

**City of Norwood Payneham &
St Peters**
Section 48 Prudential Report
**Norwood Oval Clubrooms and
Members Facilities Project**

May 2015





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Executive Summary

The following report has been prepared in accordance with Section 48 of the Local Government Act which requires a council to consider a report addressing the prudential issues set out in subsection 2 of the Act, before engaging in a project where the expected capital cost over the ensuing five years is likely to exceed \$4 million.

The Project is the proposed construction of new Clubrooms and Members Facilities at the Norwood Oval to be undertaken by the City of Norwood Payneham & St Peters at an estimated cost of \$5.332 million. The Norwood Football Club (NFC), who will benefit from the Project, will make a significant financial contribution towards the cost of the Project.

Relationship with Strategic Management Plans

The Project is consistent with the City of Norwood Payneham & St Peters strategic direction and desired outcomes as outlined in *CityPlan: 2030 Shaping Our Future*.

The Project has not progressed to the point where it ought to have been included in the 2014/2015 Annual Business Plan and Budget.

The Long Term Financial Plan contains a provision of \$1 million specifically for the Project. This provision has minimal impact on the Council achieving the key financial indicators it has established.

The Project works will create a new asset that will need to be included within Council's Asset Management Plan. This Plan will also need to be amended to reflect the impact of the Project on both the Sir E.T. Smith Stand and the Boulderstone Stand.

The Project is expected to support the achievement of a number of national and State goals, objectives or targets.

Objectives of the Development Plan

The Project involves works which will require approval under the City of Norwood Payneham & St Peters Development Plan. Although the Council could be the approving authority for these works it would be prudent to ask the Minister for Planning whether the Development Assessment Commission ought to be the relevant approving authority to consider any Development Application.

Contribution to Economic Development

It is likely that the Project will make a positive contribution to the local economy and to the regional economy beyond the capital investment through economic multipliers. In the construction phase alone, an estimated \$5.332 million in initial capital works is projected to have \$11.796 million in economic impact and a total employment impact of up to 30 jobs.

The Project works include the creation of an expanded area of licenced facilities to be operated by the NFC. The operation of these facilities may attract patrons away from other licenced establishments or at the very least will increase competition in the marketplace.

It could be argued that the Council in providing a lower cost of finance to the NFC in order for the Project to proceed is providing an unfair advantage to NFC compared to its competitors. In our view the licenced facilities do not represent a significant component of the overall cost of the Project and as the NFC will be repaying the Council finance we do not consider that these arrangements adversely affect fair competition.

Community Consultation

Consultation and communication of the Project has been extensive and in accord with the City of Norwood Payneham & St Peters Community Consultation Policy. Furthermore, there is evidence to suggest that the community has had the opportunity to influence the Project.

Financial Issues

The Council has committed \$1 million in the LTFP towards the cost of the Project. The balance of the Project cost is to be funded by NFC through donations from sponsors and supporters or borrowings taken by the Council which are to be repaid by NFC. The capacity of NFC to meet its obligations to make these loan repayments is the most significant financial risk to the Council. Based on our review of the current financial position of the NFC, the financial projections it has prepared and the proposed SANFL special distributions to be used for debt reduction purposes we believe this is a risk and the other identified risks can be well managed through the mitigation strategies outlined.

The NFC loan repayments are intended to repay the debt borrowed to fund the Project not to meet the increased operating costs incurred through the Project, therefore the Project will increase the operating costs of Council, however the NFC is making a material contribution towards the cost of a community asset. The whole of life cost is estimated to be between \$24.616 million and \$25.009 million subject to the amount of the Council financial contribution.

Risk Issues

A high level risk assessment identified 46 risks for the Project, six of which had an inherent rating of 'Extreme', the highest rating. After the identification of appropriate mitigation strategies only one risk retained the 'Extreme' rating, this was "Lack of Elected Member support for the Project". The City of Norwood Payneham & St Peters should ensure that the identified mitigation strategies are implemented and that risk exposure is progressively updated through a formal risk register maintained through the construction phase.

Project Delivery

Given the extent of the design works undertaken to date, the existing NFC lease obligations and the value of the Project works involved, the most appropriate option for the delivery of the Project would appear to be engage suitably qualified and experienced builders to undertake the works. The builders who are engaged will require the support of a project team who have experience with substantial additions within an existing heritage context.

Further, as the construction will be undertaken for the benefit of the tenant, it would be appropriate to include a representative of NFC as a member of the project team. The inclusion of a NFC representative on the project team is to ensure that there is open, constructive communication between the major stakeholders (Council and NFC) during this phase but recognising that the objectives of the Project and delivery are the responsibility of the Council.

NFC is responsible under the existing lease for certain maintenance obligations, it would be prudent for Council to require that NFC develops an asset management plan to ensure the value of the asset is maintained consistent with the approach Council would take for other community assets.

Procurement undertaken to date has been consistent with the City of Norwood Payneham & St Peters Procurement Policy.

1. INTRODUCTION

1.1 Background

- 1.1.1 The City of Norwood Payneham & St Peters (Council) leases the Norwood Oval to the Norwood Football Club (NFC), a member of the South Australian National Football League (SANFL). The current lease commenced on 1 January 2008 and expires on 31 December 2017.
- 1.1.2 The NFC has been in discussions with the Council for a number of years to establish new Clubrooms and Member Facilities at the Norwood Oval, these discussions have involved various design and location options, together with proposed funding arrangements.
- 1.1.3 It is acknowledged by all parties that determining the location of new Clubrooms and Members Facilities at the Norwood Oval is a difficult exercise due to a range of considerations. These include the complexity and proximity of adjoining land uses, physical constraints of the Oval and its environs, heritage issues, streetscape issues associated with The Parade and Woods Street, car-parking, access and asset management.
- 1.1.4 The Council has been mindful of meeting the NFC requirements regarding location, design and scope of any development and on 4 November 2013 the Council resolved the following:

“1. That the Boulderstone Stand and Sir ET Smith Stand Options be endorsed ‘in principle’ for the purposes of:

entering into discussions with the Norwood Football Club regarding its requirements in respect to floor area and financial contribution; and

developing detailed concept plans covering external building design, access, noise, etc.

2. The Council notes that Tridente Architects will be engaged to undertake the preparation of detailed concept plans for the Boulderstone Stand and Sir ET Smith Stand Options.

3. Following completion of the negotiations with the Norwood Football Club and the preparation of detailed concept plans, the matter be presented to the Council for consideration and approval prior to consultation with adjoining property owners and occupiers.”

- 1.1.5 At a Special Meeting of Council held on 14 April 2014 the Council resolved as follows:

“1. That the Boulderstone Stand Option be endorsed ‘in principle’ as the location for the new Norwood Oval Clubrooms

2. The the Council notes that community consultation on the Boulderstone Stand Option as the location for the new Norwood Oval Clubrooms, will now be undertaken.

3. *That the Norwood Football Club be requested to confirm and provide details of the funding that it will contribute towards this Project.*

4. *That a report regarding the future use of the Norwood RSL building be prepared for the Council's consideration.*

5. *That a report be prepared for the Council's consideration outlining the results of the community consultation and the proposed funding arrangements."*

1.1.6 The Council and NFC representatives have held discussions regarding funding arrangements. In these discussions it has been made clear that the Council's current financial commitment is \$1 million, and whilst this could be increased, the Council is expecting NFC to commit its portion, which is expected to be greater than \$1 million.

1.1.7 The NFC has advised the Council that its preferred position on funding arrangements is a 50/50 arrangement with the Council. Based on the concept design preliminary costs of \$5.332 million this would equate to a contribution of \$2.666 million each. However, the NFC believes there is an opportunity for its sponsors and supporters to either donate funds, services, materials or labour towards the project and that any savings from such arrangements would result in a reduction of the NFC financial contribution (and not necessarily the Council's).

1.1.8 Furthermore, the NFC accepts that it may need to borrow funds to cover its portion of the cost of the Project and it has requested that the Council agrees to loan these funds to the NFC for repayment by the NFC.

1.1.9 We understand that as part of the Project the NFC is seeking to enter into a new lease with the Council for the use of the Norwood Oval for a term of 21 years.

1.1.10 On 7 July 2014 Council resolved: "That the Norwood Football Club Inc., be advised as follows in response to its proposed funding arrangements:

1. The Council agrees 'in principle' to the Club making arrangements, at the appropriate time, with supporters and sponsors for donation, material, services and labour, subject to the understanding that the structure, procurement and management of such arrangements need to be approved by the Council.

2. That the Council's financial contributions towards this Project will be determined upon completion of the Prudential Report.

3. The request for the Council to borrow the total quantum of funds required for the Project from the Local Government Finance Authority (i.e. the Council borrowing on behalf of the Club) and the Club repaying its share of the loan to the Council, has merit however, a final decision to this request will be made following consideration of the Prudential Report, which will include an assessment of the Club's capacity to pay its portion of the loan (principle and interest)."

1.2 Rationale

- 1.2.1 Sport and recreation are important components of community life. In addition, sporting clubs play an important role in the spirit and culture of communities.
- 1.2.2 The NFC is considered by the Council to be a strong and vital component of the City's community, as a successful and well respected club it is an iconic brand.
- 1.2.3 The Norwood Oval, located on The Parade is leased to NFC and as part of that association, the Council considers it important to maintain an appropriate and suitable level of facilities at the Oval.
- 1.2.4 The Clubrooms and Members facilities at Norwood Oval have been identified by the NFC as being in need of significant upgrade.
- 1.2.5 The Council adopts an approach to asset management whereby consultation, approval and construction of the facility with the tenant (NFC) being the Council's client.

1.3 The Project

- 1.3.1 The Project is defined as the proposed new Clubrooms and Members Facilities at Norwood Oval, as described in the Baulderstone Stand Option endorsed 'in principle' by Council on 14 April 2014.
- 1.3.2 The specific elements of the Project are detailed in Attachment One.
- 1.3.3 The estimated cost of the Project, based on the concept design included as Attachment Two, is \$5.332 million.

