BRM Advisory

City of Adelaide

Prudential Report: Adelaide Aquatic Centre Redevelopment

22 August 2023

Final Report

BRM Advisory

BRM ADVISORY
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EXECUTIVE SUMMARY

Purpose

The following report has been prepared to satisfy the requirements of the City of Adelaide's Prudential Management Policy and Section 48 of the Local Government Act 1999 (Act) which requires a Council to consider the prudential issues set out in Section 48 subsection 2 of the Act before engaging in a project which meets certain specified criteria. The purpose of a Prudential Report is to ensure the Elected Members have the necessary information to enable an informed decision whether or not to proceed with a project.

The Project

The Project is the contractual commitment to a Project Agreement with the Minister for Infrastructure and Transport for the redevelopment of the Adelaide Aquatic Centre to be undertaken on the Adelaide Parklands by the State Government.

Summary Conclusion

In our view, 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.

Prudential Issues and Findings

In March 2022 the State Government committed $82.4 million to build and operate a new Adelaide Aquatic Centre on Pardipardinyilla / Denise Norton Park (Park 2) with no loss of Park Lands. The Return to Park Lands Zone, as it is known, will see 1,000 square metres returned to Park Lands. Council subsequently resolved to contribute $20.000 million to the demolition of the existing Adelaide Aquatic Centre and to the redevelopment of the Park Lands.

Extensive consultation and engagement have occurred on the development of the proposed new Aquatic Centre on Park Lands, the consultation process has identified strong community feedback against development of the Park Lands by the State Government which, under the City of Adelaide Act and its Community Consultation Policy, Council should consider.

The financial contribution to the Project is expected to have a negative impact on the Councils key financial indicators with the Operating Surplus ratio falling to below the target range in two consecutive years as a consequence.

The City of Adelaide and the State Government have negotiated a Project Agreement detailing their respective roles and responsibilities. The Agreement seeks to effectively manage Council's financial and other risks and impose certain obligations on the State Government, including a requirement to consult with Council on the design of the Return to Park Lands Zone. The parties will also enter into a lease for 42 years over the area of Park Lands on which the facility is to be located, and although the detailed terms of the Lease are yet to be negotiated the essential terms are agreed.

The City of Adelaide has relied on a December 2019 valuation of the Land which expressed the view that a peppercorn is the appropriate basis for determining market value for an occupier which is either a not-for-profit or community based organisation.

Our detailed report follows.

Key findings

S48 (2)	Description	Comments	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 polices 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.

1. INTRODUCTION

1.1 Background

1.1.1 The City of Adelaide (CoA) owns and operates the Adelaide Aquatic Centre (AAC) which was originally built in 1968-1969 and was enclosed with a roof in 1985. The AAC is located on a portion of the Adelaide Park Lands known as Pardipardinyilla / Denise Norton Park (Park 2), North Adelaide (the Land).

1.1.2 As well as the AAC, Park 2 is predominantly a recreational and sporting landscape providing a range of formal and informal facilities for cricket, swimming, tennis and family picnics, the bush magic playground and the remainder of the park includes sporting facilities, open space and vegetation.

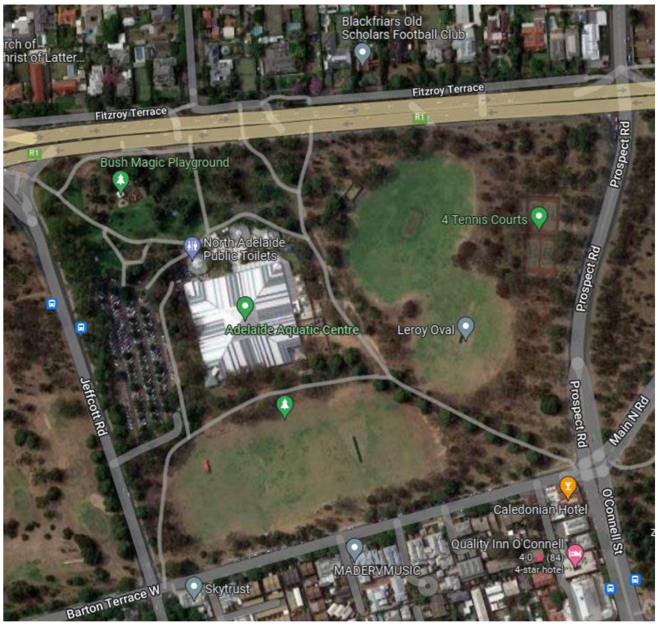

Figure One: The Land

1.1.3 In February 2020, Council identified the need to upgrade the AAC to provide a modern, fit for purpose facility. In progressing this the CoA:

1.1.3.1 Commissioned a 'Needs Analysis' (June 2020) that ascertained the current and future needs of the community if the CoA was to replace the existing facility. This 'Needs Analysis' included extensive market research and community consultation.

1.1.3.2 Conducted a 'Strategic Options Analysis' (October 2020) to investigate various renewal and upgrade (refurbish) options for the existing AAC.

1.1.3.3 Had a detailed Feasibility Study prepared on the preferred option of a new Regional Adelaide Aquatic and Wellbeing Centre (RAAWC).

1.1.4 In September 2021, the Feasibility Study was received by Council. Having assessed Council's preferred options of the southeast or northeast corners of Park 2, Council concluded that the southeast corner of Park 2 was the preferred development option. Throughout 2021 and up until the 2022 State and Federal elections, the then Lord Mayor progressed discussions at Federal and State levels seeking election funding commitments for a new RAAWC.

