

0.0 Surf Coast Aquatic and Health Centre

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Appendix:

Nil

Officer Conflict of Interest:

In accordance with Local Government Act 2020 –
Section 130:

Yes

No

Status:

Defined as confidential information in accordance
with Local Government Act 2020, Section 3(1):

Yes

No

Reason: Nil

Reason: Nil

Purpose

The purpose of this report is to consider the funding of the Surf Coast Aquatic and Health Centre.

This matter requires urgent attention as discussions with other levels of government have occurred after the Council meeting agenda was issued, indicating that Council will be asked to enter into funding agreements and receive initial project contributions prior to the end of the financial year. It is important to seek Council's direction on this matter to enable such requests to be addressed with urgency.

Summary

Council received notification from the Minister for Local Government that it was successful in its application to the Growing Suburbs Fund Round 2. Council applied for \$4 million and has been granted \$3.5 million. Based on all other commitments including Council's, this leaves a funding shortfall of \$500,000.

Given the unprecedented level of government contributions and the relatively small size of the funding gap for such a significant piece of community infrastructure, it is recommended that Council increases its own commitment by \$500,000 to ensure the project is fully funded and can proceed. It is proposed this is funded from borrowings and would add \$27,000 to the annual debt servicing costs.

Council has previously allocated \$50,000 for development of alternative options should the funding application have been unsuccessful. This project is no longer be required. Council's new challenge is to gather information about the best way to plan and deliver a project of this kind by drawing on sector expertise and the experience of other councils. It is recommended that the allocation be redirected for this purpose.

The project is expected to take approximately three years to complete, opening to the public in 2024.

Recommendation

That Council:

1. Notes that its funding application to the Growing Suburbs Fund Round 2 has successfully secured \$3.5 million towards the Surf Coast Aquatic and Health Centre (Wellbeing Spaces components).
2. Notes its commitment to provide \$5.25 million towards the delivery of the Surf Coast Aquatic and Health Centre Project in the event that its Growing Suburbs Fund application is successful.
3. Notes commitments to the Surf Coast Aquatic and Health Centre Project now total \$38.75 million.
4. Acknowledges the significant financial support from the Australian Government and Victorian Government towards the Surf Coast Aquatic and Health Centre Project.
5. Increases its commitment to the Surf Coast Aquatic & Health Centre Project by \$500,000 and approves total borrowings up to \$4.75 million to complete the required project budget.
6. Authorises the Chief Executive Officer to execute government funding agreements and loan agreements relating to the Surf Coast Aquatic and Health Centre.
7. Notes that project planning will commence upon the establishment of all funding agreements.
8. Notes its prior allocation of \$50,000 to develop alternative plans in the event that its Growing Suburbs Fund application was unsuccessful remains unspent and is no longer required for this purpose; and

0.0 Surf Coast Aquatic and Health Centre

9. Agrees to redirect this \$50,000 allocation to secure advice from suitably qualified aquatic planning consultants on best practice methods for the planning of aquatic and health centre facility projects.

0.0 Surf Coast Aquatic and Health Centre

Report

Officer Direct or Indirect Interest

No officer involved in the preparation of this report has any conflicts of interest.

Background

On 23 February 2021, Council resolved as follows:

That Council:

1. Notes existing commitments to the Surf Coast Aquatic and Health Centre Project being \$20 million from the Australian Government, \$10 million from the Victorian Government and land from Council.
2. Notes, in accordance with its 16 June 2020 resolution, Council has continued to seek additional funding to deliver its endorsed \$38.52 million design, however has not been successful to date.
3. Notes the opportunity to submit an application to the Victorian Government Growing Suburbs Fund, with an upper limit of \$7.5 million.
4. Modifies its endorsed design to meet the eligibility criteria of the Growing Suburbs Fund to include four allied health consulting suites and an office suite with an estimated total additional capital cost of \$750,000 and a neutral operating cost impact.
5. Notes the modified design brings the total capital cost of the project to \$39.25 million.
6. Ratifies the allocation of \$3,000 from the Accumulated Unallocated Cash Reserve for the development of updated plans to support an application to the Growing Suburbs Fund.
7. Authorises the Chief Executive Officer to submit the following application to the Victorian Government's Growing Suburbs Fund (GSF) Round 2:
 - a. Surf Coast Aquatic & Health Centre Project – Total project cost \$39.25 million, Growing Suburbs Fund component project cost \$4 million, Council contribution \$5.25 million plus land, Australian Government contribution \$20 million, Victorian Government contribution \$10 million.
8. Commits to providing \$5.25 million towards the delivery of the Surf Coast Aquatic & Health Centre Project in the event that its Growing Suburbs Fund application is successful
9. Agrees the funding for Council's contribution to the project will be sourced as follows:
 - a. \$1 million from the Gherang Gravel Pits Cash Reserve
 - b. Up to \$4.25 million from borrowings.
10. Authorises the Chief Executive Officer to execute the Growing Suburbs Fund Round 2 funding agreement on behalf of Council should the application be successful.
11. Allocates \$50,000 from the Accumulated Unallocated Cash Reserve to investigate adjustments to Council's endorsed design, operating model and funding strategy for consideration in the event that its Growing Suburbs Fund application is unsuccessful.