1.4 Legal Framework and Prudential Issues

- 1.4.1 This report has been prepared in accordance with Section 48 of the Local Government Act 1999 (Act), this section is reproduced in full as Appendix Three. The Norwood Oval Clubrooms and Members Facilities Project meets certain criteria specified in Section 48 (1) (b) (ii) that require Council to consider a report addressing the prudential issues set out in subsection 2, namely that the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million.
- 1.4.2 The prudential issues identified in Section 48 are:
 - (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.”*

1.4.3 BRM Holdich has been engaged by the City of Norwood Payneham & St Peters to prepare a report to satisfy the requirements of Section 48.

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 Norwood Payneham & St Peters

- (a) CityPlan 2030, Shaping Our Future;
- (b) Annual Business Plan and Budget 2014/2015;
- (c) Long Term Financial Plan; and
- (d) Asset Management Plan: Community Buildings, Infrastructure and Asset Management Plan.

2.1.2.2 Regional

- (a) None identified.

2.1.2.3 South Australian State Government

- (a) South Australian Strategic Plan; and
- (b) Strategic Infrastructure Plan for South Australia 2005/6 to 2014/15.

2.1.2.4 Commonwealth Government

- (a) National Sport and Active Recreation Policy Framework.

2.2 City of Norwood Payneham & St Peters City Plan 2030: Shaping Our Future

2.2.1 *CityPlan 2030: Shaping Our Future* is the long-term strategic management plan for the City of Norwood Payneham & St Peters.

2.2.2 The vision for the City of Norwood Payneham & St Peters is translated into the four outcomes of Social Equity, Cultural Vitality, Economic Prosperity and Environmental Sustainability as shown below.



- 2.2.3 The outcomes in *CityPlan 2030* are translated into Objectives, Strategies, Indicators and Targets for each of the four pillars of Social Equity, Cultural Vitality, Economic Prosperity and Environmental Sustainability.
- 2.2.4 The Objectives outline the priorities for what needs to happen to achieve the Outcomes. The Strategies outline in broad terms how this will be done. Indicators and Targets have been identified for each of the Objectives, to ensure progress can be measured.
- 2.2.5 The rationale for the Project works can be related to the Social Equity Objective which identifies as a priority, 'Continuing maintenance and renewal of infrastructure assets in line with Councils Whole-of-Life Infrastructure framework.'
- 2.2.6 The Project is also related to the Economic Prosperity Outcome as it will assist to ensure the Norwood Oval continues to attract visitors to the area and therefore contribute to the priority of 'Support the development of a prosperous local economy.'
- 2.2.7 The Norwood Oval Clubrooms and Members Facilities Project is therefore considered to be closely aligned to the City of Norwood Payneham & St Peters *CityPlan 2030*.

2.3 Annual Business Plan and Budget 2014/2015

- 2.3.1 The Annual Business Plan sets out the Council's proposed projects, services and programs for the financial year, it identifies activities which aim to achieve key objectives and which will progress the desired outcomes of *CityPlan 2030*, the Council's Long Term Financial Plan and the Whole-of-Life Infrastructure and Asset Management Plans.
- 2.3.2 In line with *CityPlan 2030*, the Annual Business Plan is focussed on the Council's four key Outcomes.
- 2.3.3 Consistent with the Annual Business Plan the expenditure on the Project can be related to progressing the Social Equity and the Economic Prosperity Outcomes.

- 2.3.4 The Project is not considered to have a material financial or strategic impact in the current financial year and therefore is not specifically identified within the 2014/2015 Annual Business Plan and Budget.

2.4 Long Term Financial Plan

- 2.4.1 The Long Term Financial Plan (LTFP) provides financial projections for planned activities over a 10 year timeframe. It has been framed around a financial goal to be 'a City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner'.

- 2.4.2 There are four financial outcomes which relate to this goal.

Outcome 1: A Balanced Budget

Council's services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.

Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers, with the aim to keep rate revenue increases stable over the medium term.

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council's Whole-of-Life Infrastructure Framework to achieve the outcomes and objectives, as set out in *CityPlan 2030*.

Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure 'intergenerational equity' between current and future users

- 2.4.3 The LTFP projects that the Balanced Budget outcome will not be achieved in FY2020, this is unrelated to the current \$1 million provision within the LTFP for the Project.
- 2.4.4 The Project may also impact on the Debt Management outcome in the finance arrangements that are put in place to fund Council's contribution.
- 2.4.5 The Project is specifically identified in the LTFP with a provision of \$1 million as the Council contribution towards the upgrade of members and administration facilities. The timing of this contribution was estimated to be in FY2014. Should the Council resolve to allocate more than \$1 million towards the cost of the Project then the LTFP will need to be revised accordingly.
- 2.4.6 There are some additional costs associated with increased insurance and maintenance expenses that are not yet accounted for in the LTFP. Although these costs are not considered to be material it would be prudent to take these into account when reviewing the LTFP in the ordinary course of business.

2.5 Asset Management Plans

- 2.5.1 The Community Buildings Infrastructure and Asset Management Plan sets out the proposed management of the Council's Building Assets. This Plan specifies the lifecycle requirements for effective management, inspection and replacement of this asset group and outlines the financial implications and standards which need to be adhered to. The Plan is intended to demonstrate how the Council will achieve this outcome by applying responsible Asset Management Principles to ensure the existing level of service is provided in an efficient and economically rational method as well as ensure the future requirements of the asset are addressed.
- 2.5.2 Under the terms of the current lease over the Norwood Oval, the Council is responsible for structural works and associated maintenance, on average the Council allocates \$30,500 annually to maintenance of the buildings and a further \$40,000 for repainting.
- 2.5.3 The current Asset Management Plan estimates that \$930,778 is required to be expended over the next eight years on the Norwood Oval buildings. The estimated expenditure excludes any costs associated with the required installation of public conveniences that provide access for people with disabilities. This work is estimated at approximately \$500,000 for the Sir E.T Smith Stand, the Centennial Stand and the Boulderstone Stand.
- 2.5.4 These estimates include amounts of \$191,937 for works on the Sir E.T. Smith Stand and \$164,811 on the Boulderstone Stand, both of which would be impacted upon by the Project.
- 2.5.5 The estimated expenditure on the Sir E.T. Smith Stand and the Boulderstone Stand will require review if the Project proceeds.
- 2.5.6 The Asset Management Plan will also require review to reflect the future maintenance obligations for the new asset created by the Project.

2.6 Regional Objectives

- 2.6.1 The City of Norwood Payneham & St Peters is a member of ERA, a group of seven eastern metropolitan councils who voluntarily work together for the benefit of their local communities and the eastern region as a whole.
- 2.6.2 The ERA Business Plan sets out key objectives and programs to be delivered across the region, these objectives and programs are categorised into portfolios.
- 2.6.3 The activity in the ERA portfolios of 'Infrastructure and Assets' and 'Open Space and Leisure Facilities' do not appear to have any relationship to the Project.

2.7 South Australian State Objectives

- 2.7.1 The South Australian State objectives are articulated in a number of plans and by various agencies, of relevance to the Project are:
- State Strategic Plan; and

- Strategic Infrastructure Plan for South Australia 2005/6 to 2014/15.

2.7.2 The alignment of the Project with these plans is detailed below.

2.7.3 The **State Strategic Plan** is built on six pillars and identifies a number of targets. Table One identifies that two of these pillars and a number of goals and targets are supported or advanced through the Project.

Table 1: The Project Alignment with the South Australian Strategic Plan

Relevant State Pillar	State Goals and Targets Advanced
Our Community	<p>Goal: We are committed to our towns and cities being well designed, generating great experiences and a sense of belonging.</p> <p>Target 1 Urban Spaces</p> <p>Goal: Governments demonstrate strong leadership working with and for the community.</p> <p>Target 32: Customer and client satisfaction with government services</p>
Our Environment	<p>Goal: We reduce our greenhouse gas emissions.</p> <p>Target 61: Energy efficiency – government buildings</p>

2.7.4 The principal purpose of the **Strategic Infrastructure Plan for South Australia 2005/06 – 2014/15** is to guide new infrastructure investment by government and the private sector over the next five and 10 years and improve the management and use of the state's existing infrastructure assets.

2.7.5 The plan incorporates four broad strategies. First, to coordinate infrastructure planning and construction across the state. Second, to pursue more efficient and competitive infrastructure systems. Third, to pursue and promote sustainable development through sound planning and use of infrastructure. Fourth, to meet future demands in a timely and innovative manner.

2.7.6 The plan identifies strategic priorities for 14 infrastructure sectors such as transport, energy, health, and recreation and sport.

2.7.7 The Strategic Infrastructure Plan identifies the State Government wants by 2015 are as follows. "Programs will have been implemented to increase the use and improve the quality of existing facilities, and to develop new infrastructure to meet needs and maximise opportunities. Expansion and greater use of key sporting hubs will have addressed the current gaps in elite and community-level sporting facilities. There will be increased use of government land and buildings, particularly education facilities, which will help meet community recreation and sporting needs."

2.7.8 The Project will improve the quality of existing facilities providing opportunities to maximise sport and recreation opportunities and the potential for the greater use of the Norwood Oval.

2.7.9 The Project could therefore be considered to support the strategies identified within the Strategic Infrastructure Plan for South Australia.

