



**CONFIDENTIAL SERVICES COMMITTEE
MEETING**

CONFIDENTIAL MATTERS

8.1 Grenville Hub - Prudential Review Update (Attachment)4

8.1 GRENVILLE HUB - PRUDENTIAL REVIEW UPDATE

Contact Person: Mr Greg Pattinson

Why is this matter confidential?

The Grenville Hub project is subject to an active procure process and as at the date of this report, a contract has not been offered to any builder. It is important to maintain the integrity of the procurement process and to not disclose any commercial information that could prejudice council's position or unreasonably disclose commercial content provided as part of the tender process.

Subject to an order pursuant to Section 90 (3) (b) of the Local Government Act 1999, this matter is confidential because the disclosure of this information could reasonably be expected to be commercially advantageous to the contractor because that party is currently in commercial negotiations with the Council related to this matter, and that party could adjust their bargaining position to the detriment of the Council based on the positions of the Council disclosed in the information).

A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

8.1 GRENVILLE HUB - PRUDENTIAL REVIEW UPDATE

Responsible Executive Manager : Mr Greg Pattinson

Report Author : Mr Rino Pace

Delegated Authority : Matters which cannot be delegated to a Committee or Staff.

Attachments : [1](#). Section 48 Prudential Report - Grenville Hub

PURPOSE

For Council to receive the Prudential Review Report for the Grenville Hub phase of the Northern CBD Project.

STAFF RECOMMENDATION

Council receive and note the Prudential Report (Attachment 1) prepared by BRM Advisory for the Grenville Hub, pursuant to Section 48(2) of the Local Government Act 1999.

EXECUTIVE SUMMARY

The Prudential Review Report has been prepared in accordance with the requirements of the City of Playford Prudential Management Policy and Section 48 of the Local Government Act 1999 which requires Council to consider prudential issues set out in the Act when engaging in a major project. It provides Council with the necessary information in order to make an informed decision.

1. BACKGROUND

Council is finalising one of the next stages as part of the Northern Central Business District (CBD). A major component of the CBD is the Grenville Hub which has been operating since 1983 and caters for our older community by providing them with a facility supporting a range of activities and services. As part of creating a multi-storey high density Northern CBD, Council has approved the construction of a two storey facility on a new allotment, in the heart of the CBD.

The Grenville Hub provides a range of services that promote lifelong learning, physical activity, healthy living, social connections and community participation. One of Grenville's aims is to continue to support the ageing community to remain independent for as long as possible, ensuring our residents are living life to the fullest.

At the 22 March 2016 meeting, Council received the Prudential Review Report for the Northern CBD project which included;

Phase 1 – Infrastructure

Phase 2 – The Grenville Centre redevelopment

Phase 3 – the multi storey-deck car park

The infrastructure, Prince George Plaza and multi-storey car park have been completed and Council is now ready to commence construction of the new Grenville Hub as approved. In light of the timing of the previous prudential review in 2016, and changes to incorporate the amended location and costs for Grenville, an amended Prudential Review specifically for the Grenville Hub (current design and amended location) is now attached.

Council's most recent resolution in relation to the Grenville Hub was at the meeting of Council on 26 March 2019 in which the following resolution was made:

Council resolution 3484

"Council approve this report and proceed to public tender for construction of the Grenville Hub".

In addition to this, Council have also approved the following capital budget through the Annual Business Plan (ABP) and Budget Process as follows;

- 2018/19 ABP and Budget - \$5.189M
- 2019/20 ABP and Budget - \$2.82M
- TOTAL ABP and Budget - \$8.009M

The associated total operating budgets of \$777k have also been approved.

2. RELEVANCE TO STRATEGIC PLAN

4: Smart CBD Program

Outcome 4.4 Increased social connections

The Grenville Hub will continue to deliver programs and services it has since 1983.

3. PUBLIC CONSULTATION

There is no further requirement to consult to the community as this has been done via the 2018/19 and 2019/20 Annual Business Plan and Budget Process (21 day public consultation) in addition to the ongoing stakeholder engagement throughout the design process, the four

(4) Public Information Forums conducted at the Grenville Centre and the ongoing consultation with the Grenville Advisory Group (GAG) throughout the design phase.

4. DISCUSSION

4.1 The Prudential Report is an independent analysis of the project.

4.2 As defined in Section 48(2) of the Local Government Act 1999, the following requirements are to be addressed;

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

- (a) the relationship between the project and relevant strategic management plans;
- (b) the objectives of the Development Plan in the area where the project is to occur;
- (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
- (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
- (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
- (i) the most appropriate mechanisms or arrangements for carrying out the project;
- (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the *Land Valuers Act 1994*.

4.3 With regard to the above legislative requirements, the findings and conclusions of the Prudential Report are summarised below:

- This report has been prepared to meet the requirements of the City of Playford Prudential Management Policy and Section 48 of the Local Government Act and to provide Council with a comprehensive understanding of the prudential issues relating to the Grenville Hub Project; the proposed \$8.009 million construction of a new Community Centre in the Playford CBD.
- The Project is consistent with the Playford Strategic Plan and Community Vision 2043. The financial provisions included in the Annual Business Plan and Budget 2019/20 and LTFP appear to be adequate for the Project. The relevant Asset Management Plan will need to be updated to reflect the value and future servicing of the new assets once the construction is completed.

