

AGENDA.

Special Council Meeting

1 November 2022

Notice of Meeting

Mayor and Councillors

The next Special Council Meeting of the City of South Perth Council will be held on Tuesday 1 November 2022 in the City of South Perth Council Chamber, corner Sandgate Street and South Terrace, South Perth commencing at 6.00pm.

The purpose of the meeting is to:

Consider the scope and timing of the proposed Recreation and Aquatic Facility (RAF) project.



MIKE BRADFORD
CHIEF EXECUTIVE OFFICER

28 October 2022

Acknowledgement of Country

Kaartdjinin Nidja Nyungar Whadjuk Boodjar Koora Nidja Djining Noonakoort kaartdijin wangkiny, maam, gnarnk and boordier Nidja Whadjuk kura kura.

We acknowledge and pay our respects to the traditional custodians of this land, the Whadjuk people of the Noongar nation and their Elders past and present.

Our Guiding Values



Disclaimer

The City of South Perth disclaims any liability for any loss arising from any person or body relying on any statement, discussion, recommendation or decision made during this meeting.

Where an application for an approval, a licence or the like is discussed or determined during this meeting, the City warns that neither the applicant, nor any other person or body, should rely upon that discussion or determination until written notice of either an approval and the conditions which relate to it, or the refusal of the application has been issued by the City.

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Special Council Meeting - Agenda

1. DECLARATION OF OPENING
2. ANNOUNCEMENTS FROM THE PRESIDING MEMBER
3. ATTENDANCE
 - 3.1 APOLOGIES
 - 3.2 APPROVED LEAVE OF ABSENCE
 - Councillor Glenn Cridland for the period 25 October 2022 to 1 November 2022 inclusive.
4. DECLARATION OF INTERESTS
5. PUBLIC QUESTION TIME
6. DEPUTATIONS

7. REPORTS

7.0 STRATEGIC DIRECTION 1: COMMUNITY

7.0.1 Recreation and Aquatic Facility

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Summary

This report provides an update on the City's proposed Recreation and Aquatic Facility (RAF) and provides an overview of options for consideration by Council. It also considers the petition lodged by Mr George Watts at the September 2022 Ordinary Council Meeting (OCM) titled 'Support for the Recreation and Aquatic Facility (RAF)'.

Officer Recommendation

That Council:

1. Requests the CEO to:
 - a. develop a masterplan for the Collier Park Golf Course (CPGC) site consistent with the City's Strategic Community Plan (2021-31)
 - b. revise the scope and delivery of the RAF Project so that it can be delivered through three independent and financially viable stages consisting of: Stage 1 – Indoor Aquatics + Recreation, Stage 2 – Indoor Playing Courts + further golf course redevelopment, Stage 3 – Outdoor Pool
 - c. update the RAF Operational and Financial models, including funding strategies to reflect the staged approach
 - d. provide detailed analysis to Council about the financial impact of the proposed Stage 1 on the City's finances and proposed timing of the staged approach
 - e. continue engagement and advocacy with the State Government and other potential funding partners, including potential RAF operators, regarding funding arrangements for all RAF Project stages
 - f. continue to update stakeholders and the South Perth community about the proposed staging of the RAF project
 - g. report to Council on above matters no later than March 2023.
2. Allocates \$185,000 from the Community Facilities Reserve to the Recreation Aquatic Facility Preliminary Cost project account for the purposes of conducting works outlined in the report.

Absolute Majority Required for Officer Recommendation 2

Background

This section of the report is divided into three parts:

- Part 1 – RAF Project Update
- Part 2 – ‘Support for the Recreation and Aquatic Facility (RAF)’ Petition
- Part 3 – Options for Council

Part 1 - RAF Project Update

Community interest in the RAF Project has grown since the June 2022 Ordinary Council Meeting (OCM). Deputations to both the June and September 2022 OCMs made reference to the lack of community sport and recreation facilities across the City. Council heard from young children, parents with children and older people about the need for a facility which supports health, recreation and builds community. Some of the deputations also raised concerns about the overall cost of the RAF Project and the potential impact on the Collier Park Golf Course (CPGC). Since June 2022 the number of questions about the RAF during Public Question Time at Council Meetings has increased.

The City has been notified by the Federal Government that it is technically ‘in breach’ of the Federal Funding Agreement (FFA) for the aquatic elements of the RAF as a Project Manager (PM) has not been appointed to the RAF Project. The City is working with the Commonwealth to rectify this breach. Revised milestones for the FFA, including when a PM might be appointed, must be submitted to the Federal Government no later than mid December 2022.

