

# Audit & Risk Committee Minutes

**15 May 2023**

## **Our Vision**

*A City which values its heritage, cultural diversity,  
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable  
and socially cohesive, with a strong community spirit.*

---

City of Norwood Payneham & St Peters  
175 The Parade, Norwood SA 5067

Telephone 8366 4555  
Facsimile 8332 6338  
Email [townhall@npsp.sa.gov.au](mailto:townhall@npsp.sa.gov.au)  
Website [www.npsp.sa.gov.au](http://www.npsp.sa.gov.au)



City of  
Norwood  
Payneham  
& St Peters

1.	CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON 17 APRIL 2023 .....	1
2.	PRESIDING MEMBER'S COMMUNICATION.....	1
3.	QUESTIONS WITHOUT NOTICE .....	1
4.	QUESTIONS WITH NOTICE .....	1
5.	WRITTEN NOTICES OF MOTION .....	1
6.	STAFF REPORTS .....	1
6.1	SAFework SA SAFETY ALERT - PLAYGROUNDS .....	2
6.2	PRUDENTIAL MANAGEMENT REPORT – PAYNEHAM MEMORIAL SWIMMING CENTRE .....	5
7.	CONFIDENTIAL REPORTS .....	14
7.1	COUNCIL RELATED MATTER .....	15
8.	OTHER BUSINESS .....	16
9.	NEXT MEETING .....	16
10.	CLOSURE.....	16

**VENUE** Meeting Room 1 (Ground Floor)

**HOUR** 7.00pm

**PRESENT**

**Committee Members** Mayor Robert Bria (Presiding Member)  
Cr Grant Piggott  
Cr Claire Clutterham  
Ms Stefanie Eldridge (Independent Member)

**Staff** Mario Barone (Chief Executive Officer)  
Lisa Mara (General Manager, Governance & Civic Affairs)  
Natalia Axenova (Principal Finance Officer)  
Jared Barnes (Manager, City Projects)  
Sean Faulkner (Manager, WHS & Risk)  
Skye Grinter-Falzun (Manager, Chief Executive's Office)

**Visitor** Ms Corinne Garrett (UHY Haines Norton)

**APOLOGIES** Ms Sandra Di Blasio (Independent Member)

**ABSENT** Nil

**TERMS OF REFERENCE:**

*The functions of the Audit & Risk Committee include:*

- (a) reviewing Annual Financial Statements to ensure that the Statements present fairly the state of affairs of the Council; and*
- (b) proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and*
- (c) monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor; and*
- (d) proposing, and reviewing, the exercise of powers under Section 130A of the Local Government Act 1999; and*
- (e) liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations; and*
- (f) reviewing the adequacy of the accounting, internal controls, reporting and other financial management systems and practices of the Council on a regular basis; and*
- (g) providing oversight of planning and scoping of the Internal Audit work plan; and*
- (h) reviewing and commenting on reports provided by the person primarily responsible for the Internal Audit function at least on a quarterly basis; and*
- (i) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and*
- (j) reviewing any report obtained by the Council pursuant to Section 48(1) of the Local Government Act 1999; and*
- (k) performing any other function determined by the Council or prescribed by the regulations.*

**1. CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON 17 APRIL 2023**

*Ms Stefanie Eldridge moved that the minutes of the Audit & Risk Committee meeting held on 17 April 2023 be taken as read and confirmed. Seconded by Cr Clutterham and carried unanimously.*

**2. PRESIDING MEMBER'S COMMUNICATION**  
Nil

**3. QUESTIONS WITHOUT NOTICE**  
Nil

**4. QUESTIONS WITH NOTICE**  
Nil

**5. WRITTEN NOTICES OF MOTION**  
Nil

**6. STAFF REPORTS**

## 6.1 SAFework SA SAFETY ALERT - PLAYGROUNDS

---

**REPORT AUTHOR:** Manager, WHS & Risk  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4518  
**FILE REFERENCE:** fA24688  
**ATTACHMENTS:** Nil

---

### PURPOSE OF REPORT

The purpose of this report is to advise the Audit & Risk Committee of the Council's response to a recent Safety Alert which has been issued by *SafeWork SA*.

### BACKGROUND

On 1 April 2023, *SafeWork SA* issued a playground safety alert following an incident involving a young girl who was seriously injured when they fell off a swing while playing at a playground at an Adelaide Hills primary school. The swing involved in the incident is commonly known as a "*bird's nest*" (or rope basket) swing and can be mounted via two (2) point fixing or pendulum style.

As a result of the accident, *SafeWork SA* issued a safety alert for all those responsible for playgrounds to conduct "*playground risk assessments*".