- Playford is the approving authority for the Project and has provided Development Plan Consent. The Project still requires Building Rules Consent and Development Approval.
 - During construction, and based on *economy.id* economic impact model, the Project is expected to increase economic activity in the local area and in the economy more broadly generating a total increase in economic output of \$14.18 million added to Australia's Output and will result in the addition of 39 jobs. Through the combination of all direct, industrial and consumption effects the Project is forecast to have an estimated addition in value added of \$2.86 million in the City of Playford economy and total \$4.73 million over the wider Australian economy.
 - The Project is not likely to give rise to any national competition issues or adversely impact businesses in the proximity.
 - Although strictly speaking it has not been in accordance with the Playford Public Consultation Policy, there has been extensive community consultation and engagement on the Project.
 - The Project is not being undertaken with the objective to produce revenue. However, the increase in floor area of the new Grenville Hub may provide the opportunity to generate increased user charges through the ability to increase the range of services and programs which can be offered through the facility.
 - The remaining key financial risk after dealing with the potential for cost overruns through a fixed price lump sum tender, is that the market value of the constructed asset is less than the cost to build. A risk assessment has been prepared for the Project in accordance with the Playford Risk Management Policy, this identified 15 risks, of which none have a residual risk rating of 'Extreme' and only four have a residual risk rating of 'High' following the implementation of risk controls. As the Project has progressed eight of the identified Project risks have now been closed.
 - This relatively low project risk rating reflects that the Project in itself is a relatively simple construction Project with a majority of the construction risks being transferred to the construction contractor.
 - To minimise interruption to users, the services currently provided through the Grenville Centre will continue to be provided during the construction of the new Grenville Hub in the Playford Civic Function Centre.
 - The Procurement Plan and procurement methods employed to date are consistent with the requirements of the Playford Procurement Policy.
- 4.4** In addition to the Prudential Review, Council at its March 2019 meeting recommended to proceed to public tender for the construction of the Grenville Hub. The public tender commenced on 16th April 2019 and concluded on 5th June 2019. Council are currently in the evaluation phase. Once completed, a preferred tenderer to construct the Grenville Hub will be appointed under delegated authority. The construction is likely to take approximately 12 months.
- 4.5** Whilst the procurement process for engaging a construction contractor for the Grenville Hub is still active and therefore confidential, the present status of the evaluation of tenders would indicate that a suitable builder can be engaged for less than the existing project budget (being \$8,009,000) which incorporates the Quantity Surveyors estimate for construction.

- 4.6** With multiple construction activities in the CBD (hotel, medical centre and Grenville Hub) all occurring simultaneously, Council will ensure that the public and stakeholders will be kept informed as required of any changes or interruptions as a result of these construction activities to minimise any risks and impacts.

5. OPTIONS

Recommendation

Council receive and note the Prudential Report (Attachment 1) prepared by BRM Advisory for the Grenville Hub, pursuant to Section 48(2) of the Local Government Act 1999.

Option 2

Council does not accept the Prudential Review for the Grenville Hub at this point in time and requests an additional review that incorporates the following issues:

-
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6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

Receiving the Prudential review report for Grenville Hub ensures Council's has met its obligations under Section 48(2) of the Local Government Act 1999 and its own Prudential Management Policy.

The next stage of the project involves the appointment of a preferred tenderer. The preferred builder will commence construction as soon as practicable and is likely to be in construction phase for a minimum of 12 months.

6.1.2 Financial Implications

There are no additional financial or resource implications as these have all been approved as part of Council's 2018/19 and 2019/20 Annual Business Plan and Budget Process.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

Council may form the view that additional review of the project is warranted as part of the Prudential Review process. The implications for Council not accepting the Prudential Review for the Grenville Hub will delay the project by it not being able to appoint a builder and commence construction. This is likely to have reputational and political implications for Council as it has already approved the relevant budgets via the 2018/19 and 2019/20 Annual Business Plan and Budget Processes.

6.2.2 Financial Implications

Any further delays are likely to incur additional costs from the construction companies as program of works via the tender process may mean that they commence later in the year and not within reasonable time of tenders closing. Inflation of costs are also likely. These costs are currently unknown at this stage as they have not been requested of the market (tenderers).



City of Playford

Section 48 Prudential Report:
Grenville Centre Hub

August 2019



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EXECUTIVE SUMMARY

Purpose

The following report has been prepared in accordance with the requirements of the City of Playford Prudential Management Policy and Section 48 of the Local Government Act 1999 which requires a Council to consider a report addressing the prudential issues set out in Section 48 subsection 2 of the Act before engaging in a major project. The purpose of a Prudential Report is to ensure the Elected Members have the necessary information to enable an informed decision whether or not to proceed with a project.

The Project

The construction, on Lot 1 in the Playford CBD, of a new two-storey facility for the Grenville Hub patrons at an estimated cost of \$8.009 million (Grenville Hub Project).

Prudential Review Issues and Findings

The City of Playford has acted with due care, diligence and foresight in progressing the Project.

We have reviewed the estimated capital cost of the Project and the future operational costs of the Hub. Based on the indicative tender pricing being evaluated we consider the capital cost estimates to be reliable. The estimates future operational costs have also been considered and also appear reliable. The operating revenue estimates for the Grenville Hub will vary over time and are dependent upon the programs that are to be delivered from the new facility, this is a reasonable assumption.

We have not reviewed a sensitivity analysis on the capital costs but given the scale of the expenditure in the context of the Playford capital budget and the indicative tendered pricing for the Project being less than the capital budget provision, the Project is unlikely to have a negative impact on the Playford key financial indicators beyond what has already been provided for.

The impact of the Project on Playford's financial position is accounted for in the long term financial plan.

Playford has in place appropriate reporting structures for prudential reporting for the Project.

We note that there has been extensive consultation on the Project and notwithstanding this was not implemented strictly in accordance with the Playford Policy it appears to have been effective in informing the users and broader community and has provided opportunities for community influence on the final form of the Project.

Council has been provided with sufficient information to satisfy the requirements of Section 48 of the Local Government Act. The requirements of the Prudential Management Policy have been met other than the preparation of a sensitivity analysis on the Project, in the context of the current tendered pricing and the provisions in the long term financial plan we do not consider this to be a material omission.

Our detailed report follows.



1. INTRODUCTION

1.1 Background and Rationale

- 1.1.1 In 2010 the South Australian Government released the 30 Year Plan for Greater Adelaide, a strategic land-use plan to guide the long-term growth of the city of Adelaide and its surrounds. This Plan designated Elizabeth as Adelaide's northern CBD and a Regional Activity Centre.
- 1.1.2 The City of Playford (Playford) embraced this direction and has committed to ensuring that Elizabeth will secure its place as the CBD of the North: the place to go for retail, arts and entertainment, commerce, government and social services, sport, health, education and training. This concept was endorsed by Council on 27 August 2013 and since then has been encapsulated as a key strategy within the Playford strategic planning documents.
- 1.1.3 The Smart CBD Program within the Playford Strategic Plan relates to Council's long term strategy for the multi-stage re-development and expansion of the Elizabeth Regional Centre.
- 1.1.4 This redevelopment is now underway; the Playford CBD is being remodelled into a vibrant entertainment and cultural precinct. Over the past two years the physical subdivision of the Stage 1 precinct into development-ready allotments has occurred, along with construction works for the CBD Precinct, including the upgrade of Playford Boulevard. This has resulted in increased arts and cultural activities, increased activity and vibrancy in the precinct and increased external investment in the City.
- 1.1.5 The specific projects undertaken to date include the development of Prince George Plaza which was officially opened on 6 October 2017 as well as the construction of a 361 bay multi-storey carpark to service the expanding CBD.
- 1.1.6 In addition, there are a number of other projects which are being advanced, these include the following.
- 1.1.6.1 A developer and operator have been secured for a seven-storey luxury 4.5-star hotel. This development is to be undertaken on Lots 2, 3 and 4 which will require the acquisition of the existing Grenville Hub Community Centre (Grenville Hub) building site.
- 1.1.6.2 Playford has secured a key tenant for the retail facility adjacent to the Civic Centre and is currently seeking a second tenant for the remaining area.
- 1.1.6.3 A \$20 million multi-story medical centre, with the development likely to include a bulk billing clinic, emergency GP services, radiology facilities, allied health and day surgery.
- 1.1.7 Located on Playford Boulevard next to the Elizabeth Shopping Centre and the Civic Centre, the Grenville Hub provides a broad range of services for people 50 years and over. It aims to provide a space that encourages and promotes lifelong learning, physical activity, healthy living, social connections, participation and enjoyment. With approximately 10,000 attendees per month, the construction of a new Grenville Hub



