

ITEM NUMBER: 17.1

CONFIDENTIAL REPORT

BRIGHTON OVAL COMPLEX BUSINESS CASE

Pursuant to Section 83(5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- b. Information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and would, on balance, be contrary to the public interest.

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Recommendation – Exclusion of the Public – Section 90(3)(b) Order

- 1 That pursuant to Section 90(2) of the *Local Government Act 1999* Council hereby orders that the public be excluded from attendance at this meeting with the exception of the Chief Executive Officer and Staff in attendance at the meeting in order to consider Report No: XX Brighton Oval Complex Business Case in confidence.

 2. That in accordance with Section 90(3) of the *Local Government Act 1999* Council is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: XX Brighton Oval Complex Business Case on the following grounds:
 - b. pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is proposing to conduct business and would prejudice the commercial position of the Council in possible future negotiations.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

 3. The Council is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.
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Item No: 17.1
Subject: BRIGHTON OVAL COMPLEX - BUSINESS CASE
Date: 12 December 2017
Written By: Community Recreation and Sport Coordinator

Acting General Manager: Community Services, Mr M Rechner

SUMMARY

In order for the redevelopment of the Brighton Oval Complex to be considered for funding through the State Government, Council was required to undertake a full business case addressing the Brighton Oval Complex masterplan alignment to key strategic objectives of the State Government. Following endorsement by Council, this Business Case will be formally submitted to the Office for Recreation and Sport (ORS).

Over the past five months, Council Administration have worked closely with ORS and KPMG Sports Advisory to develop a full Business Case for the Brighton Oval Complex redevelopment. This process has comprehensively defined the opportunities, evaluating the financial, social, and economic impacts and essentially, exploring and evaluating a short list of viable options, ultimately recommending a preferred outcome for external project funding.

Of the three project options considered in this process, the Maximum option (implementation of full endorsed masterplan) achieves the greatest benefit cost ratio (0.75) for the City of Holdfast Bay and South Australia, achieves the highest social benefits (\$5.8m), health system benefits (\$.34m) and consumer health benefits (\$2.8m) compared to the lower cost options.

This Business Case will be used in all grant funding submissions, lobbying to State and Federal Government and to help inform future State budgets.

RECOMMENDATION

That Council endorses the Brighton Oval Complex Business Case for the Full Endorsed Master Plan (maximum option) for the purposes of seeking adequate grant funding from other bodies including State and Federal Government, sporting bodies and other organisations.

COMMUNITY PLAN

Placemaking: Creating lively and safe places

Community: Building a healthy, active and resilient community

Community: Celebrating culture and diversity
Community: Providing welcoming and accessible facilities
Community: Fostering an engaged and contributing community
Culture: Providing customer-centered services
Economy: Boosting our visitor economy

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

Not Applicable.

BACKGROUND

Various plans to redevelop the Brighton Oval Complex have been considered over the years, with numerous designs and concept plans presented. In July 2016, Council endorsed the current Master Plan that subsequently received in principle funding support and is now subject to the Business Case process.

Council resolved at its meeting on 13 June 2017, Resolution No. C130607/801:

1. *Endorse the re-allocation of a portion of the \$100,000 allocated in the 2016/17 budget for detailed design, to develop a Social, Economic and Environmental Business Case for the Brighton Oval Complex Master Plan.*
2. *Provides in-principle funding commitment of a minimum of \$3 million, contributing to the implementation of the Brighton Oval Complex Master Plan subject to receiving adequate funding from other bodies including state and federal government, sporting bodies and other organisations.*

The Office for Recreation and Sport (ORS) recently contracted KPMG Sports Advisory to develop comprehensive resources, tools and templates required to undertake the process of developing a business case for Sport and Recreation Facilities. These resources were finalised in early 2017 to be used by project proponents seeking State Government Funding.

As stated in the ORS guidelines, a full Business Case is now a requirement for seeking State Government funding for major facilities through grant funding programs, Cabinet or the State budget process. The business case process ensures an in-depth analysis and finalised substantiation of the preferred solution that is requiring funding support.

The resources have been developed to support project proponents, in particular Councils and Sporting Organisations, to understand and develop business cases for new and improved sporting facilities. The process is primarily aimed at projects in excess of \$1 million.

Given that State and Federal Government grant funding is extremely competitive and some eligibility criteria have changed for metropolitan Councils, it is vital that we align our funding proposals with Government strategic objectives.

Following approval by Council to proceed with the Business Case, KPMG were engaged in July to undertake development of the full Business Case, in collaboration with ORS and the associated clubs on site.

REPORT

With substantial understanding and knowledge of the importance of community sport infrastructure to deliver positive economic, social and health outcomes to communities, KPMG Sports Advisory were well placed to demonstrate these requirements through the development of a full business case for the Brighton Oval Complex.

Refer Attachment 1

Aligned to ORS's requirements for undertaking a Business Case, KPMG's scope of work included:

- Articulation of the current state of the facility and associated operations;
- Articulation of the case for change for the project (the project rationale) and the project objectives;
- Development of Base Case scenario;
- Development of an external list of potential solutions and strategic evaluation criteria;
- Shortlisting to a set of preferred project options using the evaluation criteria;
- Detailed options assessment of the shortlist options including financial appraisal and cost-benefit analysis using the Social and Economic Benefit Cost Analysis Tool (SEBCAT);
- Identification of the preferred solution for the project;
- Development of an implementation plan for the preferred solution; and
- Development of a Full Business Case Report detailing all of the analysis outlined above.