1.1.5 In March 2022, the State Government committed $82.4 million to build and operate a new Adelaide Aquatic Centre on Pardipardinyilla / Denise Norton Park (Park 2) with no loss of Park Lands. In July 2022 the State Government concluded a community engagement process that sought to determine the ideal location within Park 2 for the new development.

1.1.6 The State Government announced the Department for Infrastructure and Transport (DIT) will manage the delivery of the Adelaide Aquatic Centre Development with the Office for Recreation, Sport and Racing (ORSR) to manage the operations of the AAC once it is completed.

1.1.7 On 3 August 2022, the CoA wrote to DIT advising of key considerations for the proposed redevelopment of the new AAC on the Park Lands, including the requirement to engage with Council and Kadaltilla / Adelaide Park Lands Authority through the design and delivery process.

1.1.8 In early September 2022, the State Government announced that the location for the new AAC would be in the south-west corner of Park 2. The site was selected based on majority feedback from the community engagement process undertaken by the State Government and included reasons relating to proximity to the existing car park infrastructure and minimising impact to trees.

1.1.9 DIT initiated a Code Amendment to amend the Adelaide Park Lands Zone by introducing a new Sub Zone (the Adelaide Aquatic Centre Sub Zone) to change what the Park 2 land can be used for by amending the planning rules. Consultation on the Code Amendment commenced on 23 January 2023.

1.1.10 At its meeting on 31 January 2023, Council resolved that:

"3.1. Council acknowledges the concerns of residents of North Adelaide who live adjacent to the proposed site for the Adelaide Aquatic Centre and supports them in their opposition to the location of the Centre and their request for the identification of an alternate site that delivers the redevelopment of this valued community asset but also protects their rights as residents.

3.2 Administration include potential impacts such as noise, increased traffic and loss of amenity and requests that these local concerns in the City of Adelaide's submission to the Code Amendment consultation."

1.1.11 Following the resolution of Council in March 2023 the CoA made submission to the Adelaide Aquatic Centre Code Amendment consultation and since March 2023, the CoA Administration has been working with DIT on the Return to Parklands Zone (no loss of Park Lands) elements of the new AAC project.

1.1.12 On 10 June 2023, the State Government made a public announcement on the new Adelaide Aquatic Centre Redevelopment, advising the following project details:

1.1.12.1 a $55 million increase in projected expenditure by the State Government, bringing the total project cost to $135 million;

1.1.12.2 return of 1,000 square metres of open space to the Park Lands through a minimised facility footprint;

1.1.12.3 an increased set back of the new facility from Barton Terrace West to 70 metres;

1.1.12.4 closure of the existing AAC facility by August 2024 to accommodate the adjustment to site location;

1.1.12.5 State Government support for CoA staff to be redeployed to other roles following the closure of the existing facility; and

1.1.12.6 a commitment by State Government to relocate users to other facilities around metropolitan Adelaide while both facilities are closed and issue Sports Vouchers to Learn to Swim participants.

1.1.13 The closure of the AAC was brought forward to August 2024 by DIT as a result of public sentiment captured in feedback and engagement through CoA to site the Redevelopment further north and away from residents on Barton Terrace West, which was a concern of local residents, and reflects the CoA's submission to the Code Amendment consultation. The earlier closure will also enable a long term coordinated 'whole of park' design response that incorporates shifting the site location of the new facility further north, increasing the distance from Barton Terrace West to the southern side of the new centre from 40m to 70m subject to final design. It will also shorten the construction program, provide a safer environment during construction, and reduce the financial impacts to the CoA to maintain and operate the existing centre by a year.

1.1.14 The Park 2 site on which the State Government will construct the new AAC includes land vested in or under the care, control and management of the CoA and directly impacts land that CoA licences to Blackfriars Priory School as sporting ovals.

1.1.15 DIT has prepared a draft Project Agreement for the new AAC between the Minister for Infrastructure and Transport and the CoA providing key guiding principles for an agreement between the Council and the State, this includes (but is not limited to):

1.1.15.1 a commitment by the CoA that only extends to funding the demolition of the existing venue and the provision of a new playing field;

1.1.15.2 negotiation of a long-term lease that does not exceed 42 years and meets the Lease and Licence Policy requirements of Council;

1.1.15.3 a commitment by the State to make good on any areas impacted outside of the Redevelopment site that were required or damaged during construction;

1.1.15.4 the design of the Return to Park Lands Zone to be undertaken in consultation with the Council and in accordance with the Planning, Development and Infrastructure Act 2016 (PDI Act);

1.1.15.5 the demolition of the Original AAC and the Return to Park Lands Works of the Return to Park Lands Zone are to be undertaken by DIT;

1.1.15.6 agreement on a licence for the purpose of commencing construction that is in line with Council policy; and

1.1.15.7 the Redevelopment site being confirmed at 70 metres from the northern side of Barton Terrace West.

1.1.16 At the meeting on 27 June 2023 Council resolved to authorise the Lord Mayor, CEO or delegate to negotiate and execute the final Project Agreement for the New Adelaide Aquatic Centre between the Minister for Infrastructure and Transport and the CoA subject to various conditions.

1.2 The Project

1.2.1 The Project is the contractual commitment to a Project Agreement with the Minister for Infrastructure and Transport for the redevelopment of the Adelaide Aquatic Centre to be undertaken on the Adelaide Parklands by the State Government (the Project).