Community Centre is seen as integral to the activation of the Civic Precinct in the CBD of the North.

- 1.1.8 On 24 July 2018 Council endorsed the concept plans for the new Grenville Hub and agreed to proceed to detailed design documentation, tender and construction.

1.2 The Project

- 1.2.1 The construction, on Lot 1 in the Playford CBD, of a new two-storey facility for the Grenville Hub patrons at an estimated cost of \$8.009 million (Grenville Hub Project).
- 1.2.2 The Grenville Hub will have a 40% increase in floor area and is to contain the following elements: commercial kitchen; dining area (120 people); professional grade sprung dancefloor; hall (seating for 170); stage/performance area; pool table; open spaces sight lines, for patron safety and engagement; Reception; Consultation/therapy room; Storage; Op shop; Patron Garden; and Home Assist services.

1.3 Legal Framework and Prudential Issues

- 1.3.1 The Local Government Act 1999 (Act) Section 48 states that a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
- acts with due care, diligence and foresight; and
 - identifies and manages risks associated with a project; and
 - makes informed decisions; and
 - is accountable for the use of council and other public resources.
- 1.3.2 Playford has adopted a Prudential Management Policy on 22 May 2012 (Full Council Resolution no. 757) which satisfies the requirements of the Act. This Policy sets out Council's approach towards the prudential management of major projects which are defined under the Policy as meeting one or more of the following criteria:
- The expected capital cost of the project over the ensuring five years is likely to exceed \$4 million (indexed); or
 - The expected expenditure of the project over the ensuring five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five years (as shown in council's financial statements); or
 - The risk profile of the project is high or extreme, as determined by Council Staff under the Risk Management Framework.
- 1.3.3 The Objectives of the Playford Prudential Management Policy are to ensure that:
- Council is meeting its obligations under Section 48 (Prudential Management) of the Local Government Act.



City of Playford
Section 48 Prudential Report – Grenville Hub

- Major projects are undertaken only after a thorough analysis of the need for the project, risks and opportunities.
 - Council is adopting best practice prudential management.
- 1.3.4 The Playford Prudential Management Policy requires the report to contain information on the following:
- The reliability of calculated revenues or costs;
 - Any assumptions made;
 - A sensitivity analyses on a best case, worst case and most likely outcome assuming the parameters used;
 - The impact on the Council's long term financial position; and
 - The proposed frequency of ongoing prudential reporting to Council through the life of the project.
- 1.3.5 Prudential Management Policy and the Act 1999 require Council to consider a report addressing the prudential issues set out in subsection 2 of Section 48, (reproduced in full in Attachment One), when a project meets certain criteria, specified in (1) (b), namely where a council:
- (b) *engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—*
- (i) *where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or*
 - (ii) *where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or.*
 - (iii) *where the council considers that it is necessary or appropriate.*
- 1.3.6 As at the date of this report the indexed value of the \$4.00 million threshold identified in Section 48 (1) (b) (ii) is \$4.783 million. As the Project has a capital value greater than \$4.783 million, Playford has engaged BRM Advisory to prepare a report to satisfy the requirements of Section 48 of the Act and the Prudential Management Policy.



2. RELATIONSHIP WITH RELEVANT STRATEGIC MANAGEMENT PLANS

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

(a) *the relationship between the project and relevant strategic management plans;*

2.1 Relevant Strategic Management Plans

2.1.1 Section 122 of the Act requires a Council to develop and adopt strategic management plans; these are required to incorporate the extent to which a Council's objectives are related to regional, state and national objectives.

2.1.2 For the purposes of this report the relationship between the Project and the following plans is considered relevant.

2.1.2.1 City of Playford

- Playford Community Vision 2043;
- Strategic Plan 2016 - 2020;
- Annual Business Plan and Budget 2019-20;
- Long Term Financial Plan 2019/20; and
- Asset Management Plans.

2.1.2.2 Regional

- No relevant regional plans have been identified.

2.1.2.3 South Australian State Government

- 30 Year Plan for Greater Adelaide.

2.1.2.4 Commonwealth Government

- No relevant current plans or programs identified.

2.2 City of Playford Plans

2.2.1 Playford Community Vision 2043

2.2.1.1 The Playford Community Vision 2043 reflects the insight, experience, priorities, challenges and hopes of the Playford community for 'their place' in 2043. It is an articulation of the community's collective vision for how Playford will look and feel in 30 years.

2.2.1.2 The Vision is aspirational in nature and has been developed with reference to key State Government and Council strategic policies and plans; it



established key themes of prosperity, liveability and happiness as the means of achieving the vision of Playford being the City of Opportunity.

2.2.1.3 The Grenville Hub Project will provide contemporary facilities for the delivery of social and wellbeing programs which will enhance the liveability of Playford.

2.2.1.4 Accordingly, the Grenville Hub Project is considered to be closely aligned to the Community Vision 2043.

2.2.2 Strategic Plan 2016 - 2020

2.2.2.1 The Playford Strategic Plan 2016 – 2020 articulates the Council's priorities over the planning period; it is framed around the following five strategies.

- Strategy 1 - Our foundations – services, city presentation and community pride.
- Strategy 2 - Securing Playford's future and building value.
- Strategy 3 - Elizabeth, Adelaide's Northern CBD.
- Strategy 4 - Securing Playford's position in the global economy.
- Strategy 5 - Building our capabilities.