The Chief Executive Officer submitted an application – Surf Coast Community Wellbeing Spaces Project (a sub-project of the Surf Coast Aquatic and Health Centre Project) – in accordance with this resolution.

Discussion

Council has been advised that it was successful in securing \$3.5 million from the Growing Suburbs Fund. This is \$500,000 short of the amount requested.

Officers have considered Council's options which include:

- **Reduce the scope or contingency assumptions – not feasible.** These cannot be reduced without compromising outcomes and functions that are essential to minimizing the operating costs. Furthermore, government funding commitments have been made on the basis of all key components of the facility being delivered. Reduction of scope would jeopardise this funding.
- **Seek further funding from external sources – not feasible.** Government funding avenues have now been exhausted. Community fundraising is not considered viable as the funds are unlikely to be generated in the timeframe required and may not be realised in full. Private sector contributions will require negotiations that will take time and, based on consultant advice, will likely require concessions in the operating model/costs or design that underpin the current project assumptions.
- **Increase Council's contribution to the project – feasible.** Council has already made a significant commitment with the majority of funds to be sourced from borrowings. The estimated impact of increasing borrowings by \$500,000 on future budgets is \$27,000 per annum in debt servicing costs. This would bring the projected debt servicing expenses to \$257,000 per annum. This option enables

0.0 Surf Coast Aquatic and Health Centre

the full scope to be delivered, thereby minimising the annual operating expenses, meeting the requirements of funding partners and resolving this long-standing matter in a timely way.

Should the funding gap be bridged with a Council contribution of \$500,000, the project can be properly established with key initial activities being:

- Establishment of funding agreements with Australian and Victorian Governments – there will be three different agreements, all of which must be executed by the parties before any funds are released and the project commences.
- Development of a project charter to initiate the project
- Develop of project plans including all associated sub-plans including stakeholder engagement, communications, risk, procurement and quality management.

Despite the sophistication of Council's project management delivery framework, this project is quite different to others. The recently opened Wurdri Baierr Stadium, which will be integrated with the aquatic and health centre, is the closest type and scale of development. However, at \$13.5 million it is only a third of the cost of the aquatic and health centre, and is a relatively simple design and construction project.

Given the complexities of the aquatic and health centre project, its capital cost, and its long-term financial implications (such as operating costs, renewal expenses) and Councils unfamiliarity with such projects, it is vital that expert guidance and advice is available throughout the project. This has been a feature of the concept development to-date and is now needed as the project moves into a project initiation and planning phase.

At its 23 February 2021 meeting Council allocated \$50,000 to enable alternative options to be exhausted in the event that the GSF funding was unsuccessful. This work is no longer required, however the need now shifts to understanding how to plan the project well so as to maximise all opportunities and minimise risks. Advice required includes:

- Lessons learned from other similar projects – both best practice and mistakes to be avoided
- Project management resourcing (combination of in-house and external)
- How and when to plan for the contracting out of service delivery
- Delivery procurement options
- Other expertise required early in the project (e.g. environmental performance/energy planning)

This report recommends redirecting the \$50,000 allocation to enable Council to secure this expert input early in the project planning.

There will understandably be much interest in this project. It will be important to manage expectations about the likely opening date of the facility. Best estimates at this stage are that the project will take around three years to plan and deliver meaning it would open to the public sometime during 2024. This timeframe will be subject to adjustment during the planning phase and again during construction. It will be addressed via Council reports and communications to the community and stakeholders during the project.

Council Plan

Theme	1	Community Wellbeing
Objective	1.2	Support people to be healthy and active
Strategy	Nil	

Theme	3	Balancing Growth
Objective	3.2	Ensure infrastructure is in place to support existing communities and provide for growth
Strategy	3.2.6	Advocate for supporting infrastructure

Theme	5	High Performing Council
Objective	5.1	Ensure Council is financially sustainable and has the capability to deliver strategic objectives
Strategy	5.1.3	Develop innovative funding partnerships with community, business and government

0.0 Surf Coast Aquatic and Health Centre

Reporting and Compliance Statements:

Local Government Act 2020 – LGA 2020

Implications	Applicable to this Report
Governance Principles (Consideration of the Governance Principles under s.9 of LGA 2020)	Yes
Policy/Relevant Law (Consideration of the Governance Principles under s.9 of LGA 2020)	Yes
Environmental/Sustainability Implications (Consideration of the Governance Principles under s.9 of LGA 2020)	Yes
Community Engagement (Consideration of Community Engagement Principles under s.56 LGA 2020)	Yes
Public Transparency (Consideration of Public Transparency Principles under s.58 of LGA 2020)	Yes
Strategies and Plans (Consideration of Strategic Planning Principles under s.89 of LGA 2020)	Yes
Financial Management (Consideration of Financial Management Principles under s.101 of LGA 2020)	Yes
Service Performance (Consideration of Service Performance Principles under s.106 of LGA 2020)	Yes
Risk Assessment	Yes
Communication	Yes
Human Rights Charter	No

Governance Principles - Local Government Act 2020 (LGA 2020)

This report seeks to provide a way forward on a matter of high importance in an effort to pursue best outcomes for the Shire community, both now and in the future. The design of the facility included the latest innovations in aquatic and health centre planning and addressed the brief established by Council's June 2020 resolution seeking to balance community need with financial viability.

Policy/Relevant Law

The proposal complies with relevant planning and project management policies. The construction of an aquatic centre is included in the 2014 Torquay Community & Civic Precinct Master Plan.

Environmental/Sustainability Implications

The design of the facility includes a range of Environmentally Sustainable Design elements. The Feasibility Study produced by Otium in June 2020 highlights the importance of the aquatic and health facilities to the social sustainability of communities. The scope of works will include further investigations into energy saving measures to bring down the cost of running the facility and to lessen environmental impact in accordance with Council's Climate Emergency declaration and its soon-to-be-completed Corporate Climate Action Plan.

Community Engagement

In February 2021, Councillors received a presentation from the Surf Coast Aquatic and Leisure Centre Action Group (SCALCAG), Torquay Boardriders Club, Torquay and Jan Juc Surf Life Saving Clubs, Surf Coast Swimming Club and Geelong Marlins Water Polo Club. The groups expressed their desire for and needs for an aquatic and health centre, including highlighting the inability of locally available Learn to Swim opportunities to meet demand.

Previous Council reports on this topic have summarised engagement activities, most notably in 2015 through the Testing the Waters project.

The initiation of the project will include the establishment of a Community Reference Group to ensure that relevant user groups and organisations can provide input into the planning of the design and operation of the facility.

0.0 Surf Coast Aquatic and Health Centre

Public Transparency

This report seeks to openly address the remainder of the funding shortfall. Project progress will be communicated via various channels including a dedicated page on Council's website.

Strategies/Plans

The Surf Coast Aquatic and Health Centre Feasibility Study was received by Council in June 2020. The facility is the priority infrastructure project for Council.

Financial Management

Financial considerations associated with this report are outlined in the earlier Discussion section, which noted that the servicing costs of the additional \$500,000 is in the order of \$27,000 per year. It builds on the analysis of financial implications of previous Council decisions outlined in their supporting reports, principally 23 February 2021 and 16 June 2020.

Service Performance

As above, the Feasibility Study provided clear information on the provision of a wide range of services to the community, the operating cost to Council and the implications for the Long Term Financial Plan.

Risk Assessment

There are no identified Workplace Health and Safety implications associated with this report. If Council fails to find a resolution to the current funding challenge there may be some reputational risk to Council that may diminish its chances of securing future major grants, as well as the risk that the community misses out on the benefits offered by the facility, and that relationships with governments are negatively impacted.

Communication

If Council resolves to increase its contribution by \$500,000, the decision will be shared via normal communication channels. There is likely to be interest from funding partners in jointly communicating the initiation of the project.

Options

Option 1 – Increase Council's contribution via borrowings

This option is recommended by officers as it enables the full scope to be delivered, thereby minimising the annual operating expenses, meeting the requirements of funding partners and resolving this long-standing matter in a timely way. This can be achieved for a relatively small increase in annual debt servicing costs.

Option 2 – Reduce the project scope or contingency by the funding shortfall

This option is not recommended by officers as these cannot be reduced without compromising outcomes and functions that are essential to minimizing the operating costs. Furthermore, government funding commitments have been made on the basis of all key components of the facility being delivered. Reduction of scope would jeopardise this funding.

Option 3 – Seek further funding from external sources

This option is not recommended by officers as Government funding avenues have now been exhausted. Community fundraising is not considered viable as the funds are unlikely to be generated in the timeframe required and may not be realised in full. Private sector contributions will require negotiations that will take time and, based on consultant advice, will likely require concessions in the operating model/costs or design that underpin the current project assumptions.

Conclusion

Council has once again been successful at securing government support for social infrastructure. A relatively small increase in Council's proposed borrowings and thus its annual debt servicing expenses is considered a small and manageable price to pay to finally deliver a highly significant facility and deliver on health and wellbeing objectives shared by three levels of government and community.