aquatic Centre in accordance with the Development Act.

## 4. CONTRIBUTION TO ECONOMIC DEVELOPMENT

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

- (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 market place;*

### 4.1 Contribution to Economic Development

4.1.1 Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.

4.1.2 The Project will contribute to the economic development of the local area predominantly from the following sources:

- Construction activity;
- Potential employment opportunity through the delivery of the Aquatic Centre services, commercial kiosk and crèche facility; and
- Revenue and expenses associated with the operation of the Aquatic Centre.

4.1.3 The design and construction activity of the Aquatic Centre Project is estimated to have a capital cost of \$21,000,000, this will generate economic and employment multiplier benefits to the broader economy.

4.1.3.1 The economic impact assessment undertaken to identify the potential jobs and incomes that may be associated with the project is based on a measure of the value added and employment associated with the investment. This is consistent with the predominant measure of national economic activity, Gross Domestic Product.

4.1.3.2 The expenditures associated with the project will have direct economic effects, indirect effects of related purchases in the broader economy and induced effects of spending on goods and services by households of those employed in the hospitality activities (café/restaurant/kiosk) associated with the project and by the employees of the companies providing goods and services to these hospitality businesses.

4.1.4 The multiplier effects have been analysed by the City of Onkaparinga, a project partner, these are based on data for Southern Adelaide rather than specific to the Fleurieu Peninsula but are considered to be broadly comparable. The analysis uses Input-Output methodology, a common tool for measuring secondary and tertiary economic effects.

4.1.5 The output activity has been based on \$21,000,000 of design and construction expenditure and is summarised in Table Five.

**Table 5: Economic and Employment Benefits from the Aquatic Centre Project**

Impact	Direct	Indirect	Consumption	Total
Output (\$M)	\$21.000	\$17.895	\$4.447	\$43.342
Employment (Jobs)	38	60	20	118
Wages and Salaries (\$M)	\$2.536	\$3.893	\$0.986	\$7.415
Value added (\$M)	\$5.058	\$6.675	\$2.366	\$14.099

- 4.1.6 Furthermore, the Aquatic Centre will provide employment for approximately 2.5 permanent employees and approximately 7 additional employees made up of reception, lifeguard and gym employees, who will predominantly be engaged on a casual basis, consistent with industry norms. The economic impacts of this are shown in Table Six.

**Table 6: Economic and Employment Benefits from the Aquatic Centre Project**

Impact	Direct	Indirect	Consumption	Total
Output (\$M)	\$0.870	\$0.435	\$0.210	\$1.514
Employment (Jobs)t	6	2	1	9
Wages and Salaries (\$M)	\$0.195	\$0.108	\$0.046	\$0.349
Value added (\$M)	\$0.372	\$0.177	\$0.111	\$0.661

## 4.2 Impact on Businesses in Proximity

- 4.2.1 The Aquatic Centre Project will result in the creation of a modern accessible regional aquatic centre offering fitness facilities with onsite crèche and a commercial kiosk; incorporating feature deck with views to wetland and open space surrounds.
- 4.2.2 There were 10 facilities identified in the Business Case within a 55Km radius offering some kind of pool and / or aquatics program, with only six of these offering aquatics programs. Whilst only two of these facilities have a standard sized 25 metre or 50 metre pool, two others offer aquatics programs and are generally accessible. Although all of these facilities are located more than 40 km from the proposed Project site there may be some negative impact on these businesses.
- 4.2.3 Six facilities offering health and fitness programs were identified in proximity to the Project site. According to the Business Case up to three of these may be negatively impacted by the Project.

4.2.4 There are also a number of facilities and businesses located within the general area whose activities may be enhanced by the Aquatic Centre Project, these include:

- Hotels, Motels and the McCracken Country Club;
- Short term accommodation providers; and
- Various Caravan Parks – Hindmarsh Island, Middleton, Port Elliot and Victor Harbor.

### 4.3 Competition

4.3.1 The operations of an Aquatic Centre may impact on competition in the local market place to the extent it will provide swimming and fitness services which are also provided by the private and public sector.

4.3.2 Only two of the aquatic facilities are deemed potential competitors and have a standard size 25 metre or 50 metre pool (Strathalbyn Community Swimming Pool and Noarlunga Leisure Centre) however both are located 43 km and 48 km respectively from the proposed Aquatic Centre (or more than 30 and 40 minutes respectively by car).

4.3.3 Three facilities offering fitness services in Victor Harbor and Goolwa may be negatively impacted by the operations of the Aquatic Centre.

4.3.4 According to the Business Case the Aquatic Centre will require an operating subsidy from the Councils, subject to the commercial arrangements with the operator (or operators) this may provide the operator with a potential benefit not available to its competitors.