In the Safety Alert, *SafeWork SA* recommended that assessments ensure that:

- all play equipment is suitable for the ages of children who attend the campus<sup>1</sup>;
- swings, jungle gyms, bridges, adventure areas, nature strips or monkey bars are built in appropriate areas and maintenance is regularly undertaken;
- equipment is installed according to manufacturer's specifications;
- no screws or bolts are protruding;
- inspection checks are conducted by a competent person;
- risks assessments are regularly undertaken and particularly before any new equipment is purchased; and
- adequate "*fall impact protection*" such as ensuring loose fill is at the appropriate depth.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

- Risk Management Policy (2022).
- Asset Management Plan - Recreation and Open Space Infrastructure (2020).

### FINANCIAL AND BUDGET IMPLICATIONS

An annual budget of \$96,000 is allocated for the ongoing maintenance of playground equipment.

Funding for playground renewal is embedded into councils *Recreational & Open Space Asset Management Plan* with annual expenditure determined by asset condition and asset life.

There are no financial and/or budget implications associated with this issue.

### EXTERNAL ECONOMIC IMPLICATIONS

Nil

### SOCIAL ISSUES

Nil

---

<sup>1</sup> This recommendation is not applicable to Council

## CULTURAL ISSUES

Nil

## ENVIRONMENTAL ISSUES

Nil

## RESOURCE ISSUES

Nil

## RISK MANAGEMENT

To ensure that the Council manages all of the risks which are associated with operating and maintaining Council owned play spaces, the Council has a playground safety management system consisting of the following:

- systematic documentation and record keeping processes;
- establishment of risk assessment and reporting procedures;
- training of relevant staff; and
- conduct of timely inspections, maintenance and repairs as set out in Australian Standards.<sup>2</sup>

Of note, two (2) City Services staff have been trained to undertake weekly inspections (Level 1) with an additional four (4) staff trained to conduct the detailed operational (Level 2) inspections. These weekly and monthly inspections capture the overall safety of the equipment, foundations and surfaces.

The Council also uses an external contractor to undertake Level 3 inspections which covers all aspects of risk and liability on the play space. Level 3 Inspections are mandatory and must be conducted every twelve (12) months under AS 4685.0:2017 as per AS 4685:2021. These Level 3 inspections also serve as an external audit of the Council's maintenance staff and provides a yearly snapshot of compliance and progress of maintenance works. The inspection requires regular testing of impact attenuating surfaces within the required time lines.<sup>3</sup>

The most recent annual risk assessments were completed in October 2022 by *CCEP - Consulting Coordination*.<sup>4</sup> The findings of these reports inform the City Services Unit maintenance program and City Assets Unit long-term renewal program.

## CONSULTATION

- **Committee Members**  
Not Applicable.
- **Community**  
Not Applicable.
- **Staff**  
The following staff have been consulted in respect to this issue:
  - Manager, WHS & Risk,
  - Manager, City Assets,
  - Project Manager, Assets, and
  - Director, St Peters Child Care Centre & Preschool.
- **Other Agencies**  
Not Applicable.

---

<sup>2</sup> Australian Standard 4685.0:2017, *Playground equipment and surfacing, Part 0: Development, installation, inspection, maintenance and operation*

<sup>3</sup> Loose fill is inspected annually with synthetic soft fall inspected every three years.

<sup>4</sup> CCEP Consulting Coordination was the first play safety training organisation in Australia and New Zealand and continues to set the industry standard for compliance and training in both public and private sectors

## DISCUSSION

Following the *SafeWork SA* Safety Alert, a review of Council owned playground facilities was coordinated by the Manager, WHS & Risk. As part of this review, it was confirmed that the Council has four (4) bird's nest-style swings located within the following playgrounds:

- Drage Reserve (pendulum);
- Hannaford Reserve (2-point fixing);
- Payneham Oval (2-point fixing); and
- Syd Jones Reserve (2-point fixing).

A review of the Comprehensive Annual Playground Inspections which has been undertaken by the consultant, CCEP, in late 2022, was also conducted. This review confirmed that there does not appear to be any fall risks will have been identified specifically for the bird's nest-style swings at any of the aforementioned playgrounds. However, as these inspections were undertaken almost six (6) months ago, City Assets staff recommend that the level of loose fill be checked at these four locations and remediated as required. As such, City Services staff subsequently arranged for the soft fall (loose fill) to be topped up on 18 Apr 2023.

In addition, on 4 April 2023, City Services staff - who are responsible for Level 1 and 2 inspections - were reminded to be extra vigilant when conducting their periodic inspections to ensure that the Council could demonstrate that it is proactively managing all threats associated with playground equipment.