2.2.2.2 At the halfway point of the planning period, Playford produced a Progress Update – July 2018, to summarise the progress achieved to that time. This update was structured around the six key programs as described in the Strategic Plan:

- Smart Service Delivery;
- Smart Living;
- Smart Jobs and Education;
- Smart CBD;
- Smart Sport; and
- Smart Health.

2.2.2.3 The Strategic Plan Progress Update identifies what success will look like in 2020, the construction of a new Grenville Centre is specifically mentioned under this heading as something the community will see (at that time).

2.2.2.4 The Grenville Hub Project is therefore strongly aligned to the Strategic Plan.



- 2.2.3 Annual Business Plan and Budget 2019/20
- 2.2.3.1 The Annual Business Plan and Budget is the 12-month plan to deliver the Strategic Plan and securing funding towards Council's goals, services and projects.
- 2.2.3.2 The Annual Business Plan and Budget 2018/19 contained the following provisions for the Grenville Hub Project:
- (a) Capital expenditure of \$5.189 million, of which \$1.800 million was funded through the Asset Management Plan for capital renewal; and
 - (b) Net Operating Budget provisions of \$0.458 million.
- 2.2.3.3 The City of Playford endorsed the Annual Business Plan and Budget 2019/20 on 2 July 2019 to fulfil its statutory obligation to produce an Annual Business Plan and Budget.
- 2.2.3.4 The Grenville Hub Project is specifically referenced in the Annual Business Plan and Budget as a Capital Project continuing from 2018/19 with an allocation of \$3.000 million (excluding the Asset Management Plan renewal provision of \$1.800 million), and as a Budget initiative for 2019/20 with an additional capital allocation of \$2.820 million, and an additional Net Operating Budget allocation of \$0.319 million.
- 2.2.3.5 Therefore the total capital allocation for the Project is \$8.009 million with Net Operating Budget provisions of \$0.777 million.
- 2.2.3.6 The capital provisions in the Annual Business Plan and Budget are considered to be sufficient to deliver the Grenville Hub Project.
- 2.2.4 Long Term Financial Plan
- 2.2.4.1 The City of Playford has adopted a Long Term Financial Plan (LTFP) to ensure Council can deliver services, maintain assets and achieve its strategic objectives in a financially sustainable manner. The LTFP spans over a ten-year timeframe covering the period 2019/20 to 2028/29.
- 2.2.4.2 The LTFP in conjunction with the Annual Business Plan covers capital expenditure on new and enhanced assets. The LTFP as endorsed by Council in adopting the 2019/20 Annual Business Plan and Budget, includes specific reference to, and financial provisions for, the expected capital costs of the new Grenville Centre (Grenville Hub Project).
- 2.2.4.3 The LTFP provides for continued funding of the asset replacement program that matches the Asset Management Plan. This aims to ensure Council's infrastructure is replaced when required and maintained to existing standards.
- 2.2.4.4 The value of the current Grenville Centre, and associated fixtures and fittings, is carried in the LTFP (and Playford's Financial Statements) at an



asset value of \$0.861 million, the demolition of this to make way for the construction of the hotel will require this amount to be written-off and ultimately be replaced with the value of the new Grenville Hub Project asset. As the building was demolished in February 2019 this impact should be brought to account in the FY2019 Financial Statement.

2.2.4.5 Playford has included provisions of \$0.777 million in the LTFP for the increase in the future operational cost of the Grenville Hub.

2.2.5 Asset Management Plan

2.2.5.1 Playford owns and is responsible for the management, operation and maintenance of a diverse asset portfolio that provides services and facilities to the community. Asset Management Plans have been developed to ensure that Council's infrastructure, buildings and other assets are managed to an appropriate standard.

2.2.5.2 The Asset Management Plan highlights, based on condition ratings, when and what assets require replacement and forecasts how that can be achieved in a financially sustainable manner.

2.2.5.3 The Asset Management Plan (and LTFP) includes investment in replacement and renewal of existing assets comprising of \$194.3 million (excluding indexation) over the 10 year period of the LTFP. These provisions include the \$14.0 million for the replacement of buildings, with \$1.800 million for the renewal component of the Grenville Centre.

2.2.5.4 Playford should ensure that the provisions for the Grenville Hub in the Asset Management Plan - Council Owned Buildings are aligned with the allocations for the increase in asset management costs contained in the LTFP.

2.3 Regional Objectives

2.3.1 No relevant regional objectives or plans have been identified.

2.4 South Australian State Plans

2.4.1 30 Year Plan for Greater Adelaide

2.4.1.1 The 30-Year Plan for Greater Adelaide was first prepared in 2010 to describe the State Government's plan for how Adelaide should grow to become more liveable, competitive and sustainable. The 30-Year Plan is to guide the long-term growth of the city and its surrounds over the next 30 years.

2.4.1.2 The plan is a volume of the South Australian Planning Strategy under the Development Act 1993 and it will become a Regional Plan under the new Planning, Development and Infrastructure (PDI) Act 2016.



- 2.4.1.3 The current 30 Year Plan was updated in 2017 has six key targets against which progress will be measured and 14 policy themes which are supported by actions to facilitate the implementation of the Update.
- 2.4.1.4 The policy theme most relevant to the Grenville Hub Project is "Transit corridors, growth areas and activity centres", within this, policy 7 which states "Focus government services in higher-order activity centres that are well-served by public transport to support viable clusters of activities and minimise car trips" is most closely related to the Project.
- 2.4.1.5 It should be noted that the broader CBD of the Project is also aligned to policy 9 "Develop activity centres as vibrant places by focusing on mixed-use activity, main streets and public realm improvements".

2.5 National Objectives

- 2.5.1 The Commonwealth Department of Infrastructure, Transport, Cities and Regional Development is responsible for the design and implementation of the Australian Government's infrastructure, transport and regional development policies and programs.
- 2.5.2 The Department administers a range of grant funds to progress its policies and programs. Playford has previously received funding under the National Stronger Regions Fund (NSRF) for the Playford CBD Project, which includes the Grenville Hub Project, and therefore the Project is considered to be aligned with national objectives.



City of Playford
Section 48 Prudential Report – Grenville Hub

3. OBJECTIVES OF THE DEVELOPMENT PLAN

Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):

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

3.1 Development Plan

3.1.1 Development in Playford is governed by the Development Plan - Playford Council, pursuant to Section 33 of the Development Act 1993 and the associated Development Regulations 2008. The current version of the Development Plan is dated as consolidated on 27 June 2017.