## 5. COMMUNITY CONSULTATION

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

- (d) *the level of consultation with 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;*

### 5.1 Level of Consultation

5.1.1 Alexandrina has adopted a Public Consultation Policy dated 4th July 2011, Victor Harbor adopted a Public Consultation Policy dated 26th April 2000. These policies aim to ensure a planned and consistent approach to public consultation.

5.1.2 The consultation policies are in line with a commitment to open, accountable and responsive decision making achieved through effective communication and consultation between Council and the community. These policies require Council employees to adopt a governance based approach to determining the need for consultation to ensure greater transparency and accountability.

5.1.3 Alexandrina and Victor Harbor prepared community consultation plans for the consultation on the preferred location for the Aquatic Centre. The plans indicated the following channels were to be employed:

- The Alexandrina Council's online engagement tool, My Say, was the primary consultation tool, this incorporated a quick poll, a survey question and a forum question;
- Email and postal responses were also sought;
- Website links were provided from the My Say site to each Council website for Working Party minutes and notes and relevant Council agenda items, these were also available from Council Customer Service staff at Goolwa, Strathalbyn and Victor Harbor;
- Newspaper advertisements were placed in the front section of The Times and a secondary advertisement was placed in the public notices section;
- The councils would take the opportunity to promote the Aquatic Centre site consultation process through council publications, distribution networks and public presentations during the consultation period;
- A knowledge base entry was prepared for Customer Service staff with the consultation details, key messages and key documents;
- A list of frequently asked questions was published on the website

5.1.4 Alexandrina and Victor Harbor prepared a consultation plan to consult with the community on the concept plan, costings and impact on council rates for the Aquatic Centre Project over the period 7 – 28 March 2013. This plan largely followed the

same methodology employed for the site consultation process with the following additions:

- specific groups were targeted with a joint council letter from the Mayors seeking a formal response from the identified organisation and encouraging members to provide individual feedback; and
- information sessions were hosted by Council staff and Councillors to allow the community to speak directly to those involved in the decision making process. The sessions were held on the dates shown below;

<b>Alexandrina</b>	<b>Victor Harbor</b>
9 March 2013	7 March 2013
14 March 2013	9 March 2013
16 March 2013	16 March 2013

5.1.5 In addition to the planned consultation sessions, extra consultation sessions were held by the Councils. In particular there was a focus on consultation with local schools in their areas, with feedback forms being provided to school children as part of these consultation sessions.

5.1.6 Furthermore, 7,600 feedback forms were placed in the local newspaper. The Times, in week two of the consultation and consultation was undertaken with community groups at their request.

## 5.2 Community Influence

5.2.1 To date, the community has been provided with the opportunity to contribute to the Project through the consultation processes employed by the Alexandrina and Victor Harbor.

5.2.2 Community feedback was actively sought during the selection of the preferred site, on the concept plan and on the indicative average impact on council rates.

5.2.3 The Councils have received a number of letters of support from local schools, Surf Lifesaving South Australia, Swimming SA, ECH Inc. (who provide services to the elderly), Country Health SA, Victor Harbor Progress Association and a number of businesses including fitness centre operators.

5.2.4 The Development Application process will provide further consultation opportunities for the community to influence or contribute to the Project.

## 6. FINANCIAL ASSESSMENT

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

- (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;*

### 6.1 Revenue Production, Revenue Projections and Potential Financial Risks

6.1.1 The Business Case identified potential demand for services at the Aquatic Centre of:

- Total attendances of between 98,200 and 102,900, growing to a projected attendances of between 113,000 and 119,000 in 2026;
- Learn to swim classes of between 190 and 235 students;
- Approximately 35,600 attendances in aquatic therapy programs; and
- Health and fitness membership of at least 500.

6.1.2 Revenue is to be generated from each of the services, although the major sources are the aquatic centre which accounts for 58% of all revenue generated and the health and fitness area which accounts for 38% of revenue.

6.1.3 The methodology used to determine potential demand for swimming and health and fitness memberships was to use the 2011 Census population data as a base and apply either Australian Sports Commission 2010 Exercise, Recreation and Sport Survey data relating to participation in specific activities by age or the Australian Bureau of Statistics 2009 Survey of Children's Participation in Cultural and Leisure Activities data. This is a sound approach in the absence of detailed market research. A similar methodology has been used for aquatic therapy uses although the data is less accurate in this area.

6.1.4 The actual demand used for the purposes of calculating potential revenue required the application of judgement regarding the likely market share and how quickly the market share is achieved. The Business Case would be strengthened by detailed market research to confirm the demand estimates.