## CONCLUSION

The Council has always taken the maintenance and safety of playgrounds and public spaces very seriously. The recent Safety Alert issued by *SafeWork SA*, was however a timely reminder of the risks associated with public play spaces. The Committee should be confident that the Council has in place an appropriate playground safety management system and can demonstrate that it has implemented inspection and maintenance programs to ensure that our local playgrounds are a safe place to play.

## RECOMMENDATION

That the Audit & Risk Committee notes that the Council has in place an appropriate management system which meets the expectations and requirements of the *SafeWork SA* Safety Alert which was issued on 1 April 2023.

---

*Cr Piggott moved:*

1. *That the Audit & Risk Committee notes that the Council has in place an appropriate management system which meets the expectations and requirements of the SafeWork SA Safety Alert which was issued on 1 April 2023.*
2. *That the existing single pendulum basket swing located at Drage Reserve be removed or, if possible, modified to a 2-point fixing system.*
3. *That consideration be given to not including any birds nest or rope basket style swings as part of any upgrade of existing playgrounds or the installation of new playgrounds by the Council.*

*Seconded by Ms Stephanie Eldridge and carried unanimously.*

## 6.2 PRUDENTIAL MANAGEMENT REPORT – PAYNEHAM MEMORIAL SWIMMING CENTRE

---

**REPORT AUTHOR:** Manager, City Projects  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4506  
**FILE REFERENCE:** qA75100  
**ATTACHMENTS:** A - F

---

### PURPOSE OF REPORT

The purpose of this report is to present the Prudential Management Report for the Payneham Memorial Swimming Centre Redevelopment Project, to the Audit & Risk Committee for consideration and recommendation to the Council.

### BACKGROUND

The Payneham Memorial Swimming Centre Redevelopment is a significant project for the City of Norwood Payneham & St Peters. The Project will transform the Payneham Memorial Swimming Centre into a contemporary aquatic facility for swimmers, families, and the wider community.

The Project includes:

- demolition of the existing swimming centre building, pools (outdoor 50 metre, learner's and wading) and associated infrastructure;
- a new swimming centre building with:
  - an entrance foyer and reception area;
  - a staff office area and breakroom;
  - a first aid room;
  - a kiosk/café;
  - male, female and unisex all-access changerooms with showers, toilets and lockers;
  - multipurpose rooms for swimming club and community use;
  - storage areas; and
  - a roof mounted solar panel system;
- an 11 x 20 metre indoor learner's pool;
- an 8 lane, 25 metre indoor lap pool;
- a 10 lane, 50 metre outdoor lap pool;
- a 14 metre tall tower with two outdoor waterslides;
- an outdoor, zero-depth waterplay area (splash pad);
- a plant room with pump and filtration systems; and
- shade shelters, picnic seating and barbeques.

The Council's former Regional Capital Projects Committee was established in October 2020 to assist the Council in the development of Regional Capital Projects. The Regional Capital Projects Committee considered the Project on a number of occasions.

At its meeting held on 27 October 2020, the Regional Capital Projects Committee considered a report on the draft *Patterson Reserve Community & Recreational Precinct Masterplan*, which includes the Payneham Memorial Swimming Centre. The *Masterplan* was prepared by TCL (design consultants). Following consideration of the report, the Committee resolved:

1. *That the report be received and noted.*
2. *That the Regional Capital Projects Committee recommends to the Council that it reaffirm its support for the Council's decision to refurbish the main pool in accordance with the Swimming Centres Long-Term Strategy.*
3. *That a report be resubmitted to the Council at a later date regarding the Tender for the Stage 2 Refurbishment of the main pool which was deferred by the Council at the August 2020 meeting.*
4. *That TCL (Consultants) be instructed to review Options A, B1 and C1 and develop any other options that are required to complete the Masterplan.*
5. *That TCL (Consultants) consult with the existing stakeholders regarding the draft concepts before finalising the draft concepts for the Committee's consideration.*

At its meeting held on 16 December 2020, the Regional Capital Projects Committee was presented with four (4) draft concepts for the Patterson Reserve Community & Recreational Precinct and more specifically, the Payneham Memorial Swimming Centre. Following consideration of the concepts, the Committee resolved the following in relation to the Patterson Reserve Community & Recreational Precinct and the Payneham Memorial Swimming Centre.

*That Concept B2 be recommended to the Council for adoption for the purposes of progressing to the development of a draft Masterplan.*

Subsequently, at its meeting held on 18 January 2021, the Council considered and adopted the Committee's recommendation and in doing so, endorsed Concept B2 as the preferred concept for the future redevelopment of the Payneham Memorial Swimming Centre and more broadly the Patterson Reserve & Community Recreation Precinct.