At the September 2022 OCM, Council resolved to request the Chief Executive Officer (CEO) to write letters to representatives of the State Government (the Hon. Minister Templeman, Mr Geoff Baker MLA and the WA Department of Treasury) seeking reasons why State Government funding for the RAF Project has not been forthcoming. At the time of publication, the City had not received a response to these letters.

The CEO met with Minister Templeman on 28 September 2022. The meeting was positive but no commitment was given to provide State Government funding to the RAF Project.

Part 2 – ‘Support for the Recreation and Aquatic Facility (RAF)’ Petition

At the September 2022 OCM, Mr George Watts submitted a petition requesting that Council reconsider the 28 June 2022 Council Meeting decision to not appoint a PM for the RAF Project for the following reasons:

- The June 2022 Council Meeting failed to fairly represent and act in the best interests of the entire community for which they were elected to represent
- The indefensible decision exposes the City to serious reputational risk with other levels of government, and places the already secured \$20 million funding from the Federal Government in jeopardy
- By appointing a project manager, it fulfils a key requirement of the federal funding and allows the City to continue to lobby State Government for further funding for the project
- Continuing to pursue the RAF project addresses the City’s ‘Strategic Community Plan’ (SCP) which includes ‘plan for and promote the development of recreation and aquatic facilities to service community needs’

7.0.1 Recreation and Aquatic Facility

The 'Support for the RAF' petition contained 2,439 signatures of which 2,071 were verified as electors of the City of South Perth. It is the largest petition received – and verified – by the City in recent history.

Council resolved not to support the Officers' Recommendation to forward the petition to the relevant Director for consideration.

Whilst the City's Standing Orders do not explicitly prescribe how a petition is to be presented to Council, Clause 6.9 of the Standing Orders details how the City is to deal with a petition, and as such, the petition is considered in this report.

RAF Project Manager

Given the time that has elapsed since the procurement process for the RAF PM was first conducted (October-November 2021), the City is not able to appoint the required PM without conducting a new procurement process. Therefore, Council is not able to reconsider its previous decision.

Appointment of an independent PM was, and still is, a non-negotiable requirement for the \$20 million FFA for the aquatic elements of the RAF. The City must provide the Federal Government with an indication of when a PM will be appointed and revised project milestones no later than December 2022.

Part 3 – Options for Council

Council has previously determined that a RAF which is financially and operationally viable is the best way to achieve Strategy 1.2.3 of the Strategic Community Plan (2021-2031). An integrated facility co-located with CPGC is critical to delivering a financially viable RAF as the location maximises existing and future market opportunities.

There have been considerable delays to commencing the Design stages (concept, schematic, detailed) of the RAF Project. Delays to commencing construction are a major contributor to the escalation of costs associated with the project. The City has continued to monitor escalation in the WA market and impact on the RAF Project budget. Value-engineering processes to support managing projected costs and scope have been effective to date. With further delays to the commencement of design and construction, it is now necessary to consider other approaches including changes to functional elements.

As part of the discussions with the Federal Government about the FFA, the City has submitted a request for the removal of the 50m outdoor pool from the scope of the FFA due to escalation, increases in construction costs and potential impact on operating costs. Any amendment to the FFA requires approval by the Federal Minister for Health.

The removal of the 50m outdoor pool as a specific requirement of the FFA does not prevent an outdoor pool being included at the CPGC site at a future date, should funding be achieved and subject to Council approval.

Since project inception, the RAF Project has been subject to several delays and setbacks. Despite this, the demand for community sporting and recreational facilities in the City remains. Concerns have been raised by some Councillors and some members of the community about overall project costs, the commencement of a large scale project in the current WA market and the potential impact on the golf course.

To address these concerns, the City recommends that a masterplan be developed for the CPGC site and the RAF Project be staged. CPGC remains the preferred site for the RAF as it offers the ability to achieve functional viability by co-location of leisure and recreation facilities and a cost-effective approach to asset renewal.

7.0.1 Recreation and Aquatic Facility

It is recommended that the proposed RAF Project will be divided into three stages, with each stage being discrete and financially viable. Commencement of each stage will be subject to separate Council approval processes.

