

Prudential Review Port Pirie Sports Precinct

Prepared for the Port Pirie Regional Council

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1. Executive Summary

Introduction

Port Pirie Regional Council is situated on the upper reaches of the Spencer Gulf in the Southern Flinders Ranges of South Australia. The Council area includes the City of Port Pirie as well as the rural towns of Crystal Brook, Redhill, Koolunga, Wandearah, Mundoorra, Napperby and Warnertown. Its main commercial activities are agriculture and industry. Most of the population resides in the city of Port Pirie which is the site of the largest lead smelter in the Southern Hemisphere and is the town's main employer and a significant driver of activity in the local economy.

Council's website sets out its Vision as a commitment to:

- Deliver excellence in providing services to the community
- Enhance and protect the environment
- Improve living standards
- Support environmental, social and cultural development.

The Port Pirie Regional Council is seeking funding from the National Stronger Regions Fund to contribute to a redevelopment of the Memorial Oval complex and neighbouring swimming centre, the Sports Precinct.

Purpose and Scope of this Report

UHY Haines Norton has been engaged to undertake this Prudential Review Report to comply with the requirements of Section 48 of the Local Government Act 1999 to address prudential issues before engaging in a significant project. The legislation details the topics to be covered in a Prudential Review Report and this report is set out to cover each of the legislative aspects.

Prudential Assessment

Council has undertaken extensive preparation work on this project. Listed below is a summary of comments in regard to the prudential issues that Council need to consider under Section 48 of the Local Government Act 1999 prior to final approval of the Project.

Summary of Prudential Issues

The following key points are summarised against the requirements in the Local Government Act 1999 and are explored more fully within the report:

Section 48(1) (b) (ii) requires council to Council to consider a report that addresses prudential issues where the expected capital cost of the project over the ensuing five years is likely to exceed \$4m (indexed).

The total budget for the project is \$15m and requires a prudential report.

Section 48(2) (a) requires consideration of the relationship between the project and relevant strategic management plans.

Council has a range of plans that form part of their Strategic Management Plans along with other related plans. The Port Pirie Sports Precinct links strongly with these plans and is a key strategy in achieving Council's strategic objectives.

It is noted that once the detailed design stage of the project is complete the additional asset infrastructure including useful lives, depreciation and renewal information will need to be added to the Asset Management Plan and these refined figures added to the Long Term Financial Plan

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

The planning for the Sports Precinct has incorporated the requirements of the Development Act 1993, Development Regulations 2008 and Council's Development Plan (10 January 2013 – consolidation). Planning assessment considers that the project is considered to satisfy the relevant Zones and Council-wide Objectives and Principles of Development control of the Port Pirie (RC) Development plan and that there are no major obstacles expected in the approval process.

Section 48(2) (c) requires consideration of 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.

The Cost Benefit Analysis details assumptions and parameters used, methodology of deriving cost benefits, undertakes a sensitivity analysis and uses standard Government and Industry data and tables.

Forecasting is based on assumptions that remain untested until actual events occur, but the Cost Benefit Analysis Report seems to estimate reasonable figures within the restraints of forecasting.

The Situational Analysis of Port Pirie Community makes a number of recommendations to Council in order to capitalise on the Sports Precinct Project and enhance the social outcomes for the community.

Council's Procurement Policy ensures that there is fair competition in the market place but the policy allows Council, where all other criteria are comparable, to place emphasis on local employment opportunities. This is important for a project which aims to increase local employment during its construction phase.

Section 48(2) (d) requires consideration of 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.

Council has a Community Engagement Policy which details the community engagement and consultation processes Council will undertake where required under the Local Government Act 1999.

Council has undertaken the consultation required by the Act and its own Policy and has undertaken quite extensive consultation with its community in regards to the Sports Precinct and has committed to continue to do so during the construction of the project and beyond.

Section 48(2) (e) requires consideration of the level of whether the project is intended to produce revenue, revenue projections and potential financial risks.

Income from lease fees and hire are relatively minor. They have been estimated and that estimation is largely untested at this time. As revenue from the finished project is minor, the ongoing viability of the project is unlikely to be overly affected by variations in expected income.

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

Preliminary, high level costings have been provided to Council and are being used in funding bids and planning. The cost of the project is estimated at \$15m to \$20m with Council's expectation that the \$15m cost will be realised. Funding has been sought for \$5m from the State and \$5m from the Federal Governments. Council has stated that the project in this form will not commence unless this sought funding is confirmed.

The high level project costings have been prepared by a well-established firm that have undertaken a number of large project costing work in Local Government and State Government in South Australia.

Detailed planning and costing will take place once the funding is confirmed and once this has been completed Council will be able to include the detailed project cost and ongoing operational costs into its Long Term Financial Plan.

Estimated project and operational costs have been included in the Long Term Financial Planning scenarios considered under the section on Financial Viability.

Section 48(2) (g) requires consideration of 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.

The assumptions that Council has used in the preparation of their 2013 Long Term Financial Plan appear to be reasonable and based on information that Council was aware of at the time.

It is noted that the project figures included in the Long Term Financial Plan are estimates and that once the detailed plans and construction are complete, the Asset Management Plan and Long Term Financial Plan will need to be refined.

A number of scenarios have been prepared by Council finance staff considering the long term impact on Council's financial position.

A \$15m project cost with \$10m of Government funding and Council funding of \$5m in loan borrowings mostly stays within Council's targets over the term of the plan. Council has stated that the project is subject to receiving the \$10m in Government funding.

If the project costs were to increase to the upper estimate of \$20m, annual depreciation will also increase by an estimated \$150k per year, along with additional interest costs, however the overall effect is still to stay mostly within Council's targets but the higher loan funding affects Council for longer before moving back to target ranges.

Section 48(2) (h) requires consideration of 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.

Council has identified key risks of the Project, assessed the impact and assigned responsibility and developed contingency actions as required in Risk Management and has a process for ongoing risk management of the project.

It would be useful to include a matrix describing the Likelihood and Impact Rating scale used in the risk assessment in the risk register.

Section 48(2) (i) requires consideration of the most appropriate mechanisms or arrangements for carrying out the project.

Project management is a significant role. Separating the role of Project Sponsor and Project Management is a sound decision. The CEO as Project Sponsor will have overview of the project without needing to take on the day to day management of the project and reduce time available for the CEO role.

Ensure that all delegations and financial authority reflect the responsibilities of the role of Project Manager and determine whether the role of Project Sponsor requires increased delegations or financial authority for the duration of the project?

Consider appointing a backup for Project Manager in case of unexpected unavailability and if such an appointment is made ensure there are arrangements for the 'backup' Project Manager to have necessary delegations and financial authority and that this can be enacted quickly in case of an unexpected unavailability of the Project Manager.

Section 48 (4) requires that this report is prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out.

This report has been prepared by a firm experienced in undertaking Prudential Reviews for Local Government in South Australia.

Section 48 (4a) requires that this report must not be prepared by a person who has an interest in the relevant project.

UHY Haines Norton has no interest in the Pt Pirie Sports Precinct development.

Section 48 (5) requires that a Prudential Report 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).

This Prudential Review Report will be presented to Council at its August Council meeting. The Report will also be added to Council's Sport Precinct web page and to all other documents relating to the project until the project is completed.

Section 48 (6) allows council to 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).

There are no confidential aspects of this Prudential Review Report.

2. Description of Project

The Port Pirie Regional Council is proposing to build a multi-purpose sporting facility at the Port Pirie Sporting Precinct. Council expects that this project will facilitate the rationalisation of playing surfaces in Port Pirie, provide significantly upgraded facilities to replace the current ageing infrastructure, accommodate multiple sports and will help to rejuvenate the CBD by bringing more sports to the centre of town.

Council's Business Case states that the proposed redevelopment, in its simplest form will achieve the following:

- A Memorial Oval Precinct (incorporating Pirie West Oval) which will accommodate the existing sports of football, cricket and baseball as well as relocating existing sports from Globe Oval and Savoy Park. This includes the expansion of the Pirie West Oval, realignment of Memorial Oval; new lighting to both ovals; redevelop the existing grandstand; new change rooms, canteen and toilets; together with a function centre and viewing facilities.
- A Port Pirie Recreation Centre at the existing Port Pirie Swimming Pool with a new amenities block, reception area and canteen which will also accommodate gymnastics, squash and potentially others in a multi-purpose facility.
- Decommissioning Globe Oval and disposal except for a portion to be retained as open green space and a passive recreation area
- Relocate Croquet to Pasminco Park (corner of Halliday Street & the Terrace), Incorporating two playing surfaces, toilets and a clubroom.

The project is planned to start July 2015 and be completed in December 2016.

The key elements of the project are:

- Upgrades to both the Memorial Oval and Pirie West Oval to suit a range of sports. Works include:
 - Extensions to the grassed areas
 - Realignment of the playing surfaces
 - Improved levels and drainage; and
 - New lighting
- Repairs and minor upgrade of the existing grandstand building.
- Development of a new sporting 'Hub' building (between the ovals) for a range of activities in the precinct providing:
 - Viewing areas to both grounds
 - Change rooms and other amenities
 - Storage; and
 - Canteen and clubroom facilities
- Removal of a number of redundant buildings on the main oval site
- Relocation of croquet club and croquet greens to another site
- Parking and access upgrades to the main oval site; and
- Development of a new building on the swimming pool site catering for the swimming pool, use and providing new gymnastics and squash facilities.