1.2.2 Under the terms of the Project Agreement the CoA will:

1.2.2.1 grant the DIT a short term licence to being preliminary works and a 42 year lease over the Land, and

1.2.2.2 commit up to $20 million towards demolition of the existing facility and the redevelopment of the Park Lands.

1.3 Project Rationale

1.3.1 The CoA has previously undertaken a detailed feasibility study for a new Regional Community Aquatic and Recreation facility, this study identified that given the significant upfront capital cost and on-going subsidy required a comprehensive shared funding model would be required.

1.3.2 The State Government has now agreed to construct and operate a new world-class health and aquatic wellness centre in the northern Park Lands facility.

1.3.3 There will be wide-ranging social, economic, and environmental benefits from the new health and aquatic wellness centre together with the strong strategic alignment with State and Federal Government policies and plans relating to health and wellbeing.

1.4 Legal Framework and Prudential Issues

1.4.1 The Local Government Act 1999 (Act) Section 48 states that a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—

(a) acts with due care, diligence and foresight; and

(b) identifies and manages risks associated with a project; and

(c) makes informed decisions; and

(d) is accountable for the use of council and other public resources.

1.4.2 The CoA adopted a Prudential Management Policy on 14 December 2021 (Decision ID#18298) which satisfies the requirements of the Act. The Prudential Management Policy and the Act 1999 require Council to consider a report addressing the prudential issues set out in subsection 2 of Section 48 when a project meets certain criteria, specified in (1) (b), namely where a council:

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

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

(ii) where the expected capital cost of the project over the ensuing five years is likely to exceed $4 000 000 (indexed); or.

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

1.4.3 The CoA Prudential Management Policy defines a project as:

"a new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset."

1.4.4 The Project meets the criteria specified in Section 48 (1) (b) (ii) of the Act and the Prudential Management Policy. The prudential issues set out in Section 48 of the Act are reproduced in full as Attachment One.

1.4.5 Under the provision of the Act and the Policy the Prudential Report must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues section 48(4) and must not be a person who has an interest in the relevant project as defined in section 48(6a) - (6c).

1.4.6 BRM Advisory was engaged to prepare a report to satisfy the requirements of 'Section 48 and the Prudential Management Policy. We confirm we do not have an interest in the Project, as defined in section 48(6a) - (6c) of the Act.

1.5 Presentation of Report

1.5.1 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).

1.5.2 It would be appropriate for this report to be made publicly available.

2. RELATIONSHIP WITH STRATEGIC MANAGEMENT PLANS

Section 48 (2) (a) the relationship between the project and relevant strategic management plans;"

Elements	Relevant Documents	Prudential Review Comments
Council Plans	Strategic Plan 2020 – 2024 Adelaide Park Lands Management Strategy 2015 – 2025 January 2018 2023-24 Annual Business Plan and Budget (ABPB) 2022-32 Long Term Financial Plan (LTFP) Strategic Asset Management Plan (SAMP)	To deliver on Council's vision to be the world's most liveable city over the four year period of the Strategic Plan, four outcomes were identified which are supported by enabling priorities. The four outcomes were: • **Thriving Communities** • **Strong Economies** • **Dynamic City Culture** • **Environmental Leadership** The Plan identifies that one of the ways it will progress the 'Thriving Communities' outcome, is to "Leverage the Adelaide Park Lands to promote health, wellbeing and lifestyle experiences." The Project will return an area of approximately 1,000 square metres to Park Lands. The Adelaide Park Lands Strategy identifies that the AAC in Pardipardinyilla (Park 2) attracts 780,000 visits per annum and enhancements to recreation and sporting facilities will ensure this park remains a key destination in the North Park Lands Precinct. In terms of the future moves contemplated for Pardipardinyilla, the Park Lands Management Strategy states that Pardipardinyilla will be enhanced by a number of initiatives aimed at creating a high quality multi-use destination serving the sporting, active and passive recreational needs of surrounding communities. The development of a new AAC is consistent with this. The ABPB contains the following statement regarding the Project. **Aquatic Centre Opportunity – delivered within City Culture** *It should be noted that Council expects to be required to make a contribution for the demolition and remediation of the Aquatic Centre. Timeframes and funding are not confirmed, however should works occur in the 2023/24 year, Council recognises that it will need to make a provision for the demolition of the existing facility. Future savings derived from no longer operating the Centre or providing for its renewal and maintenance has been determined as sufficient to service and fund the repayment of any borrowings required.*

Elements	Relevant Documents	Prudential Review Comments
		The CoA will incur legal and professional services costs in the current year in progressing the Project, these will be met from within existing budget provisions. Following a decision of Council on 13 April 2021 (Item 17.14 Motion on Notice – Adelaide Aquatic Centre Capital Works [2021/006000]) the LTFP was amended to contain provisions for the forecast operating deficit of the AAC for the period FY2024 through to FT2026, and to contain provisions for the forecast depreciation expense of $1.144 million per annum for the remainder of the LTFP. These provisions will need to be removed and replaced with the financial impact of the Project, i.e. the on-going maintenance of the Park Lands and new playing field in a future revision of the LTFP. The SAMP provide a high-level integrated framework to deliver on the infrastructure needs and objectives identified in the CoA Strategic Plan 2020–2024. This is delivered through asset category specific Asset Management Plans (AMP's). The Council has previously resolved to remove all capital works for the existing AAC from the ongoing works programs for the years after the 2023-24 Financial Year and amend the relevant Asset Management Plan (Buildings) accordingly (part of the Council Decision 13 April 2021). The SAMP and relevant asset category AMP will need to be updated to account for the works that will be returned to Park Land as part of the Return to Park Lands works once they are constructed.
Regional Plans		None identified.
State Plans		The Project is a State Government initiative.
National Plans	Sport 2030: National Sport Plan	The Project is aligned with the National Sport and Active Recreation Framework which sets out Commonwealth, State and Territory Government expectations of other stakeholders (including local government) to provide sporting and recreation infrastructure and the 2030 National Sports Plan by providing facilities which encourage Australians to be more active, more often.

