

10.1.2 Recreation and Aquatic Facility

Location:	Collier Park Golf Course
Ward:	Moresby Ward
Applicant:	Not Applicable
File Ref:	D-21-64437
Meeting Date:	24 August 2021
Author(s):	Rebecca de Boer, Advisor - RAF Beverley Davies, Project Director - RAF
Reporting Officer(s):	Mark Taylor, Director Infrastructure Services
Strategic Direction:	Community: A diverse, connected, safe and engaged community
Council Strategy:	1.2 Community Infrastructure

Summary

This report provides an overview of the decisions required by Council to provide greater confidence and certainty when making future decisions on the Recreation and Aquatic Facility project. A decision to commence Concept and Schematic Design and the procurement process for Naming Rights will significantly de-risk the project, improve financial certainty and ensure the RAF project remains on schedule.

Officer Recommendation

Moved: Councillor Carl Celedin
Seconded: Councillor Samantha Bradder

That Council:

1. Approves \$1.02 million from the Community and Facilities Reserve to the Recreation and Aquatic Facility budget (to a total budget of \$1.42 million), to complete Concept and Schematic design for the Recreation and Aquatic Facility;
2. Endorses commencing the procurement process for a Naming Rights partner; and
3. Notes the outcome of the procurement process for the Naming Rights partner will be presented to Council for endorsement.

Absolute Majority required

Amendment

Moved: Councillor Stephen Russell
Seconded: Councillor André Brender-A-Brandis

That recommendation 1 be amended as follows:

- "1. Conditionally approves \$1.02 million from the Community and Facilities Reserve to the Recreation and Aquatic Facility budget, to complete*

*Concept and Schematic design for the Recreation and Aquatic Facility.
The approval conditions are:*

- a. *The State Government publicly commits to contribute financially towards the capital costs of the project to a minimum to match that of the Federal Government's funding agreement of \$20 million.*
- b. *A State Government letter of intent or similar instrument covering (a) to be provided to the City."*

Reasons for Change

The reasons for change are as follows:

1. In agreement with the Officer's report that the RAF business model already demonstrates that the RAF will be financially viable and self-sustaining, then it is the opinion that sufficient approved works have been & will be performed by the City to demonstrate to the State Government that the RAF is financially and technically viable to allow for a financial commitment to be put in place.
2. This financial commitment is necessary to reduce the City's exposure of funding a \$1.02 million design works package without sufficient in principle stakeholder agreements in place to meet a level of confidence that the capital works costs will be met.

The amendment was put and declared LOST (2/7)

For: Councillors André Brender-A-Brandis, Stephen Russell.

Against: Mayor Greg Milner and Councillors Samantha Bradder, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas.

Amendment

Moved: Mayor Greg Milner

Seconded: Councillor Glenn Cridland

That Council:

1. Defers consideration of transferring funds of \$1.02 million from the Community and Facilities Reserve to the Recreation and Aquatic Facility budget (to a total budget of \$1.42 million), to complete Concept and Schematic design for the Recreation and Aquatic Facility until:
 - a. The City submits a formal funding proposal to the State Government for the RAF as soon as practicable.
 - b. A report is presented to Council by December 2021 on the progress of any funding commitments from the State Government and other parties.
2. Endorses commencing the request for information process for a Naming Rights partner; and
3. Notes the outcome of the request for information process for the Naming Rights partner will be presented to Council for consideration.

During consideration of the Amendment, Mayor Greg Milner moved that the operation of Standing Orders be suspended.

0821/143

COUNCIL DECISION

Moved: Mayor Greg Milner
Seconded: Councillor Carl Celedin

In accordance with Clause 17.1 of the City of South Perth Standing Orders Local Law 2007, the operation of Standing Orders be suspended.

CARRIED (9/0)

For: Mayor Greg Milner and Councillors André Brender-A-Brandis, Samantha Bradder, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas, Stephen Russell.

Against: Nil.

0821/144

COUNCIL DECISION

Moved: Mayor Greg Milner
Seconded: Councillor Glenn Cridland

In accordance with Clause 17.1 of the City of South Perth Standing Orders Local Law 2007, the operation of Standing Orders be reinstated.

CARRIED (9/0)

For: Mayor Greg Milner and Councillors André Brender-A-Brandis, Samantha Bradder, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas, Stephen Russell.

Against: Nil.

0821/145

Amendment

Moved: Mayor Greg Milner
Seconded: Councillor Glenn Cridland

That Council:

1. Defers consideration of transferring funds of \$1.02 million from the Community and Facilities Reserve to the Recreation and Aquatic Facility budget (to a total budget of \$1.42 million), to complete Concept and Schematic design for the Recreation and Aquatic Facility until:
 - a. The City submits a formal funding proposal to the State Government for the RAF as soon as practicable.
 - b. A report is presented to Council by December 2021 on the progress of any funding commitments from the State Government and other parties.