6.1.5 The Business Case assumes swimming attendances of 100,000 in 2017, for comparative purposes the Noarlunga Leisure Centre, which has a much larger catchment area, attracts approximately 380,000 swimming attendances per annum. The swimming attendances are based on achieving 50% of the market share estimate of total potential demand. The Business Case assumes demand commences at 80% of this figure, rising by 5% per annum. The initial demand for the Aquatic Centre facilities is likely to be high; the challenge will be for an operator to maintain the attendances at the target level.

- 6.1.6 The Business Case assumes health and fitness memberships of 500, which is 33% of the estimated un-serviced demand. Initial demand in year one is estimated at 90% of this level rising by 5% each year to achieve the target demand in year three.
- 6.1.7 The casual swimming attendance entry prices used in the Business Case are lower than those charged at metropolitan swimming pools, although they are higher than the Strathalbyn pool (which is an outdoor pool).
- 6.1.8 Prices for the health and fitness centre are based on a weekly membership fee of \$13 or a casual fee of \$15.
- 6.1.9 Kiosk revenue is based on industry experience and is estimated at 12% of casual swim attendance and health and fitness revenue. The assumption is reasonable.
- 6.1.10 Revenue projections assume an increase in patronage over years one to five which is a reasonable assumption, the revenue estimates are shown in Table Seven.

**Table 7: Aquatic Centre Revenue Estimates**

Source	Year 1	Year 2	Year 3	Year 4	Year 5
Aquatic Centre	\$436,233	\$460,180	\$483,738	\$506,905	\$529,682
Health & Fitness	\$286,517	\$302,435	\$318,352	\$318,352	\$318,352
Kiosk Gross Profit	\$28,985	\$30,541	\$32,079	\$32,835	\$33,571
<b>Total</b>	<b>\$751,735</b>	<b>\$793,156</b>	<b>\$834,169</b>	<b>\$858,092</b>	<b>\$881,605</b>

- 6.1.11 The potential financial risks associated with the Aquatic Centre Project include:
  - Revenue does not meet the Business Case forecasts;
  - Operating costs are greater than estimated in the Business Case;
  - Staffing levels are inadequate to operate the Aquatic Centre
  - Funding is not received from the Regional Development Australia grant application;
  - The offer of Regional Development Australia grant funding is less than the amount applied for;
  - An operator cannot be found for the Aquatic Centre, or its component facilities, at a commercially realistic price;
  - The Business Case financial projections do not appear to include a profit component for an operator; and
  - Construction costs exceed current pre-tender estimates.

6.1.12 Appropriate mitigation strategies have been developed to address these risks.

## 6.2 Recurrent and Whole-of-Life Costs, Financial Arrangements

- 6.2.1 The recurrent costs for the operation of the Aquatic Centre are forecast to commence at \$1,066,000 in year one. The major components of these costs are:
- Wages and salaries \$596,000 (53%); and
  - Utilities \$195,000 (17%); and
  - Management Fee \$60,000 (5%).
- 6.2.2 The cost of wages and salaries are considered to be lower than a council would be required to pay if it were required to be the operator.
- 6.2.3 Based on discussions with other operators of aquatic facilities the utilities provision appears reasonable given the requirement to heat two swimming pools to different temperatures.
- 6.2.4 The maintenance provision of \$32,500 is 3% of the operating budget and is intended to cover incidental maintenance, maintenance for the up-keep of the asset e.g. re-painting etc. is to be funded from the depreciation provision.
- 6.2.5 The capital budget for the construction of the Aquatic Centre Project is estimated to be \$21 million. This cost is a pre-tender estimate and has not been subjected to competitive processes.
- 6.2.6 Depreciation for the Project has been calculated on a straight line basis at the rate of 2.5% per annum. This rate is a hybrid intended to reflect the useful life of the building (50 years) and other assets (plant and equipment) which has a shorter useful life.
- 6.2.7 Lifecycle costing for the Project prepared for a period of 20 years on the assumption that \$13,000,000 is loan funded, is \$24,960,534 as shown in Table Eight.

**Table 8: Aquatic Centre Business Case Whole of Life Cost**

Source	Total
Depreciation	\$10,500,000
Accumulated Operating Performance	\$5,107,889
Average annual interest (6%)	\$9,352,650
<b>Total</b>	<b>\$24,960,539</b>

- 6.2.8 We note the estimated productive life of the Aquatic Centre is 50 years and have calculated the whole of life cost based on whether the Council's receive \$8,500,000 in external grant funding or not, these scenarios are shown in Table Nine.