Findings:

Requirements of Section 48 (2) (a) **have been met.**

The acquisition of the Land is consistent with CoA strategic plan and relevant state and national plans.

3. OBJECTIVES OF THE DEVELOPMENT PLAN

Section 48 (2) (b) the objectives of the Development Plan in the area where the project is to occur;

Elements	Relevant Documents	Prudential Review Comments
Development Plan	Planning, Development and Infrastructure Act 2016 (PDI Act) Planning and Design Code (Code)	The CoA is not responsible for obtaining approval for the Project works, this is the responsibility of DIT. The Project will result in development under the PDI Act which will require approval under the PDI Act. The Code is the key instrument under the PDI Act for the purposes of development in South Australia. The Code is a set of planning rules and policies which planning decision makers use to assess development proposals. DIT is required to obtain development approval for the redevelopment of the AAC and will lodge a Development Application to be assessed against the Code to determine whether what is proposed is consistent with the policies, rules or mapping within the Code. DIT has previously obtained a Code Amendment to amend the Adelaide Park Lands Zone within which the AAC is located to ensure the right planning policies are in place to enable the new AAC to be designed and built, as well as return the existing AAC site to Park Lands following construction of the new AAC. The new Sub Zone created by the Code Amendment is the Adelaide Aquatic Centre Sub Zone. Given the process undertaken by DIT the proposed development is expected to be consistent with the applicable zone.
Approving Authority	Planning, Development and Infrastructure Act 2016 (PDI Act)	On 12 July 2023 DIT lodged a Development Application with the State Commission Assessment Panel (SCAP) for assessment. The Development Application will be subject to a further period of community consultation.
Findings: Requirements of Section 48 (2) (b) **have been met.** The Project is consistent with the polices of the Adelaide Aquatic Centre Sub Zone.		

4. CONTRIBUTION TO ECONOMIC DEVELOPMENT

Section 48 (2) (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;"

Elements	Relevant Documents	Prudential Review Comments
Contribution to economic development	Economic Impact Assessment Model	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. The contribution to economic development in the CoA will come primarily from the following sources: • demolition and construction activity directly related to the future development of the new AAC and the works in the Return to Park Lands Zone; and • future economic activity from the operation and patronage of the new AAC; and • enhanced quality of life through community access to a state-of-the-art aquatic centre and an increase in the area returned to Park Lands. The new AAC has an estimated construction cost of more than $135 million over three years, this activity will have positive economic and employment multiplier benefits to the broader economy from the construction activity and the related procurement of goods and services. The CoA has used the "Economy.id" economic impact assessment function to assess the economic impact on the CoA economy and the broader South Australia and national economies, of the $135.000 million construction phase of the Project which has been modelled to occur over a two-year timeframe. The economic impact assessment is based on an input-output model derived from the local economy microsimulation model by National Economics (NIEIR) to model the flow-on effects across different industries of a new project.

<table>
<tr><th>Elements</th><th>Relevant Documents</th><th>Prudential Review Comments</th></tr>
<tr><td></td><td></td><td>Construction Phase Impact

$ 159.72 m
Output
($ 135.00 m direct
+ $ 24.72 m Indirect)

$ 48.25 m
Value added
($ 37.76 m Direct
+ $ 10.50 m Indirect)

219
Local jobs
(per year)
(169 Direct
+ 50 Indirect)

As shown below the Project construction activity will have broader economic benefit on the South Australian and Australian economies.

<table>
<tr><th></th><th>Output ($m)</th><th>Value added ($m)</th><th>Local Jobs (per year)</th></tr>
<tr><td>South Australian economy</td><td>210.96</td><td>71.79</td><td>323</td></tr>
<tr><td>Australian economy</td><td>269.43</td><td>97.32</td><td>421</td></tr>
</table>

Further positive economic benefit from the expenditures associated with the operations of the new ACC will be derived from direct economic effects, indirect effects of related purchases in the broader economy and induced effects of spending on goods and services by the employees of those businesses providing goods and services to the new AAC, along with an expected increase in visitations to the CoA.</td></tr>
<tr><td>Impact on businesses in the proximity</td><td>None</td><td>The Project is to be undertaken on Park Lands is not expected to impact businesses in the proximity.</td></tr>
<tr><td>Fair competition</td><td>None</td><td>The Project does not involve the CoA undertaking a ‘Significant Business Activity’ as defined by National Competition Principles and therefore the principles of Fair Competition are unlikely to apply.</td></tr>
<tr><td colspan="3">Findings:
Requirements of Section 48 (2) (c) have been met.