3. Background to Project

Council was aware that sporting clubs and Port Pirie Regional Council are facing increase cost pressures as a result of increasing water and electricity prices and maintaining ageing infrastructure. To address these issues, the Council set up an internal Sports & Recreation Committee. The Committee developed a sport and recreation strategy with the aim of making sport in the region more sustainable. The strategy comprises six main recommendations:

- Lobby the State Government about its water pricing policies.
- Rationalise grassed playing fields
- Introduce recycled water where possible
- Update user charges
- Create fairness in terms of leasing and rating arrangements
- Invite school to participate in resource sharing.

As a result of these recommendations, Council engaged Oneighty Sport & Leisure Solutions to prepare a Sports Facility Review in 2013. The review considered the potential to rationalise grassed playing surfaces in Port Pirie in order to:

- Alleviate the ongoing burden of rising water costs on clubs and council;
- Ensure optimal use of sports facilities; and where possible and feasible, adopt a consolidated approach to planning and sharing community resources to alleviate the burden on volunteers and clubs.

The Review also considered the options for the redevelopment of the Port Pirie Sports Precinct and identified the Clubs and organisations that indicated that they would consider being involved in any future redevelopment of the Precinct.

The Review was received by Council at its December 2013 Ordinary meeting where it resolved (OM358/13);

1. *That the Final Report from Oneighty Sport & Leisure Solutions be received*
2. *That supplementary to its application to the Local Government Stimulus Program, Council seeks Government support for Master Planning and development of the Memorial Oval Precinct incorporating Pirie West Oval and the Swimming Pool, such planning to be complimentary to the Local Government Stimulus Program application. Sports to be considered for this precinct should include but not be limited to football, cricket, baseball, bowls, croquet, swimming, gymnastics, squash, rugby and triathlon;*
3. *That formal negotiations take place with other landowners Port Pirie West Primary School Governing Council and Property Services DECD and the Scouting Association of South Australia (Port Pirie)*
4. *That negotiations be undertaken with Savoy Soccer Club, Virtus Soccer Club, Port Pirie Junior Soccer Association, Soccer SA and the Office for Recreation and Sport for master Planning of Senate Sports Park as a soccer hub (incorporating opportunities for multi-use with cricket and other sports);*
5. *That Council contributes to support the Port Pirie Softball Association on finding best fit for playing conditions, facilitates and sustainability;*

6. *That the Sport & Recreation Committee continues in its current role.*

Council used the Review to obtain \$5m State funding. A Sports Facility Discussion Paper was drafted to clarify the expectations and deliverables of upgrading the Sporting Facilities in the city.

The Discussion Paper acknowledged that Council cannot fund, nor secure external funding for the upgrade of all sporting facilities in Port Pirie in the short to medium term and thus had to prioritise the upgrades required and implement them in a staged manner.

The Discussion Paper identified that the major risk for this project would be to try to satisfy every need of every sporting association and create a prolonged planning period that generated unaffordable facilities.

The Discussion Paper proposed that:

- A Memorial Oval Precinct (incorporating Pirie West Oval) which would accommodate existing sports of football, cricket, baseball, croquet and bowls; as well as relocate existing sports from Globe Oval, while ensuring the Virtus &/or Savoy and softball can use the Pirie West Oval in the long term if they chose to.
- A Port Pirie Swimming Pool Precinct which requires new amenities block and could potentially also accommodate gymnastics, squash and others.

The Discussion Paper was used as the basis for consulting with the sporting community of Port Pirie and seeking participation in taking the project to the next step in its development.

Council then appointed Dash Architects to provide a master plan and costings for the Port Pirie Sports Precinct. The plans were subsequently endorsed by all stakeholders and formed the basis of the funding application to the Federal Government.

4. Specific Project documentation & Related Policies and Plans

Council has developed a number of documents in the planning of this project and also has a number of policies and plans which have used as reference for this report.

The associated documentation, policies and plans are listed in the Relevant Documents section at the end of this report. This report should be read in conjunction with the associated documentation, policies and plans.

5. Legislation

The Local Government Act 1999, Section 48 *Prudential Requirements for certain activities*, requires Council to consider a report that addresses prudential issues where the expected capital cost of the project over the ensuing five years is likely to exceed \$4m (indexed).

(6d) of this section states that \$4m indexed at the 1st January each year starting on 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.

Pursuant to S48 (2) the following prudential issues need to be considered in such a report:

- 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 within 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.

S48 (4) requires that this report is prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out.

S48 (4a) requires that this report must not be prepared by a person who has an interest in the relevant project.

S48 (6a) states that 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.

S48 (6b) states that 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 for 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.

S48 (6c) allows that 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?
 - (ii) Or is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisations or
- (b) In a prescribed circumstance.

S48 (4b) requires that council must give reasonable consideration to this report and must not delegate the requirement to do so.

S48(5) requires that this report must be available for public inspection at the principle office of the council once the council has made a decision on the relevant project (and may be available at an earlier tie unless the council orders that the report be kept confidential until that tie)

S48 (6) allows council to 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).

6. Addressing the Prudential Issues of Section 48 of the Local Government Act 1999;

S48 (1) (b) (ii) Requirement for a Report Addressing Prudential Issues

The Local Government Act 1999, Section 48 Prudential Requirements for certain activities, requires Council to consider a report that addresses prudential issues where the expected capital cost of the project over the ensuing five years is likely to exceed \$4m (indexed).

(6d) of this section states that \$4m indexed at the 1st January each year starting on 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.

Prudential comments: At January 2015 the indexed amount is \$4.5m. The total budget for the project is \$15m with grant funding and therefore a report is required.

S 48(2) (a) Relationship to Strategic Management Plans

The relationship between the project and relevant strategic management plans

A Council's Strategic Plan Framework is made up of the following:

- Strategic Plan – overall plan which sets out Council's Visions and Goals
- Asset Management Plan(s) – plan for managing Council's infrastructure and other assets to deliver agreed standards of service and contribute towards Council's Visions and Goals.
- Long Term Financial Plan – outlines the financial impacts and requirements to fulfil Council's Strategic and Asset Plans.
- Annual Business Plan – one year forward plan to implement the Strategic Plan.
- Other Plans – Other strategic plans to further develop key issues that are particular to individual Councils.



This figure indicates the relationships between the Port Pirie Regional Council's Plans

Strategic Plan

Refer to:

- Port Pirie Regional Council. (August 2009). Strategic Plan 2010-2019.
- Port Pirie Regional Council. (2014, November 21). Port Pirie Sports Precinct Business Case.

The 'Port Pirie Sports Precinct – Business Case' shows how the Port Pirie Sporting Precinct assists in achieving Council's current Strategic Plan in the following key goal areas:

Quality Lifestyle: Establish the Port Pirie Region as a quality lifestyle choice which has an inclusive sense of community pride.

- Support community organisations that encourage volunteer involvement for the benefit of the wider community to increase opportunities for civic participation, building social connectedness and improving wellbeing.
- Support viable community organisations through collaboration and joint use of facilities.

- Provide assistance to community groups in developing infrastructure, building projects, events and other programs.
- Promote community events, projects and the work of volunteers to encourage community participation, connection and reducing social isolation.
- Assist community organisations locate and access funding for community projects.

Economic Prosperity: Port Pirie is a clean, vibrant, thriving region that encourages sustainable new business investment, supports existing business growth and has a growing population base.

- Ensure that Council has sufficient community and physical infrastructure to cater for the planned growth.
- Support the provision of and participation in arts, cultural and sporting activities within the region.
- Attract, sponsor, assist and promote events, festivals and conferences to the Port Pirie region, particularly those that showcase the attributes of the region.
- Promote the Port Pirie region as a great place to work, live, paly and visit.
- Ensure that the region has the education facilities, health and social services, employment opportunities, lifestyle and other attributes that are required to attract, retain and grow our population.
- Improve the attractiveness of the region to assist in encouraging more people to live here.

Infrastructure & Asset Management: Provide public infrastructure and amenities that enhance the image of the Port Pirie Region, that are safe, functional, welcoming and appealing to the local community, investors and visitors while achieving the principles of triple bottom line sustainability.

- Provide public facilities, services and infrastructure that meet the assessed needs of locals and visitors to the Council area.
- Encourage the development of multi-use facilities and the rationalisation of existing facilities within the region.
- Explore and obtain external funding for key infrastructure development projects.
- Ensure that Council plans for the expansion/upgrade of existing community facilities to cater for the expected demand resulting from planned population growth.

Environment Sustainability: Effective management of the region’s environment to ensure ecological sustainability.

- Seek methods to reduce Council’s water consumption on its facilities
- Maintain and improve the health of the community.

Organisational Excellence: Develop an organisation that is outwardly focussed responsive and progressive, balanced with financial and performance accountability.

- Investigate and implement innovative funding models for community projects.
- Maximise external funding opportunities for community projects consistent with this plan.

Asset Management Plans

Refer to:

- *Port Pirie Regional Council. (n.d.). Asset Management Plan 2013-2023.*
- *Port Pirie Regional Council. (7 November 2014). Port Pirie Sports Precinct - Asset and Operations Management Plan.*

Council has an Asset Management Plan which provides a strategy to manage, review and replace its fixed asset base.

Council's *Asset Management Plan 2013-2023* documents the assessment of the condition of Recreation Buildings (total) and found that 78% are of 'Poor to Very Poor' condition. The Asset Management Plan identifies that Council needs to maintain its buildings to ensure they are fit for each intended purpose and that Council is not exposed to liability due to poorly maintained facilities and that there is a need to asset its buildings in terms of functionality and capacity in consideration of future demand and compliance issues.