**Table 9: Aquatic Centre Business Case Whole of Life Cost**

Source	No Grant Funding	Grant Funded
Capital Cost	\$21,000,000	\$21,000,000
Accumulated Operating Performance	\$9,864,169	\$9,864,169
Interest Repayments	\$15,108,125	\$8,992,931
<b>Total</b>	<b>\$51,728,574</b>	<b>\$39,857,100</b>

- 6.2.9 The Alexandrina Financial Statements recognise depreciation on Buildings and Other Structures based on useful life estimates of between 40 and 100 years. The Victor Harbor Financial Statements recognise the useful life of Buildings to be between 10 and 100 years. It would be appropriate for the Councils to adopt a common view regarding the useful life of the asset.
- 6.2.10 Funding for the Aquatic Centre Project is proposed to be sourced from a combination of contributions by the Councils, supplemented by grant funds from Regional Development Australia and a South Australian Sport and Recreation infrastructure grant (subject to the Council's being successful in securing RDA funding). The respective funding contributions are shown in Table Ten.

**Table 10: Aquatic Centre Project Proposed Funding Sources**

Source	Amount
Alexandrina Council	\$6,250,000
City of Victor Harbor	\$6,250,000
Regional Development Application Funding	\$8,000,000
South Australian Sport and Recreation infrastructure grant.	\$500,000
<b>Total</b>	<b>\$21,000,000</b>

- 6.2.11 It should be noted that the Aquatic Centre is forecast to require an operating subsidy from the Councils over the useful life of the asset, which is approximately 50 years.
- 6.2.12 This subsidy is forecast to commence at \$314,067 in year one, falling to \$191,876 in year five. In addition to this subsidy, the Council's will fund the cost of their individual financial contribution \$6,250,000 (assuming all grant funds are received) and depreciation on the asset.

### 6.3 Financial Viability

- 6.3.1 The operations of the Aquatic Centre are forecast to require an operating subsidy from the Councils over the useful life of the asset.
- 6.3.2 The amount of the operating subsidy is forecast to decline over time and will be influenced by the demand for the services provided at the Aquatic Centre which in turn will be influenced by the quality of the operator.
- 6.3.3 The subsidy is forecast to commence at \$364,067 in year one and decline to \$241,876 from year five onwards. The extent of the operating subsidy is dependent upon aquatic attendances and health and fitness membership which can be seen in the analysis of various demand scenarios below.

	Year One	Year Two	Year Three	Year Four	Year Five
Base Scenario	-\$364,067	-\$324,640	-\$285,621	-\$263,544	-\$241,875
Decrease 10%	-\$431,539	-\$396,128	-\$361,125	-\$341,453	-\$322,190
Decrease 20%	-\$499,012	-\$467,615	-\$436,629	-\$419,363	-\$402,506
Increase 10%	-\$296,595	-\$253,152	-\$210,118	-\$185,635	-\$161,561
Increase 20%	-\$229,123	-\$181,664	-\$134,614	-\$107,726	-\$81,246

- 6.3.4 Even if the capital cost was to increase by over 5% the Aquatic Centre Project is not considered to have any material impact on either Council's ability to achieve the key financial sustainability targets they have set.

## 7. PROJECT RISKS AND MITIGATION STRATEGIES

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (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);

### 7.1 Risk Management

- 7.1.1 Alexandrina and Victor Harbor have identified a number of risk management actions to be taken or which are being considered in relation to the Aquatic Centre Project. This report is not intended to be a comprehensive risk management plan, however a level of assessment has been undertaken on the identified risks and the mitigations that have been developed.
- 7.1.2 The standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines is to be used as the basis for risk management throughout the design, construction and administration of the Project.
- 7.1.3 In accordance with Alexandrina and Victor Harbor Risk Management Policies a specific Aquatic Centre Project Risk Register has been prepared and will be maintained throughout the project. The Project Risk Register identifies risks and specifies how they are to be managed and monitored.
- 7.1.4 The severity of each risk has been determined using a Consequence rating Likelihood rating and a Quantitative risk analysis matrix based on the Alexandrina Risk Management Policy.
- 7.1.5 There were 52 risks identified and assessed for the Project with mitigation strategies developed for each of these risks. The level of risk associated with the risks, prior to and post treatment, as classified in the Risk Assessment, contained in the Risk Register Plan is shown in Table Eleven.

**Table 11: Risk Assessment Category Summary**

Risk	Pre -Treatment				Post- Treatment			
	Extreme	High	Moderate	Low	Extreme	High	Moderate	Low
Finance and Funding	4	6	1		1	2	8	
Planning & Approvals		2	4				1	5
Land Acquisition				4				4
Community Support	1	2	1			1	2	1
Design		2	4					6
Construction		1	6	4		1	2	8
Management		8	2				4	6

7.1.6 We note only that after application of the identified treatment one risk, the failure to secure grant funding remains rated as extreme, whilst 4 risks have a high rating, these are:

- Failure to achieve RDAF round 4 grant funding;
- Cost estimates increase beyond budget;
- Changes in the cost estimates and the impact on the financial model; and
- Weather and seasonal implications.