The demolition and construction activity will positively impact economic development in the CoA. The future operation of the new AAC is also expected to increase visitations to the CoA further enhancing economic development.</td></tr>
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5. COMMUNITY CONSULTATION

Section 48 (2) (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;"

Elements	Relevant Documents	Prudential Review Comments
Level of consultation	Community Consultation Policy (Adopted 16 July 2019) Community Engagement Strategy City of Adelaide Act 1998 (CoA Act) Local Government Act 1999 (SA) (Act) Draft Community Land Management Plan Consultation Summary Report 2 August 2023 Adelaide Aquatic Centre Redevelopment Construction Licence and Lease Agreement Consultation Summary Report 4 August 2023	The CoA Community Consultation Policy, prepared pursuant to Section 50 of the Act, sets out the steps that Council intends to take to deliver effective community consultation, whilst fulfilling Council's requirements under the Act. The Policy should be read in conjunction with the Community Engagement Strategy and only applies to matters that require public consultation as per the Act. The Policy states that Council will undertake to, where the Act prescribes that public consultation is required, obtain and consider community contributions and relevant information to ensure that any decision made is in the best interests of the community. Under the Act the CoA must adopt a Community Land Management Plan (CLMP) for those areas of the Park Lands under its care and control. This document identifies how this land will be used and managed. The current Community Land Management Plan (CLMP) (Chapter 9) does not envisage the relocation of the AAC or any additional leasing (alienation) of the Park Lands (which is community land). In July 2023 the CoA undertook a consultation process on a new draft CLMP which consolidates the existing separate 'chapters' of the current CLMP's into a single document for the 30 parks and six squares. Under the new draft CLMP the relocation of the AAC and the associated alienation will be permissible. This consultation process concluded on 31 July 2023 and the outcomes of the consultation process are expected to be reported to Council on 28 September 2023. The Council is to separately consider the 'chapter' of the CLMP which relates to the relocation of the AAC on 22 August 2023. Based on the draft CLMP Community Consultation Report the consultation process identified strong community feedback against development of the Park Lands by the State Government, including both the new AAC and the new Women's and Children's Hospital in Park 27.

<table>
<tr><th>Elements</th><th>Relevant Documents</th><th>Prudential Review Comments</th></tr>
<tr><td></td><td></td><td>From the consultation process the following three predominant themes were identified:

Valuable community and environmental asset
The Park Lands provide valuable open space and environmental landscapes to the city community and adjoining council areas and should be preserved from major developments.
Enhancement and protection of environmental landscapes
The community want the Park Lands enhanced with more green space and biodiversity and protected from development, commercialisation and privatisation.
Protection of cultural and heritage values
State Agencies and Local Government outlined the need for greater identification and protection of culturally and historically significant landscapes and built form.

In addition, the CoA undertook a consultation process on the AAC Redevelopment: Construction Licence and Lease Agreement to facilitate the provision of a construction licence (draft Licence), and a long-term lease agreement (draft Lease Agreement) to DIT to enable the redevelopment of the new AAC.
The consultation provides information on the Essential Terms of the Proposed Draft Lease Agreement and the Draft Construction Licence, it does not however specifically mention the quantum of the CoA financial contribution to the Project.
The consultation concluded on 3 August 2023 and the outcomes of the consultation process are to be considered by Council on 22 August 2023. Based on the draft Community Consultation report the feedback received through this consultation process is summarised as follows.
Most of the feedback did not relate to the draft licence or draft lease agreement rather, the feedback related to the State Government proposal and Council's decision to proceed with this development in Park 2 and not dedicating more time to investigate alternative brownfield sites. </td></tr>
</table>

Elements	Relevant Documents	Prudential Review Comments
		However, based on the consultation process there is a strong sense that a new aquatic centre is warranted, but the Park Lands should be protected. The view was that a new facility should be located on a brownfield site (preferably not on Park Lands or on the site of the current AAC). Concerns were also raised during the consultation that related to the protection of the Park Lands, current bid for world heritage listing, environmental impacts, commercialisation of Park Lands, lack of public transport options to access the new facility and the early closure of the AAC. The State Government also undertook a range of consultation processes on the proposed new AAC during 2022, this included seeking feedback on the preferred location in Park 2 via a survey (available on-line or paper based) and meeting face to face with the State government project team at the pop-up booth at the existing AAC or at one of the drop-in information sessions. Community members were also invited to express their interest in joining a Community Reference Group (CRG) to review and consider the feedback received during this engagement period. The 12 person CRG were selected to represent a range of key community interests including local residents, businesses, the Adelaide Parklands Association and other entities affiliated with the existing AAC. Further consultation was held in November and December 2022 to inform the concept design process, this multi-lingual engagement included distribution of a project update and survey (online and hard copy) to addresses within a 1-kilometre radius of the existing AAC and over 900 people on the Aquatic Centre project mailing list, meetings with aquatic sporting clubs, service and training providers, door knocking residences along Barton Terrace West, a local resident meeting, a staffed pop-up information stand at the existing AAC, targeted children's activities and social media. In decision making it is also relevant to consider the objectives of the CoA Act (s29), the following are considered to be relevant. "The Council must, in the performance of its roles and functions: a. provide open, responsive and accountable government; b. be sensitive to the needs, interests, and aspirations of individuals and groups within the City of Adelaide community;

Elements	Relevant Documents	Prudential Review Comments
		d. give due weight, in all its plans, policies and activities, to regional, State and national objectives and strategies concerning the economic, social, physical and environmental development and management of the City of Adelaide; f. seek to ensure a proper balance within the community between economic, social, environmental and cultural considerations." Council should be mindful of the feedback received during the consultation processes and its obligations under the CoA Act before entering into the Project Agreement.
Community influence or contribution to the Project	Draft Community Land Management Plan Consultation Summary Report 2 August 2023 Adelaide Aquatic Centre Redevelopment Construction Licence and Lease Agreement Consultation Summary Report 4 August 2023	The State Government has undertaken extensive consultation and engagement processes on the proposed new AAC through which it is evident the Council and the community have been able to influence the final location and design of the Project. The community has also been afforded the opportunity of further consultation on the Project through two consultation processes conducted by the CoA. The first was on the new draft CLMP and the second related to the Adelaide Aquatic Centre Redevelopment: Construction Licence and Lease Agreement. The extent to which the community has influenced the Project through these processes will not beknown until Council has considered the Consultation reports.