In January 2021, the Council also prepared a *Business Case* and made an application (refer to **Attachment A**) for the *Local Government Infrastructure Partnership Program (LGIPP)* for the Payneham Memorial Swimming Centre Redevelopment (the Project). The intent of *LGIPP* funding is to deliver economic stimulus projects to drive economic growth and employment in response to the economic downturn that was caused by the COVID-19 pandemic. The Council's application requested \$10 million towards a total estimated project cost at that time of \$24 million, of which the Council proposed to contribute \$14 million.

The *Business Case*, a copy of which is contained in **Attachment B**, outlines the background, strategic alignment and key considerations for the Project, including an analysis of the regional aquatics market and the expected economic impacts, financial costs and health and social benefits.

On 22 March 2021, the Council was advised that it was successful in securing *LGIPP* grant funding of \$5.6 million for the Project. As part of the Council's 2021-2022 Budget, the Council subsequently allocated a total project budget of \$24 million (comprising of \$5.6 million grant funding and \$18.4 million as the Council's allocation). It should be noted that the *LGIPP* was a very competitive grant program, and that the grant funding allocated to the Project is \$4.4 million less than the \$10 million which was requested by the Council in its grant application.

At its third and last meeting held on 21 April 2021, the Regional Capital Projects Committee resolved:

1. *That the draft Masterplan contained in Attachment B be recommended to the Council for adoption.*
2. *The Committee recommends to the Council that Stage 1 of the Payneham Memorial Swimming Centre Redevelopment Project, for the purposes of detail design, construction documentation and construction, should comprise of the following elements:*
  - *50 metre pool with provision for a solid cover;*
  - *new semi-enclosed 25 metre outdoor Learners' Pool;*
  - *new sports and leisure centre providing pool facilities and café, new gym/dry pool training, clubrooms and lettable function areas;*
  - *new leisure pool with interactive waterplay and high platform water slides;*
  - *the installation of shade, barbeques and picnic facilities on grassed embankment; and*
  - *new plant room to service the 50m Pool, new 25m Learners' Pool and the aquatic recreation equipment and facilities.*
3. *That the Committee notes that staff will now progress to the detail design and construction documentation stage of the Project for the Payneham Memorial Swimming Centre Redevelopment.*
4. *That the Committee notes that a suitable consultant will now be engaged to prepare a Prudential Report for the Council's consideration.*

At its meeting held on 3 May 2021, the Council resolved:

*"that the minutes of the meeting of the Regional Capital Projects Committee held on 21 April 2021, be received and that the resolutions set out therein as recommendations to the Council are adopted as decisions of the Council."*

A copy of the *Patterson Reserve Community & Recreation Precinct Masterplan Report* is contained in **Attachment C**. The *Masterplan Report* provides a site history and analysis, summarises past consultation, and details the masterplan design principles, elements and the multiple draft concepts which were developed and considered for the Patterson Reserve and Payneham memorial Swimming Centre. The selected concept for the Payneham Memorial Swimming Centre is illustrated on page 11 of the *Masterplan Report*.

The Council subsequently conducted a tender process for a design consultancy to undertake the detail design and construction documentation for the redevelopment of the Payneham Memorial Swimming Centre. At its meeting held on 26 October 2021, the Council resolved to award the design consultancy contract to Design Worldwide Partnership (DWP Architects).

At its meeting held on 2 May 2022, the Council endorsed the Schematic Design developed by DWP Architects for the Payneham Memorial Swimming Centre. The key differences between the Masterplan and Schematic Design are outlined in **Table 1**.

**TABLE 1: KEY DIFFERENCES BETWEEN MASTERPLAN AND SCHEMATIC DESIGN**

Element	Masterplan (May 2021)	Schematic Design (May 2022)
<b>Main Building</b>	double (2) storey	single (1) storey
<b>25m and Learner's Pools</b>	joined and semi-enclosed	separated and fully enclosed (indoor)
<b>50m Outdoor Pool</b>	existing pool with eight (8) lanes to be refurbished with an optional roof over the entire pool area	new pool with ten (10) lanes to be built with retractable shade structure over shallow end of the pool
<b>Waterslides</b>	attached to main building	freestanding
<b>Waterplay</b>	one (1) outdoor area	indoor and outdoor areas
<b>Plant Room</b>	additional access point from OG Road	shared service access with Payneham Library
<b>Carpark</b>	multi-level carpark building (future)	option to remove existing playground and extend the Payneham Library carpark

The Council is preparing to undertake the redevelopment of the Payneham Memorial Swimming Centre and has allocated a budget of \$24 million for this Project based on preliminary cost estimates prepared in 2021. As set out in Section 48(1) of the *Local Government Act 1999* (the Act), the Council must obtain and consider a report that addresses the prudential issues set out in Section 48(2) of the Act before the Council engages in any project where the expected cost of the project over the ensuing five (5) years is likely to exceed \$4,000,000 (indexed).