## 7.2 Risk Mitigation

7.2.1 The Councils have identified a requirement for the Fleurieu Regional Aquatic Centre Project Managers to nominate a Project Quality Manager and together they will develop a Project Quality Management Plan to build quality into all project process and deliverables through Quality Planning, Quality Control and Quality Assurance. The delivery of the Project within this framework will assist with risk mitigation.

7.2.2 The Project Quality Management Plan will include a number of management systems to be employed throughout the design and construction phases to:

- ensure compliance with standards and legislation,
- provide quality outcomes,
- facilitate document control; and
- regulate cost management.

7.2.3 Reporting protocols should also be established for the Aquatic Centre Project to ensure the Chief Executive Officer or City Manager, where appropriate, the individual Councils are apprised of areas of risk.

7.2.4 Alexandrina and the Victor Harbor should ensure that the mitigation strategies identified for the risks associated with the Aquatic Centre Project are implemented and that these are progressively updated as the project is implemented.

## 8. PROJECT DELIVERY

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

*(i) the most appropriate mechanisms or arrangements for carrying out the project.*

### 8.1 Project Management Plan

8.1.1 Alexandrina and Victor Harbor have established a joint Project Control Group to provide staff support to the Working Group to progress the project at the direction of the Councils. The need to prepare a Project Management Plan, to satisfy the RDAF R4 Guidelines has been identified, this Plan requires the following detail:

- Project Objectives: the outputs of the project, the infrastructure to be delivered and the benefits to be realised.
- Project Scope: project inclusions and exclusions, geographical location, business units involved in implementation, project prerequisites and assumptions and the completion criteria.
- Governance and Organisational Structures: the project organisational structure, with role and responsibilities definition.
- An Operational approach for the Execution of the Project: timelines, milestones and key activities.
- Resourcing: staffing and physical resources required, and how these will be applied to the project.
- Resource Management: staffing, contractor and resources required to complete the project. Arrangements to procure resources should be described.
- Project Quality: strategy to ensure quality construction and project delivery.
- Project Communication Strategy: the formal and informal communication strategies to engage with stakeholders and other interested parties.
- Financial Management: detailed budgets for the project, aligned to scheduled project milestones.
- Approvals: approvals which are in place and still to be obtained, as well as a strategy and timeline to finalise all outstanding approvals.
- Compliance: the processes to ensure that the activities undertaken comply with all requirements, and arrangements to monitor compliance.
- Audit and performance reporting: arrangements and time frames for internal reviews and audits.

8.1.2 The Project Management Plan will provide the foundation for identifying how the Project is to be procured and delivered.

## 8.2 Project Construction Options

8.2.1 The Councils have identified and considered the advantages and disadvantages of three main procurement models for this type of project, these models are:

- Traditional 'lump sum' procurement model;
- Construction management procurement model; and
- Design and construct procurement model.

8.2.2 For completeness the range of construction options available are detailed below. Each option has different advantages and disadvantages depending on the circumstances of a particular project.

- Construct only (traditional procurement);
- Design and Construct;
- Managing Contractor e.g. Construction Manager or Prime Contractor;
- Design, Build, Maintain (DBM);
- Design, Build, Operate, Maintain (DBOM); and
- Build, Own, Operate, Transfer (BOOT).

8.2.3 The scope of these procurement options is detailed in Table Twelve.

**Table 12: Construction Procurement Method Elements**

Procurement Method	Project Element				
	Detailed Design	Construction	Operation	Maintenance	External Funding
Construction		Yes			
Design and Construct	Yes	Yes			
Managing Contractor	Yes	Yes			
Design, Build Maintain	Yes	Yes		Yes	
Design, Build Operate, Maintain	Yes	Yes	Yes	Yes	
Build, Own, Operate and Transfer	Yes	Yes	Yes	Yes	Yes

8.2.4 Consideration of the most appropriate method should take account of the following factors.

- Whether an external contractor is required to undertake the design phase (this would eliminate the construction only option).
- The design and construct method has lower construction risk but more complex tender evaluation requirements than the Managing Contractor method.
- If on-going operation or maintenance is required either the DBM or DBOM options may be appropriate.
- If any additional external funding, other than the grant funding already secured, is required (thus the BOOT arrangement would need to be considered).