Findings:

Requirements of Section 48 (2) (d) **have been met.**

The State Government has undertaken extensive community consultation and engagement on the proposal to develop and operate an aquatic centre on the Park Lands. The CoA has also undertaken consultation consistent with its Policy in relation to proposed changes to the CLMP and the essential terms of the AAC Redevelopment: Construction Licence and Lease Agreement. In accordance with the CoA Act and its Community Consultation Policy Council will need to give due consideration to the feedback received through the consultation processes before entering into the Project Agreement.

6. FINANCIAL ASSESSMENT

6.1 Revenue, Revenue Projections and Potential Financial Risks

Section 48 (2) (e) if the project is intended to produce revenue, revenue projections and potential financial risks"

Elements	Relevant Documents	Prudential Review Comments
Revenue projections	2023-24 Annual Business Plan and Budget (ABPB) 2022-32 Long Term Financial Plan (LTFP) Adelaide Park Lands Leasing and Licencing Policy (Adopted 27 January 2016) Park Lands Leasing and Licensing Operating Guidelines.	The Adelaide Park Lands Leasing and Licencing Policy supports, through the granting of leases and licenses, undertaking sporting and commercial activities on the Park Lands underpinning their use and activation for both formal and informal recreation. It also provides a consistent framework for the establishment and management of leasing and licensing arrangements for the Park Lands. The Policy states that 'fair and reasonable lease and license fees will be applied, whilst taking into consideration the level of priority use for sporting facilities or the commercial nature of the activity.' The CoA is to lease the land on which the new AAC will be constructed to the State Government at a peppercorn rental, accordingly the Project will not produce revenue. In agreeing to the lease Council is in effect determining that the investment being made by the State Government warrants a peppercorn rental.
Potential financial risks	Project Agreement (Draft 24.07.2023)	The Project requires the CoA to contribute $20.000 million to be applied to the demolition of the existing AAC and the 'Return to Park Lands' works. The CoA has identified a number of key financial risks which have been addressed these through the draft Project Agreement, including: • Limiting Council's contribution to $20.000 million (exc. GST). • Good faith negotiations regarding a Handover Deed regarding the transfer of ownership of assets and infrastructure and providing access to Contractors warranties and securities. • Specifying certain works to be funded by the Minister including for the Return to Park Lands Zone. • Requiring the Minister to share the Contractor's costings and estimates for the CoA's review and approval in respect to the Council Funded Works. The CoA

Elements	Relevant Documents	Prudential Review Comments
		is also able to request further information from the Minister to make an assessment of value. • An acknowledgement from the Minister that unless otherwise agreed the Council is only liable to pay the amounts that reflect the final Contractor's costings (in the final Project Contracts); and the Minister is responsible for the final costs for all works undertaken on the Return to Park Lands Zone including all costs overruns in respect of the Council Funded Works. • Incorporating a clause that provides that the Lease will contain an obligation to have the new AAC decommissioned and returned to unimproved Park Lands at the end of the term of the Lease. In addition, the following are identified as potential financial risks. • Under the Handover Deed (the terms of which are to be agreed) the CoA will have access to the contractor warranties and securities. ○ The CoA should ensure the warranties and securities provide adequate protection. • Personnel: the cost of redundancies, outplacement, redeployment and re-training. ○ These are issues the CoA will need to manage in accordance with its obligations under Enterprise Agreements. • Debt and interest rate risk. ○ This will be mitigated through the application of the CoA's Treasury Policy. These risks should be recorded, assessed, evaluated and treated in accordance with the Risk Management Operating Guideline.

Findings:

Requirements of Section 48 (2) (e) **have been met.**

The Project is not forecast to produce revenue. Financial risks are to be mitigated through the draft Project Agreement and the Lease, the terms of which have yet to be finalised.

6.2 Recurrent and Whole of Life Costs

Section 48 (2) (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;"

Elements	Relevant Documents	Prudential Review Comments
Recurrent costs	Project Agreement (Draft 24.07.2023) 2022-32 Long Term Financial Plan (LTFP)	The CoA has recurrent costs for the existing AAC in the LTFP, these will no longer be incurred after the closure of the Centre. Funding of the CoA $20.000 million contribution to the Project will be undertaken in accordance with the Treasury Policy, while there is not a direct recurrent financing cost that can therefore be attributed to the Project, there is a recurrent opportunity cost, from the application of CoA funds towards the Project. The CoA will incur maintenance costs for the 'Return to Park Lands' works. These works are to include a new playing field, landscaping elements and pathways, along with utilities costs for lighting and irrigation. The on-going maintenance costs are not able to be quantified until the 'Return to Park Lands' works have been designed. However, they are not expected to be material in the context of the CoA's Annual Budget.
Whole of life costs	Project Agreement (Draft 24.07.2023)	The CoA has not prepared whole of life costs for the Project and is unable to do so at this time as the recurrent maintenance costs will not be known until the 'Return to Park Lands' works have been designed. These costs are not expected to be material in the context of the CoA Annual Budget. Assuming the CoA contribution to the Project is the full $20.000 million, and after accounting for the operational savings from FY2025 onwards, there is an average opportunity cost of ~$0.922 million per annum from the use of these funds (calculated using the current LGFA CAD rate of 6.05% for the 42 year life of the lease). The estimated opportunity cost of the CoA financial contribution (net of the operational savings from FY2025) is $38.711 million over the 42 year life of the Project. This means that funds which are directed towards servicing the financial contribution will not be available for other uses unless the CoA implements other specific measures to repay this financial contribution over an earlier timeframe.