The Recreation Overview in the Asset Management Plan noted that Council's recreational facilities are ageing and will require significant operational and capital expenditure to renew, replace or upgrade the various infrastructure elements. The Plan also noted that Council has many facilities which are duplicated and may benefit from consolidation or development of multi-sport facilities.

The *Port Pirie Sports Precinct – Asset and Operations Management Plan*, states that the Port Pirie Sports Precinct will remain in the ownership of the Council and that during the detailed design stage of the project, the individual components of the project will be broken down, costed, useful life determined, annual depreciation rate calculated and included in Council's asset register and its asset management software. At the completion of the project, Council will work with the construction firm and manufacturers of materials used to determine the ongoing asset maintenance program for all components of the project and that this would then be incorporated into the Long Term Financial Plan.

Council has assessed the following assets and has identified a number of issues that need attention:

Memorial Oval

Council identifies that the Memorial Oval is Council's prime recreational facility located in the CBD of Port Pirie and that the following issues require urgent attention:

- Lighting is inadequate for night baseball, football, cricket and a number of other sports
- Canteen is substandard in regards to health standards and does not have running water
- Change rooms are not big enough nor have appropriate showers and toilets to suit needs.
 - A need for additional change rooms has been identified to cater for large events such as State championships, Masters Games or multiple events held within the precinct.
- Viewing facilities are limited, not centrally located, obtain asbestos
- There are no facilities available to host after match functions to improve club income and improve experience.

Swimming Pool

The pool received over \$1m worth of refurbishment in 2009 but other facilities such as the canteen, kiosk, toilets, entrance way and change facilities did not receive any refurbishment and are in need of upgrade. The facilities are also not disability friendly.

YMCA

The YMCA facility was sold in 2012 to SA Health and was earmarked to be demolished. Key users of the facility were moved on but gymnastics and squash have no other venue. The building is in a significantly deteriorated state. SA Health and Nyrstar, have concerns about potential lead exposure to users (particularly children) as there is external dust entering the building.

Gymnastics also operate out of the John Pirie Secondary School gymnasium but operating over two sites is creating scheduling issues and difficulty due to equipment being stored in one site but being required in two. There is also a lack of space for training and administrators and the need for a meeting room for theoretical sessions.

Savoy Park

Used by the Savoy Soccer Club for training and home games. Located 5k from CBD of Port Pirie. Facilities are ageing and inadequate to meet current needs. Cost of the grounds (owned by the club) is causing financial burden and the sustainability of the field due to increasing water and maintenance costs is questionable.

Pirie West Oval

Owned and managed by the Port Pirie West Primary School. The oval is also available to some community groups after school hours. The services and facilities and condition of the oval are substandard. It is unable to be used during winter, early evenings or night due to lack of lighting. The cost of maintaining the oval also represents a challenge to the school.

Globe Oval

Globe oval is currently used by the Solomontown Football Club, junior football, cricket and softball training. The lighting is considered inadequate for training, the change rooms are small, aged and have inadequate shower/toilet facilities. The public toilets are a considerable distance away from the spectator area and the cost of maintaining the facilities and oval, particularly water costs have become cost prohibitive.

Long Term Financial Plan

The Long Term Financial Plan is one of the documents which make up the Strategic Plan Framework. The effects on the Long Term Financial Plan are discussed in the Financial Viability section of this report.

Annual Business Plan

Refer to: Port Pirie Regional Council. (2015, July 8th). Annual Business Plan.

The detailed design stage of the Sporting Precinct project is included in the 2015/16 Annual Business Plan (subject to approval of Government Grants). The Annual Business Plan and Budget was available at a public meeting on Monday 22nd June 2015 and was presented to the community for consultation prior to this meeting as per the requirements of the Local Government Act 1999.

Other Council Plans

Tourism Event Strategy

Council aims to attract visitors to the City of staging major regional events. The aim of the Tourism Event Strategy is to define the current and future direction of events within the Council area and identify ways in which the region can enhance and improve current events, as well as attract and create new events.

The Sports Precinct is a key piece of infrastructure for many events including but not limited to:

- Smelters Picnic
- Country Football Championships
- Outdoor Expo
- New Year's Eve
- Country Swimming Championships
- Regional Gymnastic Invitational

In addition to these major events, Council believes that redeveloping the facilities in the Sports Precinct will be able to greatly expand this range of activities in the future.

Growth Plan

Refer to: Port Pirie – Key Strategic Priorities for the Growth of Port Pirie (Growth Plan)

Council, the Member for Frome, the Hon Geoff Brock MP, the Member for Grey, Rowan Ramsey MP and Regional Development Australia Yorke and mid North (RDAYMN) have joined together to form the Port Pirie Planning Group. The Planning Group meets to collaborate and discuss the growth and development opportunities within the region.

The Planning Group have identified opportunities for addressing long term growth for the future prosperity of the region. The Group prepared a Growth Strategy which focuses on infrastructure, industry attraction and community development will assist in diversifying the regions industry base as well as providing opportunities for current and future generations.

The key projects developed by the group include:

- Port expansion
- Bulk Goods and Retail
- Fly-in-Fly-out from Port Pirie Airport
- Employment Land Study
- Duplication of Gas Pipeline

The Sports Precinct is one of the major projects identified by the Planning Group which would assist in growing the City. The Planning Group believe that having modern sporting and recreation facilities are considered vital to attracting new residents to the area.

Regional Infrastructure Audit

Refer to: Regional Development Australia Yorke and Mid North Infrastructure Audit 2012

Regional Development Australia Yorke Mid North, commissioned Aurecon to prepare an Infrastructure Audit of the region. The Audit highlights that investment in cultural and community infrastructure is essential for the health, social wellbeing and economic prosperity of communities.

The Audit noted that there is a need across the region to encourage greater participation by the community in recreation and sporting pursuits with a view to increasing levels of physical activity. Also that there is a need to ensure a financially sustainable and equitable distribution of sport and recreation facilities that will meet the needs of the region, including a stronger focus on shared or multi-use facilities. Encouraging more efficient and better utilisation of facility infrastructure, including how they are managed and maintained will also benefit the region.

Formalised sport across the Yorke and Mid North Region plays a big part of the underpinning health and wellbeing of the community; however is suffering from a decline in membership and volunteer support, as well as issues around insurance, increased administrative burden and costs. Improving coordination and minimising adhoc management, development of facilities and duplication of roles and responsibilities will be important in addressing these issues.

The Port Pirie Sports Precinct is included as one of the key community infrastructure to drive growth in Port Pirie and the region.

Regional Development Yorke Mid North Regional Roadmap

Ref: Yorke and Mid North Regional Roadmap, July 2013

The RDAYMN have prepared a Regional Roadmap to guide the activities in the region for at least the next ten years. The Roadmap reflects priorities and aspirations of the local government districts and established networks across health, education, business, utilities, environment and the community service sector in the region and structured into six pillars of strength and support.

One of these six pillars revolves around growing a vibrant community with a positive future. Key issues with respect to growing a vibrant community with a positive future include population growth, together with access to social and community facilities. As part of this pillar, RDAYMN have prepared a population attraction plan and a South Australian Lifestyle Region brand.

Central to this strategy is the acknowledgement of the significance that recreation and sport plays in underpinning health and wellbeing of the community and the need to encourage greater levels of participation by the community in sports and recreation. For this reason RDAYMN has outlined its commitment to working with their partners to encourage more efficient and better utilisation of recreational facilities and infrastructure.

As a result, Regional Development Yorke Mid North has identified the Port Pirie Sports Precinct as one of its priorities to strengthen population, settlement and culture within its Regional Roadmap.

Upper Spencer Gulf Placed Base MOU

In 2012, Port Pirie Regional Council signed a Memorandum of Understanding for a Place Based Approach to the Upper Spencer Gulf, South Australia. This Memorandum was established to facilitate collaborative arrangements for regional development in the Upper Spencer Gulf by the Commonwealth Government, the South Australian Government and the LGASA.

The purpose of this Memorandum was to deliver economic prosperity and sustainable communities by:

- Facilitating the development of coordinated, strategic, collaborative arrangements for a place based strategy for the Upper Spencer Gulf
- Providing a framework to drive the economic diversification and community and industrial capacity and capability of the Upper Spencer Gulf and
- Providing governance arrangements for engagement.

The aim of the Sports Precinct project is consistent with the Place Base Initiative embodied in the Upper Spencer Gulf MOU, in particular to deliver economic prosperity and sustainable communities and the provision of a framework to drive economic diversity and the creation of a competitive, vibrant and self-reliant economy. The Port Pirie Sports Precinct was identified as one of the projects critical to the success of the place based initiative.

Prudential comments: Council has a range of plans that form part of their Strategic Management Plans along with other related plans. The Port Pirie Sports Precinct links strongly with these plans and is a key strategy in achieving Council's strategic objectives.

It is noted that the once the detailed design stage of the project is complete the additional asset infrastructure including useful lives, depreciation and renewal information will need to be added to the Asset Management Plan and these refined figures added to the Long Term Financial Plan

S48(2) (b) Development Plan Considerations

The objectives of the Development Plan in the area where the project is to occur

Ref: Port Pirie Regional Sports Precinct – Approvals.

This report outlines the development approval process and requirements with reference to the Development Act 1993, the Development Regulations 2008 and Council's Development Plan.