8.2.5 A final decision on the procurement model will be made during the detailed planning phase.

### 8.3 Project Procurement Plan

8.3.1 Alexandrina has a Contracts, Tenders and Purchasing Policy (adopted 17 October 2011) which applies to all procurement processes and activities undertaken by Council, including ordering, purchasing, tendering and contracting.

8.3.2 Victor Harbor has a Procurement Policy (adopted 28 June 2008) which applies to all procurement processes and activities undertaken by Council, including ordering, purchasing, tendering and contracting.

8.3.3 The Councils are required to undertake procurement and contract management in accordance with legislative requirements and their policies.

8.3.4 The Aquatic Centre Project will have a number of procurement implications relating to the delivery of the Project.

8.3.5 The Councils should ensure their respective policies are followed for the Aquatic Centre Project or, in circumstances where the policy and / or procedure is to be departed from the reasons for the departure are noted and recorded.

## 9. CONCLUSION

- 9.1 This report has been prepared to meet the requirements of Section 48 of the Local Government Act and to provide Council with a comprehensive understanding of the prudential issues relating to Aquatic Centre Project.
- 9.2 The Aquatic Centre Project is consistent with the strategic directions and desired outcomes as outlined in the Alexandrina and Victor Harbor strategic management plans. The Project would also advance a number of the priorities and assist in the achievement of a number of the targets identified in the State Strategic Plan.
- 9.3 The Project will require approval under the Alexandrina Council Development Plan. The development is non-complying but appears to be consistent with the form of development envisaged for the Residential Zone it is located within.
- 9.4 Extensive multi-channelled community consultation has been undertaken which has provided the community with the opportunity to influence the Aquatic Centre Project. The community will also be afforded further opportunities to do so during the development assessment process.
- 9.5 The Alexandrina Council Infrastructure and Asset Management Plan and the Victor Harbor Council Capital Works Program 2012 – 2022 will need to be updated to reflect the Aquatic Centre asset and maintenance obligations once the Aquatic Centre is constructed.
- 9.6 Capital and future operating subsidies associated with the Aquatic Centre are provided for within the Alexandrina and Victor Harbor Long Term Financial Plans.
- 9.7 The Aquatic Centre Project is contained in the Alexandrina Long Term Financial Plan as a specific project and there is sufficient general capital project allocation within the Victor Harbor Plan to conclude that the Project will not materially affect the individual Council's ability to remain within the financial parameters they have established within their Long Term Financial Plans.
- 9.8 As the Project is a 'greenfields' development the demand for the swimming pool and health and fitness facilities is difficult to accurately determine, we suggest detailed market research would provide more certainty around the assumptions which underpin the Business Case.
- 9.9 Work has been carried out to formalise the risks associated with the Aquatic Centre Project through the creation of a Risk Management Plan and Risk Register. The Councils should ensure that the appropriate mitigation strategies are implemented for the risks associated with the project and that these are progressively updated through the Risk Register as the project is implemented.
- 9.10 The procurement and delivery arrangements for the Aquatic Centre Project have not yet been determined, although various construction procurement models have been identified and considered. Determining the most appropriate model will occur during the detailed planning phase. Each Council has established procurement policies which must be followed during the procurement phase.

## APPENDIX ONE - COUNCIL RESOLUTIONS

### Alexandrina Council

21 May 2012

#### 28. OFFICE OF THE CHIEF EXECUTIVE – REPORTS

##### 28.1 Regional Aquatic Centre Site Selection

**ACS1293 Moved Cr Stanley-Murray Seconded Cr Oliver**

1. That Council proceed to public consultation on the selection of a site, noting that the site owned by Environmentally Sustainable Developments (the Beyond Development) at Hayborough is the preferred site of a joint meeting between the two Councils, for the future development of an aquatic centre.
2. That subject to the support and endorsement of the City of Victor Harbor of the Environmentally Sustainable Developments site as the preferred site, that Council advise the owners that the Councils have a preference for their site.
3. That the Chief Executive, in conjunction with the City Manager – City of Victor Harbor, prepare a community engagement plan.
4. That Council in conjunction with the City of Victor Harbor proceed to public consultation in July and to conclude in early August.

**CARRIED**

3 September 2012

#### 21. OFFICE OF THE CHIEF EXECUTIVE – ITEMS FOR COUNCIL DECISION

##### 21.1 Regional Aquatic Centre – Preferred Site Consultation Report

**ACF12241 Moved Cr Gardner Seconded Cr Stanley-Murray:**

Council acknowledges the significant community feedback which indicated overwhelming support for the preferred site. Council notes the City of Victor Harbor resolution of 27 August 2012 regarding the Regional Aquatic Centre preferred site and resolution to prepare a fully costed business case. Council authorises the Mayor and Chief Executive, in conjunction with City of Victor Harbor to negotiate the terms and, if negotiations prove successful, to sign and seal a Heads of Agreement with Environmentally Sustainable Developments and prepare a fully costed business case for the project.