2.8 National Objectives

- 2.8.1 The Australian Government, through the Department of Health, which administers the Australian Sports Commission Act 1989 is committed to, amongst other things, encouraging increased participation by Australians in sport and providing resources, and facilities to enable Australians to pursue sport whilst also furthering their educational and vocational skills and other aspects of their personal development.
- 2.8.2 In June 2011, Commonwealth, state and territory Sport Ministers agreed to establish the First National Sport and Active Recreation Policy Framework (the Framework) to help guide the development of sports policy across Australia. The Framework provides a mechanism for the achievement of national goals for sport and active recreation and sets out the agreed roles and responsibilities of governments and their expectations of sport and active recreation partners.
- 2.8.3 The Framework outlines Commonwealth, State and Territory Government Expectations of Other Stakeholders including Regional and Local Government, these are as follows.
- Facilitating a strategic approach to the provision of sporting and active recreation infrastructure including open space, and other needs.
 - Establishing local management and access policies to sport and recreation facilities.
 - Supporting and coordinating local and regional service providers (venues and programs).
 - Liaising and partnering with state and territory governments on targeted program delivery.
 - Supporting and partnering with non-government organisations that enable sport and active recreation participation.
 - Incorporating sport and recreation development and participation opportunities in Council plans.
 - Collaborating, engaging and partnering across government departments on shared Policy agendas.
 - Investment in sport and active recreation infrastructure.
- 2.8.4 The Project could be considered to support the objectives of the Act through the investment in improved facilities which is consistent with the Framework agreed by the Commonwealth and state governments.

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 City of Norwood Payneham & St Peters Development Plan

3.1.1 Development in Norwood, Payneham & St Peters is governed by the Development Plan - Norwood, Payneham and St Peters (City), pursuant to Section 33 of the Development Act 1993.

3.1.2 The current version of the Development Plan is dated as consolidated on 31 October 2013.

3.1.3 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.

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

- General, containing City Wide general policy that applies across the council area and relates to a range of social, environmental, and economic development issues.
- Zones, these provisions give greater certainty and direction about where certain forms of development should be located and identifies generally envisaged forms of development. The objectives and design requirements for development in the particular area are also expressed.
- Tables that list the conditions which are applicable to complying development, numeric values for setbacks from road boundaries and car parking rates for certain types of development.
- Mapping, showing the broad distribution of land uses and movement patterns throughout the council area.

3.1.5 The Project will involve works which require approval under the Development Plan.

3.2 Council Wide Section

3.2.1 The policies within the City Wide Section of the Development Plan of particular relevance to the Project are:

3.2.1.1 Orderly and Sustainable Development;

3.2.1.2 Design and Appearance of Land and Buildings;

3.2.1.3 Energy Efficiency

3.2.1.4 Interface Between Land Uses;

3.2.1.5 Stormwater Management;

3.2.1.6 Community Facilities;

3.2.1.7 Heritage; and

3.2.1.8 Advertisements.

3.2.2 The relevant Principles of Development Control will need to be taken into account when applying for Development Approval.

3.3 Development Zone

3.3.1 The Project is located in the Recreation Zone.

3.3.2 The objectives and principles of development control for this zone are additional to those expressed for the whole of the council area. These will also need to be taken into account when applying for Development Approval.

3.3.3 The following objective for the zone may be considered relevant:

- Objective 1: Development providing regional recreational, entertainment and leisure uses associated with Norwood Oval.

3.3.4 Furthermore, the Norwood Oval and grandstand structure are recognised as landmark buildings on The Parade and development should be compatible in character with these buildings.

3.3.5 The Project works are not identified as complying or non-complying within zone and will therefore be assessed as an on merit assessment, this will involve a public notification process (Category 2) for adjoining property owners.

3.3.6 The Project is considered to be a land use which is generally consistent with the objectives and principles of development control within the Recreation Zone in the Norwood, Payneham and St Peters (City), Development Plan.

3.4 Approving Authority

3.4.1 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.

3.4.2 Based on Schedule 10 it would appear that Council can act as the relevant planning authority in assessing the application.

3.4.3 There is a second test where a Council has a clear financial interest in the outcome of the development application process e.g. where the outcome of a project would provide a revenue stream such as lease income, then a Council is to write to the

Minister for Planning and request that he appoint the Development Assessment Commission as the relevant authority. However this is only necessary where the Council (or staff) are unclear or suspect that the Council may have a pecuniary interest.

- 3.4.4 The Council's financial interest in the Project is not considered to be of consequence and Council is likely to be the relevant authority for the development assessment (planning consent) for the Project. However, it would be prudent for Council to ask the Minister for Planning whether the Development Assessment Commission ought to be appointed as the relevant planning authority to consider any Development Applications arising from the Project.

4. CONTRIBUTION TO 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. The contribution to economic development of the local area will, primarily, come from the following sources:

- Construction activity;
- Employment, in the construction phase; and
- Potentially increased employment at NFC from the expanded facilities.

4.1.2 The design and construction activity of the Project is estimated to have a capital cost of almost \$5.332 million, this will generate economic and employment multiplier benefits to the broader economy.

4.1.3 There are economic and employment multiplier benefits to the broader economy from the economic activity that will be generated during the construction phase of the 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 development 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 The economic assessment considers the following impacts:

- Output;
- Employment;
- Wages and Salaries; and
- Value-added.

4.1.5 These impacts have effects that are:

- Direct - those resulting from the project's direct expansion on the economy;
- Indirect - those resulting from demand for intermediate goods and services; and
- Consumption - those resulting from the increase in wages and salaries.

4.1.6 These multiplier effects have been analysed by the City of Onkaparinga using Input-Output methodology, a common tool for measuring secondary and tertiary economic effects.

4.2 Economic Impact

4.2.1 Based on the relevant economic multipliers the impact of the expenditure associated with the construction of the Project has been estimated to have the following impact.

4.2.2 Total output from the Project, including all direct, industrial and consumption effects is estimated to increase by up to \$11.796 million. This represents a Type 2 Output multiplier of 2.212 and is comprised of the following.

4.2.2.1 The total value of the construction investment of \$5.332 million.

4.2.2.2 A rise of \$4.924 million in the demand for intermediate goods and services from a direct increase in output from the construction investment, including the flow on effects as demand for local goods and services increases.

4.2.2.3 The consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$ 1.540 million.

4.2.3 Based on the Project estimated capital expenditure the construction output should result in an increase of up to 30 jobs from a Type 2 employment multiplier of 4.371, as detailed below.

4.2.3.1 The direct effect is estimated to create up to 7 jobs.

4.2.3.2 The indirect or flow on effect is estimated to result in the gain of a further 16 jobs.

4.2.3.3 The consumption effect is estimated to boost employment by 7 jobs.

4.2.4 The estimated impact on wages and salaries is by up to \$2.075 million, representing a Type 2 multiplier of 3.422, the components are detailed below.

4.2.4.1 The increase from the direct effect is estimated at \$0.606 million.

4.2.4.2 The indirect or flow on effect is estimated at \$1.097 million, which represents a Type 1 Wages and Salaries multiplier of 2.809.

- 4.2.4.3 The consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$0.372 million.
- 4.2.5 The impact on value added is estimated to increase by up to \$4.116 million, this represents a Type 2 Value-added multiplier of 3.101 and is comprised of the following.
 - 4.2.5.1 A direct impact of \$1.327 million.
 - 4.2.5.2 An indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$1.937 million, this represents a Type 1 Value-added multiplier of 2.459.
 - 4.2.5.3 A consumption effect of \$0.852 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.

4.3 Impact on Businesses in Proximity

- 4.3.1 The Project works include the redevelopment of Members Facility, incorporating a licenced bar area which will cater for the same number of patrons as per the current licence arrangements with the addition of up to 200 patrons in the upstairs function area.
- 4.3.2 The operation of this Members Facility is likely to attract patrons away from other licenced establishments in the vicinity.
- 4.3.3 The sporting activities occurring at Norwood Oval are considered to have a positive impact on local traders operating on The Parade.
- 4.3.4 The Project will significantly improve the facilities at the Norwood Oval which is expected to increase the number of patrons attending these events thereby further increasing this positive impact.

4.4 Fair Competition

- 4.4.1 The Project includes the creation of an expanded area of licenced facilities to be operated by the NFC.
- 4.4.2 The operation of these facilities may attract patrons away from other licenced establishments in the vicinity which will increase competition in the marketplace.
- 4.4.3 It could be argued that the Council is providing a lower cost of finance to the NFC in order for the Project to proceed and is therefore providing an unfair advantage to NFC compared to its competitors.
- 4.4.4 However, as the licenced facilities are not a central component of the Project nor do they represent a significant part of the overall cost of the Project and because the NFC will be repaying the Council finance we do not consider the arrangements adversely affect fair competition.

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 The City of Norwood Payneham and St Peters Community Consultation Policy, adopted 13 October 2008, is guided by the Council's Community Development Principles and the processes which contribute to the good governance of the City, along with the International Association for Public Participation's *Public Participation Spectrum*.

5.1.2 The Community Development Principles adopted by the Council are set out below:

- Equity – We promote equality of opportunity.
- Access – We are committed to removing barriers to participation and improving access to services, facilities and programs.
- Participation – We encourage active involvement in community life.
- Inclusion – We value diversity.
- Collaboration – We value a partnership approach to achieving shared goals

5.1.3 The Public Participation Spectrum identifies a range of ways of engaging with the community, using techniques which vary in their purpose, potential impact on the community and the requisite tools required, it goes beyond legislative requirements, providing opportunities for community engagement through a continuum of engagement ranging from informing to consulting to involving along to collaborating with their communities.

5.1.4 The City of Norwood Payneham & St Peters Community Consultation Policy states that information may be provided and distributed in a range of forms including, but not limited to:

- the Council's Newsletter;
- Commercial Print Media;
- Fact Sheets;
- Brochures;
- the Council's Web Site;

- Library Noticeboards;
- via letterbox drops of various publications both generic and specific; and
- through public displays.

5.1.5 In 2011, the Council endorsed a community consultation process to be undertaken in accordance with the Community Consultation Policy for all of the options identified in the report prepared by Tridente Architects, as well as an overall concept plan for the Norwood Oval. As part of this consultation process the concept plans for the proposed new Clubrooms were placed on public exhibition from 9 December 2011 to 20 February 2012.