3.1.2 The Development Plan outlines what sort of developments and land use are and are not envisaged for particular zones and various objectives, principles and policies further controlling and affecting the design and other aspects of proposed developments. As such, the Development Plan covers matters including zoning issues, building appearance and neighbourhood character, land division, building siting and setbacks and environmental guidelines.

3.1.3 The Development Plan is structured into Sections, as follows.

- General, containing general policy that applies across the council area. These issues establish the development standards that apply to all forms of development and provide a yardstick against which the suitability of development proposals is measured.
- Zones, these provisions give greater certainty and direction about where certain forms of development should be located and identifies generally envisaged forms of development.
- Tables, contain information such as parking requirements and heritage buildings. Conditions for complying development are grouped into their respective tables.
- Mapping, showing zones and development constraints.

3.1.4 The Grenville Hub Project involves development as prescribed under the Development Act and a Development Application (development No. 292/949/2018) has been assessed by the City of Playford with Development Plan Consent granted on 15 October 2018. There are 8 conditions listed on the Decision Notification Form and these will need to be complied with as the Project progresses.

3.2 Development Zone

3.2.1 The Grenville Hub Project is located at 10 Playford Boulevard, Elizabeth, which is in the Regional Centre Zone.



3.2.2 The Regional Centre Zone has eight objectives, the following five of which are considered to be of relevance for the Grenville Centre Project. The objectives of the Development Zone are as follows.

- "1. *A centre representing the primary focus for business and commercial services for the region, outside the central business district of Adelaide, providing a full range of shopping, administrative, cultural, community, entertainment, education, religious and recreational facilities, and public and private office development.*
3. *A readily identifiable centre that displays a high level of urban design qualities related to the height, size, and disposition of buildings to complement public and private spaces.*
5. *Development of a visually and functionally cohesive and integrated regional centre.*
6. *Development within the zone that implements the elements of environmental sustainability, sense of place, attractiveness and design creativity.*
8. *A zone developed in accordance with Concept Plan Maps Play/12 - Playford Regional Centre and Play/13 - Playford Regional Centre Philip Highway Built Form."*

3.2.3 The envisaged Land Uses are consistent with the development planned under the Grenville Hub Project.

3.3 Approving Authority

3.3.1 Pursuant to the Development Act 1993, a Council can make decisions on certain kinds of applications where the Council is the applicant as outlined in Schedule 10 (2) of the Development Regulations 2008.

3.3.2 The Playford Development Assessment Panel is the relevant authority to provide Development Approval.



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4. ECONOMIC DEVELOPMENT

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (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;*

4.1 Contribution to Economic Development

4.1.1 Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.

4.1.2 The contribution to economic development from the Project will primarily come from the following sources:

4.1.2.1 construction activity in the area; and

4.1.2.2 increased visitation to the area from a larger and more attractive Community Centre.

4.1.3 There are economic and employment multiplier benefits to the broader economy from the economic activity that will be generated by the construction activity and purchase of goods and services relating to the Grenville Hub Project.

4.1.3.1 The economic impact assessment undertaken to identify the potential jobs and incomes that may be associated with the Project is based on a measure of the value added and employment associated with the investment. This is consistent with the predominant measure of national economic activity, Gross Domestic Product.

4.1.3.2 The expenditures associated with this Project will have direct economic effects, indirect effects of related purchases in the broader economy and induced effects of spending on goods and services by the employees of the companies providing goods and services to the Project.

4.1.4 To quantify the benefits from these multiplier effects we have utilised the *economy.id* economic impact model, a tool for measuring secondary and tertiary economic effects of a capital investment. The output from the model quantifies the expected impact the Project will have on the City of Playford area and on the national economy more broadly. The *economy.id* model relies on inputs from the National Institute of Economic and Industry Research, an independent private research company.

4.1.5 For modelling purposes, a Project construction budget of \$7.052 million has been assumed and the expenditure associated with the Project has been characterised as Construction Services.



4.2 Economic Impact of capital works

4.2.1 Table One quantifies the expected economic impact of undertaking the Project.

Table One: Economic impact of construction phase

Component	Output (\$m)	Value added (\$m)	Local Jobs
Impact on Playford			
- Direct impact on building sector	7.00	1.55	11
- Industrial impacts	2.62	1.11	10
- Consumption impact	0.42	0.20	2
Total impact on Playford	10.04	2.86	23
- Impact in SA outside Playford	1.92	0.89	8
- Impact outside SA economy	2.23	0.97	8
Total impact on Australian economy	14.18¹	4.73¹	39

¹ Rounding

4.2.2 According to the *economy.id* analysis, the combined effect of economic multipliers in the City of Playford and the wider Australian economy is estimated to be \$14.18million added to Australia's Output and will result in the addition of 39 jobs.

4.2.3 Further, the combination of all direct, industrial and consumption effects would result in an estimated addition in value added of \$2.86million in the City of Playford economy and total \$4.73million over the wider Australian economy.

4.3 Impact on Business in the Proximity

4.3.1 Given the construction activity already underway in the area it is unlikely that the construction phase will have an additional negative impact on businesses in the proximity. However, the Project team should be conscious of any traders in and around the area and ensure that businesses are consulted with on matters such as noise, dust and road closures as construction is undertaken.

4.3.2 Following completion of the Project, an increase in patronage at the Grenville Hub is expected due to the potential to increase the range and scope of community programs, services and activities. This increased activity provides opportunities for some increase in custom and trade for the businesses in the general vicinity.

4.4 Fair Competition

4.4.1 Given the nature of the activities proposed for the Grenville Hub we do not consider that they constitute a 'significant business activity' nor are there any material competition issues arising from the proposed Project.



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5. COMMUNITY CONSULTATION

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (d) *the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

5.1 Level of Consultation

5.1.1 Playford has a Public Consultation Policy, adopted 10 December 2013, to ensure a planned and consistent approach to public engagement (consultation). The Public Consultation Policy requires Practice Managers of projects to adopt a risk based approach to determining the level of consultation to be undertaken.

5.1.2 Under the Policy the Practice Manager for the Grenville Hub Project is required to assess the consultation required in accordance with this Policy as either low or high risk and then implement consultation in accordance with the Policy.

5.1.3 Given the nature of the transformational works being undertaken in the CBD a comprehensive Stakeholder Management Plan was developed by the Project team and approved by the relevant General Manager. The approach to engagement with the Grenville patrons and users of the hire facilities was set out as follows.