The key Development Plan considerations addressed in the 'Approvals' document are summarised below:

The Development

- requires approval
- is able to be assessed by the Port Pirie Regional Council
- Requires Category 3 public notification
- Does not require referral to Dept. Environment, Water and Natural Resources
- Is located primarily within the Regional Centre Zone Policy Area 11 and a small portion in the Public Purpose Zone. The primary objective of the Public Purpose Zone is providing

community and recreational facilities and this objective is reinforced within the Regional Centre Zone.

The 'Approvals' document provides the following initial summary assessment:

The proposal is considered to satisfy the relevant Zones and Council-Wide Objectives and Principles of Development Control of the Port Pirie (RC) Development Plan, and therefore no major obstacles are expected in the approval process. Port Pirie Council will be the relevant planning authority with assessment likely to take twelve weeks. The approvals process is expected to commence early on in the detailed design stage (May 2016) and be granted before tenders are let for construction (August 2016).

Prudential comments: the planning for the Sports Precinct has incorporated the requirements of the Development Act 1993, Development Regulations 2008 and Council's Development Plan (10 January 2013 – consolidation). Planning assessment considers that the project is considered to satisfy the relevant Zones and Council-wide Objectives and Principles of Development control of the Port Pirie (RC) Development plan and that there are no major obstacles expected in the approval process.

S48(2) (c) Economic Development Impact

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.

Ref: South Australian Centre for Economic Studies. (2015). Cost Benefit Analysis of the Proposed Port Pirie Sports Precinct

The SA Centre for Economic Studies (a joint research unit of the University of Adelaide and the Flinders University of South Australia) has undertaken a Cost Benefit Analysis of the proposed Port Pirie Sports Precinct.

The Cost Benefit Analysis report found that Port Pirie is a relatively disadvantaged community with an unemployment rate above the state average, an above average portion of residents who self-assess as being in poor health, above average rates of obesity, and above average rates of many chronic diseases and health risk factors.

The Report summarises the Port Pirie City and District region compared to South Australia and Australia as:

- Located approximately 228kms north of Adelaide, sparsely populated with the majority of persons residing in Port Pirie City, the region's main service centre.
- Above average rates of unemployment and below average rates of labour force participation
- Lower personal and household weekly incomes, narrow industry base, economic activity based around resources and processing, primary products and farming, heavily reliant on manufacturing, mining, construction and retail trade for employment.
- Lower rates of educational attainment and professional qualifications, higher proportions of certificate level qualified persons

- Greater levels of social disadvantage, long-term unemployed, youth unemployment, concession card holders, children in low income families
- Poorer general health and well-being in terms of indicators on health status disability, self-assessed health, chronic diseases and risk factors.

The Report gives considerable information on the population and industries in the region and city and explains the economic modelling used, the multiplier effect of input of investment funds in an economy, assumptions and limitations of modelling.

Construction Phase Impact

The Report estimates that the construction phase, being spread over three years, will have the following impact on Full Time Equivalent (FTE) employment during this stage.

Impact of Construction Activity, FTE employees by year	2015/16	2016/17	2017/18
Total Gross Employment Impact	10.5	25.3	39.1

Ongoing Operational Phase Impact

The Report states that the redevelopment will give the city much greater scope to host sporting events with the potential to attract intrastate and interstate visitors, such as the Masters Games, AFL NAB cup matches, junior amateur soccer tournaments, gymnastics and cheerleading events and competitions.

The estimated impact of this increased activity has been calculated using data from Tourism Research Australia (2015). The Report expects that additional benefits will be received in the following industry areas:

- Retail
- Accommodation
- Food and Beverages
- Road Transport; and
- Cultural and recreational areas.

It is estimated that the annual impact is an increase in employment by 18.5 FTEs for each year from 2018/19 and a regional gross value added impact of \$1.8m per annual from 2018/19 onwards.

Cost Benefit Analysis

The Cost Benefit Analysis details the benefits and costs of the project for stakeholders and in summary shows the following over a 25 year analysis period in 2015/16 values, resulting in an increased benefit of \$23 million over this time.

<i>Note: figures are rounded</i>	Increased Benefit \$	Increased (Cost) \$	Net Increased Benefit/(Cost) (\$,000)
Council	10,109	(10,603)	(494)
Savoy Soccer Club	171	309* Reduced costs	480
Community	32,396	(287)	32,108

Commonwealth Government		(4,522)	(4,522)
State Government		(4,522)	(4,522)
TOTAL \$ BENEFIT/(COSTS)	42,675	(19,626)	23,049

Sensitivity Testing

The Report explains the sensitivity testing undertaken and found that in general the results forecast are not particularly sensitive to variations in the assumptions. The only assumptions that have a material impact on the results are the assumptions on the annual value of events tourism and the assumption changes to participation in sport as a result in improved facilities.

The sensitivity testing found that the \$ impact over 25 years could vary between the lowest scenario of \$12 million and the highest scenario of \$37 million. The assumptions that are expected to be subject to variation are:

- Discount rates for arriving at 2015/16 \$
- Capital costs
- Events tourism revenue
- Participation in sport.

Prudential comments: The Cost Benefit Analysis details assumptions and parameters used, methodology of deriving cost benefits, undertakes a sensitivity analysis and uses standard Government and Industry data and tables.

Forecasting is based on assumptions that remain untested until actual events occur, but the Cost Benefit Analysis Report seems to estimate reasonable figures within the restraints of forecasting.

Social Impact

Refer to:

- *Regional Development Australia Yorke & Mid North. (2015). Situational Analysis of Port Pirie Community - Analysis of Trends and Opportunities for the Port Pirie Sporting Precinct.*
- *SA Centre for Economic Studies. (n.d.). DRAFT Cost Benefit Analysis of the Proposed Port Pirie Sports Precinct.*

This Cost Benefit Analysis (SA Centre for Economic Studies) cites a number of studies which argue that improved sporting facilities have social and health impacts in communities including:

- Developing social capital – reports have stated that higher social capital leads to places that are generally safer, better governed and more prosperous.
- improved social networks and social bonds
- increased mental and physical health

Regional Development Australia Yorke and Mid North (RDAYMN) has provided an Analysis Paper which brings together literature in relation to the social basis of the city of Port Pirie, the impact of

the City on the Northern areas of South Australia and the beneficial social impacts of increased sporting participation and establishment of a fit for purpose structure.

The Analysis Paper provides the following social profile of the Port Pirie community:

- March 2015 – 1,053 unemployed people in the region with an estimated unemployment rate of 13.0% Compared to a South Australia region rate of 7.8%
- Residents of the region have lower levels of school achievement compared to the South Australia region with 33.8% completion Year 12 (or equivalent) compared to the State’s regional result of 54.2%
- The Port Pirie region has a population of 17,646 people.
- Port Pirie and Districts has a higher rating of disadvantage compared to both the South Australian and Australian index.

In summary the Analysis Paper explored the following topics and made recommendations to Council

- **Industry Opportunities for Population Growth:** *that Council engage with State and Regional employment programs and that this is reflected in the procurement arrangements with successful tenders in order to increase the capacity of the population to fill anticipated construction jobs.*
- **Industry Trends Across Priority Employment Areas:** *that Council continue to develop its Events Strategy to capitalise on the recognition by the Southern Flinders Regional Tourism Authority as having the potential to use Convention Facilities which will enable expansion of tourism and hospitality industries.*
- **Health and Well-being:** *that Council capitalise on the features of the connection of the education precinct to the CBD to enhance the Sporting Precinct as a Community Hub.*
- **Potential for Future Development of the Educational Precinct:** *that Council work with John Pirie Secondary School and Tafe SA to advance an educational precinct which will have the goal of increasing school participation and education and training outcomes and attract population growth.*

Prudential comments: The Situational Analysis of Port Pirie Community makes a number of recommendations to Council in order to capitalise on the Sports Precinct Project and enhance the social outcomes for the community.

Impact on Current Businesses and Activities

Council acknowledges that there is likely to be some disruption to sport during the construction phase. Council has identified a number of options to overcome this. These predominantly include relocation of activities to other ovals in Port Pirie.

Council believes that most of the alternative ovals can accommodate the activities that would normally take place at Memorial Oval during the construction period. Council has not commenced discussions with the owners of these ovals as it is waiting until the detailed design and construction timelines are determined in order to know what alternatives are required.

Given the options available and the understanding by some Oval owners of this issue, the Council's CEO is confident that Council will be able to meet the community needs during the construction phase.

The construction around the swimming pool will be timed to be undertaken in the off season in order to minimise the impact on the pool. The building schedule for the pool facilities will determine if Council will be required to provide portable toilets/change rooms/facilities and/or reduce the swimming season.

Prudential comments: Council is able to address any disruption to sport activities during the construction and has not noted any negative effect on businesses in the area.

Procurement

Ref:

- *Port Pirie Regional Council. (2013, May). Procurement Policy*
- *Port Pirie Regional Council. (2014, November 7). Procurement Plan for Port Pirie Sports Precinct*

This report is also required to assess "if appropriate, how the project should be established in a way that ensures fair competition in the market place".

Council has a Procurement Policy and a Procurement Plan for the Pirie Sports Precinct. The relevant procurement principle in Council's Policy is:

- Encouragement of the development of competitive local business and industry

Where the evaluation criteria are comparable, Council may consider the following:

- The creation of local employment opportunities
- Increased availability of local servicing support
- Increased convenience with communications with the supplier for contract management
- Economic growth within the local area
- Benefit to Council of associated local commercial transaction: and/or
- The short and long term impact of the procurement on local business.