5.1.6 In addition, consultation on the Project to date has taken the following forms.

- Elected Members – various workshops and formal meetings held on 18 July 2010, 7 February 2011, 5 March 2012, 13 August 2012, 4 November 2013, 14 April 2014 and 7 July 2014.
- Norwood Football Club, Norwood RSL and State RSL – various meetings with senior Council staff.

5.1.7 The City of Norwood Payneham & St Peters has provided information consistent with its Community Consultation Policy.

5.2 Community Influence and Contribution

5.2.1 The City of Norwood Payneham & St Peters received 54 submissions as part of the community consultation process these were all formally received by the Council on 5 March 2012.

5.2.2 There is sufficient evidence to suggest that there has been and is planned to be an acceptable level of consultation with the local community.

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 As the owner of the asset (Norwood Oval) the Council will be the contracting party for the Project works, as such it will provide the cash flow to pay for the Project works.

6.1.2 The NFC contribution towards the Project will come in the form of:

6.1.2.1 Donations from supporters of cash or goods and/or services towards the construction or fit-out; and

6.1.2.2 Cash either from reserves or from loan funds secured specifically for this purpose.

6.1.3 We note that one donor has already pledged to commit \$500,000 as a gift to the NFC for the development of the Clubrooms and Members Facilities within the Norwood Oval, subject to NFC meeting the following conditions.

6.1.3.1 The donor requires the NFC provide naming rights for this Members Facility in either perpetual recognition for this gift or that it be recognised for at least a 21 year time frame.

6.1.3.2 The donor also requires that Council and NFC have a legally binding agreement to protect these naming rights.

6.1.4 The NFC has requested the Council to borrow the funds to cover the NFC portion of costs and that the NFC will make repayments to Council to repay the loan. In effect, Council will borrow the amount of the loan contribution to be made by the NFC and lend this to the NFC for their contribution to the Project. We are instructed that the loan will be made for the same term and interest rate as obtained by the Council.

6.1.5 The Local Government Finance Authority has advised that prevailing interest rates for credit foncier loans (principal and interest repayments) are:

6.1.5.1 4.50% for a loan with a 20 year term;

6.1.5.2 4.30% for a loan with a 15 year term; and

6.1.5.3 4.05% for a loan with a 10 year term.

- 6.1.6 Revenue for the Project will therefore come in the form of loan repayments made by the NFC for their contribution to the Project.
- 6.1.7 For indicative purposes Table Two shows the revenue projections (repayments required by NFC) for differing levels of financial contributions from the Council for different loan terms, based on the pledged gift to NFC of \$500,000.

Table 2: Project Revenue Based on Various Funding Scenarios

	LTFP \$1m Provision	\$2m Contribution	50% of Project Cost
Council Contribution	\$1,000,000	\$2,000,000	\$2,666,000
NFC Loan Amount (net of gift)	\$3,832,000	\$2,832,000	\$2,166,000
NFC Annual Repayment (20 year term)	\$294,589	\$217,713	\$166,514
NFC Annual Repayment (15 year term)	\$351,923	\$260,085	\$198,921
NFC Annual Repayment (10 year term)	\$473,628	\$350,030	\$267,713

- 6.1.8 **The capacity of the NFC to meet its obligations to make the loan repayment is the most significant financial risk to the Council. The mitigations for this risk are to reduce the term of the Council's exposure and to minimise the amount of borrowing.**
- 6.1.9 In this regard, we note that the SANFL has advised that each of the non-AFL aligned SANFL clubs will receive \$2 million in additional payments over the next seven years, with the first payment of \$125,000 being made in October 2016.
- 6.1.10 Further to this, the NFC Board has formally approved that this additional income stream from the SANFL will be committed entirely to loan repayments for the Clubrooms and Members Facilities. This greatly reduces the Council's financial exposure, as the maximum loan borrowings for the Project are forecast to be \$3.832 million.
- 6.1.11 There are a number of other financial risks associated with the Project which have been identified at a high level, these are outlined below together with any identified mitigation strategy.
- 6.1.11.1 The term of the current lease expires on 31 December 2017.
- Mitigation: Review the tenure arrangements for Norwood Oval to extend the term of the lease on terms and conditions which protect the Council's financial interests.
- 6.1.11.2 Higher capital expenditure during the construction phase, resulting in an increase in depreciation and interest costs.
- Mitigation: Obtain fixed price commitments from contractors and use a competitive tender processes for the Project works.

6.1.11.3 The Project cost estimates are based on January 2014 values.

Mitigation: Engage a Quantity Surveyor to provide an update of the cost estimate.

6.1.11.4 The Construction contingency of 5% may be inadequate for the complexity of the Project.

Mitigation: Obtain fixed price tenders where possible.

6.1.11.5 Increases in the amount of the debt facility or an increase in interest rates, result in increased operating costs related to servicing the debt facility.

Mitigation: Secure long term fixed interest rates.

6.1.11.6 The existing banking arrangements of NFC may be adversely changed.

Changes in existing arrangements could be made at the bankers discretion, a change could also be triggered if there are existing covenants in place which provide the bank with the first use or benefit of any improved financial performance, or if there are restrictive covenants which would be affected by the new principal and interest repayments and their impact on the NFC financial statements.

Mitigation: The Council should include as a condition precedent in any agreement with NFC that it warrants no such restrictive covenants currently exist.

6.1.11.7 The NFC is unable to meet their debt repayment commitments.

Mitigation: Actively monitor the financial performance of NFC.

Mitigation: The NFC is actively seeking donations from Club sponsors and supporters to offset or reduce their contribution towards the Project. Obviously, the greater the amount generated from this source the lower the level of debt that NFC will be required to service and the lower the risk to the Council. For comparative purposes Table Three shows the revenue projections assuming NFC was able to secure \$1 million in donations.

Table 3: Revised Project Revenue Based on Various Funding Scenarios and \$1m gifts

	LTFP \$1m Provision	\$2m Contribution	50% of Project Cost
Council Contribution	\$1,000,000	\$2,000,000	\$2,666,000
NFC Loan Amount (net of gift)	\$3,332,000	\$2,332,000	\$1,666,000
NFC Annual Repayment (20 year term)	\$256,151	\$179,275	\$128,076
NFC Annual Repayment (15 year term)	\$306,004	\$214,166	\$153,002
NFC Annual Repayment (10 year term)	\$411,829	\$288,231	\$205,914

6.1.11.8 The NFC defaults on their debt repayment obligations.

Mitigation: The Council should require that the proposed SANFL financial distributions to NFC arising from the sale of Football Park be hypothecated to Council. Furthermore, subject to the amount of the loan compared to the value of the security provided by the SANFL distributions the Council should consider taking additional security over other NFC assets.

6.2 Norwood Football Club Financial Analysis

6.2.1 Table Four shows the NFC consolidated financial forecasts for the 2015 to 2018 financial years (which end 31 October) as provided by NFC.

Table 4: NFC Projected Consolidated Financial Forecasts

Item	2015	2016	2017	2018
Income (\$)	\$6,353,924	\$6,654,275	\$6,881,264	\$7,011,788
Expenses (\$)	\$6,119,290	\$6,160,864	\$6,238,421	\$6,195,981
Profit (\$)	\$234,634	\$493,411	\$642,842	\$815,807

6.2.2 The NFC operations are segmented and reported over three areas.

6.2.2.1 Football and club administration;

6.2.2.2 Redlegs Club; and

6.2.2.3 Property and Bank Investments.

6.2.3 The Football and club administration operates at a loss with these activities subsidised by the other segments. The actual and forecast losses for 2013 to 2018 are shown below.

	2013	2014	2015	2016	2017	2018
Loss (\$)	649,013	499,534	611,150	468,100	343,894	319,102

6.2.3.1 The reduction in loss on these activities between 2013 and 2014, occurred due to increased income from Football operations, predominantly increased gate fees and additional SANFL distributions or grants, and expense reductions with savings of \$40,000 being an apparent one off charge in 2013 under Filings fees, fines, licensing and registrations). All other net movements are negligible.

6.2.3.2 Notwithstanding a significant increase in the forecast sponsorship and merchandise income, there is an increase of \$111,000 in the forecast loss for 2015 due to higher estimated costs for Football operations arising from lower estimates of gate fees, player transfer fees and no one-off grant

income. Net other movements are \$5,500. The sponsorship increases are predominantly related to new agreements that have been put in place.

6.2.3.3 The forecast decrease in the loss beyond 2015 is largely due to the increase in SANFL distribution, expected as a result of the sale of Football Park, with movements in other income and expenditures being largely related to CPI.

6.2.4 The Redlegs Club has operated the 'Nor East', a licenced venue at North East Road Gillies Plains since June 2007. This venue has a 50 seat dining room and 40 gaming machines. These activities are operated at a profit. The actual and forecast profit for 2013 to 2018 is shown below.

	2013	2014	2015	2016	2017	2018
Profit (\$)	470,065	444,283	609,864	600,410	612,683	748,517
Change (\$)		-25,782	165,581	-9,454	12,273	135,834

6.2.4.1 The reduction in profit in 2014, occurred despite a small increase in gaming revenue (1.5%) as net overheads increased by \$45,000 (\$25,000 of which is in increased wage costs).

6.2.4.2 The forecast increase in profit for 2015, arises from a budgeted increase in gaming revenue of \$218,000 (7.8%) and lower depreciation expense. All other movements net to \$nil. The significant increase in gaming revenue would be contrary to the current industry trend and may prove to be overly optimistic.

6.2.4.3 The movements forecast for 2016 and 2017 years, are relatively negligible but in 2018 management fees are budgeted to reduce by \$150,000 as the current management agreement expires and new arrangements are expected to significantly reduce this cost.

6.2.4.4 The gross profit on the bar and catering activities is budgeted to be constant at 60.2% flat between 2014 and 2018. The quantum of profit is forecast to increase by 4% in 2017 and again in 2018 based on the new management arrangements that are to be implemented. These amounts involved are \$18,160 and \$18,886 respectively.