Pursuant to Section 48(4) of the Act, the Prudential Report must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues required to be addressed by Section 48. To this end, following a call for submissions, Ms Corinne Garrett of UHY Haines Norton, was engaged to prepare the Prudential Report for the Project.

Pursuant to *Section 48(4b)* of the Act, the Council must give reasonable consideration to the Prudential Report. A copy of the Prudential Management Report dated May 2023, which was prepared for the Project, is contained in **Attachment D**.

## RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's *Prudential Management Policy* was endorsed by the Audit Committee on 25 July 2022 and adopted by the Council on 4 July 2022. The purpose of this Policy is to provide guidance to the Council, the community and staff, with respect to the requirements for appropriate due diligence and prudential management of projects.

The Project's relationship to the Council's relevant strategic management plans is addressed on pages 8-10 in the Prudential Management Report.

## FINANCIAL AND BUDGET IMPLICATIONS

In order to establish the initial budget, the Project was benchmarked against other similar proposed aquatic centre upgrade projects. Based upon the assessment at that time, a budget of \$24 million was considered to be sufficient to cover the estimated costs for the development of the detail design and construction documentation, as well as the refurbishment of the main 50 metre main pool and associated infrastructure, the 25 metre pool, aquatic play equipment (including the slides), plant room, the main building, as well as all ancillary features such as fencing, outdoor furniture and landscaping.

Since the budget was established, there have been significant movements in the market and in the rate of escalation that is currently being applied by the construction industry. This suggests that the current budget may be insufficient or at the very least, be put under pressure, particularly when it is compared to similar projects such as the Salisbury Aquatic Centre Project, which has a similar footprint to the Payneham Memorial Swimming Centre. The Salisbury Aquatic Centre Project was originally estimated at \$24-\$25 million in 2021. However, this project was tendered late last year / early 2023 and the project cost was recently announced at \$29.9 million, of which \$7.185 million is *LGIPP* grant funding. The increase in the Salisbury Aquatic Centre Project cost is approximately 20-25% higher than the original estimate.

Based on the current market conditions, it is anticipated that the construction costs for the Payneham Memorial Swimming Centre Redevelopment are very likely to exceed the allocated budget of \$24 million. The most recent cost estimate prepared by WT Partnership (cost consultants) on 20 October 2022 indicated a total construction cost of \$32.6 million.

Through the design process, Value Management has been undertaken in order to deliver the Project as close to the allocated budget as possible. However, it should be noted that the Council's decision, which was made with long-term outcomes in mind, to build a new ten (10) lane 50 metre outdoor pool in lieu of the refurbishing the existing eight (8) lane 50 metre pool, will incur an additional cost which was not factored into the original budget estimate.

When price escalation from January 2021 to mid 2023 is applied to the original budget of \$24 million, tenders in the range of \$30 to \$35 million are considered quite possible at this point in time.

However, notwithstanding the work which has been undertaken to provide accurate estimates, the actual costs for the Project will only be known once tenders are received. At that time, the Council will be in a position to consider options to manage the project costs such as reducing the scope (subject to the agreement of the Treasurer in terms of the impact on the cost finding), changing the specifications or working with the preferred tenderer to achieve savings.

The Project's financial and budget implications are identified and detailed on pages 12-16 in the Prudential Management Report.

It should be noted that whilst the Council budget is set at \$24 million, for the purposes of the Prudential Management Report, the financial modelling has been based upon the latest cost estimate of \$32.6m, which was prepared by WT Partnership (cost consultants) in October 2022. In addition, to assess the impact on the Council's financial position, the modelling has adopted an interest rate of 5.80%. Based on these parameters, the Prudential Review has determined that the Council's Operating Surplus and Asset Renewal Funding Ratios remain within the Council's endorsed targets.

In respect to the Net Financial Liabilities Ratio, this stays within the Council's target until year 5, peaks in year 6, and then reduces to the target limit in year 9 without any other changes to the current Long-Term Financial Plan inputs and assumptions. The Prudential Review identifies this as an element of risk for the Council to consider.

These factors will be considered as part to the future of its Long-Term Financial Plan.

A higher project cost will also result in higher depreciation and finance costs. The Council will need to consider and approve a new budget and adjust its Long-Term Financial Plan for the additional costs, or substantially reduce the scope of works which would lead to delays and possible loss of the Grant.