2. Endorses commencing the request for information process for a Naming Rights partner; and
3. Notes the outcome of the request for information process for the Naming Rights partner will be presented to Council for consideration.

Reasons for change:

The consideration of the funding for the concept and schematic design should occur after the State Government has had an opportunity to consider the formal funding proposals.

The amendment was put and declared CARRIED (6/3) and formed part of the substantive motion

For: Mayor Greg Milner and Councillors Samantha Bradder, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas.

Against: Councillor André Brender-A-Brandis, Carl Celedin, Stephen Russell.

0821/146**Amended Substantive Motion AND COUNCIL DECISION**

Moved: Councillor Carl Celedin

Seconded: Councillor Samantha Bradder

That Council:

1. Defers consideration of transferring funds of \$1.02 million from the Community and Facilities Reserve to the Recreation and Aquatic Facility budget (to a total budget of \$1.42 million), to complete Concept and Schematic design for the Recreation and Aquatic Facility until:
 - a. The City submits a formal funding proposal to the State Government for the RAF as soon as practicable.
 - b. A report is presented to Council by December 2021 on the progress of any funding commitments from the State Government and other parties.
2. Endorses commencing the request for information process for a Naming Rights partner; and
3. Notes the outcome of the request for information process for the Naming Rights partner will be presented to Council for consideration.

The amended substantive motion was put and declared CARRIED (8/1)

For: Mayor Greg Milner and Councillors Samantha Bradder, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas, Stephen Russell.

Against: Councillor André Brender-A-Brandis.

Background

At its meeting held 27 July 2021, Council noted the actions taken to date by the City to address the areas of further development identified by the Peer Review of the RAF Business Case documents (Operational Feasibility Report and Project Definition Plan) undertaken by Deloitte and Warren Green Consulting (WCG).

The areas for further development included a detailed functional brief, quantitative risk assessment and an operator market sounding.

In addition, the report concluded with comment about future actions required to progress the RAF project that will require Council approval, including:

- Proceeding to Concept and Schematic Design, which will provide additional certainty to Council about the financial and operational assumptions of the RAF project and inform future decision making. It also ensures the RAF project remains on schedule and provides greater confidence to potential funding partners about the project.
- Pursuing naming rights to create an additional revenue stream for the RAF and the City, further strengthening the financial viability of the RAF and City finances.

Comment

Concept and Schematic Design

Concept and Schematic Design will further refine the design of the RAF, provide more detailed information about project design and costs and test the RAF Business model and operational financials. The information provided to Council at the completion of Concept and Schematic Design will inform future decision making by Council about the RAF.

The project stages to date (Site Selection, Operational Feasibility, Project Definition and Business Case) have focussed on broadly defining the main uses (business units and sporting entities) of the RAF, including their general spatial requirements to inform the approximate size and scale of the RAF, together with its general layout and interface, in order to test the operational viability and develop a coordinated approach to the facility.

The Concept Design stage will focus on the project detailed functional brief and develop the Business Case spatial layouts to ascertain functional areas, building positioning and overall appearance. Stakeholder input will aid in the design process together with direction and review from the project design and technical consultants.

There will be a further project cost analysis undertaken at the completion of Concept Design to aid in further design engineering at the Schematic Design Stage.

During the Schematic Design stage, the detailed functional brief will translate into detailed plan formats to include the internal and external building layout and building appearance with potential input from the operator, specialist technical consultants and stakeholders. It will include civil and structural design elements and detail regarding Building Services (Plant) integration (for example, mechanical and electrical) together with a design and cost appraisal of life cycle costs verses capital spend and construction with regards to staging, material, renewal and environmental control. There will be another project cost analysis undertaken at the completion of Schematic Design.

Concept and Schematic Design will further refine and test the RAF Business model and operational financials, together with refining project costs and contingency allocations. Refer to **Attachment (a)** – Summary of Scope of Works for Design Stages.

More detailed plans and further refinement of the RAF Business model will be of benefit to potential funding partners, such as the State Government and the future Operator, and assist with the procurement of naming rights. By commencing Concept and Schematic Design, Council will support project delivery and ensure the RAF project remains on schedule.

The information from the Concept and Schematic Design stages will assist Council with the next decision on the RAF project - whether to proceed, or not to proceed, to Detailed Design.

Procurement of Exclusive Naming Rights

The July Council Report highlighted a potential revenue stream for the RAF not previously incorporated into the RAF Business model. Preliminary analysis of naming rights undertaken by the City (and the subject of a confidential briefing to Council) indicates there is considerable financial benefit in securing a long-term appropriate partner for exclusive naming rights for the RAF.