6.2.5 The Redlegs Club also operates the 'Premiers' bar at Norwood Oval and provides catering and liquor services primarily at Norwood Oval. These activities are also operated at a profit. The actual and forecast profit for 2013 to 2018 is shown below.

	2013	2014	2015	2016	2017	2018
Profit (\$)	50,138	51,173	83,471	120,320	130,425	140,622
Change (\$)		1,035	32,299	36,849	10,105	10,197

- 6.2.5.1 From 2014 to 2018 gross profit is budgeted to rise by just over \$100,000 whilst overheads are budgeted to increase by almost \$11,000.
- 6.2.5.2 The forecast increase in profit in 2015 is attributable to increased gross profit of \$11,000 whilst reducing overheads by \$21,000. The overhead reduction is based on a reduction in the management fee previously paid to Encore of \$20,000.
- 6.2.5.3 The increase in profit in 2016, is primarily attributable to a \$56,000 increase in gross trading profit which is argued to be due to increased patronage of the new facility at Norwood Oval. Overheads are anticipated to increase during this period by \$19,000, all of which is attributable to increased wage costs.
- 6.2.5.4 The subsequent years improve due to anticipated rises in most income and expenses lines by 4% pa with some internal charges remaining constant. The 4% increase may be high given the current inflation rate.
- 6.2.6 Property and Bank investments
 - 6.2.6.1 The profit on these activities is generated primarily from the rental of property situated at 581-583 North East Road, occupied by the Nor East.
 - 6.2.6.2 It appears that a further property at 137 The Parade was sold during the 2013 year and may have resulted in principal reductions to loans associated with the other properties.
 - 6.2.6.3 The variances between 2013 and 2014 are not entirely relevant due to the changed circumstances between those periods.
 - 6.2.6.4 For the period from 2014 to 2018 the rental operations are profitable and improve each year due to small increases in external rental and reducing overhead expenses principally being interest paid.
- 6.2.7 The future financial performance of NFC and the consequent financial risk to the Council is dependent upon the following factors.
 - 6.2.7.1 Improvement in profitability is reliant on the achievement of forecast budget performance and expenditure control.
 - 6.2.7.2 Future revenue is forecast to be sustained and increased from current levels, this may ignore the benefits of recent on-field success which may at some point come to an end.
 - 6.2.7.3 The new Premiers bar facility, expected to be operational in 2016, is budgeted to increase revenue and consequently Gross Profit in the Redlegs Club going forward.
 - 6.2.7.4 The increased profitability at the Nor East is due to a relatively optimistic forecast increase in gaming revenue in 2015 and a future change in management arrangements which is expected to significantly lower the operating cost. We note these arrangements have yet to be negotiated.

6.2.7.5 There is likely to be a risk of asset impairment in respect of the value of the gaming machines given the continued decline in market prices for these assets.

6.2.8 However, the ability of the NFC to meet any future loan repayments is also reliant on both on-going profitable operations and the generation of sufficient cash to meet these obligations. The forecast cash position for 2015 to 2018 is shown below.

Item	2015	2016	2017	2018
Profit (\$)	234,634	493,411	642,842	815,807
Add: Depreciation	98,000	89,800	91,900	94,396
P&L Cash	332,634	583,211	734,742	910,203
Less: Balance Sheet Commitments	28,000	28,000	28,000	28,000
Cash from Operations	304,634	555,211	706,742	882,203

6.2.9 From 2016 onwards, when the Project is expected to be operational, the NFC is forecast to have sufficient cash flow to meet the anticipated loan commitments based on a 10 year loan term.

6.3 Recurrent and Whole-of-Life Costs, Financial Arrangements

6.3.1 The Project will result in an increase in recurrent costs associated with maintenance of the building structures, insuring the increased value of Councils building assets, depreciation and the cost of funding Council's contribution.

6.3.2 The whole of life costing for the Project shown in Table Five is based on the following assumptions.

6.3.2.1 The total estimated capital cost of the Project is \$5.332 million.

6.3.2.2 The Consumer Price Index used in the LTFP is 2.5%.

6.3.2.3 Depreciation is calculated in accordance with Australian Accounting Standards to reflect the useful life of the asset, at the rate of 2% per annum.

6.3.2.4 The useful life of the asset is estimated at 50 years.

6.3.2.5 Annual depreciation expense is indexed to increase by CPI.

6.3.2.6 Assets are not able to be realised at their written down carrying value at the expiration of their useful life.

6.3.2.7 Maintenance costs are estimated at 1.5% of the capital value of the asset and escalated by CPI.

- 6.3.2.8 Based on the 2014/2015 insurance rate paid by the Council, the additional cost of insurance for Council buildings would be over \$8,750 per annum. This is indexed to increase by CPI.
- 6.3.2.9 The Council's contribution is assumed to be borrowed. Consistent with the current practice financing this asset is assumed to occur over a 10 year period at the prevailing interest rate quoted by the LGFA of 4.05%.

Table 5: Project Whole of Life Costs

Cost	LTFP \$1m Provision (\$m)	Contribution \$2m (\$m)	50% of Project Cost (\$m)
Capital costs	5.332	5.332	5.332
Depreciation	10.396	10.396	10.396
Maintenance	7.797	7.797	7.797
Increased insurance	0.855	0.855	0.855
Financing cost	0.236	0.472	0.629
Less realisable value	-	-	-
Whole of Life Cost	24.616	24.852	25.009

Note: Figures may not add due to rounding

- 6.3.3 The final financial arrangements for the funding of the Project have yet to be determined. However, it is envisaged that the Council will contribute \$1 million towards the cost of the Project, as per the LTFP provision, and that the NFC will be responsible for repayment of the balance of the cost by way of a loan secured by the Council.
- 6.3.4 The Council should ensure that the NFC obligations to repay the loan are documented by Council's lawyers.

6.4 Financial Viability

- 6.4.1 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.
- 6.4.2 For the purposes of the Project income is the loan repayments to be made by the NFC to Council and the operating expenses are an increase in maintenance, insurance, depreciation and financing.
- 6.4.3 The forecast annual impact of the increased depreciation, maintenance and insurance is shown below for the 10 year period that the Council will be funding the purchase of the asset. Further, the operating costs are estimated to be \$250,000 from year 11 onwards, and these are forecast to increase by CPI each year.

Item	1	2	3	4	5	6	7	8	9	10
Depreciation	106.6	109.3	112.0	114.8	117.7	120.6	123.7	126.8	130.0	133.1
Maintenance	80.0	82.0	84.0	86.1	88.3	90.5	92.8	95.1	97.4	99.9
Insurance	8.8	9.0	9.2	9.5	9.7	9.9	10.2	10.4	10.7	11.0
Sub-total	195.4	200.3	205.2	210.4	215.7	221.0	226.7	232.3	238.1	244.0

Note: All figures are in \$000's

6.4.4 The forecast annual impact of the cost of funding the Council's contribution over the 10 year period is also shown below for each of the potential funding scenarios.

Funding	1	2	3	4	5	6	7	8	9	10
\$1.000m	40.5	37.1	33.6	30.0	26.2	22.3	18.1	13.9	9.4	4.8
\$2.000m	81.0	74.2	67.2	60.0	52.4	44.5	36.2	27.8	18.8	9.6
\$2.666m	108.0	99.0	89.7	80.0	69.8	59.3	48.4	37.0	25.2	12.8

Note: All figures are in \$000's

6.4.5 The loan repayments by NFC are intended to repay the debt borrowed to fund the Project and not to meet the increase in operating costs associated with the Project.

6.4.6 As the Project revenues are not intended to meet the increased operating costs associated with the Project, it will result in an increase in the Councils operating costs. Therefore, the Project could be considered not to be financially viable. However, the Council will receive a substantial financial contribution from the NFC towards the cost of the asset which should be taken into consideration.

6.4.7 Furthermore, it may be possible for the Council to reduce the financial impact of the Project in the renegotiation of the terms of the lease over the Norwood Oval. In this regard there are a number of legal options which could be explored to secure the tenure arrangements for the Clubrooms and Members Facility, these include:

6.4.7.1 Ground Lease (subject to the requirements and restrictions of the Local Government Act 1999.

6.4.7.2 Creation of a separate allotment and the sale of this to the NFC.

6.4.7.3 Incorporation of the proposed Clubrooms and Members Facility into the existing lease and simply extending the term.

6.4.7.4 Creation of a new lease which deals specifically with the proposed Clubrooms and Members Facility.

6.4.8 In order to ensure its financial goals are achieved the City of Norwood Payneham & St Peters has prepared financial projections in its LTFP with reference to the following outcomes and targets as shown in the LTFP.

Outcome	Indicator	Target
A balanced budget	Operating Surplus	
	Operating revenue less operating expenses (including depreciation)	> \$0
	Operating Ratio	
	Operating results as a percentage of Rate Revenue	0-10%
Rate stability	Annual Rate revenue increases	< 5.5%
Infrastructure and Asset Management	Asset Sustainability Ratio	
	Capital expenditure (excluding new major projects) as a percentage of depreciation expense	Between 90%-110% over a 3 year rolling period.
Debt Management	Interest Cover Ratio	
	Net interest as a percentage of operating revenue	Between 0%-3%
	Net Financial Liabilities	
	The extent to which net financial liabilities could be met by its operating revenue	< 75%

- 6.4.9 The LTFP currently contains a \$1 million provision to contribute to the Project, along with associated increases in depreciation and financing Council's contribution.
- 6.4.10 Based on the current LTFP the Council would not achieve two of the key financial indicators it has set in 2019/2020, these are the Operating Surplus being greater than \$0 and the Operating Surplus Ratio being in the range of 0% to 10%. These indicators are impacted by factors other than the Project, namely the undergrounding of power on Magill Road.
- 6.4.11 Our analysis indicates that increasing the Council's investment in the Project to either \$2 million or \$2.67 million (50% of the Project costs) would have minimal impact of the Council's LTFP or its ability to achieve the key financial indicators. Although we note, this is based on the assumption that the Council, does not undertake any additional Capital Projects to those that are already included in the LTFP.
- 6.4.12 We note there are some additional costs associated with the Project, such as increased insurance and maintenance provisions which are not yet accounted for in the LTFP but these are not considered to have any material impact on the ability of the City of Norwood Payneham & St Peters financial goal, outcomes and targets.