## **EXTERNAL ECONOMIC IMPLICATIONS**

State and Federal Government stimulus funding for building and infrastructure projects in response to the COVID-19 pandemic has created a large demand for consultants and contractors to undertake work to deliver projects. The high demand together with the general resurgence of the economy (and the consequent inflationary impacts) has resulted in a shortage of labour and materials in the building industry, significant delays to complete work or supply materials and of particular importance, price inflation. In addition, the war in the Ukraine and rising fuel prices, have also contributed to rising material and transport costs.

The Project will create additional jobs during the construction period. It is a requirement of the *LGIPP* Grant Deed for the Council to *"implement an Industry Participation Plan which ensures that capable South Australian small to medium sized enterprises are given full, fair and reasonable opportunity to tender and participate in all elements of the Project."*

New jobs (e.g. lifeguards, kiosk workers) are also anticipated to be created to support the on-going operations and increased participation in swim school programs at the Payneham Memorial Swimming Centre throughout the year.

The economic impact of the Project is further detailed on pages 10-11 in the Prudential Management Report.

## **SOCIAL ISSUES**

Sport and recreation are important components of community life. The social and health benefits of participating in sports and recreation activities such as swimming are well documented.

## **CULTURAL ISSUES**

The Payneham Memorial Swimming Centre is a much-loved community facility. The Swimming Centre opened in 1967 and its aged infrastructure is no longer suitable.

## **ENVIRONMENTAL ISSUES**

The proposed improvements to the Payneham Memorial Swimming Centre will deliver environmental improvements by reducing water loss and hence annual water usage. It is estimated that the operational costs associated with the Swimming Centre will reduce by approximately \$40,000 per year.

The redevelopment of the buildings will ultimately reduce the carbon footprint from this facility. Environmental elements such as solar power and rainwater tanks are incorporated into the design of facilities.

## **RESOURCE ISSUES**

To date, Council staff have managed the Project, including the procurement and management of consultants to prepare the detail design and tender documentation. The construction of the Project will require significant resource allocation from the Council. A consultant will be used to perform the role of Superintendent. Consultants will also be used for construction administration and project management activities as required to supplement the Council's staff resources.

Pages 17-18 in the Prudential Management Report include additional information regarding the Project Management component of the Project.

## RISK MANAGEMENT

Project risks are being managed in accordance with the Council's *Risk Management Policy & Procedure*, and are addressed on pages 16-17 in the Prudential Management Report.

The detailed Project Risk Assessment is included in Appendix D of the Prudential Management Report. The proposed controls have reduced all identified risks within tolerable limits.

## CONSULTATION

Details of the level of consultation undertaken for the Project are included on page 11 of the Prudential Management Plan and within the *Patterson Reserve Community & Recreation Precinct Masterplan Report*. Consultation has included the following key stakeholders.

- **Elected Members**  
The Council has considered this Project on a number of occasions.
- **Community**  
Payneham Swimming Club  
Norwood Swimming Club
- **Staff**  
Former General Manager, Corporate & Community Services  
Former Manager, Finance  
Manager, Swimming Centres  
Manager, Economic Development & Strategy
- **Other Agencies**  
South Australian Government Financing Authority  
Department for Education  
Office of the Industry Advocate  
Royal Life Saving South Australia

## DISCUSSION

The *LGIPP* Grant Deed (refer to **Attachment E**) was executed on 19 January 2022 and forwarded to the Council on 10 February 2022. The Grant Deed requires the Project to be completed by 30 June 2023 or such later date approved in writing by the Treasurer.

On 7 September 2022, Council staff wrote a letter (refer to **Attachment F**) to the South Australian Government Financing Authority (SAGFA) to provide the Treasurer with an update on the status of the Project and to request an amendment to the agreed timeframes for the three (3) Performance Milestones as set out in the Funding Deed. In reply, SAGFA's Contract Manager received and noted the new milestone dates on 9 September 2022.

On 26 October, 2022, Council and SAGFA staff agreed via email correspondence to wait until the tender process and contractor selection is completed so that there is more certainty over the Project schedule prior to formally revising the performance milestone dates for the Grant Deed. At that time, it was anticipated that the tender would be conducted in late 2022. However, this is a very large and complex project and it has required more time than originally anticipated to ensure that the design and documentation will deliver a suitably constructed facility that is responsive to the long-term needs of the community. Additionally, the Council received advice from both building companies and industry consultants, that it should delay going out to tender for construction until the market settles in 2023.