The Policy outlines the procurement methods that Council must use. The Policy is a public document and as the project components are likely to be quite large in dollar value, it is likely that they will require a Request for Tender process.

Prudential comments: Council's Procurement Policy ensures that there is fair competition in the market place but the policy allows Council, where all other criteria are comparable, to place emphasis on local employment opportunities. This is important for a project which aims to increase local employment during its construction phase.

S48(2) (d) Consultation

The level of consultation within 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.

Ref:

- *Port Pirie Regional Council. (2014, November 7). Port Pirie Sports Precinct - Communications Management Process*
- *Port Pirie Regional Council. (2015, April 22nd). Community Engagement Policy*

Council Policy

Council has a Community Engagement Policy which was last reviewed on the 22nd April 2015. The Policy states that Port Pirie Regional Council is committed to open accountable and responsive decision making, which is informed by effective communication and consultation between Council and the community.

The Policy states that it will apply to all community engagement processes required under the Local Government Act 1999.

Appendix 1 of the policy outlines the minimum consultation which will take place in various legislative situations and outlines that in the case of Prudential Requirements the following will be undertaken:

- a) Information / receipt of submissions on corporate website
- b) Notice in local papers and Pirieodical
- c) Documents available at Civic Centre
- d) Documents available at the Library
- e) Minimum 20 business days' notice to receive submissions

Additional actions to be determined as part of Community Engagement Policy

- Notice in state-wide newspaper
- Community Forum Workshop
- CE strategy endorsed by Council
- Submissions to be considered by Council in decision making

Council has also developed a Communications Management Process for the Port Pirie Sports Precinct.

Council has undertaken consultation with the Port Pirie sporting community in relation to proposed upgrades of the Sports Precinct. Council states that the consultation will continue during the preparation of the detailed plans, during construction and during the first year of operations.

Council's consultation to date has been:

- 2013 set up a Sports Facility Reference Group to work with Oneighty Sport & Leisure Solutions to prepare a Sports Facility Review. The Reference Group identified the sporting

groups that wanted to work with Council to further develop plans for the upgrade of the Memorial Oval and the swimming pool complex.

- On April 30, 2014, Council's Sports & Recreation Committee considered a Discussion Paper on how to proceed with the redevelopment of the Memorial Oval and the swimming pool complex. This Discussion Paper was endorsed by the Committee and distributed to the Sports Facility Reference Group for comment and confirm the groups that wished to participate in the proposed redevelopment.

Current sports/groups that have indicated an interest and have participated in this project include:

- Spencer Gulf Football League
- Solomontown Football Club
- Lions Football Club
- Savoy Soccer Club
- Port Pirie Cricket Association
- Port Pirie Night Baseball League
- Port Pirie West Primary School
- Port Pirie Amateur Swimming Club
- Port Pirie Squash Association
- Port Pirie Regional Gymnastics Academy
- Port Pirie Croquet Club
- In May 2014, Council consulted individually with each group wishing to be involved in the redevelopment to get their views on the Discussion Paper and to confirm their requirements for the redevelopment. Based on these individual discussions, a Scoping Paper was prepared with the intention of using this document to engage an architect to prepare a Master Plan for the redevelopment and determine the costs of the proposed works. This scoping Paper was then distributed to the groups involved in the project for further comment and refinement. Council also met again with Croquet to determine their preferred location for their new facility.
- Once the Scoping Paper was accepted, Council engaged the services of Dash Architects to prepare a Master Plan and cost the redevelopment. Copies of the preliminary plans were prepared and distributed to all parties involved.
- Two meetings were held with groups involved in this project; one with those involved in the Swimming Pool/Gymnastic Complex and one with those involved in the Memorial & Pirie West Oval redevelopment and one with those involved in the Memorial & Pirie West Oval redevelopment. Subsequent to these meetings, the Architects revised the plans and these were then circulated to the key stakeholders.
- Most groups have since provided comment on the revised plans; either by email or during meetings with the CEO. These comments were forwarded to the Architect for inclusion in their report.
- Council has kept the Port Pirie West Primary School informed of the project and have made a formal presentation to the School's Governing Council. The Project received favourable support from the School's Governing Council. Council is currently in formal discussions with the school with the view to formulating a management/usage agreement between both parties for the use of the Pirie West Oval.

- The Dash Architects report was sent out to the broader Sports Facility Reference Group for comment and this report will also be used for full community consultation.
- Council adopted the Dash Architect report in Sept 2014 and has had regular one-on-one meetings with many of the stakeholders to refine their requirements ahead of the detailed design process in 2015.
- Council has also received letters of support from key stakeholders.
- In March 2015, Council produced a Pirieodical which explained the project and invited residents to comment on the project. The Pirieodical is a Council newsletter feature which is inserted into the local paper. This covers the notification part of Council's Community Engagement Policy.
- A Media Release was placed on Council's website and inserted in the Pirieodical inviting the community to have a say on the plans for the Sporting Precinct. The consultation period was set out as March 2nd to March 27th. The Media Release stated that surveys were available online on Council's website during this time or at the Council Administration Centre, Regional Library and Rural Office in hard copy and that there would be a Community Consultation Shopfront established at the Ellen Centre.
 - The Media release covered the following parts of Council's Community Engagement Policy:
 - Information / receipt of submissions on corporate website
 - Minimum 20 business days' notice to receive submissions
- In March 2015, a display in the Ellen Centre for the community to see the plans for the project in more detail and to talk to Council staff and Elected Members about the proposal and offer suggestions.
- A public display was also available at the library and Council's administration office and fulfilled the requirements of Council's Community Engagement Policy
- A survey was also available for completion for Council to obtain the communities views and the community was also invited to write suggestions on the plans available at the display.
 - 152 people responded to the survey.

Letters of Support

Council has received letters of support from the following:

- Hon Geoff Brock MP, Member for Frome
- Port Pirie Gymnastics Academy Inc.
- YMCA SA
- Prop Risdon (Lions) Football Club Inc.
- Savoy Soccer Club
- Spencer Gulf Football League
- Port Pirie Amateur Swimming Club
- Port Pirie Chamber of Commerce & Industry Inc.
- Port Pirie Cricket Association
- Port Pirie Croquet Club

Prudential comments: Council has a Community Engagement Policy which details the community engagement and consultation processes Council will undertake where required under the Local Government Act 1999.

Council has undertaken the consultation required by the Act and its own Policy and has undertaken quite extensive consultation with its community in regards to the Sports Precinct and has committed to continue to do so during the construction of the project and beyond.

S48(2) (e) Revenue Projections and Risk.

If the project is intended to produce revenue, revenue projections and potential financial risks;

Prudential comments: Income from lease fees and hire are relatively minor. They have been estimated and that estimation is largely untested at this time. As revenue from the finished project is minor, the ongoing viability of the project is unlikely to be overly affected by variations in expected income.

Overall income and expenditure is included in the section on Recurrent and Whole-of-life Costs.

S48(2) (f) Recurrent and Whole-of-Life costs

The recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements.

Ref: Rider Levett Bucknall. (August, 2014). Port Pirie Recreation Sports & Aquatic Centre - Revised Cost Estimate No. 2

Project Costs

The high level costs for this project have been prepared by Rider Levett Bucknall (RLB) and are based upon measured quantities to which rates and conditions have been applied that are applicable as at mid-2014.

Proposed redevelopment costs:

	Comment	Order of cost
Memorial Oval Site	Stage 1 works only	\$12,140,000
Swimming Pool Site	Stage 1 works only	\$7,130,000
Croquet Club Relocation		\$500,000
Total		\$19,770,000
Low Range		\$17,000,000
High Range		\$20,000,000

Rider Levett Bucknall state that the above costs are high level and conservative. They expect that through value managing the project, obtaining more accurate costings through the detailed design process, and potentially staging aspects of the project; that the Council will be able to easily reduce these costs to \$15 million being Council's budget for this project.

Funding

The total cost of the project is expected to be \$15m excluding GST. At the March 2014 State Election, the Premier made a number of commitments to the member for Frome. One of these was to support a number of projects in the electorate of Frome including the 'provision of a multi-use sports facility at Memorial Oval area in Port Pirie, in partnership with the Federal and Local Government'.

Council has had subsequent discussions with the Port Pirie Sporting Community and the Member for Frome to finalise the details and funding for the project. In September 2014 Council met with the Member for Frome and the Minister for Sport & Recreation and the Department of Sport & Recreation to formally present the project to them and to commence discussions on the funding.

The funding discussion are continuing and they have indicated that it is likely that if Council can secure \$5 in funding from the Australian Government and as Council has already committed \$5m to the project, that the South Australian Government would also commit \$5 to the project to meet its election commitment.

In summary, the total \$15m for the project is expected to be funded as:

- Federal \$5m
- State \$5m
- Council \$5m

Council's \$5m component will be sourced from loan borrowings and is contingent on the Federal Government's contribution.

Operating Costs

Council's Sports Precinct Business Case states that the Sports Precinct will remain in the ownership of the Council. During the detailed design stage of the project, the individual components of the project will be broken down, costed, useful life determined, annual depreciation rates calculated and included in Council's asset register and asset management software. At the completion of the project, Council will work with the construction firm and the manufacturer of the materials used in the project to determine an ongoing asset maintenance program for all components of the project.

The completed project will then be incorporated into the Council's Asset Management Plan and its Long Term Financial Plan. Both documents current provide an amount for the construction and maintenance of the precinct.