Elements	Relevant Documents	Prudential Review Comments
Financial arrangements	2022-32 Long Term Financial Plan (LTFP) Treasury Policy (Adopted 27 January 2022 / decision ID 21513)	The Treasury Policy will apply to finance the CoA contribution to the Project. The CoA manages its finances holistically in accordance with the adopted Treasury Policy, which seeks to manage financial risks centrally to ensure there is alignment with Council's Strategic objectives. This enables Council to optimise access to debt capital and ensure that Treasury operates within a controlled environment. In assessing and addressing financial risk the Policy requires that the following must be considered: Council's 'risk appetite'; 'User pays' and inter-generational equity principles; the ability to service debt and it prohibits speculative transactions. Based on the LTFP and the application of the Treasury Policy, there is inter-generational equity in the application of the Treasury Policy to the opportunity cost associated with the contribution as future generations are not funding future losses, the Project contribution is able to be serviced from forecast cash flows and the contribution is not considered to be speculative. The CoA contribution to the Project has been assumed to occur in equal proportion in FY2025 and FY2026. The maximum level of debt is prescribed by Council by way of prudential limits. The Policy prescribes that Council will not borrow funds when such borrowing would result in any of the following financial ratios being exceeded: • Interest Expense Ratio: Maximum: 10% of general rates revenue • Leverage Test Ratio: Maximum: 1.5 years of general rates revenue • Asset Test Ratio: Maximum: 50% of saleable assets The CoA is not forecast to exceed any of these financial ratios in funding the $20.000 million contribution to the Project.

Findings:

Requirements of Section 48 (2) (f) **have been partially met.**

The recurrent costs of the Project have been identified but are unable to be quantified until the 'Return to Park Lands' works have been designed.

A whole of life cost estimate has not been prepared as the future recurrent costs of maintaining the 'Return to Park Lands' works is not known.

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.

6.3 Financial Viability

Section 48 (2) (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;"

Elements	Relevant Documents	Prudential Review Comments
Financial viability	2022-32 Long Term Financial Plan (LTFP)	The LTFP contains provisions for operating losses for the AAC of $1.813 million (cash) in FY2025 and FY2026 and depreciation expenditure of $10.296 million for the life of the LTFP (non-cash). These provisions totalling $12.09 million will no longer be required, however this is more than offset by the $20.000 million contribution to Project resulting in a negative impact on the CoA financial indicators. The CoA has forecast the impact of the contribution on the Council's key financial indicators. The Operating Surplus ratio, which has a target range of between 0% and 20%, is forecast to fall into deficit in FY2025 and FY2026, with deficits of ~$6.915 million (3.2%) and ~$8.831 million (3.8%) respectively. However, the ratio returns to within the target range for the balance of the LTFP (other than FY2032 which is a deficit of $0.099 million). The CoA has taken a conservative view that the full $20.000 million contribution will be treated in the financial statement as an operational expense (although it may be that a portion of the expenditure is capital in nature and would therefore have less of a negative impact on the Operating Surplus). The remainder of the Council's key financial indicators are forecast to stay within the target range.
Findings: Requirements of Section 48 (2) (g) **have been met.** 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.		

7. RISK MANAGEMENT

Section 48 (2) (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);"

Elements	Relevant Documents	Prudential Review Comments
Risk assessment	Risk Management Operating Guideline (Approved 12 April 2023) Project Agreement (Draft 24.07.2023)	The CoA has a Risk Management Operating Guideline which sets the foundation for people who create and protect value in Council by managing risks, making decisions, setting and achieving objectives and improving performance. Under the Guideline the CoA has a low risk appetite for financial decisions that could have a negative impact on the organisation's financial sustainability. Over the life of the current LTFP the Project will have a negative impact on the CoA's financial sustainability. However, as a result of the Project there will be an additional 1,000 square metres of land returned to Park Lands and over the 42 year term of the Lease there will be an aquatic centre operating in the CoA providing a valuable community facility and service at no operating cost to Council. The CoA is seeking to manage risk through the draft Project Agreement and through a Lease, which has not yet been finalised. The Project Agreement provides Council with representation on the Return to Park Land sub-committee which has been established by the Minister on terms of reference to be agreed with the CoA. Under the Project Agreement the Minister has agreed to consult and engage with Council on the detail of the design of the Return to Park Lands Zone and incorporate relevant Council specifications, standards and construction requirements in the design of Return to Park Land Zone. The Project Agreement also requires the Minister to ensure the Council is kept updated and regularly informed regarding the status of the Project including: "(a) updates regarding changes in Project deadlines and timeframes; (b) progress of the works under the Project Contract; and (c) any other matter that may be material to the Council."

Elements	Relevant Documents	Prudential Review Comments
		The CoA has undertaken a high level risk assessment which identified five remaining risks i.e. not addressed by the Project Agreement. These risks have not yet been evaluated and treated in a Project Risk Register.
Risk mitigation	Project Agreement (Draft 24.07.2023)	The Chief Executive Officer should be kept apprised of Project progression and any areas of risks through monthly meetings with the Director – City Shaping. The Chief Executive Officer should update Council and the Audit and Risk Committee on Project progression, and any change in the risk profile of the Project as required.
Findings: Requirements of Section 48 (2) (h) **have been met.** The CoA is managing risk through the Project Agreement and a Lease. The detailed terms of the Lease are yet to be agreed but the essential terms have been agreed between the parties. The remaining identified risks should be evaluated and treated in a Project Risk Register.		