7. PROJECT RISKS 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 for the Project. It is not the purpose of the report to prepare a comprehensive risk management plan, however a number of risks have been identified and a level of assessment has been applied to these risks in order to suggest mitigations that could be implemented.
- 7.1.2 The Project financial risks are considered in Section Six of this report.
- 7.1.3 The City of Norwood Payneham & St Peters adopted a Risk Management Policy on 6 September 2010. The Policy recognises that the effective management of risk is a fundamental component of good business practice and is an integral part of the Council's operations.
- 7.1.4 The Risk Management Policy applies the risk management process as detailed in the standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.
- 7.1.5 A Risk Assessment was undertaken by Tridente, this has been supplemented by our risk identification. Table Six summarises the 46 risks identified for the Project. These risks are detailed in Attachment Four, along with the identified treatment actions.

Table 6: No of identified risks associated with the Project by risk category

Risk Category	Sub Category	No. of Risks
Social and Political	Social and Community Issues	1
	Political Issues	1
	Communication Issues	4
Financial	Financial	12
Regulatory	Planning and Approvals	4
	Legal	1
Project Delivery	Development and Construction	11
	Procurement	2
	Construction	10
Environmental	Environmental	0

- 7.1.6 The inherent and residual risk levels associated with the Project risks are summarised in Table Seven.

Table 7: Inherent and Residual Risk Summary

Risk Level	Inherent Risk	Residual Risk
Extreme	6	1
High	24	2
Medium	15	18
Low	1	25
Total	46	46

- 7.1.7 Table Eight highlights the six risks that had an inherent risk rating of ‘Extreme’ before the application of mitigation strategies.

Table 8: Inherent and Residual Risk Summary

Ref.	Identified Risk	Likelihood	Consequence
1.2	Lack of Elected Member support for the Project	Possible	Catastrophic
2.6	Detailed design increases Project cost	Likely	Major
211	Project not financially viable for Council or NFC	Possible	Catastrophic
3.4	Development Approval is not granted	Possible	Catastrophic
4.12	Management of material and labour pledges from NFC sponsors and supporters	Almost Certain	Major
4.16	Appointed contractor does not meet required standards	Possible	Catastrophic

- 7.1.8 Table Nine shows the number of risks identified for each area assessed and the residual risk rating post consideration of effective control measures. Only one risk remained rated as “Extreme”, “Lack of Elected Member support for the Project”.

Table 9: Project Residual Risk Categorisation

Key Risk	Extreme	High	Medium	Low	Total
Social and Political	1		1	4	6
Financial		2	3	7	12
Regulatory			1	4	5
Project Delivery			13	10	23
Environmental					
Total	1	2	18	25	46

- 7.1.9 The risk assessment and identification have been incorporated within a Risk Register we have developed for the Project. The Risk Register, included as Attachment Four, has been prepared consistent with purpose and scope of the Risk Management Policy.

7.2 Risk Mitigation

- 7.2.1 The Project Managers should be directed to employ management systems to:
- ensure compliance with standards, legislation, impacting plans and funding requirements;
 - provide quality outcomes;
 - facilitate document control; and
 - regulate cost management.
- 7.2.2 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.
- 7.2.3 Reporting protocols should also be established for the Project to ensure the Chief Executive Officer and, where appropriate, the Council is apprised of areas of risk.
- 7.2.4 The City of Norwood Payneham & St Peters should ensure that the mitigation strategies identified for the risks associated with Project are implemented and that these are progressively updated as the Project is implemented.

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 Overview

8.1.1 The construction of new Clubrooms and Member Facilities at the Norwood Oval will be undertaken for the benefit of the tenant, the NFC. It is arguable therefore that the appropriate mechanism or arrangement for carrying out the Project should reflect the NFC interest in the Project.

8.1.2 The Project has two distinct phases:

8.1.2.1 Construction works; and

8.1.2.2 On-going management of the lessor / lease relationship, specifically to ensure the NFC meets its financial obligations.

8.1.3 The interests of NFC have been taken into consideration in the development of the Project to this point, the overriding objective must be to ensure the arrangements for delivery of the construction works on the Project are consistent with the Council's procurement policies and appropriately manage risk.

8.2 Construction Works

8.2.1 There are several options generally available for carrying out the construction phase of the Project, each of these has different advantages and disadvantages depending on the circumstances of a particular project. The methods relevant to the Project include:

- Construct only;
- Design and Construct; and
- Managing Contractor or Early Contractor Involvement.

8.2.2 Given the design works undertaken to date, the existing lease obligations and the value of the works involved, the most appropriate option is the construct method engaging suitably qualified and experienced builders to undertake the works.

8.2.3 The builders who are selected to undertake the Project will require the support of a project team who are experienced with substantial additions within an existing heritage context.

8.2.4 Tridente Architects who have been engaged by the Council through the design phase, support this approach.

8.2.5 Given the long term interests of the NFC in the final form of the Project it would be appropriate to include a representative of the NFC as a member of the project team.

- 8.2.6 The inclusion of a NFC representative on the project team would assist to ensure that there is open, constructive communication between the major stakeholders (Council and NFC) during this phase but recognising that the objectives of the Project and the delivery are the responsibility of the Council.

8.3 On-going Operations

- 8.3.1 In accordance with the existing lease the future maintenance obligations for some of the specific works to be undertaken as part of the Project are the responsibility of the NFC. In order to provide clarity and certainty it may be worthwhile further clarifying the respective obligations of the Council and the NFC in the renegotiation of the lease over the Norwood Oval.
- 8.3.2 The Council should require that NFC develops an asset management plan which establishes the work that will be undertaken to ensure the value of the asset is maintained consistent with the approach the Council would take for other community assets.
- 8.3.3 The Council should review the NFC Annual and financial reports to satisfy itself of the on-going capacity to meet its lease obligations and commitments.

8.4 Procurement Implications

- 8.4.1 The procurement implications to be satisfied are generally contained in the Competitive Tendering, Contracting Out and Sale and Disposal of Land and Other Assets Policy amended 4 July 2005 which provides direction for relevant procedures that will contain specific criteria for contracting, competitive tendering and other service provision measures and the purchasing of goods and services, as required by Section 49 of the Local Government Act 1999.
- 8.4.2 In summary these are as follows.
- 8.4.2.1 The City of Norwood, Payneham & St Peters also recognises that its contracting and purchasing must also demonstrate to the local community that public money has been well spent and that the procurement process was conducted in a manner which is impartial, fair ethical, and equitable.
- 8.4.2.2 All products and/or services procured by the City of Norwood, Payneham & St Peters must, where necessary and appropriate, comply with the requirements of relevant legislation and in particular Australian Standards and the Occupational Health, Safety and Welfare Act, Regulations and Standards.
- 8.4.2.3 In purchasing goods and services the Council needs to demonstrate that best value has been achieved and that the procurement process is conducted with open competition and recognised purchasing principles.

8.4.2.4 Consideration be given wherever possible to the purchase of:

- South Australian made products or services provided the quality is sound and the price competitive;
- Australian made products or services provided the quality is sound and the price competitive;
- locally made products or services provided the quality is sound and the price competitive;
- products made wholly or largely of recycled materials;
- products which are efficient in their use of energy provided the quality is sound and the price competitive;
- products which have minimal negative environmental impact, provided the quality is sound and the price competitive.

8.4.3 The Policy preamble outlines that Council is committed to ensuring a fair, transparent and accountable process, in the provision of services, purchasing of goods and services and in the disposal of land and other assets. The Policy applies to the provision of all services, the purchase of goods and services and the disposal of land and other assets.

8.4.4 In accordance with the Policy goods and services are to be procured in a fair and equitable manner that provides for open and effective competition. The appropriate procurement method to be used is dependant upon a number of factors primarily the estimated cost of the transaction, the methods are outlined below:

8.4.4.1 no quotations;

8.4.4.2 verbal quotations;

8.4.4.3 written quotations;

8.4.4.4 calling tenders from a selected range of suppliers (selected tender);

8.4.4.5 calling open tenders;

8.4.4.6 registrations of interest / expressions of interest; and

8.4.4.7 reliance on external tender process.

8.4.5 The major expenditures incurred on the Project to date appear to have involved the engagement of various service providers to prepare reports or provide advice, these are summarised in Table Nine along with the procurement method we are advised was employed.

Table 9: Procurement Summary

Work Undertaken	Procurement method	Rational and Policy Compliance
Development Options	Tender	Value over \$50,000 Complies with Council Policy
Section 48 report	3 Written Quotations	Value between \$3,000 and \$10,000 Complies with Council Policy

- 8.4.6 The Policy would appear to have been complied with for the delivery of the Project to date.
- 8.4.7 As the construction works will be for a sum greater than \$50,000 in order to ensure that the Policy is complied with the Open Tenders or formal expression of interest procurement method should be used.
- 8.4.8 The use of Open Tender as the procurement method has the potential to create some tension with NFC who has expressed a desire to reduce their cost by utilising donations of labour materials and services from sponsors and supporters. In our view this tension is best managed by ensuring the NFC are aware of the requirements of the Council Policy and where it is appropriate to do so specify discrete contract packages of works that these sponsors and supporters can bid for in a formal tender process.