Given the nature of the proposed RAF and the scale and mix of potential facilities and services, naming rights for the RAF is likely to be an attractive proposition to a range of corporate or not for profit entities. Being the 'first' naming rights partner also provides additional value (and potential monetary return) to the process.

There are several high-profile examples of naming rights being sold in Western Australia (WA), for example, Optus Stadium (Perth), RAC Arena (Perth) and HBF Arena (Arena Joondalup). Other examples from WA include:

- East Fremantle Oval – known as *New Choice Homes Park* under naming rights agreement with New Choice Homes; and
- Fremantle Oval – known as *Fremantle Community Bank Oval* under naming rights agreement with the Fremantle Community Bank.

In each of the WA examples, naming rights were 'sold' to provide additional, ongoing revenue to the venue. The brands receive increased recognition and awareness through the naming rights agreement.

The respective local governments for the East Fremantle Oval and Fremantle Oval through their respective lease agreements gave permission for the tenant (local football club) to sell the naming rights of the ovals.

HBF Arena (City of Joondalup) is another example of a local government leisure centre that has sold its naming rights, noting that the naming rights were sold by Venues West in their capacity as facility manager.

Typically, naming rights are awarded to a corporate entity through a competitive procurement process in exchange for financial reward over a designated time period (usually 5-10 years). The City, in conjunction with specialist consultants and lawyers, will work closely with Council to determine an appropriate framework for selecting a naming rights partner and the condition and terms for the agreement. Furthermore, Council will have absolute discretion to accept or reject the successful bid once the procurement process is complete.

A decision by Council to pursue naming rights provides confidence to prospective bidders to participate in the procurement process. Undertaking a Naming Rights procurement process will also enable the City to determine the value of the potential additional revenue it will generate to inform future decision making about the RAF project.

Decisions for Council

The purpose of the officer recommendation presented in this report is to significantly 'de-risk' the RAF Project and provide Council with more detailed information to guide future decision making. The officer recommendation does not bind Council to proceeding to with the RAF Project.

A decision to proceed with Concept and Schematic design is an investment in due diligence as it will further test and refine the RAF Business model. It also addresses the outstanding item of the Peer Review into the RAF Business Case documents to prepare a 'detailed functional brief' for the RAF.

Concept and Schematic Design will provide additional insight to stakeholder needs and requirements for the RAF, thus giving greater confidence in the operational viability of the RAF. It will also assist the City in the upcoming RAF procurement processes for Exclusive Naming Rights, RAF Operator and Private Sector/other funding. The additional detail provided from these stages will give greater confidence and information to potential funding partners (commercial and Government), especially as the City will be seeking a capital contribution from the Operator and is engaged in ongoing discussions with the State Government.

The RAF Business model already demonstrates that the RAF will be financially viable and self-sustaining. The Concept and Schematic Design stages will further test and refine the RAF Business model. Proceeding with the procurement of exclusive naming rights will provide greater financial certainty and assurance, in addition to creating a non-rate revenue stream for the City. The information provided by each of these processes will assist Council with the next decision for the RAF Project (Stage 5 - Detailed Design) and future decision making.

Consultation

Councillors received two concept briefings on 3 and 10 August 2021 about matters contained in this report.

Policy and Legislative Implications

The procurement process for exclusive naming rights for the RAF will be conducted in accordance with the *Local Government Act 1995*. The City will seek legal advice from Jackson McDonald Lawyers (City lawyers) when designing the procurement process and appoint a Probity Advisor to oversee the procurement process.

Financial Implications

There is currently \$400,000 allocated in the 2021/22 budget for the RAF project, for City costs and project consultants for Stage 2 and for preparatory work for the commencement of Stage 3. This includes preparation of tender documentation for the procurement of the operator, private sector funding and naming rights and other procurement processes.

As Council has not authorised the City to proceed to Design, it does not include the costs associated for specialist consultants specifically for these Design stages:

- Concept Design (Stage 3) with associated cost of \$502,000
- Schematic Design (Stage 4) with associated cost of \$517,000

10.1.2 Recreation and Aquatic Facility

A budget adjustment of \$1.02 million is required should Council accept the officer recommendation. Funds are recommended to be allocated from the Community Facilities Reserve.

Strategic Implications

This matter relates to the following Strategic Directions identified within Council's [Strategic Community Plan 2020-2030](#):

Strategic Direction: Community
Aspiration: A diverse, connected, safe and engaged community
Outcome: 1.2 Community Infrastructure
Strategy: 1.2.3 Plan for and promote the development of recreation and aquatic facilities to service City of South Perth needs

Strategic Direction: Leadership
Aspiration: A visionary and influential local government
Outcome: 4.3 Good Governance
Strategy: 4.3.3. Maximise and diversify non-rate income

Attachments

10.1.2 (a): Summary of Scope of Works for Design Stages