Council currently maintains all the facilities within the boundaries of Memorial Park, Globe Oval and the aquatics centre. It also mows the Pirie West Oval. Council currently charges organisations to use its facilities.

Council will take responsibility for all multi-use facilities in the proposed Sport Precinct; while users are expected to take responsibility for the cost of their sport specific facilities and those costs that are directly attributed to their sport's use of the Memorial Oval Precinct.

The maintenance cost of the existing Memorial Oval, Pirie West Oval and the aquatics centre are expected to be largely unchanged from this development.

This project will see a reduction in the costs of management sport in Port Pirie. The project will see the decommissioning and potential sale of two ovals (Savoy Park and Globe Oval) as well as the closure of the former YMCA building. Council will also be able to gain revenue from the hire of the central hub, which is estimated to cover at least the cost of maintaining this facility.

These savings and additional income would be available to meet any additional costs, such as the provision of the new gymnasium and squash courts as well as any unforeseen costs, with the remainder representing a savings to council, individual clubs, and the community in general.

Sensitivity of Costings

Council has stated that the project is contingent upon receiving the Government Grants so if there are no grants the project in this current form will not commence.

The project costing is estimated at between \$17m to \$20m with the expectation that this would be reduced to \$15 with detailed costings and robust procurement. In the scenario of a costing of \$20m, Council would need to fund that amount for the project to commence and it would be expected that the additional amount would be loan funded. Therefore Council's loan funding could be between \$5m and \$10m. In order to consider the Financial Viability of the project, the effect on Council's Long Term Financial Plan has been modelled on the scenario of \$15m and also \$20m.

Operating costs and annual income from hire and lease fees have been estimated and are largely untested at this time. As revenue from the finished project is minor, the ongoing viability of the project is unlikely to be overly affected by variations in expected income.

Prudential comments: Preliminary, high level costings have been provided to Council and are being used in funding bids and planning. The cost of the project is estimated at \$15m to \$20m with Council's expectation that the \$15m cost will be realised. Funding has been sought for \$5m from the State and \$5m from the Federal Governments. Council has stated that the project in this form will not commence unless this sought funding is confirmed.

The high level project costings have been prepared by a well-established firm that have undertaken a number of large project costing work in Local Government and State Government in South Australia.

Detailed planning and costing will take place once the funding is confirmed and once this has been completed Council will be able to include the detailed project cost and ongoing operational costs into its Long Term Financial Plan.

Estimated project and operational costs have been included in the Long Term Financial Planning scenarios considered under the section on Financial Viability.

S48(2) (g) Financial Viability

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.

Ref: Port Pirie Regional Council. (2013, July 10). Long Term Financial Plan 2013 - 2023

Long Term Financial Plan

Councils in South Australia are required to produce a Long Term Financial Plan (LTFP). The LTFP gives an understanding of Council's financial position now and over a 10 year period.

When large projects are considered by a Council, it is imperative to understand the effect of those projects on the financial position of Council, both the immediate effect of the project costs, and also the longer term effect.

There are a number of assumptions that need to be made in order to develop a long term financial plan that forecasts 10 years into the future. Council adopted its current Long Term Financial Plan in 2013 with the following parameters and assumptions:

- That council rates would increase in total by 9% in the first year of the plan (+CPI) and 6% in each of the following four years and reduce to a 3% increase in the final three years of the plan.
- CPI has not been included in any projections
- That there is no significant changes in Statutory Charges received
- User Charges were forecast to remain at the current level over the life of the plan. This may be able to be modified and increased with actual use of the new sporting facilities.
- Operating Grants have been included as continuing as they are currently.
- Interest income was expected to reduce over the life of the plan due to a strategy to hold only minimal surplus funds at any given time.
- Employee costs have been forecast as 1% above CPI each year with staffing numbers assumed to increase by 1-2 positions per year to reflect changing and increasing demands placed on Council.
- Contracts, materials & Other Expenses are forecast as increasing at 2% above CPI, periodic events and known one-off activities have been included in the Plan.
- Finance charges for the purpose of the Plan are interest payable on Council's existing portfolio as well as interest payable on proposed new loans.
- Depreciation has been increased in the plan by \$100,000 each year as an estimate of new depreciation expenses due to the acquisition of new assets and for revaluations in excess of CPI.

Sensitivity of Long Term Financial Plan Forecasts

Any forecast is subject to variation from when actuals are realised some years later. Council has noted that cost increases may vary from CPI. The assumptions that Council has used in the preparation of their 2013 Long Term Financial Plan appear to be reasonable and based on information that Council was aware of at the time.

It is noted that the project figures included in the Long Term Financial Plan are estimates and that once the detailed plans and construction are complete, the Asset Management Plan and Long Term Financial Plan will need to be refined.

Local Government in South Australia uses 3 key financial indicators to indicate their financial position. When these are included in Council’s long term forecasting it gives an understanding of the long term financial sustainability of a Council now and into the future. In development of its LTFF, Council set targets for its key financial indicators.

Key Financial Indicators

Operating Surplus Ratio

The Operating Surplus/ (Deficit) is the measure of the difference between operating income and operating expenses for the year. An operating surplus/ (deficit) arises when operating revenue exceeds/ (or is less than) operating expenses.

The Operating Surplus Ratio expresses the operating surplus/ (deficit) as a percentage of general and other rates, net of the NRM levy. A positive ratio will indicate that all operating expenses including depreciation are being fully funded by revenue sources and that assets are being replaced at their rate of consumption. It is calculated as:

$$\frac{\text{Operating Surplus/ (Deficit)}}{\text{Rates Revenue (less NRM levy revenue)}} \quad \text{expressed as a percentage}$$

Council has set a target of a maximum deficit in 2013 reducing over time and becoming a surplus over time. The targets set are shown in the table below:

Operating Surplus Ratio Target (-ve is a deficit)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Min%	-7.50	-5.00	-2.50	0.00	2.50	5.00	5.00	5.00	5.00	5.00
Max %	-2.50	0.00	2.50	5.00	7.50	10.00	10.00	10.00	10.00	10.00

Note: The Model Financial Statements for South Australia dictate that the formula that should be used for 2015 Financial Statements onwards is now Operating Surplus (Deficit)/Operating Revenue. However in order to compare the Operating Surplus Ratio as it was set in 2013 and the project forecast Key Financial Indicators, all calculations have been completed using the formula used in 2013.

Net Financial Liabilities Ratio

The Net Financial Liabilities are Council’s total liabilities less financial assets, and highlight the relative debt level of the Council when compared to its financial assets. It is calculated as:

$$\begin{aligned} & \text{Total Liabilities} \\ & \text{LESS: } \quad \text{Current cash \& cash equivalents} \\ & \quad \quad \text{Current trade \& other receivables} \end{aligned}$$

Current other financial assets
Non-current financial assets

The Net Financial Liabilities Ratio is the measure of Council's Net Financial Liabilities against its operating revenue. It is calculated as:

$$\frac{\text{Net financial liabilities (as above)}}{\text{Total operating revenue (less NRM levy revenue)}} \text{ expressed as a percentage}$$

Council has set a target of between 30% and 70%.

Note: The Model Financial Statements for South Australia dictate that the formula that should be used for 2015 Financial Statements onwards is to divide by Total Operating Revenue and not deduct the NRM levy revenue. However in order to compare the Net Financial Liabilities Ratio as it was set in 2013 and the project forecast Key Financial Indicators, all calculations have been completed using the formula used in 2013.

Asset Sustainability Ratio

The Asset Sustainability Ratio measures whether existing assets are being renewed or replaced at the same rate that they are being consumed. It has been calculated as:

$$\frac{\text{Expenditure on renewal/replacement of assets, Less Sale of replaced assets}}{\text{Depreciation expense}} \text{ expressed as a \%}$$

Council has set a target of between 100% and 120% until 2018 reducing to 90% to 110% thereafter.

Note: The Model Financial Statements for South Australia dictate that the formula that should be used for 2015 Financial Statements onwards is: Expenditure on renewal/replacement of assets divided by optimal level of such expenditure as per the Infrastructure and Asset Management Plan. However in order to compare the Asset Sustainability Ratio as it was set in 2013 and the project forecast Key Financial Indicators, all calculations have been completed using the formula used in 2013.