"This group will favour a personal touch approach that may include:

- *Mayor's morning tea and update to Grenville Patrons*
- *Information presentations about progress on the CBD*
- *Opportunities to have input into planning their future services and the Grenville amenities*
- *Regular updates such as the NEXT Great City Updates*
- *Notifications of road disruptions and closures etc.*

Direct venue hirer relationships via a nominated Council officer."

5.1.4 Given the nature of the Project in our view the appropriate level of consultation would be classified as high. The requirements of the Policy in those circumstances are

"The decision to consult with stakeholders and the public beyond legislative requirements must be based on conducting a risk analysis of the issue/project.

Any steps taken by Council in addition to the minimum requirements set out in the Act are at the absolute discretion of Council and will depend upon the particular topic under consideration, the resources available to Council and the level of interest the topic is likely to generate.



A Council decision report will be provided if public consultation is being considered that is over and above the requirements of the Legislation.”

- 5.1.5 We have not sighted a Council decision report on this consultation. However, it is evident that Playford has implemented an extensive public consultation process for the Grenville Hub Project, this has included:
- 5.1.5.1 Information and consultation sessions in December 2017.
 - 5.1.5.2 Information Briefing with Grenville Centre patrons on 16 July and 17 December 2018.
 - 5.1.5.3 A needs analysis workshop held on 19 January 2018.
 - 5.1.5.4 The formation of a Grenville Advisory Group (Grenville Consultation group?) for regular ongoing consultation and input.
 - 5.1.5.5 Formation of the Grenville Advisory Group (GAG) which has been part of the design process and has met fortnightly and since its inception
 - 5.1.5.6 Issuing Frequently Asked Questions.
 - 5.1.5.7 Four public consultation forums providing regular updates on the progress of the design at the old Grenville Centre conducted by Mayor, Senior Managers and Project Managers.
 - 5.1.5.8 There was a presentation to Council’s Steering Committee on 18 June 2018.
 - 5.1.5.9 At the 24 July 2018 Council meeting, Council endorsed the Grenville Hub Concept Plans and proceed to next phase of detailed design, tender and construction.
 - 5.1.5.10 There was a presentation to Council at an Informal Gathering on 5 March 2019 to seek additional capital funds and proceed to construction tender.
- 5.1.6 In addition, the Grenville Hub Project is part of the broader CBD of the North Project which has been the subject of extensive public consultation through the process of adopting the Playford Strategic Plan and Annual Business Plans. The construction of a new Grenville Community Centre is specifically identified as a capital project in the both the 2018/19 and 2019/20 Annual Business Plan and Budgets which are advertised in a newspaper with respondents given the opportunity to speak at a Council meeting.

5.2 Community Influence and Contribution

- 5.2.1 To date, the community has been afforded the opportunity to contribute and influence the Northern CBD Project through the extensive consultation process undertaken for the Strategic Plan and in the consultation for the Annual Business Plan and Budget.
- 5.2.2 The community has also been afforded the opportunity to contribute and influence the final form of the Grenville Hub Community Centre.



6. FINANCIAL ASSESSMENT

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (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;*

6.1 Revenue Production, Revenue Projections and Potential Financial Risks

6.1.1 Revenue Production

- 6.1.1.1 The Grenville Centre currently generates approximately \$0.350 million per annum from user charges.
- 6.1.1.2 Notwithstanding this, the Grenville Hub Project is not being undertaken with the intention of producing additional revenue. The primary purpose of undertaking the Project is to upgrade a community facility.
- 6.1.1.3 We note however that the increase in floor area of the new Grenville Hub should provide Playford with the opportunity to increase the range of programs and services which are offered through the Grenville Hub which may result in an increase in user charges.

6.1.2 Potential Financial Risks

- 6.1.2.1 Financial risk has been considered in the preparation of the Project Risk Register. A procurement methodology which includes an open tender process for a fixed lump sum price has been used to mitigate the risk of construction cost overruns, which is often the major financial risk in construction projects. Furthermore, we understand that the current tendered prices are lower than originally estimated which subject to the conditions of the contract should result in a lower Project cost than originally estimated.
- 6.1.2.2 Of the three financial risks identified two have now been closed out as the Project has progressed, these were:
 - (a) Capital budget not approved by Council; and
 - (b) Loss of funding for programs.
 - (c) The remaining risk relates to the potential for increased costs due to adverse weather conditions, this risk is to be mitigated by contractual conditions.



6.1.2.3 In addition to the three financial risks identified in the Project Risk Register we have identified two other risks which may need to be included for assessment and treatment, these are:

- (a) The market value of the constructed asset is less than their cost to build.
- (b) The increase in future operating costs is higher than estimated.

6.2 Recurrent and Whole of Life Costs, Financial Arrangements

6.2.1 Recurrent Costs

6.2.1.1 Playford has estimated the increase in recurrent costs relating to the Project to be \$0.777 million per annum. These include:

- (a) Building maintenance costs and insurance of \$0.261 million per annum. This represents approximately 4.0% of the budget construction estimate and should be adequate for repairs and maintenance and increased outgoings from the larger building.
- (b) Borrowing costs of \$0.391 million per annum which is a notional provision based on borrowing the full cost of the Project at the interest rates used in the LTFP. Playford would generally finance this type of asset over a 20 year term.
- (c) Depreciation costs of \$0.125 million per annum, which is approximately 2.0% of the budget construction estimate.

6.2.2 Whole of Life Costs

6.2.2.1 The impact of the Project on the operating surplus / deficit over the whole of Project life is based on the following assumptions.

- (a) The total Project cost is \$8.009 million which is comprised of the following elements.
 - Construction and design cost - \$7.052 million.
 - Project management - \$0.346 million.
 - Contingencies - \$0.460 million.
 - Capitalised interest - \$0.151 million.
- (b) The Project life is assumed to be 50 years.
- (c) \$0.861 million of total Project costs relates to the demolition of the current building and will need to be written off, in accordance with accounting standards, in FY2019 as they were incurred in that period.



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- (d) Depreciation is estimated to be \$0.125 million per annum and has been calculated with reference to the total capitalised asset value of the Project of \$8.009 million and the 50 year useful life.
- (e) The increase in Maintenance and insurance expenses is \$0.261 million per annum.
- (f) Borrowing costs have been calculated on \$8.000 million at an average interest rate of 6.0% (consistent with the LTFP) over a 20 year term. The actual cost of financing is unknown at this time.
- (g) No allowance for cost escalation or finance costs has been made in the assessment.
- (h) The potential for an increase in user charges generated at the Grenville Hub has been ignored.