**CARRIED**

5 November 2012

#### Regional Aquatic Centre Joint Working Party

**ACF12295 Moved Cr Oliver Seconded Cr Woolford:**

That the report be received.

**CARRIED**

**18 February 2013**

**Regional Aquatic Centre Joint Working Party**

**ACM1363 Moved Cr Gardner                      Seconded Cr Woolford:**

1. That Council receive and note the Regional Aquatic Centre Joint Working Party notes and proposed actions from the meeting of 18 December 2012 and draft notes and proposed actions from the meeting of 24 January 2013.
2. That Council note and endorse the actions of both the Joint Working Party and the Project Control Group (PCG) taken to date, including the submission of an Expression of Interest for funding through the Regional Development Australia Fund Round 4, appointment of architectural firm Brown Falconer to undertake preliminary design work and the appointment of SGL Consulting Group as the consultant to prepare a Regional Aquatic Centre Business Case.
3. That Council authorise the Chief Executive to sign the Heads of Agreement and Option Agreement.

**CARRIED**

**4 March 2013**

**1.2      Regional Aquatic Centre Draft Concept Plans and Project Costing**

**SMC2 Moved Cr Oliver                      Seconded Cr Gartrell:**

That Council proceed to public consultation on the South Coast Regional Aquatic Centre concept plans, preliminary costs and anticipated impact on rates subject to City of Victor Harbor making the same resolution, and that a further report be presented to Council detailing the results of the public consultation.

**CARRIED UNANIMOUSLY**

Council acknowledged the work undertaken by staff in progressing this anticipated project.

## City of Victor Harbor

Monday 21 May 2012

### 4.1 Regional Aquatic Centre

SC 12/0045 Regional Aquatic Centre

**Moved Cr. P Lewis**

**Seconded: Cr: K Dutton**

1. That Council endorse the selection of the site owned by Environmentally Sustainable Developments (the Beyond Development) as the preferred site for the future development of an aquatic centre.
2. That subject to the support and endorsement of the Alexandrina Council of the Environmentally Sustainable Development's site as the preferred site, that Council advise the owners that the Councils have a preference for their site.
3. That the City Manager, in conjunction with the Chief Executive of Alexandrina Council, prepare a community engagement plan.
4. That Council in conjunction with the Alexandrina Council proceed to public consultation in July and to conclude in early August 2012.
5. That Council extend thanks to Environmentally Sustainable Developments for their generous offer of land for this proposal.

**CARRIED**

Monday 27 August 2012

OC12/0455 Regional Aquatic Centre

**Moved: Cr IC Dutton**

**Seconded: Cr P Chigwidden**

That Council acknowledge the significant community feedback which indicated overwhelming support for the preferred site. Subject to a similar resolution from Alexandrina Council, Council authorises the Mayor and City Manager, in conjunction with Alexandrina Council, to sign and seal a Heads of Agreement with Environmentally Sustainable Developments and prepare a fully costed business case, including project scoping, design, costing and funding options for the project.

**CARRIED**

Tuesday 29 January 2013

**OC13/0028 Fleurieu Regional Aquatic Centre**

**Moved: Cr K Dutton**

**Seconded: Cr T Telfer**

1. That Council received and note the Regional Aquatic Centre Joint Working Party notes and proposed actions from the meeting of 18<sup>th</sup> December 2012.
2. That Council note and endorse the actions of both the Working Party and the Project Control Group taken to date including the submission of an Expression of Interest for funding through the Regional Development Australia Fund, appointment of an Architectural firm to undertake preliminary design work and the invitation for a consultant to prepare a Regional Aquatic Centre Business Case.

**CARRIED**

Tuesday 29 January 2013 Ordinary Council Minutes

12. **MATTERS OF URGENCY**

12.1 **Regional Aquatic Centre – Heads of Agreement/Option Agreement**

**OC13/0032 Regional Aquatic Centre – Heads of Agreement/Option Agreement**

**Moved: Cr D Hall**

**Seconded: Cr P Lewis**

That, subject to the concurrence of the Alexandrina Council, Council authorise the Mayor and City Manager to sign and seal the Heads of Agreement and Option Agreement for the land being gifted to the Victor Harbor and Alexandrina Councils by the Wright Family (Grove One Pty Ltd) for the development of the Fleurieu Regional Aquatic Centre.

