

Adelaide Aquatic Centre Redevelopment - Prudential Review

Friday, 1 September 2023

Audit and Risk Committee

Strategic Alignment - Enabling Priorities

Program Contact:

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EXECUTIVE SUMMARY

The Adelaide Aquatic Centre Redevelopment is funded by state government and is valued at approximately \$135m. Council's contribution to the costs of Council Funded Works as part of the Return to Park Land Zone is a total of up to \$20m (exclusive of GST) for:

- (a) The cost of demolition works of the Original Centre including the costs of managing any unforeseen site conditions in connection with the demolition; and
- (b) The construction of the community level playing field (including irrigation). The Council will be responsible and liable for all costs incurred in the operational closure of the Original Centre.

To ensure good governance and accountability, local government entities are required under section 48 of the *Local Government Act 1999* (SA) (the Act) to consider a report addressing prudential issues when engaging in any project where the expected capital cost of the project over the ensuing five years is likely to exceed \$4m (indexed).

As at the date of this Report, the relevant threshold is \$5.475m. Administration does not believe that the Project falls within an exemption of section 48(3) of the Act. As such, section 48(1) of the Act applies and, in compliance with that section, Administration has prepared a Prudential Report for presentation to Council Members.

The Act requires Council to make prudential information set out in a Prudential Report available to the public.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Receives the BRM Advisory 'Prudential Report: Adelaide Aquatic Centre Redevelopment' August 2023' as per Attachment A to Item 5.4 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023 as required by the Audit and Risk Committee Terms of Reference.
 2. Notes that the Strategic Risks raised in the report will be monitored by the Administration through the Strategic Risk and Internal Audit Group.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	Not relevant to this report
Consultation	Public consultation regarding the essential terms of the proposed Lease Agreement and construction Licence was undertaken 13 July to 3 August 2023. Public consultation regarding the Draft Community Land Management Plan for the Adelaide Park Lands was undertaken 7 July to 31 July 2023.
Resource	Not relevant to this report
Risk / Legal / Legislative	The Prudential Report addresses risk and satisfies Council's obligations under section 48 of the <i>Local Government Act 1999 (SA)</i> . If the Prudential Report is not approved, then there is a risk that Council will not meet the timing requirements for the Project.
Opportunities	Not relevant to this report
23/24 Budget Allocation	Not as a result of this report.
Proposed 24/25 Budget Allocation	Estimated \$10m for demolition. It should be noted that the remainder of the allocated funds for this initiative will be cash flowed against 2025/26 in the LTFP as it relates to the Return to Park Land Zone works.
Life of Project, Service, Initiative or (Expectancy of) Asset	\$14.2m offset across the LTFP.
23/24 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Ongoing costs for the Return to Park Land Zone to be determined once scope of works is agreed.
Other Funding Sources	State Government funding is \$135m.

DISCUSSION

1. Administration has sought BRM Advisory to undertake a Prudential Report for the City of Adelaide (CoA) requirements of the State Government Project - Adelaide Aquatic Centre Redevelopment (the Project).
2. BRM Advisory advises that the City of Adelaide has acted with due care, diligence and foresight in progressing the Project and Council has been provided with sufficient information to satisfy the requirements of the Prudential Management Policy and Section 48 of the Act in order to make an informed decision on the Project.
3. Key Findings against the criteria of s48(2):

48(2)	Description	BRM comment	Finding
(a)	The relationship with strategic management plans.	The acquisition of the Land is consistent with CoA strategic plan and relevant state and national plans.	Requirements of S48 (2) (a) have been met.
(b)	The objectives of the Development Plan.	The Project is consistent with the policies of the Adelaide Aquatic Centre Sub Zone.	Requirements of S48 (2) (b) have been met.
(c)	The expected contribution to the economic development of the local area. The impact on businesses in the proximity. Impacts on fair competition in the marketplace.	The construction activity will positively impact economic development in the CoA. The new AAC is also expected to increase visitations to the CoA further enhancing economic development.	Requirements of S48 (2) (c) have been met.
(d)	Consultation with the local community and community influence on the project.	Extensive consultation and engagement have been undertaken which has influenced the location and design of the new AAC. Under the CoA Act and Council's Community Consultation Policy, due consideration needs to be given to the feedback received through the consultation processes.	Requirements of S48 (2) (d) have been met.
(e)	Revenue projections and potential financial risks.	The Project is not forecast to produce revenue. Financial risks are to be mitigated through the Project Agreement and the Lease.	Requirements of S48 (2) (e) have been met.
(f)	Recurrent and whole-of-life costs, any financial arrangements	The recurrent costs have been identified but cannot be quantified until the 'Return to Park Lands' works have been designed. Consequently, a whole of life cost estimate has not been prepared.	Requirements of S48 (2) (f) have been partially met.
(g)	Financial viability of the project.	The Project will have a negative impact on the CoA's key financial indicators. In FY2025 and FY2026 the contribution to the Project is forecast to result in the CoA recording Operating Deficits	Requirements of S48 (2) (g) have been met.
(h)	Risks associated with the project, and steps taken to manage, reduce or eliminate risks.	The CoA is managing risk through the Project Agreement and a Lease. The essential terms are agreed between the parties.	Requirements of S48 (2) (h) have been met.
(i)	Appropriate mechanisms or arrangements for carrying out the project.	Project delivery will occur through the Minister for Infrastructure and Transport.	Requirements of S48 (2) (i) have been met.
(j)	If the project involves the sale of land, the valuation of the land by a qualified valuer	The CoA has relied on a December 2019 valuation of the Land that expressed the view that a peppercorn rental is appropriate.	Requirements of S48 (2) (j) have been met.
	An appropriate level of due diligence is applied to the proposed project.	An appropriate level of 'due diligence' has been applied to ensure Elected Members have been informed about the Project.	Complies with Prudential Management Policy.

4. The Prudential Report highlights one matter requiring finalisation (Requirement Partially Met). As stated in the Prudential Report and the Summary Conclusion it has been determined that there is sufficient information to satisfy the requirements of the Prudential Management Policy and section 48 of the Act.

5. CoA intends to manage the Partially Met Requirements of the Prudential Report through a Project Risk Register with oversight by the Strategic Risk and Internal Audit Committee (SRIA). Furthermore, it should be noted that:
 - 5.1. The risk associated with the recurrent costs of a community standard playing field do have comparable costs against which this can be benchmarked, until final costs are determined and that these risks are low due to their low cost nature.
 - 5.2. As identified in the Prudential Report the Project will be financed in accordance with the provisions of the Treasury Policy and the CoA is forecast to remain within its prudential limits.
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ATTACHMENTS

Attachment A – City of Adelaide Prudential Report: Adelaide Aquatic Centre Redevelopment August 2023

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