Following further correspondence, the Council's Manager, City Projects contacted SAGFA's Contract Manager in March 2023 to discuss the Project status and the potential implications to the *LGIPP* funding. During a telephone discussion, SAGFA's Contract Manager advised that:

- The grant funding is committed and there is no likelihood of losing the grant funding.
- Several Councils have been unable to meet their Funding Deed requirements, and there are risks that some of the projects may not go ahead due to changing priorities and construction cost escalation (up to 60% increase since 2020). This is a serious concern for the Treasurer.
- The Council's proposed project completion date (i.e. late 2024) is not too far after the deed expiry date (i.e. 30 June 2024) so it is likely that the Treasurer will allow an amendment. However, prior to amending the Funding Deed, the Council will need to:
  - tender the project to confirm costs and program;
  - obtain Council sign-off on the full project cost and commitment to complete the Project; and
  - confirm that the deliverables are the same as agreed in the Funding Deed.
- Other Councils that have obtained funding for swimming centres (i.e. City of Salisbury and District Council of Mount Barker) have also requested amendments to their Funding Deed milestone dates.

On 4 May 2023, SAGFA's Contract Manager informed the Council's Manager, City Projects *"that whilst we have remained in contact, DTF (Department for Treasury and Finance) has flagged that your project has not started, and your Grant Deed achievement dates are no longer achievable. As a result, a formal letter will be sent to your CEO from the Treasurer's Representative for a project status update."*

The tender documentation for the Project is due to be completed during the week of 15 May 2023. Subject to the Audit & Risk Committee's recommendation to the Council, the tender process is proposed to commence on Tuesday, 30 May 2023 and extend for a period of six weeks. A Special Meeting of Council has been scheduled for 28 August 2023 to consider the tenders and award a contract for the construction of the Project.

As set out in the Grant Deed, the Project is required to be physically completed by 30 June 2023 and as such, the Treasurer will be requested to approve a formal amendment to the Funding Deed. The existing and proposed Grant Details and Payment Schedule are indicated in **Table 2**.

**TABLE 2: GRANT DETAILS AND PAYMENT SCHEDULE**

	Payment Claim	Executed Funding Deed	Proposed Amendment
<b>Project Commencement Date</b>	-	19 June 2022	1 September 2023
<b>Performance Milestone 1</b>	\$560,000	15 July 2022	30 September 2023
• Construction commenced physically			
<b>Performance Milestone 2</b>	up to \$2,800,000 less previous payments	19 October 2022	31 December 2023
• Demolition and earthworks completed			
• Construction of buildings and swimming pools commenced	(\$2,240,000)		
<b>Performance Milestone 3</b>	up to \$5,600,000 less previous payments	30 June 2023	31 December 2024
• Practical completion achieved			
• Swimming Centre is open and available for use	(\$2,800,000)		
<b>Last Date to Claim</b>	up to \$5,600,000 less previous payments	30 September 2023	30 March 2025
<b>Expiry Date</b>		30 June 2024	30 June 2025
<b>Eligibility Period</b>		23 March 2021 to 30 June 2023	23 March 2021 to 30 June 2025

## OPTIONS

On the basis of the outcome and recommendations contained in the Prudential Report, there is no reason not to proceed with the construction tender for the Project. After the tenders are received and the actual costs are known, the Council will be in a position to consider options to manage the project costs such as reducing the scope (subject to the agreement of the Treasurer in terms of the impact on the cost findings), changing the specifications or working with the preferred tenderer to achieve savings.

## CONCLUSION

The Prudential Management Report identifies that most prudential issues related to the Project are compliant with Section 48 of the *Local Government Act 1999*.

“Improvement Possibilities” have been identified for the following two (2) prudential issues:

- Development Plan: Planning Consent has been granted. An amended planning application will be lodged if required. Building Consent will be undertaken by Trento Fuller once documentation is complete and then Development Approval will be obtained.
- Project Costs: Project costs may be impacted by site contamination, price escalation and supply issues resulting actual tendered prices being different to cost estimates. Following the receipt of tenders, the Council can consider several options to manage the Project costs.

Two (2) other prudential issues have been flagged as “recommended actions to improve compliance, actions that are not yet complete or an element of risk to consider.” These include:

- Recurrent and Whole-of-Life Costs: Depreciation and Finance costs are included in the Long-Term Financial Plan for a capital cost of \$24m. Revised cost estimates anticipate the project cost could be up to \$32.6m. A higher project cost will result in higher depreciation and finance costs. The Council will need to consider and approve a new budget and adjust the Long-Term Financial Plan for the additional costs, or substantially reduce the scope of works which would lead to delays and possible loss of the Grant.
- The Financial Viability of the Project: The Net Financial Liabilities Ratio stays within the Council's targets until year 5, peaking in year 6 and then reducing to the target limit in year 9 without any other changes to LTFP inputs/assumptions.