**CARRIED**

4 March 2013 - Special Council

**SC 13/0000 South Coast Regional Aquatic Centre**

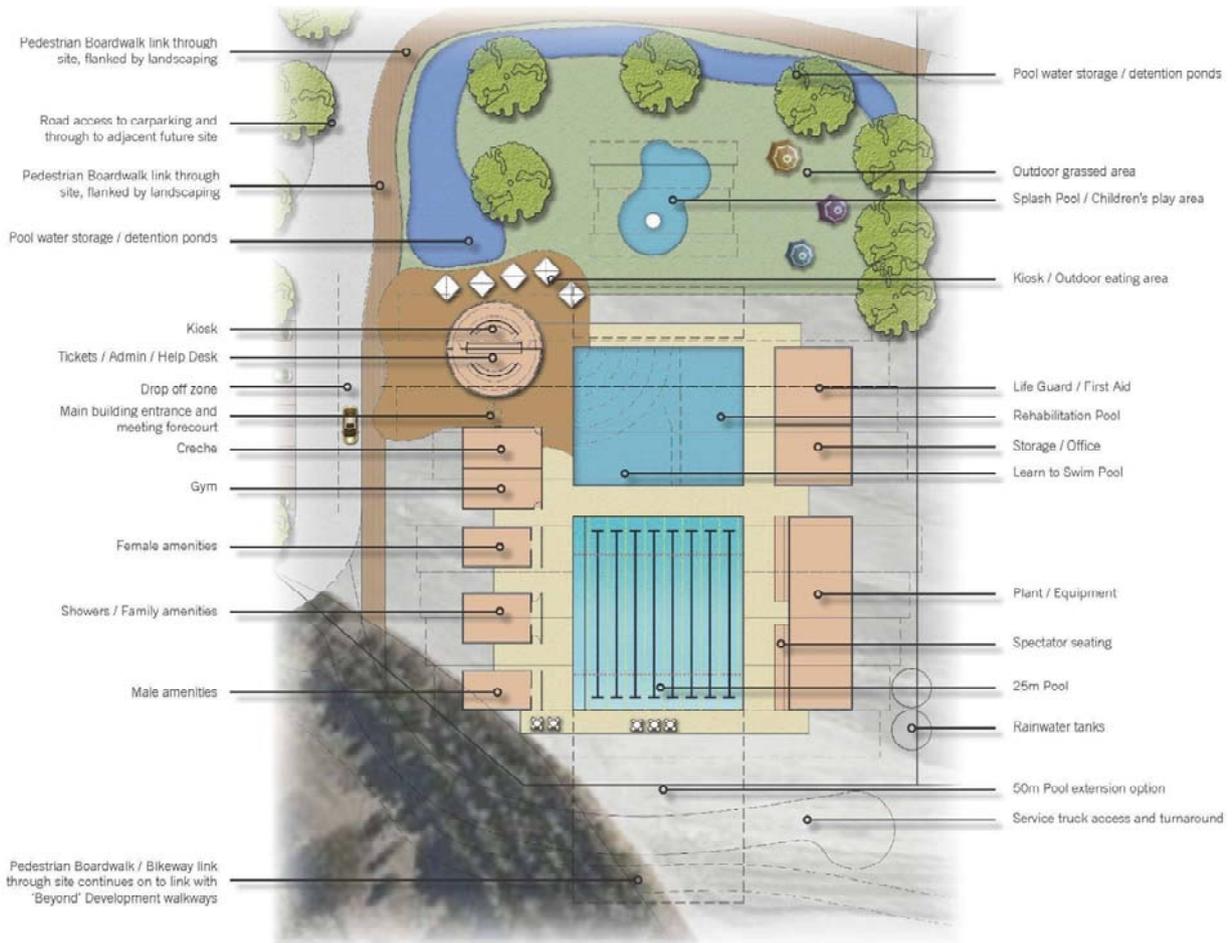
**Moved: Cr D Shepherd**

**Seconded: Cr D Hall**

That Council proceed to public consultation on the South Coast Regional Aquatic Centre concept plans, preliminary costs and anticipated impact on rates subject to Alexandrina Council making a similar resolution, and that a further report be presented to Council on the results of the community consultation.

**CARRIED**

## APPENDIX TWO - AQUATIC CENTRE CONCEPT PLANS





## APPENDIX THREE - LOCAL GOVERNMENT ACT, 1999 - SECTION 48

### Section 48 – Prudential requirements for certain activities

- (1) A council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
  - (a) engages in a commercial project (including through a subsidiary or participation in a joint venture, trust, partnership or other similar body) where the expected recurrent or capital expenditure of the project exceeds an amount set by the council for the purposes of this section; or
  - (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 expenditure 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 ensuing five years is likely to exceed \$4,000,000.
- (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 market place;
  - (d) the level of consultation with 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.
- (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).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (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).
- (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.