6.2.2.2 Based on the above assumptions the whole of life impact of the Project on the operating surplus / deficit in the Statement of Comprehensive Income is an estimated cost of \$25.055 million over the life of the Project. The breakdown against the standard Statement of Comprehensive Income presentation is shown in Table Two.

Table Two: Whole of Life impact on Statement of Comprehensive Income

Item	Annual Impact (\$'m)	Whole of Life Impact (\$'m)
Expenses		
Employee costs	\$0	\$0
Materials, Contracts, Other Expenses	\$0.261	\$13.050
Depreciation, Amortisation, Impairment	\$0.125	\$6.250
Finance costs (provision)	\$0.391	\$5.755
Total expenses	\$0.777	\$25.055
Total (surplus) / deficit	\$0.777	\$25.055

6.2.3 Financial Arrangements

6.2.3.1 The Project is to be funded by Playford through budgeted capital provisions in the 2019/20 Annual Business Plan and Budget and LTFP.

6.3 Financial Viability

6.3.1 Financial viability can be defined as the ability to generate sufficient income to meet operating expenses, financial obligations and to provide the potential for future growth.

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- 6.3.2 The Grenville Hub Project is the construction of a new community facility and is not being undertaken to produce income, notwithstanding that the building will have a commercial value if it was to be repurposed at some time in the future.
- 6.3.3 The forecast additional whole of life costs, are not significant in the context of Playford's overall capital and operating budgets.
- 6.3.4 Based on the existing provision for the Grenville Hub Project in the Annual Business Plan and Budget 2019/2020 and LTFP, and the relatively low capital cost as a percentage of the total capital works budget, the Project is unlikely to materially or adversely impact the City of Playford's financial stability or indicators.



7. PROJECT RISK AND MITIGATION STRATEGIES

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (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);*

7.1 Risk Management

- 7.1.1 This report assesses the risk management actions taken or being considered by Playford for the Project. It is not the purpose of the report to prepare a comprehensive risk management plan, however a level of assessment has been undertaken on the identified risks and the mitigations that have been developed.
- 7.1.2 Playford adopts an integrated and proactive approach to risk management, based on current Australian Standards (AS/NZS ISO 31000). This approach integrates the management of risk and opportunity into the organisation's strategic planning and other activities including measured risk taking and decision making, governance, reporting, policy development as well as its values and culture. This is outlined in the Risk Management Policy adopted by Council on 23 November 2018 (resolution 3305).
- 7.1.3 The Playford approach to the management of risk for major capital projects is also outlined in the Prudential Management Policy adopted on 22 May 2012. The Grenville Hub Project meets the criteria in the Policy defining a major project. In accordance with this Policy, Prudential Management commences prior to making a decision to proceed with a major project and then continues throughout the life of the project.
- 7.1.4 A risk assessment has been undertaken for the Project using the Playford Risk Assessment template with a total of 15 risks identified and assessed. The risks identified were categorised under the following headings: Service Delivery, Reputation, Financial, and Safety.
- 7.1.5 A risk owner has been assigned to each risk and mitigation strategies have been identified and documented for all of the risks. The residual risk rating (after the identification of controls) for each category of risk is shown in Table Three.

Table Three: Risk Assessment Category Summary

Risk Level	Service Delivery	Reputation	Financial	Safety
Extreme				
High	4			
Medium		2	2	1
Low	2	1	1	2
Total	6	3	3	3



- 7.1.6 As the Project has progressed, eight of these risks have now been closed.
- 7.1.7 The highest level of risk in the Playford risk framework is 'Extreme'. No risks were identified as having an 'Extreme' rating. Of the four identified risks with a 'High' inherent risk rating, only one risk remains open, that is:
- 7.1.7.1 Access to the Civic Centre during construction.
- 7.1.8 The Prudential Management Policy requires Council to 'adopt, monitor and review an internal project management framework with associated standards and processes for project management to ensure that all projects (including those that are not major by definition) are managed effectively, undertaken with care, diligence and foresight, identifies and manages risk and is accountable for the use of Council resources'.
- 7.1.9 Consistent with this approach risk is being actively managed and additional risks have been identified which should be included in the risk register, these include:
- 7.1.9.1 The market value for construction is more than the allocated budget.
- 7.1.9.2 Backlash from temporary relocation of the Grenville Centre.
- 7.1.9.3 The potential for community backlash if the hotel and/or new Grenville Hub construction do not commence immediately after relocation.
- 7.1.9.4 The potential for overlap of the hotel and Grenville Hub construction schedules.
- 7.1.9.5 The lack of availability of the Civic Function centre.
- 7.1.10 To date, the approach to risk management appears to have been consistent with the objectives of the Playford Policies.

7.2 Risk mitigation

- 7.2.1 Playford should ensure that the mitigation strategies identified for the risks associated with the Project are implemented and that these are progressively updated as the Project is implemented.
- 7.2.2 To support the risk management process the Project Manager should review and update this register at least monthly and provide a regular status report to the Playford Executive.
- 7.2.3 Consistent with good project management practice, risk management should be a standing agenda item at any Project management meetings during the construction phase of the Project.
- 7.2.4 Reporting protocols should also be established for the Project to ensure the Chief Executive Officer or his delegate and, where appropriate, Council are apprised of areas of risk.



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8. PROJECT DELIVERY

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

(i) *the most appropriate mechanisms or arrangements for carrying out the project.*

8.1 Delivery Mechanism

8.1.1 There are several options generally available for carrying out a construction project; these have different advantages and disadvantages depending on the circumstances of a particular project.

8.1.2 Playford has prepared a detailed Project Management Plan for the delivery of the Grenville Hub Project, this identifies the drivers and objectives for the Project along with the deliverables, approach to acquisition, budget, organisational structure, baseline schedule and risk management.

8.1.3 Under the Project Management Plan, Playford has appointed a Project Manager for the Project and has identified other specific roles and responsibilities to support the delivery of the Project.

8.1.4 The Project Management Plan identified that the design consultancy for the Grenville Centre would go to market through a public tender process for a two part concept design.

8.1.5 Through this tender process, City Collective were appointed as Lead Architect. The tender also resulted in the appointment of CrackerJack consulting as Structural Engineers and BCA Engineers to provide Electrical and Mechanical Services, both of which are sub-consultants to City Collective.

8.1.6 Following this, a Construction tender was issued for a fixed lump sum.

8.1.7 The evaluation and the award of the construction contract is to take place following the criteria and notes detailed in the Playford Acquisition Plan 000698. The outcome of this process is not known at this time as the tenders are currently being evaluated.

