

## 10. REPORTS

### 10.1 STRATEGIC DIRECTION 1: COMMUNITY

#### 10.1.1 Progress Report on the Recreation and Aquatic Facility Project

Location:	Collier Park Golf Course
Ward:	Como
Applicant:	Not Applicable
File Ref:	D-21-57285
Meeting Date:	27 July 2021
Author(s):	Beverley Davies, Project Director - RAF Rebecca de Boer, Advisor - RAF
Reporting Officer(s):	Mark Taylor, Director Infrastructure Services
Strategic Direction:	Community: A diverse, connected, safe and engaged community
Council Strategy:	1.2 Community Infrastructure

#### Summary

This report provides an update on the implementation of the findings of the Peer Review of the RAF Business Case documents as requested by Council at the Special Council Meeting held 15 March 2021.

The report also provides an overview of further actions for Council to consider that will ensure the RAF Project is financially viable and remains on schedule to completion.

0721/115

#### Officer Recommendation AND COUNCIL DECISION

**Moved:** Councillor Carl Celedin

**Seconded:** Councillor Blake D'Souza

That Council notes the actions taken to date by the City to address the areas of further development identified by the Peer Review of the RAF Business Case Documents (Operational Feasibility Report and Project Definition Plan).

**CARRIED (9/0)**

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

**Against:** Nil.

#### Background

At the Special Council Meeting held 15 March 2021, Council endorsed the findings of the Peer Review of the RAF Business Case documents (Operational Feasibility Report and Project Definition Plan) conducted by Deloitte and Warren Green Consulting (WGC).

Council also requested that the City report back on the areas for further development identified by the Peer Review including a detailed functional brief, quantitative risk assessment and operator market sounding, by no later than July 2021.

#### Findings of the Peer Review

The Peer Review noted the comprehensive planning process the City had undertaken for the RAF Project. The Peer Review did not find any fundamental barriers to the RAF project progressing to the next stage and noted:

*The findings highlight areas of further development of the RAF, which would typically be addressed in a Treasury Business case.*

The areas of further development included:

- Detailed functional brief – to refine the  
*‘... current concept design, area schedule, demand projections and facility components’*
- Quantitative risk assessment – to determine  
*‘... the potential financial cost and performance implications of key risks of various scenarios.’*
- Operator market sounding – to conduct  
*‘... a more extensive market sounding exercise with potential operators to confirm appetite for RAF Business model and key assumptions included in the feasibility assessment’*

#### Comment

The RAF Project is currently progressing through Stage 2 of the project schedule (March 2021 to November 2021). The following Key Actions for this stage are now complete:

- Approval of the Business Plan as required by s 3.59 of the *Local Government Act 1995*; and
- Signing the Federal Funding Agreement and receipt of the first payment.

In addition, the City remains actively engaged in discussions with the State Government and other project partners regarding funding commitments for the project.

The City has completed the Operator Market Sounding process and the Treasury Business Case is well advanced. The Detailed Functional Brief will be undertaken once the Concept and Schematic design processes are completed.

Further detail about how the City has addressed the findings of the Peer Review is listed below.

Area of Further Development	City Response
Operator Market Sounding	There was strong interest in operator rights of the RAF from potential operators during the Operator Market Sounding.

	The findings of the Operator Market Sounding will inform the next stage of the RAF project and development of future procurement process for the RAF.
Treasury Business Case	The Treasury Business Case includes consideration of options and a risk register with quantitative analysis of key risks, including: <ul style="list-style-type: none"> <li>operational (performance) impacts referencing scenario analysis</li> <li>potential capital cost impacts</li> </ul>
Detailed Functional Brief	Operational financials (demand) for aquatics to be provided at the RAF have been reviewed as part of the development of the Treasury Business Case.  Operational financials for aquatics in line with design (functional capacity) will be detailed in the functional brief and developed during the next stage of the RAF Project (Concept and Schematic Design).

#### Future Actions Required to Progress the RAF

##### 1. Concept Design

The Project Schedule assumes that Concept Design will commence in August 2021. This will be the first of three stages of Design for the Project – the others being Schematic and Detailed Design (Stages 3-5 – August 2021 to August 2022).

The project stages to date (Project Definition and Business Case) have focussed on broadly defining the main uses (business units) and their general spatial requirements to inform the approximate size and scale of the RAF, together with its general layout.

During the Concept Design stage, these will be further tested and refined to more accurately develop concept plans showing the plan form, size, volume and shape of the RAF, together with its general architecture. These can then be utilised to further test the business model and operational financials, together with cost.

Concept Design provides the necessary detail to assist Council in future decisions whether to proceed, or not to proceed. At this stage, all detailed assessments have indicated the RAF project does not adversely impact on the financial health of the City. These assumptions will be significantly further refined by completing the Concept Design.

The other key actions for the next (concurrent) stages of the RAF Project are to undertake procurement processes for the following:

- Exclusive naming rights;
- RAF Operator; and
- Private sector/other funding

Each of these actions are intended to further 'de-risk' the project and provide greater certainty and information to Council about the financial and operational viability of the RAF. These processes are essential to inform future decisions by Council, however they do not bind Council to adopting these items, or commit the City to future actions on the RAF Project.

2. RAF Operator

For a project of the scale of the RAF, it is standard industry practice for the operator to provide input into the design phase of the project and this is typically at the commencement of Schematic Design.

3. Exclusive Naming Rights

The RAF Business Model does not include any revenue in relation to naming rights. Preliminary analysis of naming rights undertaken by the City (the subject of a previous confidential briefing to Council) indicates there is considerable financial benefit in securing a long-term appropriate partner for exclusive naming rights.

4. Private sector/other funding

One of the assumptions of the RAF funding model is that a private provider may be interested in funding part or all of the for profit components (driving range, climbing wall, food & beverage) of the RAF. This could be the operator, an external party, or a combination of both.

After analysis of the risks and returns of each approach, Council would then be in a position to determine the best approach to facilitate securing the remaining funding required for the RAF.

### Consultation

Progress of the RAF Project was the subject of a Councillor Concept Briefing on 12 July.

### Conclusion

The City has addressed two of the three areas identified for further development by the Peer Review. The third area - Detailed Functional Brief - will be undertaken when the RAF Project moves to the Schematic and Detailed Design stages.

In respect to future actions required to progress the RAF Project, proceeding to Concept Design ensures the RAF project remains on schedule and provides greater confidence to potential funding partners about the project. It also provides additional certainty to Council about the financial and operational assumptions of the RAF project and will inform future decision making.

Procurement of an Operator to assist in the design process is considered to be a positive step to ensure the RAF is well designed, functional and financially viable.

Pursuing naming rights enables the City to further strengthen the financial viability of the RAF and City finances more broadly.

Securing private sector funding is an extension of the Operator Market Sounding process and a necessary requirement for the RAF Project.

The City will provide more information on the four actions outlined in this report to progress the RAF Project for future consideration by Council.

**Policy and Legislative Implications**

Advice was sought from Jackson McDonald (City lawyers) to ensure that the Operator Market Sounding process complied with the *Local Government Act 1995* and Regulations and did not prejudice future procurement processes for the RAF Project.

The advice was accepted and the City subsequently appointed a probity advisor for the Operator Market Sounding process. The probity advisor attended all associated meetings and briefings. In addition, the City received advice that the findings of the Operator Market Sounding process are commercial in confidence and release would potentially prejudice future tender negotiations.

**Financial Implications**

The work listed in this report has been achieved using existing approved budget.

**Strategic Implications**

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

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

**Attachments**

Nil.