- Stage 1 – Indoor Aquatics + Recreation
- Stage 2 – Indoor Playing Courts (in partnership with the State Government and/or other investment) and further golf course redevelopment
- Stage 3 – Outdoor Pool (subject to investment from RAF Operator and/or other investment)

Provision of the outdoor climbing centre could occur at any project stage, subject to the availability of external funding and Council approval.

Stage 1 – Indoor Aquatics and Recreation

Stage 1 of the proposed CPGC redevelopment leverages the \$20 million commitment each by the City and the Federal Government with the most profitable business units of the current RAF Business model. It delivers Strategy 1.2.3 of the SCP and addresses the long held and often stated community desire for a pool in the local area.

At a minimum, Stage 1 would include:

- Indoor aquatics with design to be finalised but to include:
 - Leisure water (water play area) and learn to swim
 - 25m indoor heated pool (8 lanes) with separate programmable warm water pool
- Health club/gym including program rooms
- Technology golf driving range with integrated hospitality venue
- Accommodation and program space for Curtin University, Clontarf and SEDA
- Food and beverage options, including café and function facilities

Although detailed costings have not yet been undertaken, preliminary cost estimates indicate that the total project budget for Stage 1 ranges from \$45 - 60 million (+ GST), dependent on project scope and timing.

Early investigations also suggest that the impact on the golf course will be minimal. It is unlikely that there will be any significant change to the configuration of the golf course as part of Stage 1.

Stage 2 – Indoor Playing Courts + further golf course redevelopment

There is a chronic shortage of indoor playing courts across the Perth Metropolitan Region. Growth of sports such as basketball and volleyball (two of the fastest growing team sports in WA) are constrained by the number of courts available for training and competition and existing indoor court venues are heavily oversubscribed. Other sports such as wheelchair dancing also require large spaces to facilitate participation.

Provision of the courts would address sport and community needs, encourage greater participation in physical activity and promote the growth of community sport in WA but are unlikely to generate significant profits. The City has been actively lobbying the State Government to fund this part of the RAF.

Preliminary investigations suggest that the CPGC site would support provision of between 10-14 courts subject to design, available funding and more detailed planning, at an estimated cost of \$20-30 million.

Golf course redevelopment

The current scope of the RAF Project includes plans for the redevelopment of the Lakes 9 course to a short form golf format consisting of five par 3 holes and four par 4 holes (31 in total). Should this be adopted, the Lakes 9 course would become a shorter course, subject to design and stakeholder consultation. A shorter course is faster to play and encourages accuracy and skill, providing an alternative for new and experienced golfers of all ages, abilities and skill levels. This approach is consistent with the Australian Golf Strategy 2022-2025 which seeks to attract more Australians to play golf – in all its forms.

A review of CPGC in 2017 identified that the current business model focused on the traditional golf market would not support the facility into the future. It recommended that CPGC diversify and respond to golf trends for short-format, social and golf entertainment (such as technology driving range) to remain commercially and financially viable. The City adopted these recommendations and incorporated the proposed redevelopment of CPGC to reflect these trends as part of its agreement with Clublinks (current golf course operator) in 2018.

External funding is required for Phase 2 and the City has been lobbying the State Government regarding the provision of indoor playing courts at the RAF. The proposed golf course redevelopment would be funded by the RAF Operator, private investment or a combination of both.

Stage 3 – Outdoor Pool

The stakeholder engagement for the RAF conducted in August-September 2020 had the largest ever response to a stakeholder and community engagement exercise conducted by the City with over 1,641 respondents to the online survey (1,407 residents of the City).

Key findings overall from the stakeholder and community engagement identified a high level of support for the concept of the RAF with 87.2% of total respondents (87.8% City respondents) to the survey indicating they would use the proposed facility. It demonstrated that many City residents use facilities outside of the City (70.3%) and the high use of aquatic and indoor recreation facilities by residents of the City (79.4% of respondents had used an aquatic or indoor recreation facilities in the last 12 months).

Online survey participants were invited to nominate their preferences for aquatic and indoor recreation activities to be offered at the RAF. Of the 12 most popular, half were aquatic related:

- Swimming
- Walking in water
- Hydrotherapy
- Water Play Area
- Aquatic Group Classes
- Swimming lessons

All these activities are best conducted in an indoor aquatic environment. There is a strong consumer preference for learn to swim (LTS) to be conducted indoors with the added benefit of being able to operate all year round. Expert advice received by the City regarding patronage of the 50m outdoor pool suggests that a limited number of people would visit the RAF for the outdoor pool only and provision of an outdoor pool would not be a key consideration for most people visiting the RAF.