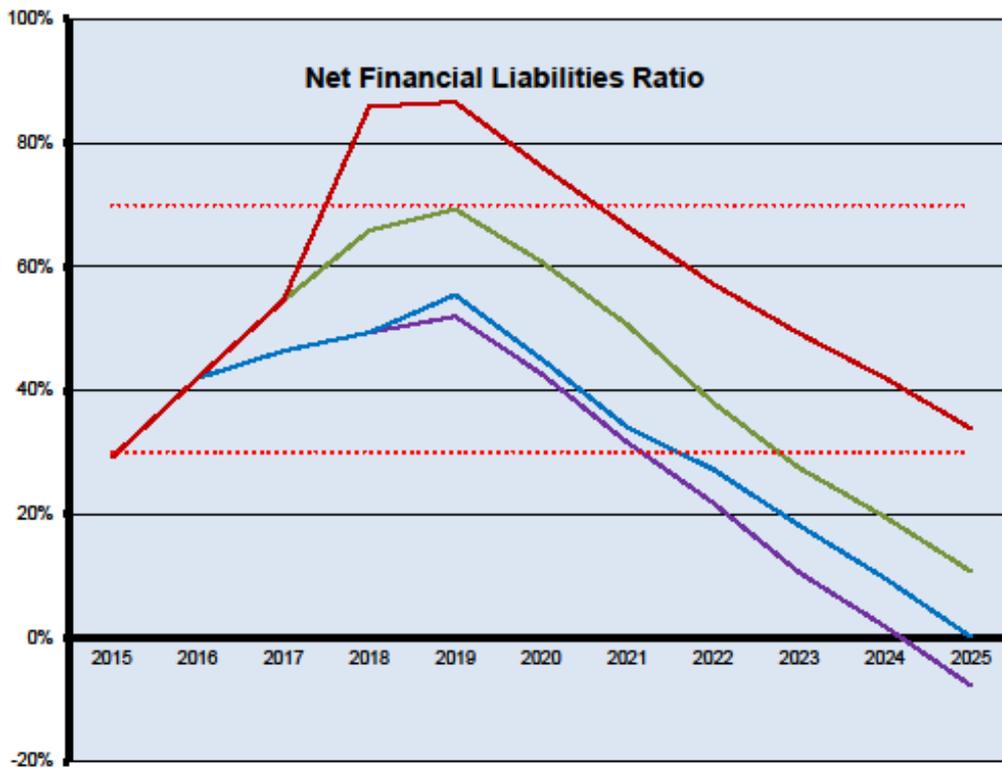
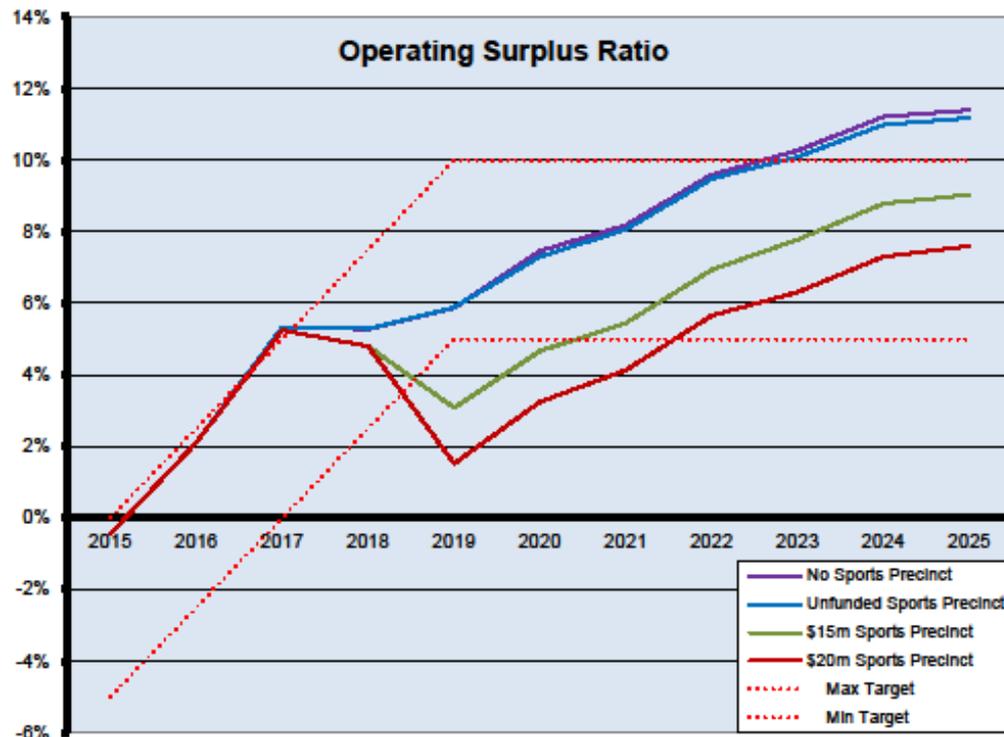
Financial Forecast Scenarios

Based on the LTFP as adopted in 2013, Council's finance staff have developed LTFPs for a number of financial scenarios:

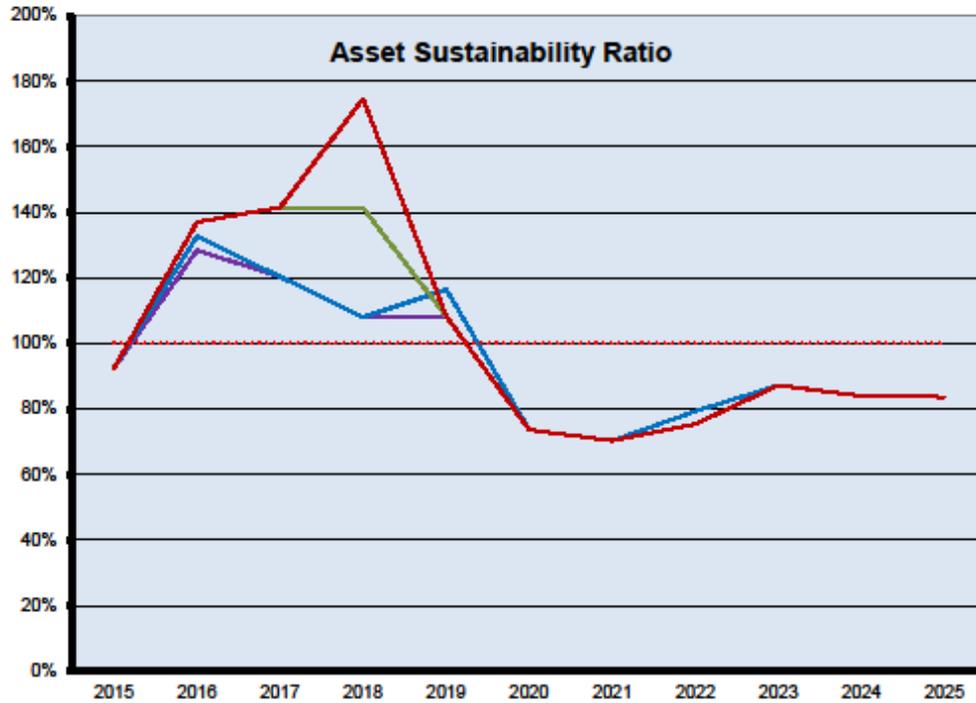
1. LTFP with no Sports Precinct Project
2. LTFP (unfunded) a reduced project of \$4m with no grant funding and funding borrowed in stages over a 3 year period.
3. LTFP with \$5m Council funding (loan borrowings) – assuming project costs of \$15m
4. LTFP with \$10m Council funding (loan borrowings) – assuming project costs of \$20m

The LTFP Financial Indicators for the period 2015-2025 are shown for the above scenarios are shown below:

Port Pirie Regional Council: LTFP Financial Indicators 2015-2025



Port Pirie Regional Council: LTFP Financial Indicators 2015-2025



The following comments are made on the financial forecast scenarios:

Sports Precinct Scenarios	Operating Surplus Ratio	Net Financial Liabilities Ratio	Asset Sustainability Ratio
No project	Ratio moves beyond target – large surpluses	Borrowings reduce from 2019 and are below target by 2021	Mostly within target until 2020.
Project is unfunded	Ratio moves beyond target – large surpluses	Borrowings reduce from 2019 and are below target by 2021	Mostly within target until 2020.
Project cost \$15m	In surplus during plan, moves below target in 2019 but moves back to target before 2021	Borrowings reduce from 2019 and stay within target until 2023	Moves above target in 2016 and stays within target until 2020
Project cost \$20m	In surplus during plan, moves below target in 2019 but moves back to target by 2022	Borrowings peak above target in 2018/2019 and then reduce and are back within target range from 2021	Above target from 2016 until 2019.

A \$15m project cost with \$10m of Government funding and Council funding of \$5m in loan borrowings mostly stays within Council's targets over the term of the plan. Council has stated that the project is subject to receiving the \$10m in Government funding.

If the project costs were to increase to the upper estimate of \$20m, annual depreciation will also increase by an estimated \$150k per year, along with additional interest costs, however the overall effect is still to stay mostly within Council's targets but the higher loan funding affects Council for longer before moving back to target ranges.

Prudential comments: The assumptions that Council has used in the preparation of their 2013 Long Term Financial Plan appear to be reasonable and based on information that Council was aware of at the time.

It is noted that the project figures included in the Long Term Financial Plan are estimates and that once the detailed plans and construction are complete, the Asset Management Plan and Long Term Financial Plan will need to be refined.

A number of scenarios have been prepared by Council finance staff considering the long term impact on Council's financial position.

A \$15m project cost with \$10m of Government funding and Council funding of \$5m in loan borrowings mostly stays within Council's targets over the term of the plan. Council has stated that the project is subject to receiving the \$10m in Government funding.

If the project costs were to increase to the upper estimate of \$20m, annual depreciation will also increase by an estimated \$150k per year, along with additional interest costs, however the overall effect is still to stay mostly within Council's targets but the higher loan funding affects Council for longer before moving back to target ranges.

S48(2) (h) Risks

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).

Ref:

- Port Pirie Regional Council. (2014, November 7). Port Pirie Sports Precinct - Risk Management Plan
- Port Pirie Regional Council. (2012, June 22). Risk Management Policy
- Standards Australia. (n.d.). AS/NZS ISO 31000:2009 risk Management - Principles and Guidelines

The Australian New Zealand ISO Standard on Risk Management describes risk as the 'effect of uncertainty on objectives'. The Standard describes risk management as the 'coordinated activities to direct and control an organisation with regard to risk'. In simpler terms:

- Risk is the chance of something happening that will have an impact on objectives
- Risk management is what is set in place to manage those risks.