KPMG undertook extensive research and consultation to ensure all the requirements of the Full Business Case were fulfilled. This included a staged approach:

1. **Project Initiation** – face to face project initiation meeting with Council Administration
2. **Current state and project rationale** – data gathering, consultation with key stakeholders including separate meetings with each of the clubs on site and State Government agencies. Development of current state assessment and case for change, including priority of project and strategic context
3. **Preliminary options assessment** – definition of base case scenario, development of project objectives based on stakeholder feedback, identification of exhaustive list of potential solutions, development of strategic evaluation criteria and shortlist of preferred options for detailed analysis

4. **Detailed options assessment** – development of the demand projections and operating assumptions for the facility, financial appraisal of the options, cost benefit analysis of the options through the use of SEBCAT and identification of preferred solution for the project.
5. **Implementation plan** – detailed description of preferred option, budget human resource impact tables, risk management and procurement management plan.
6. **Reporting and support** – development of draft final business case report for Council endorsement.

Through consultation with Council Administration, the clubs and QRS, KPMG developed key project objectives to be delivered by undertaking the Brighton Oval Complex redevelopment. These are as follows:

1. Healthy, active communities
2. Opportunities for everyone
3. Liveability, vibrancy and the local economy
4. Technical requirements of the sports
5. Amenity and spectator experience
6. Operational efficiency
7. Building compliance

In order to evaluate the merits of investing in the full masterplan, the business case required a thorough investigation of minimum and moderate intervention options to determine the extent to which the project objectives were met by alternative development options.

To fully investigate the short listed options, structural and services condition audits were undertaken on each of the buildings by independent engineers to establish a clear understanding of the current condition of the buildings. This included their compliance with relevant legislation and building codes, and the indicative costs involved to bring them up to compliance and minimum standards required by the sporting codes.

Minimum Intervention

- Minor refurbishment and extension to the existing Rugby and Lacrosse facilities to cater for change facilities (football/cricket change rooms to be located in the rugby clubroom extension)
- 12 month construction phase
- Structural and services compliance of all buildings met
- Lacrosse field lighting upgrade
- Full external works with exclusion to Highet Avenue upgrades
- Full capital expenditure \$3.3m
- Benefit cost ratio of 0.59

Moderation Intervention

- Major refurbishment and extension of each of the existing club facilities to cater for change facilities. Community facility in AFL / Cricket building
- 18 month construction phase
- Lacrosse field lighting upgrade
- Full external works including Highet Avenue upgrades
- Full capital expenditure \$10.1m
- Benefit cost ratio of 0.48

Maximum Option - Full Endorsed Master Plan

- 3 x 2 story buildings including community facilities in each new building
- 36 month construction phase
- Lacrosse field lighting upgrades
- Full external works, including Highet Avenue upgrades
- Full capital expenditure \$17.0m
- Benefit cost ratio of 0.75

For each of the above options, updated and detailed cost estimates were developed by quantity surveyors, Rider Levett Bucknall (RLB). These costings have been included as part of the Section 48 Prudential Report being prepared to determine Council's capacity to invest in the redevelopment.

Importantly, the Maximum Option summarised above, aligns closely and will deliver on outcomes for a number of Local, State and Federal Government plans and strategies. This strategic alignment is outlined in more detail in the business case, but in summary the project helps achieve outcomes for the following:

City of Holdfast Bay

- Our Place 2030 Strategic Plan
- Tourism Plan 2020
- Open Space and Public Realm Strategy
- Social Needs and Community Infrastructure Plan

State Government

- Office for Recreation and Sport Strategic Plan (2017-2021)
- SA Strategic Plan
- 30 Year Plan for Greater Adelaide (2017 Update)

Federal Government

- National Sport and Active Recreation Policy Framework
- Australian Sports Commission – Play.Sport.Australia.

The Maximum Option also achieves strategic outcomes for each of the respective sporting codes, particularly in regards to facility provision, game development and increased participation.

Consultation

KPMG met with the clubs individually on site (Rugby, Football/Cricket and Lacrosse) to discuss the project deliverables and to understand the requirements of the clubs to meet current and future needs, particularly in respect to growing membership and participation.

Clubs were briefed and updated on the progression of the key milestones through the Business case process. This included emails and one on one meetings with Council Administration.

Council Administration met with ORS staff on numerous occasions, including on-site to provide an update on progression of the business case. Any feedback or recommendations provided by ORS staff was communicated back to KPMG for consideration. Further consultation will take place with all stakeholders when funding is received, enabling detailed design of the buildings and surrounds to commence.

To assist in the lobbying for funding support, a summary lobbying document is being prepared to summarise the key strategic benefits and outcomes achieved by investing in and undertaking the project.

This document will highlight key recommendations and findings from the Business Case and will be used to present to State Government Ministers and key departmental staff to seek a funding commitment ahead of the State election. In addition, the business case and lobbying document will also be used in discussions with Federal Government representatives in the lead up to the next Federal election.

BUDGET

Council has committed in principle, a minimum \$3 million for the redevelopment of the Brighton Oval complex, contingent on matching grant funding being received. In addition, Council will undertake the sale of underutilised assets. Through endorsement of the business case, Council will seek a funding commitment from State Government and Opposition, along with the Federal Government to enable the project to proceed. A Section 48 Prudential Report is also being prepared incorporating the Cost –Benefit Analysis findings and cost estimations used in the business case to determine Council's capacity to invest in the redevelopment.

It is anticipated that an additional contribution from Council will be required to implement the full masterplan, as any external grant funding is unlikely to fully fund the current shortfall.

In addition, Council was successful in receiving a \$75,000 grant contribution for the redevelopment of the Football change rooms through the SANFL/AFL's Facility Grant.

LIFE CYCLE COSTS

To be determined based on final option that Council proceeds with.

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