9. CONCLUSION

- 9.1 This report has been prepared to meet the requirements of Section 48 of the Local Government Act and to provide the Council with a comprehensive understanding of the prudential issues relating to the Norwood Oval Clubrooms and Members Facilities Project. The Project is the proposed construction of new Clubrooms and Members Facilities at Norwood Oval to be undertaken by the City of Norwood Payneham & St Peters at an estimated cost of \$5.332 million.
- 9.2 The Project is consistent with the City of Norwood Payneham & St Peters strategic direction and desired outcomes as outlined in *CityPlan 2030 Shaping Our Future*. The Project can be related to both the Social Equity and the Economic Prosperity Outcome within the Plan.
- 9.3 The Project has not yet progressed to the point where it was expected to have a material financial or strategic impact in the current financial year, it is therefore not specifically identified within the Annual Business Plan and Budget.
- 9.4 A provision of \$1 million has been included for the Project within the Council's Long Term Financial Plan, this provision and the projected operating costs do not materially impact on the Council achieving the key financial indicators it has established. Should the Council resolve to contribute more than this amount towards the Project the LTFP will need to be amended. Further, there are some additional costs associated with increased insurance and maintenance expenses that are not yet accounted for in the LTFP. Although these costs are not considered to be material in the context of the LTFP it would be prudent to take these into account when reviewing the LTFP in the ordinary course of business.
- 9.5 The Project works will create a new asset that will need to be included within the Council's Asset Management Plan, this Plan will also need to be amended to reflect the impact of the Project on both the Sir E.T. Smith Stand and the Baulderstone Stand.
- 9.6 The Project is expected to support the achievement of a number of national and State goals, objectives or targets.
- 9.7 The Project involves works which will need to be assessed for approval under the City of Norwood Payneham & St Peters Development Plan. Although the Council could be the approving authority for these works it would be prudent to ask the Minister for Planning whether the Development Assessment Commission ought to be the relevant approving authority to consider any development application.
- 9.8 The Project will make a positive contribution to the local and regional economy above and beyond the initial capital investment through economic multipliers. In the construction phase alone, an estimated \$5.332 million in initial capital works is projected to have \$[11.796] million in economic impact and a total employment impact of up to 30 jobs
- 9.9 The Project includes the creation of an expanded area of licenced facilities to be operated by the NFC and the operation of these facilities may attract patrons away from licenced establishments or at least increase competition in the marketplace. Although it could be argued that the Council is providing lower cost finance to the NFC and is therefore providing an unfair advantage to NFC on balance we consider the expansion of the licenced premises is not a central component of the overall Project nor does this represent a significant part of the overall cost of the Project and because the NFC will be repaying the Council finance we do not consider the arrangements adversely affect fair competition

- 9.10 Consultation and communication of the Project has been extensive and in accord with the City of Norwood Payneham & St Peters Community Consultation Policy. There is also sufficient evidence to suggest the community has been afforded the opportunity to influence or contribute towards the Project.
- 9.11 The Council has committed \$1 million in the LTFP towards the cost of the Project. The balance of the Project is to be funded by NFC through donations from sponsors and supporters or borrowings taken by the Council which are to be repaid by NFC. The capacity of NFC to meet its obligations to make these loan repayments is the most significant financial risk to the Council. Based on our review of the current financial position of the NFC, the financial projections it has prepared and the proposed SANFL special distributions to be used for debt reduction purposes, we believe this is a risk that can be well managed through the identified mitigations.
- 9.12 The net whole of life cost of the Project is the initial capital investment, maintenance provisions, accumulated depreciation, additional insurance and any financing costs associated with the Council contribution, this is estimated to be between \$24.616 million and \$25.009 `million subject to the amount of the Council contribution.
- 9.13 As the Project revenues are not intended to meet the increased operating costs associated with the Project, it will result in an increase in the Councils operating costs. Therefore, the Project could be considered not to be financially viable. However, the Council will receive a substantial financial contribution from the NFC towards the cost of the asset which should be taken into consideration. Furthermore, the Council may wish to reduce the financial impact of the Project through the renegotiation of the terms of the lease over the Norwood Oval.
- 9.14 An initial risk assessment was undertaken by Tridente Architects on behalf of the Council. This was supplemented by our own high level risk assessment and a total of 46 risks were identified for the Project. Six of the Project risks had an inherent rating of 'Extreme', the highest rating. After the identification of appropriate mitigation strategies only one risk retained the 'Extreme' rating, this was "Lack of Elected Member support for the Project".
- 9.15 The City of Norwood Payneham & St Peters should ensure that on commencement of the Project these identified mitigation strategies are implemented for the risks associated with the Project and that these are progressively updated through a formal risk register or as part of regular project management meetings through the construction phase.
- 9.16 Given the extent of the design works undertaken to date, the existing lease obligations and the value of the works involved the most appropriate option for the delivery of the Project would appear to be engage suitably qualified and experienced builders to undertake the works. The builders who are engaged to undertake the Project will require the support of a project team who are experienced with substantial additions within an existing heritage context.
- 9.17 As the construction will be undertaken for the benefit of the tenant, it would be appropriate to include a representative of NFC as a member of the project team. The inclusion of a NFC representative on the project team is to ensure that there is open, constructive communication between the major stakeholders (Council and NFC) during this phase but recognising that the objectives of the Project and the delivery are the responsibility of Council.

- 9.18 In accordance with the existing lease agreement, maintenance on some of the works undertaken as part of the Project is the responsibility of the NFC. Accordingly, it would be prudent for the Council to require that NFC develops an asset management plan which establishes the work that will be undertaken to ensure the value of the asset is maintained consistent with the approach the Council would take for other community assets.
- 9.19 Procurement undertaken to date has been consistent with the City of Norwood Payneham & St Peters Procurement Policy.

ATTACHMENT ONE: 2014 BAULDERSTONE STAND OPTION

Extract from Council Report (Dated)

- Given the capacity, seating and uses required to be accommodated within the Boulderstone Stand Option, it is not possible to accommodate the building within the space between the Sir ET Smith Stand and the Western Stand (as proposed in the 2014 Boulderstone Stand Concept Plans).
- As such, the demolition of three (3) bays of the Western Stand is required.
- The new design will result in the re-arrangement of the current Woods, Street entrance (there will now be a new entrance adjacent to the existing toilets fronting The Parade – which are proposed to be demolished).
- In order to resolve the issues of levels and steps and to improve accessibility (including disabled access), the existing terraces adjacent to the Oval (in front of the Premier's Bar), will be removed. This in turn, will result in the entry and floor level of the Premier's Bar being 'at grade' with the Oval, thereby removing the need for steps.
- The re-design to accommodate the Club's requirements has also resulted in the provision of better access to the Club's offices, (currently contained within the Sir ET Smith Stand), the provision of a Club shop, which can be utilised during match day as well as week days, the re-configuration of toilets (including disabled toilets) and significant improvements to disabled access.
- In order to accommodate the required floor area, the proposed building will cantilever over the Woods Street footpath and this in turn will provide the opportunity for improvements to the public realm aimed at improving the current design and amenity of the intersection of Woods Street, Florence Street and Bayer Street. This could include the creation of a 'shared roadway' thereby improving access for pedestrians and cyclists.
- The Woods Street elevation has been designed to ensure that there is minimal impact to adjoining properties (including sound attenuation).
- Perhaps the most significant component of the design are the improvements to the Premier's Bar. The current access arrangements are clumsy and difficult to negotiate and the facility has no presence in terms of visibility and integration with the Oval and spectator areas.

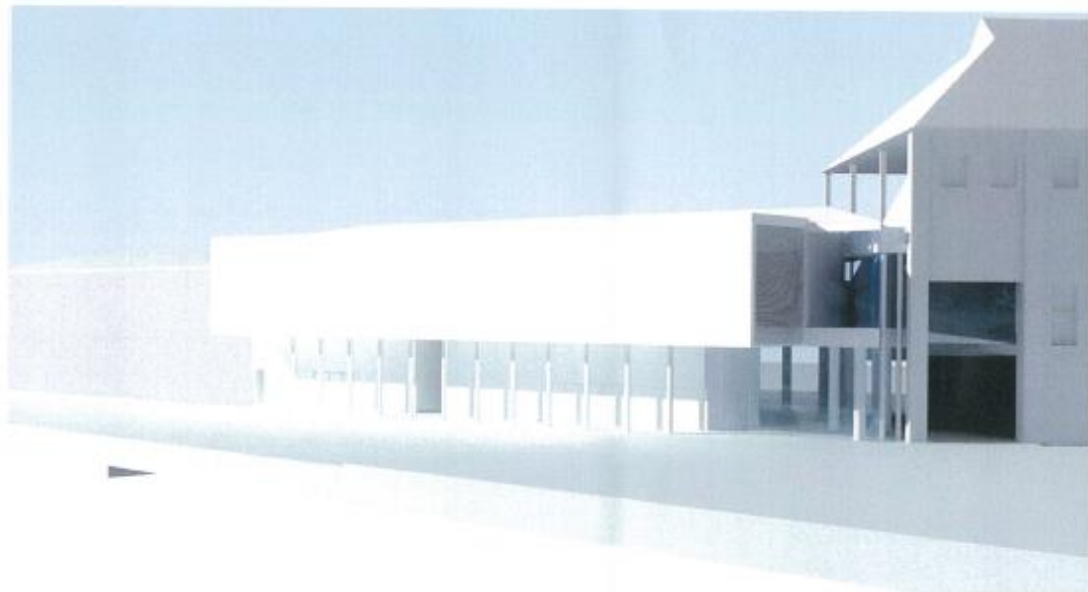
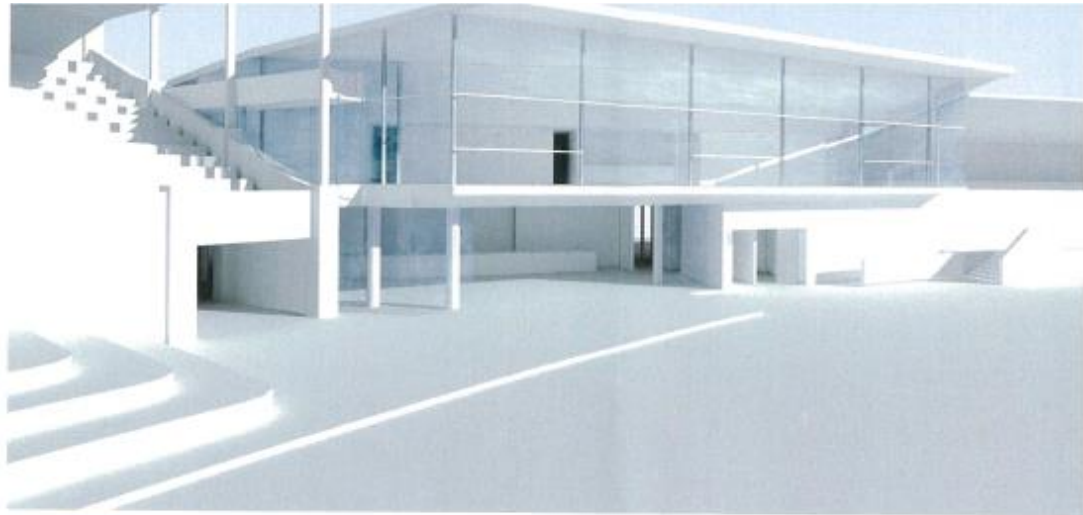
The new design will significantly improve the access arrangements (and indeed remove the clumsy arrangements) and will result in a facility which has an openable frontage to the Oval thereby improving integration with the Oval and access for spectators.