The Risk Management Standard requires that organisations embed risk management into their organisations.

The stages of risk assessment are:

- Risk Identification
- Risk Analysis
- Risk Evaluation
- Risk Treatment

Council has developed a Risk Management Plan for the Sports Precinct project and acknowledges that any project is not without risk, especially one of this magnitude and has identified the key risks as:

- Exceeding budgeted costs
- Project management and governance
- Ongoing operating costs exceeding expectations
- Failure of key stakeholders to continue with the project
- Failure to meet stakeholder expectations
- Failure of Port Pirie West Primary School to endorse the proposal
- Failure to secure grant funding for the project

Council has already implemented a number of measures to reduce and manage the risks associated with this project including:

- Visiting Port Augusta Council to discuss the Central Oval redevelopment, how they went about this project and their learnings from the project
- Extensive stakeholder consultation and engagement to ensure the project will meet their needs and expectations
- Engagement of an independent architect to prepare a Master Plan based on the feedback received from key stakeholders
- The employment of a cost consultant to review and independently cost the design of the project
- The preparation of a Discussion Paper outlining the management options for the new facility.

Council has set out its Risk Management Process for the project:

- Identification of project risks
- Logging and prioritising of project risks
- Identification of risk mitigating actions
- Assignment and monitoring of risk mitigating actions
- Closure of project risk.

Council has identified key roles for each stage in the Risk Management Process.

Council has developed a Risk Register which addresses the key risks identified in more detail, assesses the impact of those risks, and assigns responsibility and contingency actions.

Prudential comments: Council has identified key risks of the Project, assessed the impact and assigned responsibility and developed contingency actions as required in Risk Management and has a process for ongoing risk management of the project.

It would be useful to include a matrix describing the Likelihood and Impact Rating scale used in the risk assessment in the risk register.

S48(2) (i) Project Management

The most appropriate mechanisms or arrangements for carrying out the project.

Refer:

- *Port Pirie Regional Council. (7 November 2014). Port Pirie Sports Precinct - Project Management Plan.*
- *Port Pirie Regional Council. (2014, November 7). Port Pirie Sports Precinct - Quality Plan*

Council will be solely responsible for the implementation of the project through the involvement from officers across the organisation ranging from the CEO, Department Directors and Managers.

Council has developed a Project Management Plan which details the following areas:

- Project Governance and Organisational Structure
 - Roles of Members
 - Responsibilities
 - Structure
- Project Plan
 - Approach
 - Overall Plan
 - Resource Plan
 - Cost Estimates
- Project Considerations
 - Risks and Issues
 - Assumptions
 - Constraints
 - Communication Strategy
 - Procurement Strategy
 - Asset Management & Maintenance
 - Quality Strategy
 - Supporting Documentation

The Structure is:

- Project Sponsor: CEO as the 'principal owner' of the project.
- Financial Management: Director Financial & Information.
- Review Group (CEO and Senior Management Team).
- Procurement Management: Manager Assets
- Communication Manager: CEO

- Project Manager: (TBA).
- Contractors: (TBA)

Council has also developed a Quality Plan which is an addition to both the Project Management Plan and Risk Management Plans to ensure the Project achieves the desired timeframes, costings and overall quality.

Key milestones:

Task	Time Line	Status
Prepare, adopt and circulate a Discussion Paper	May 2014	Completed
Initial consultation with stakeholders	May 2014	Completed
Engage Architect	June 2014	Completed
Initial design concept	July 2014	Completed
Finalise concept design and costs	Aug/Sept 2014	Completed
Agreement with PPWPS	Aug 14 – March 15	In progress
Obtain funding	Sept – Nov 14	In progress
Management Agreement	Jan-Mar 15	In progress
Detail Design Tender	Jan-Feb 2015	Pending funding approval
Detailed Design	Mar-July 15	Pending funding approval
Prudential Report	April – June 15	This report
Development Approval	May – Sept 2015	Pending funding approval
Construction Tender	Aug – Oct 2015	Pending funding approval
Construction	Dec 15 – Dec 16	Pending funding approval

Prudential Comments: Project management is a significant role. Separating the role of Project Sponsor and Project Management is a sound decision. The CEO as Project Sponsor will have overview of the project without needing to take on the day to day management of the project and reduce time available for the CEO role.

Ensure that all delegations and financial authority reflect the responsibilities of the role of Project Manager and determine whether the role of Project Sponsor requires increased delegations or financial authority for the duration of the project?

Consider appointing a backup for Project Manager in case of unexpected unavailability and if such an appointment is made ensure there are arrangements for the ‘backup’ Project Manager to have necessary delegations and financial authority and that this can be enacted quickly in case of an unexpected unavailability of the Project Manager.

S48(4) Author of Report

Requires that this report is prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out.

UHY Haines Norton was engaged to provide this Prudential Review Report. UHY Haines Norton has been involved and provided a number of Prudential Review Reports for Councils in South Australia including:

- City of Marion: *Independent Review of Section 48 Prudential Report October, 2012*

- District Council of Yorke Peninsula: *Preliminary Prudential Report Refurbishment and Extension of Office Accommodation, June 2013*
- District Council of Mount Barker: *Prudential Report – Purchase of Land, April 2014*
- City of Charles Sturt: *Prudential Report – Henley Square Redevelopment, June 2014*

Prudential Comments: this report has been prepared by a firm experienced in undertaking Prudential Reviews for Local Government in South Australia.

S48 (4a) Author Independence

Requires that this report must not be prepared by a person who has an interest in the relevant project.

Prudential comment: UHY Haines Norton has no interest in the Pt Pirie Sports Precinct development.

S48 (4b) Council consideration

-requires that council must give reasonable consideration to this report and must not delegate the requirement to do so.

This Prudential Review Report will be presented to Council at its August Council meeting.

S48 (5) Public Inspection of Report

Requires that this report must be available for public inspection at the principle office of the council once the council has made a decision on the relevant project (and may be available at an earlier tie unless the council orders that the report be kept confidential until that tie)

Prudential Comments: This Prudential Review Report will be presented to Council at its August Council meeting. The Report will also be added to Council’s Sport Precinct web page and to all other documents relating to the project until the project is completed.

S48 (6) Confidential Aspects of Report

Allows council to 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).

Prudential Comments: There are no confidential aspects of this Prudential Review Report.

Relevant Documents

- Aurecon. (2012). *Infrastructure Audit Highlights Our Region's Potential*. Retrieved from Regional Development Australia Yorke & Mid North:
http://www.yorkeandmidnorth.com.au/resources/latest_news/infrastructure_audit_highlights_our_regions_potential/
- Dash Architects. (2014, September 15). Port Pirie Sports Precinct - Master Plan Part 1.
- Dash Architects. (2014, September 15). Port Pirie Sports Precinct - Master Plan Part 2.
- Government of South Australia. (Version 9.7.2015). Local Government Act 1999.
- Port Pirie Regional Council. (2009, August). Strategic Plan 2010-2019.
- Port Pirie Regional Council. (2012, June 22). Risk Management Policy.
- Port Pirie Regional Council. (2013, July 10). Long Term Financial Plan 2013 - 2023.
- Port Pirie Regional Council. (2013, May). Procurement Policy.
- Port Pirie Regional Council. (2014, November 7). Port Pirie Sports Precinct - Asset and Operations Management Plan.
- Port Pirie Regional Council. (2014, November 7). Port Pirie Sports Precinct - Communications Management Process.
- Port Pirie Regional Council. (2014, November 7). Port Pirie Sports Precinct - Project Management Plan.
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- Port Pirie Regional Council. (2014, November 7). Port Pirie Sports Precinct - Risk Management Plan.
- Port Pirie Regional Council. (2014, November 21). Port Pirie Sports Precinct Business Case.
- Port Pirie Regional Council. (2014, November 7). Procurement Plan for Port Pirie Sports Precinct.
- Port Pirie Regional Council. (2015, July 8th). *Annual Business Plan*. Retrieved from Port Pirie Regional Council: <https://www.pirie.sa.gov.au/page.aspx?u=591#.Vbi0ifmqko>
- Port Pirie Regional Council. (2015, April 22nd). Community Engagement Policy.
- Port Pirie Regional Council. (n.d.). Asset Management Plan 2013-2023.
- Port Pirie Regional Council. (n.d.). *Growth Plan*. Retrieved from Port Pirie Regional Council: <https://www.pirie.sa.gov.au/page.aspx?u=627#.Vbi2Vvmqqko>
- Port Pirie Regional Council. (n.d.). Port Pirie Sports Precinct - Geographical Location.
- Port Pirie Regional Council. (n.d.). Sports Facility Discussion Paper.
- Port Pirie Regional Sports Precinct. (2015, July 27th). Approvals.

Regional Development Australia Yorke & Mid North. (2013, July). *Regional Roadmap*. Retrieved from Regional Development Australia Yorke & Mid North:
http://www.yorkeandmidnorth.com.au/regional_profile/regional_roadmap/

Regional Development Australia Yorke & Mid North. (2015). *Situational Analysis of Port Pirie Community - Analysis of Trends and Opportunities for the Port Pirie Sporting Precinct*.

Rider Levett Bucknall. (August, 2014). *Port Pirie Recreation Sports & Aquatic Centre - Revised Cost Estimate No. 2*.

South Australian Centre for Economic Studies. (2015). *Cost Benefit Analysis of the Proposed Port Pirie Sports Precinct*.

Standards Australia. (n.d.). *AS/NZS ISO 31000:2009 risk Management - Principles and Guidelines*.