8. PROJECT DELIVERY

Section 48 (2) (i) the most appropriate mechanisms or arrangements for carrying out the project;"

Elements	Relevant Documents	Prudential Review Comments
Project Delivery	Project Agreement (Draft 24.07.2023) Local Government Act 1999 (SA)	Under the provisions of the Project Agreement the Minister for Infrastructure and Transport will enter into all contracts associated with the development of the new AAC. Under the Project Agreement the Minister agrees to consult and engage with CoA regarding the details of the design of the Return to Park Land Zone; and incorporate relevant Council specifications, standards and construction requirements in the design of Return to Park Land Zone.
Procurement	Procurement Policy (Adopted 14 December 2021 / decision ID 21480) Procurement and Contract Approvals Operating Guideline 19 November 2021 Local Government Act 1999 (SA)	The CoA Procurement Policy covers CoA's requirements in relation to the procurement of goods, works and services. In addition to meeting legislative requirements the Policy seeks to deliver best value outcomes; ensure ethical conduct, accountability and transparency; manage risk management factors and ensure continuity of supply and deliver its strategic objectives. In progressing the Project the CoA has engaged the following advisors: • Norman Waterhouse – Legal. • BRM Advisory – Prudential report. The procurement of professional services to progress the Project have been undertaken consistent with the Procurement Policy. Under the Project Agreement the CoA will pay up to $20.000 million on the basis of contracts to be entered into by the Minister, this is a contractual commitment to pay the State Governmetn to procure and delivery the demolition of the existing AAC and the redevelopment of the Park Lands works as agreed.

Findings:

Requirements of Section 48 (2) (i) **have been met.**

Project delivery will occur through the Minister for Infrastructure and Transport.

9. SALE OR DISPOSITION OF LAND

Section 48 (2) (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994;"

Elements	Relevant Documents	Prudential Review Comments
Valuation of land	Market Rental Assessment 9 December 2019	The disposition of land includes the grant of a lease. In undertaking the Project the CoA will enter into a long term lease with the State Government for the Land. Colliers International were engaged to provide a market value and market rental value of the existing Adelaide Aquatic Centre Land. The key assumptions on which the valuation was based are set out below. • A lease term of 21 years with a 21 year right of renewal • The lease is structured on a net basis with the Lessee responsible for the payment of all relevant outgoings • Permitted use includes an aquatic centre • Annual reviews to CPI with a market review every 5 years. The rental assessment was based on the following definition. *"Market Rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion."* The valuation date was 9 December 2019, the valuation was prepared by a Certified Practicing Valuer who is qualified to provide such a valuation. The valuation highlighted the difficulty in determining a market rental on the basis of a comparison with comparable landholdings, generally the primary approach use in such determinations. Other sites within the Park Lands and Adelaide Oval were identified along with the sites such as the State Aquatic Centre at Marion. The observation was that based on that research only a peppercorn rental should be payable based on the occupiers of the identified landholdings being either not-for-profit or community based organisations.

Elements	Relevant Documents	Prudential Review Comments
		To arrive at a commercial valuation the valuer assessed the ground rental on the basis of the level of return an investor would expect on the underlying land value. The rate of return was set at 5% assuming a Park Lands or community use and rental was assessed at $12.50m^2$. The Land is to be leased to the State Government for a peppercorn rental which is consistent with the views expressed in the valuation for an occupier which is either a not-for-profit or community based organisation. We note the valuation was undertaken in 2019 and has not been updated since, in our view this is reasonable given the views of the valuer that a peppercorn is the appropriate basis for determining market value for an occupier which is either a not-for-profit or community based organisation.

Findings:

Requirements of Section 48 (2) (j) **have been met.**

The CoA will lease the land for the new AAC to the State Government for a peppercorn rental. This rental basis is supported by a valuation prepared for the CoA, prepared by a qualified valuer in December 2019, which expressed the view that a peppercorn rental is the appropriate basis for determining market value for an occupier which is either a not-for-profit or community based organisation.

ATTACHMENT ONE: LOCAL GOVERNMENT ACT, 1999 SECTION 48

Section 48 – Prudential requirements for certain activities

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

- (a) acts with due care, diligence and foresight; and
- (b) identifies and manages risks associated with a project; and
- (c) makes informed decisions; and
- (d) is accountable for the use of council and other public resources.

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

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

- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
  - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
  - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed $4 000 000 (indexed); or
  - (iii) where the council considers that it is necessary or appropriate.

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

- (a) the relationship between the project and relevant strategic management plans;
- (b) the objectives of the Development Plan in the area where the project is to occur;
- (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the 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;
- (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.

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

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

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

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

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

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

(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).

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

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

- (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
- (b) if that person is a proprietary company in which the relevant person is a shareholder; or
- (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
- (d) if that person is a partner of the relevant person; or
- (e) if that person is the employer or an employee of the relevant person; or
- (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
- (g) if that person is a relative of the relevant person.

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

- (a) by virtue only of the fact that the person—
  - (i) is a ratepayer, elector or resident in the area of the council; or
  - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
- (b) in a prescribed circumstance.

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

(6e) In this section—

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

non-profit association means a body (whether corporate or unincorporate)—

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

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