This improved access will improve patronage and the commercial viability of the facility – an issue which the Council must be cognisant of and must be considered, given the challenging nature of the South Australian National Football League (SANFL) in terms of clubs remaining viable and sustainable.

- The new design for the Boulderstone Stand Option achieves the requirements put forward by the Club and at the same time, will improve the amenity of the Norwood Oval generally. The reconfiguration of access arrangements and the new Premier's Bar are important components of the new design. In short, the re-designed Boulderstone Stand Option benefit both corporate and ordinary members.

ATTACHMENT TWO: PROJECT CONCEPT PLANS

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ATTACHMENT THREE: LOCAL GOVERNMENT ACT, 1999 - SECTION 48

Section 48 – Prudential requirements for certain activities

- (1) A council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
 - (a) engages in a commercial project (including through a subsidiary or participation in a joint venture, trust, partnership or other similar body) where the expected recurrent or capital expenditure of the project exceeds an amount set by the council for the purposes of this section; or
 - (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 expenditure 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.
- (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.
- (3) A report is not required under subsection (1) in relation to—
 - (a) road construction or maintenance; or
 - (b) drainage works.
- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (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).
- (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.

ATTACHMENT FOUR: PROJECT RISK REGISTER

Norwood Oval New Clubrooms and Member Facilities					
Risk Identification	Risk	Analysis	Evaluation	Treatment	
Risks	Inherent Risk Rating	Residual Risk Rating	Target Risk Rating	Risk Treatment Action	
1 Social and Political					
Community/Social					
1.1 Resident backlash from those affected by Project construction works	High	Medium	Medium	Minimise impact of construction works to residents, consult with local residents, implement Communications Plan	
Political					
1.2 Lack of Elected Member support for the Project	Extreme	Extreme	Extreme	Project briefing for Elected Members	
Communication					
1.3 Low level of Community / Stakeholder Engagement	Medium	Low	Low	Develop and implement communications strategy, maintain working relationship with key stakeholders	
1.4 Lack of communication with Norwood Football Club Members	Medium	Low	Low	Support NFC in development and implementation of communications strategy for NFC members	
1.5 Poor communication between Council and NFC	Medium	Low	Low	Develop and implement communications strategy and associated process	
1.6 Inadequate Incident Management Plan	Medium	Low	Low	Develop an Incident Management Plan with media management and consultation processes identified	
2 Financial and Commercial					
Financial					
2.1 Existing services and infrastructure capacity not assessed in the feasibility concept	Medium	Low	Low	Undertake assessment before committing to Tenders	
2.2 Cost increase if a staged construction approach is adopted	High	Low	Low	Undertake construction in one stage	
2.3 Costs for temporary accommodation and relocation for NFC are not included in the Project cost estimate	Low	Low	Low	Ensure the NFC is aware of and is responsible for these costs	
2.4 NFC unable to meet financial obligations due to disruption to finance streams during construction	High	Medium	Low	Address in Prudential Report prepared in accordance with the Local Government Act	
2.5 Relocation of lighting tower and dumb waiter from ground floor kitchen excluded from Project cost estimate	High	Medium	Low	Verify cost before issuing Tenders	
2.6 Detailed design increases Project cost estimates	Extreme	High	Medium	Verify Project cost estimates with Quantity Surveyor post detailed design phase	
2.7 Project cost estimates exceeded in Tender process	High	Medium	Medium	Review capacity of Council and NFC to meet financial obligations prior to accepting Tenders	
2.8 Inflation increases Project cost estimates	Medium	Low	Low	Verify Project cost estimates with Quantity Surveyor post detailed design phase	
2.9 Costs exceed tendered prices during construction phase	High	Low	Low	Seek Fixed Price Contracts in Tender Process, ensure adequate contingencies in Project estimates	
2.10 Financial risks not fully understood	High	Low	Low	Address in Prudential Report prepared in accordance with the Local Government Act	
2.11 Project is not financially viable for Council or NFC	Extreme	High	Medium	Address in Prudential Report	
2.12 Construction contingency of 5% may be inadequate given the complexity of the Project	Medium	Low	Low	Construction contingency to be re-assessed and agreed post detailed phase and risk assessment, obtain Fixed Price Tenders	
3 Regulatory					
Planning and Approvals					
3.1 Obtaining agreement on final detailed design from all parties	Medium	Low	Low	Regular consultation and discussion between Council and NFC on the key issues to achieve milestone sign-offs	
3.2 Design non-compliance with associated Planning Regulations e.g. Heritage	High	Low	Low	Engage with relevant Planning Authority	
3.3 Development Assessment Approval process delays	High	Low	Low	Discussion with Planning Authority	
3.4 Development Approval not granted	Extreme	High	High	Ensure compliance with Development Act and Regulations	
3.5 Exposure to legal risk by Project not complying with development regulations and WHS	High	Low	Low	Ensure that requirements/objectives are identified in Tender documentation	
4 Project Delivery					
Development and Construction					
4.1 Project Schedule/Construction programming not met	High	Medium	Medium	Ensure contracts for works include liquidated damages provisions, engage Project Manager to oversee Project works	
4.2 Design variations during the construction phase	High	Medium	Medium	Obtain agreement on detailed Project drawings before construction commences, ensure regular collaboration between	
4.3 Client variations during construction phase	Medium	Low	Low	Regular collaboration between Contractor and Council to address issues. Process in place to manage client expectation on	
4.4 Construction disputes	Medium	Low	Low	Appoint skilled and qualified Project Manager	
4.5 Availability of resources for construction phase	Medium	Low	Low	Procurement process to ensure Contractor has sufficient available resources	
4.6 Weather and seasonal impacts during construction phase	Medium	Medium	Medium	Contract terms to allow for weather impacts	
4.7 Industrial relations issues	Medium	Low	Low	Ensure contractor selection process addresses industrial relations management	
4.8 Poor soil conditions or site contamination identified	High	Medium	Medium	Undertake soil and site testing prior to Tender process	
4.9 Latent conditions on-site e.g. depth of existing footings of the Sir Edwin ET Smith stand is unknown	High	Low	Low	Undertake site research prior to construction commencement	
4.10 Poor design documentation	High	Low	Low	Select qualified and competent design consultants, ensure regular design meetings and documentation review	
4.11 Impact of demolition and construction works on surrounding residents	High	Low	Low	Consultation in accordance with Communications Plan to ensure residents notified of the impacts	

Norwood Oval New Clubrooms and Member Facilities					
Risk Identification		Risk	Analysis	Evaluation	Treatment
Risks		Inherent Risk Rating	Residual Risk Rating	Target Risk Rating	Risk Treatment Action
Procurement					
4.12	Management of material and labour pledges from NFC sponsors and supporters	Extreme	Medium	Medium	All parties required to respond to tender documents to ensure standard of services, labour and materials
4.13	Contractors/consultants skill, ability and experience to undertake works	High	Low	Low	Ensure Procurement process addresses Project requirements for suitably skilled and qualified contractors
Construction					
4.14	Material and labour pledges from NFC sponsors and supporters do not meet specification	High	Medium	Low	Procurement processes clearly defined and agreed with NFC to ensure everyone responds on same basis to Tenders
4.15	Lack of experience in Project team with integrating new buildings or additions with existing structures	High	Medium	Medium	Appointment of experienced and suitably qualified Project team
4.16	Appointed contractor does not meet required standards	Extreme	Medium	Medium	Ensure contracts have adequate remedy and protection, enforced in accordance with contract provisions as needed
4.17	Availability of materials - sourcing and supply of materials	Medium	Medium	Medium	Ensure appropriate lead times for procurement of materials.
4.18	Final design not reaching specifications (Quality)	High	Medium	Medium	Internal review with relevant professional specialists in the respective disciplines during Project delivery phase
4.19	Project not completed within agreed timeframe	High	Medium	Medium	Formulate program with contractors, regularly review milestones, provisions to require additional resources as needed
4.20	Damage to road infrastructure, neighbouring residents property	High	Medium	Medium	Assess possible impacts to roads and implement mitigation strategies, undertake periodic visual inspections.
4.21	Lack of compliance with plans put in place to minimise disruption to residents and WHS	Medium	Low	Low	Appoint skilled and qualified Project Manager to ensure compliance
4.22	Continuity of construction contractors. E.g. Project delay. Bankruptcy. Negative press articles	High	Low	Low	Ensure Procurement process addresses Project requirements for experienced, financially sound and reputable contractors
4.23	Public Safety during construction	High	Medium	Medium	Develop a Project specific WHS plan, ensure limitations on activities at Oval during construction
5 Environmental					
	No risks identified				