7.0.1 Recreation and Aquatic Facility

Inclusion of the 50m outdoor pool at a later date enables the City to determine community demand and further assess the benefits and risks associated with construction and operation. The 50m outdoor pool is not a key revenue driver for the RAF and attracts ongoing, fixed operational costs. Commencement of Stage 3 would be subject to future approval by Council with all costs (capital + operational) to be met by the RAF Operator and/or private investment.

Revision of RAF Project Budget and RAF Operational and Financial models

The City has not undertaken detailed costings or analysis for Stage 1. Preliminary analysis of the impact of the staged approach to the RAF Project budget and RAF Operational and Financial models, indicates that a staged approach offers a net positive to the RAF Project. Removal of the 50m outdoor pool reduces construction costs and ongoing operational costs.

Stage 1 is expected to generate a financial return to the City as the key revenue drivers of the RAF are unchanged. The size and scale of the facility has a significant impact on the operational model. Further analysis is required to determine optimal space and scope allocation for each business unit with additional costings to determine the impact on construction costs, total project budget and RAF Operational and Financial models.

Costs associated with construction in the WA market are dynamic and the timing of commencement of construction will have an impact on the RAF Project budget and RAF Operational and Financial models. Current assumptions are for commencement of construction in May 2024. Further delays are likely to lead to an increase in costs (and reduced scope for the available budget).

The anticipated project budget for Stage 1 ranges from \$45-60million (+ GST), dependent on final scoping and design. Preliminary estimates indicate that the project budget for Stage 1 would need to be around \$60 million (+ GST) to ensure the financial viability and sustainability of the RAF. The City will conduct detailed analysis of Stage 1 options in a range of \$45-60 million, with associated updates of the RAF Operational and Financial models, provided to Council.

Comment

Community support for the RAF has continued to be demonstrated. Existing facilities such as CPGC and GBLC are not fit for purpose and require significant expenditure to upgrade or redevelop. If the RAF does not proceed, Council will need to make decisions about renewal (and associated expenditure) of existing assets such as CPGC and GBLC.

Development of a masterplan for CPGC together with updated RAF Operational and Financial models to reflect the proposed Stage 1 enables Council to determine whether the RAF is economically viable and financially sustainable. It addresses many of the questions raised by Councillors and the community about the impact of escalation on the RAF Project.

Inclusion of the 50m outdoor pool in Stage 3 does not limit community access to aquatics. All of the preferred aquatic activities nominated by the community as part of the RAF Stakeholder Engagement will be provided at Stage 1.

7.0.1 Recreation and Aquatic Facility

Staging of the RAF Project leverages the already secured funding (City + Federal Government + Curtin University) and enables the most profitable business units of the RAF to be built first. Under this scenario, Council could progress the RAF project without a decision from the State Government and commence Stage 1. Future stages of the RAF Project would only be built if State Government and external funding was received with Council approval required for each stage. The overall risks to the RAF Project are considerably reduced by this approach.

Revision of the RAF Operational and Financial models to reflect the staged approach will provide Council with detailed information about whether Stage 1 is financially viable with no requirement for operations to be subsidised by City rates revenue. Based on the current RAF Operational and Financial models and the revised scope (notably the removal of the 50m outdoor pool + indoor playing courts), the City anticipates that a total project budget for Stage 1 of around \$60 million will be financially and operationally viable but further analysis is required. Removal of the outdoor pool significantly reduces the projected operational costs for the RAF.

The November 2020 decision by Council in relation to the RAF Project (Item 10.7.5) acknowledged the total funding package of \$80 million (ex GST) and the projected financial self-sustainability for the RAF Project. The decision noted that should any of these assumptions change, the RAF Business Case would need to be amended for Council consideration. The City anticipates that staging the RAF Project will have minimal, if any, impact on the RAF Financial and Operational models. The City remains committed to financial and operational sustainability of the RAF.

Risk management

Acceptance of the Officer Recommendation effectively manages the risks associated with the RAF Project as it gives greater certainty about the costs associated with construction and each project stage. The total funding package of \$80 million (ex GST) that formed the basis of previous decisions about the RAF does not need to be achieved prior to the commencement of Stage 1. Funding of Stages 2 and 3 is from sources external to the City, such as the State Government, the RAF Operator, private investment or a combination of some or all of these sources. The project budget for Stage 1 will be considerably less than \$80 million and Stage 1 could formally commence early to mid 2023, subject to future Council approval.