8.1.8 To minimise interruption to users, during construction, the services currently provided through the Grenville Centre will continue to be provided at the new Grenville Hub in the Playford Civic Function Centre.

8.2 Procurement implications

8.2.1 The Playford Procurement Policy dated 25 July 2017 applies to all procurement processes and activities undertaken by Council, including ordering, purchasing, tendering and contracting.

8.2.2 The Procurement Policy documents that Council's purchasing activities aim to achieve advantageous procurement outcomes by:



- Enhancing value for money by encouraging competition through non-discrimination and competitive processes;
- Promoting the use of resources in an efficient, effective and ethical manner;
- Making decisions with probity, accountability and transparency;
- Providing reasonable opportunity for competitive local businesses to supply to Council;
- Appropriately managing risk; and
- Promoting compliance with all relevant legislation.

8.2.3 The Procurement Policy identifies that Council will select an approach to market method best suited to the particular requirement and based on the applying the procurement principles outlined in the Procurement Policy. These may include:

- Request for Quote
- Request for Tender (Select or Open Market)
- Request for Expression of Interest (EOI)
- Request for Proposal
- Direct Negotiation

However, should Council procure using a different method than those listed, then the reasons for selecting that method are to be recorded.

8.2.4 The Procurement Policy establishes the following thresholds for individual engagements but subject to risk assessment.

8.2.4.1 Purchases under \$1,000 do not require a Purchase Order.

8.2.4.2 Purchases between \$1,000 and \$20,000 require a minimum of one quote.

8.2.4.3 Purchases between \$20,000 and \$100,000 require a minimum of three written quotations or another method of procurement.

8.2.4.4 Purchases greater than \$100,000 require a tender process.

8.2.5 The Playford Acquisition Plan (000698) for the Project identifies that a publicly advertised Request for Tender to obtain a lump sum submission from tenderers is considered appropriate for this Project.

8.2.6 The Procurement Plan and procurement methods employed to date are consistent with the requirements of the City of Playford Procurement Policy and associated Operating Guidelines.



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9. **SALE OR DISPOSITION OF LAND**

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (i) *if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.*

9.1.1 The land will remain under the ownership of Playford, therefore the Project does not involve the sale or disposition of land.



10. CONCLUSION

- 10.1 This report has been prepared to meet the requirements of the City of Playford Prudential Management Policy and Section 48 of the Local Government Act and to provide Council with a comprehensive understanding of the prudential issues relating to the Grenville Hub Project; the proposed \$8.009 million construction of a new Community Centre in the Playford CBD.
- 10.2 The Project is consistent with the Playford Strategic Plan and Community Vision 2043. The financial provisions included in the Annual Business Plan and Budget 2019/20 and LTFP appear to be adequate for the Project. The relevant Asset Management Plan will need to be updated to reflect the value and future servicing of the new assets once the construction is completed.
- 10.3 Playford is the approving authority for the Project and has provided Development Plan Consent. The Project still requires Building Rules Consent and Development Approval.
- 10.4 During construction, and based on *economy.id* economic impact model, the Project is expected to increase economic activity in the local area and in the economy more broadly generating a total increase in economic output of \$14.18million added to Australia's Output and will result in the addition of 39 jobs. Through the combination of all direct, industrial and consumption effects the Project is forecast to have an estimated addition in value added of \$2.86 million in the City of Playford economy and total \$4.73 million over the wider Australian economy.
- 10.5 The Project is not likely to give rise to any national competition issues or adversely impact businesses in the proximity.
- 10.6 Although strictly speaking it has not been in accordance with the Playford Public Consultation Policy, there has been extensive community consultation and engagement on the Project.
- 10.7 The Project is not being undertaken with the objective to produce revenue. However, the increase in floor area of the new Grenville Hub may provide the opportunity to generate increased user charges through the ability to increase the range of services and programs which can be offered through the facility.
- 10.8 The remaining key financial risk after dealing with the potential for cost overruns through a fixed price lump sum tender, is that the market value of the constructed asset is less than the cost to build. A risk assessment has been prepared for the Project in accordance with the Playford Risk Management Policy, this identified 15 risks, of which none have a residual risk rating of 'Extreme' and only four have a residual risk rating of 'High' following the implementation of risk controls. As the Project has progressed eight of the identified Project risks have now been closed.
- 10.9 This relatively low project risk rating reflects that the Project in itself is a relatively simple construction Project with a majority of the construction risks being transferred to the construction contractor.
- 10.10 To minimise interruption to users, the services currently provided through the Grenville Centre will continue to be provided during the construction of the new Grenville Hub in the Playford Civic Function Centre.
- 10.11 The Procurement Plan and procurement methods employed to date are consistent with the requirements of the Playford Procurement Policy.



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ATTACHMENT ONE: LOCAL GOVERNMENT ACT, 1999 – SECTION 48

Section 48 – Prudential requirements for certain activities

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
- (a) acts with due care, diligence and foresight; and
 - (b) identifies and manages risks associated with a project; and
 - (c) makes informed decisions; and
 - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
 - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
 - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
 - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
- (a) the relationship between the project and relevant strategic management plans;
 - (b) the objectives of the Development Plan in the area where the project is to occur;
 - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
 - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
 - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
 - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
 - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
 - (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
 - (i) the most appropriate mechanisms or arrangements for carrying out the project;
 - (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.
- (2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the project as a whole.
- (3) A report is not required under subsection (1) in relation to—
- (a) road construction or maintenance; or



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- (b) drainage works.
- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the relevant person)—
- if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
 - if that person is a proprietary company in which the relevant person is a shareholder; or
 - 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
 - if that person is a partner of the relevant person; or
 - if that person is the employer or an employee of the relevant person; or
 - if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
 - if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
- by virtue only of the fact that the person—
 - is a ratepayer, elector or resident in the area of the council; 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 organisation; or
 - in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—
- employee** of a council includes a person working for the council on a temporary basis;
- non-profit association** means a body (whether corporate or unincorporate)—
- that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
 - that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 8.1 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 8.1 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 90(2) and Section 91(7) of the Local Government Act 1999, the Committee orders that the following aspects of Item 8.1 be kept confidential in accordance with Committee's reasons to deal with this item in confidence pursuant to Section 90 (3) (b) of the Local Government Act 1999:

- Report for Item 8.1
- Attachment(s) for Item 8.1
- Minutes for Item 8.1

This order shall operate until the next scheduled annual review of confidential items by Council at which time this order will be reviewed and determined in accordance with Section 91(9)(a) of the Local Government Act 1999.