As stated previously, these factors will be considered as part to the future of its Long-Term Financial Plan.

The Council must give reasonable consideration to the issues and recommendations contained in the Prudential Management Report prior to engaging a building contractor and undertaking the Project.

## COMMENTS

The Prudential Management Report for the Project has been prepared by Ms Corinne Garrett, a suitably qualified person from UHY Haines Norton. Ms Garrett has assessed the prudential issues of which the Council must be aware and consider for the Payneham Memorial Swimming Centre Redevelopment in accordance with Section 48 of the *Local Government Act 1999*.

The detail design and construction documentation for the Project is practically completed. The tender process for a building contractor is proposed to occur over the next couple of months.

The Committee notes that following the receipt and assessment of tenders, a tender selection report will be prepared for the Council's consideration.

## RECOMMENDATION

1. That the Prudential Management Report for the Payneham Memorial Swimming Centre Redevelopment Project dated May 2023, prepared by Ms Corinne Garrett of UHY Haines Norton, be received and noted.
2. That pursuant to Section 48 (4b) of the *Local Government Act 1999*, the Audit & Risk Committee has given reasonable consideration to the Prudential Management Report and recommends that the Council proceeds with the Payneham Memorial Swimming Centre Redevelopment, subject to approval from the Treasurer of South Australia to amend the Funding Deed for the *Local Government Infrastructure Partnership Program* grant of \$5.6 million for the Project.

#### Short Term Suspension of Proceedings

At 7.15pm, with the approval of two-thirds of the Committee Members present, the Presiding Member suspended the meeting proceedings pursuant to Regulation 20(1) of the *Local Government (Procedures at Meetings) Regulation 2013*, for 30 minutes to enable informal discussion to take place regarding the Prudential Management Report for the Payneham Memorial Swimming Centre Redevelopment Project.

#### Resumption of Proceedings

The meeting resumed at 7.43pm.

*Cr Clutterham moved:*

1. *That the Prudential Management Report for the Payneham Memorial Swimming Centre Redevelopment Project dated May 2023, prepared by Ms Corinne Garrett of UHY Haines Norton, be received and noted.*
2. *That pursuant to Section 48 (4b) of the Local Government Act 1999, the Audit & Risk Committee has given reasonable consideration to the Prudential Management Report and recommends that the Council proceeds with the Payneham Memorial Swimming Centre Redevelopment, subject to the Council's approval of the final tender and subject to approval from the Treasurer of South Australia to amend the Funding Deed for the Local Government Infrastructure Partnership Program grant of \$5.6 million for the Project.*

*Seconded by Ms Stephanie Eldridge and carried unanimously.*

**7. CONFIDENTIAL REPORTS**

## 7.1 COUNCIL RELATED MATTER

---

### RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the *Local Government Act 1999* the Council orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

- (a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead); and
- (b) information the disclosure of which –
  - (i) could reasonably be expected to prejudice the commercial position of the Council; and
  - (ii) would, on balance, be contrary to the public interest;

by the disclosure of sensitive commercial and financial information and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

### RECOMMENDATION 2

Under Section 91(7) and (9) of the *Local Government Act 1999*, the Council orders that the report and discussion be kept confidential for a period not exceeding five (5) years and that this order be reviewed every twelve (12) months.

---

*Cr Piggott moved:*

*That pursuant to Section 90(2) and (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Council staff present [Chief Executive Officer, General Manager, Governance & Civic Affairs, Principal Finance Officer, Manager, WHS & Risk and Manager, Chief Executive's Office], be excluded from the meeting on the basis that the Council will receive, discuss and consider:*

- (a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead); and*
- (b) information the disclosure of which –*
  - (i) could reasonably be expected to prejudice the commercial position of the Council; and*
  - (ii) would, on balance, be contrary to the public interest;*

*by the disclosure of sensitive commercial and financial information and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.*

*Seconded by Cr Clutterham and carried unanimously.*

*Cr Clutterham moved:*

*Under Section 91(7) and (9) of the Local Government Act 1999, the Council orders that the report and discussion be kept confidential for a period not exceeding five (5) years and that this order be reviewed every twelve (12) months.*

*Seconded by Cr Piggott and carried unanimously.*

**8. OTHER BUSINESS**  
Nil

**9. NEXT MEETING**  
Monday 24 July 2023.

**10. CLOSURE**

There being no further business the Presiding Member declared the meeting closed at 8.09pm.

---

**Mayor Robert Bria**  
**PRESIDING MEMBER**

**Minutes Confirmed on** \_\_\_\_\_  
(date)