The proposed staged approach also gives greater certainty to the State and Federal government when making decisions about the RAF Project. The City is engaged in ongoing discussions with the State Government about funding for the indoor playing courts at the RAF and is seeking to rectify the breach of the FFA with the Federal Government. Acceptance of the Officer Recommendation demonstrates to the State and Federal Government that Council is committed to the RAF Project.

It also sends a strong signal to the community that Council is willing to continue with the RAF Project and is prepared to consider revision of the RAF Project so that the significant unmet demand for community sporting and recreation facilities in the City can be met in a manner which is financially viable and sustainable.

The risks associated with not accepting the Officer Recommendation are considerable. The City would be unable to provide the Federal Government with revised milestones for the FFA, including when a PM will be appointed. Failure to submit the revised milestones by mid December 2022 increases the risk of the City forfeiting the \$20 million grant. Council would also suffer severe reputational damage with the community, RAF Project stakeholders and partners and the State and Federal governments.

7.0.1 Recreation and Aquatic Facility

It is unlikely that the City would receive a grant of this magnitude – from any level of government – in the short to medium term, thus compromising the City’s ability to attract external funding for future infrastructure projects.

Financial Implications

The RAF Financial and Operational models are well developed and comprehensive. Consistent with the November 2020 Council decision on the RAF, minor revision and update is required to account for the proposed staging of the RAF Project. The proposed expenditure leverages the investment and due diligence already undertaken by the City during RAF Project development stage. The proposed revision and update will provide more detailed information to inform Council when making future decisions about the RAF Project.

The proposed budget adjustment of \$185,000 is to account for the following works:

- Development of a masterplan for the CPGC site with anticipated dates for each project stage
- Preliminary design for Stage 1 to ensure operational and financial viability within the available funding
- Update and test the RAF Financial and Operational models to ensure that Stage 1 is financially viable with no requirement for operations to be subsidised by City rates revenue, including analysis of options in the range of \$45-\$60 million
- Further market sounding of RAF Operators to determine extent of capital investment for Stage 1 and possible future stages
- Amendment of funding strategy to reflect proposed stages
- Inform stakeholders and the community about the proposed changes

Funding will be allocated by a transfer from the Community Facilities Reserve of \$185,000 to the Recreation Aquatic Facility Preliminary Cost project account.

Council’s financial commitment of \$20 million to the RAF project remains unchanged and is a key assumption of Stage 1. Should the RAF Project not proceed, Council will need to consider other options – such as the upgrade of CPGC and GBLC – which together will likely require more than the \$20 million commitment already made for the RAF Project with limited prospect of financial viability.

Consultation

Confidential briefings were provided to Councillors on 10 and 24 October 2022.

Policy and Legislative Implications

Development of a masterplan for the CPGC site and staging of the RAF Project is consistent with the following Strategies of the Strategic Community Plan 2021-2031:

- 1.1.2 Facilitate and create opportunities for inclusive and cohesive social, cultural and healthy activity in the City
- 1.2.1 Maintain current and plan, develop and facilitate community infrastructure to respond to community needs and priorities
- 1.2.2 Effectively develop, manage and optimise the use of the City’s properties, assets and facilities

7.0.1 Recreation and Aquatic Facility

- 1.2.3 Plan for and promote the development of recreation and aquatic facilities to service City of South Perth needs
- 4.3.2 Diversify and optimise non-rate income

Key Risks and Considerations

Risk Event Outcome	Reputational Damage Deals with adverse impact upon the professional reputation and integrity of the City and its representatives whether those persons be appointed or elected to represent the City. The outcome can range from a letter of complaint through to a sustained and co-ordinated representation against the City and or sustained adverse comment in the media.
Risk rating	High
Mitigation and actions	Staging of the RAF Project gives Council greater certainty about the costs associated with construction and overall project costs. A positive decision demonstrates to the State and Federal Government that Council is committed to the RAF project and provides greater confidence when making decisions about funding requests or amendment to the FFA. It also signals to the community that Council is willing to continue with the RAF Project and is prepared to consider alternative ways to address the lack of community sporting and recreation infrastructure in the City. Should Council not accept the Officer Recommendation, the City will be unable to provide the Federal Government with updated milestones for the FFA by mid December 2022, thus increasing the risk of forfeiting the \$20 million grant for the aquatic aspects of the RAF.

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Community
Aspiration:	Our diverse community is inclusive, safe, connected and engaged
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

Attachments

Nil.

8. CLOSURE

