
16.1 INFRASTRUCTURE & OPERATIONS**16.1.1 REDLAND AQUATIC PRECINCT REDEVELOPMENT**

Objective Reference: A1850439
Reports and Attachments (Archives)



Authorising Officer:
Gary Soutar
General Manager Infrastructure & Operations

Responsible Officer: Lex Smith
Group Manager City Spaces

Report Author: Sven Ljungberg
Program Manager Aquatic & Emergency Precinct

EXECUTIVE SUMMARY

A confidential report from General Manager Infrastructure & Operations was presented to Council for consideration pursuant to Section 275(1) of the *Local Government Regulation 2012*.

COUNCIL RESOLUTION

Moved by: Cr M Elliott
Seconded by: Cr P Gleeson

That Council resolves as follows:

1. To ratify a memorandum of understanding and supporting terms of reference for the Redland aquatic precinct steering committee and to delegate authority to the committee to act in accordance with the TOR;
2. To endorse the business case presented by Deloitte as the project case;
3. To approve the program gateway for Stage 3 project development to commence in favour of the project case; and
4. That this report remains confidential until the official signing of the memorandum of understanding between SLSQ and RCC.


CARRIED 11/0

Crs Boglary, Mitchell, Gollè, Hewlett, Edwards, Elliott, Huges, Talty, Gleeson, Bishop and Williams voted FOR the motion.

REDLAND AQUATIC PRECINCT REDEVELOPMENT

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Attachments: [Attachment A](#)
[Attachment B](#)

Authorising Officer: 
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Report Author: Sven Ljungberg
Program Manager Aquatic & Emergency
Precinct

PURPOSE

The purpose of this report is to seek Council's endorsement of Stage 2 - business case and approve commencement of Stage 3 - project development for the Redland Aquatic & Emergency Precinct redevelopment program, including other activities to support ongoing delivery of the program.

BACKGROUND

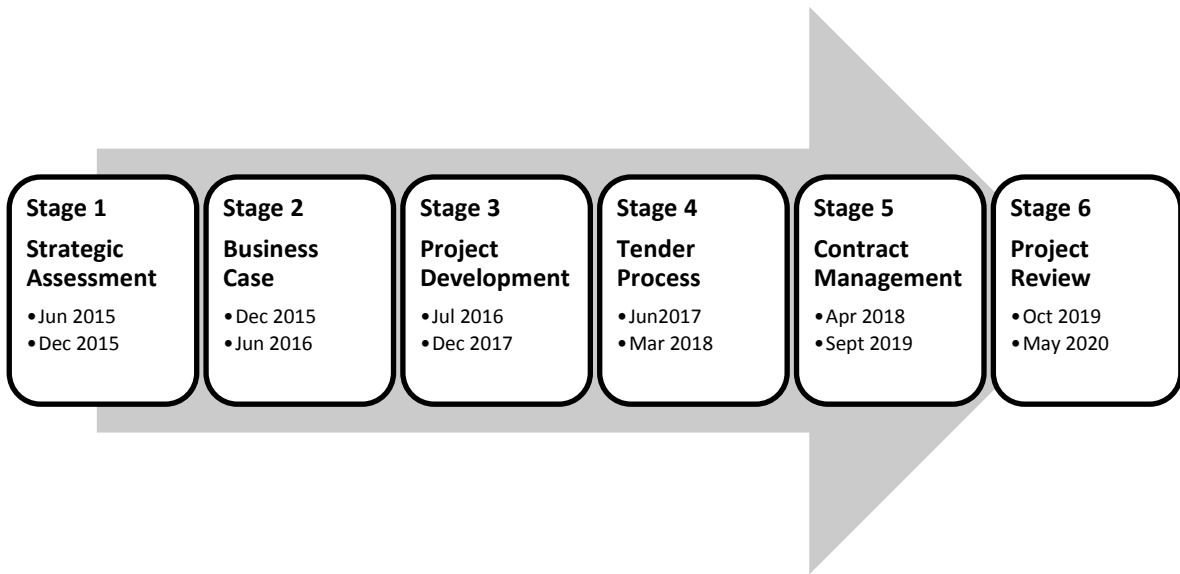
Council entered into preliminary discussions with Surf Life Saving Queensland (SLSQ) in mid-2015, to explore the possibility of a partnership agreement to redevelop the Cleveland Aquatic Centre. It is proposed to relocate SLSQ headquarters and provide an integrated aquatic and emergency precinct at the site.

Council has been presented with a pre-feasibility assessment supported by consecutive background reports detailing the declining condition of the Cleveland Aquatic Centre pools and buildings.

At its General Meeting in a closed session on 9 December 2015, Council resolved to:

1. *approve expenditure to commence project planning including a joint feasibility study with Surf Life Saving Queensland;*
 2. *enter into discussions with the state on acquiring the current site in freehold either through sale or land transfer;*
 3. *enter into a memorandum of understanding with Surf Life Saving Queensland to enable the Board of Surf Life Saving Queensland to jointly explore their investment options; and*
 4. *establish a stakeholder working group with project partners.*
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The proposed program is divided and scheduled into 6 stages in accordance with *Major Projects Guidance for Local Government June 2014* as follows, and aligns with the Portfolio Management Office (PMO) project lifecycle.



Work has progressed on all four resolution items to a point where the business case is ready for:

1. Presentation of an Economic Impact Assessment (EIA) and project proposal to SLSQ's Board of Directors;
2. Approval by Redland City Council (RCC) & SLSQ Board to sign the memorandum of understanding (MOU), and commit to Stage 3 of program;
3. RCC Councillors and SLSQ Board to delegate authority to the Redland Aquatic Precinct Steering Committee in accordance with the MOU & steering committee terms of reference (TOR);
4. Initiate Stage 3 - project development.

Stage 3 - project development will see delivery of the following aspects of the program:

1. project launch and project portal activated;
2. stakeholder consultation (all precinct users);
3. community user survey (pre-consultation);
4. design development and specialist consulting input;
5. stakeholder signoff (gateway review);
6. community consultation (master plan);
7. planning approval;
8. relocation and partnering activities;
9. joint development agreement;
10. land tenure secured through exchange;
11. grants applications prepared and submitted for shovel ready project.

ISSUES

Item 1

Deloitte Access Economics were jointly commissioned to prepare an EIA, with cost benefit analysis (CBA) and computable general equilibrium (CGE) regional modelling to look at options to replace the pool based on two scenarios:

1. **Base case** - like for like renewal staged over a 10-year period;
2. **Project case** - complete replacement of entire facility at once.

In line with the business case program objectives, the EIA was to investigate if it were possible to:

- (2) *Achieve an operationally cost neutral asset for RCC and profitable asset for SLSQ to enable future investment in the Redland and surf life saving community.*

This work was conducted by Deloitte Access Economics and presented to Council in a workshop on 28th June 2016. It was demonstrated that, with a medium visitation scenario of 280,000 people per annum, the project case would in fact be cash flow positive for the operator.

The two scenarios modelled by Deloitte's both demand different capital inputs, with different operational and maintenance outcomes for Council. This is summarised below:

Base case (RCC only aquatic facilities):

- \$16.9m capex (undiscounted);
- higher opex (approx. \$640K per annum);
- ongoing management fee;
- construction and some operational risk;
- total cost to council is estimated to be \$19.8 million in NPV terms (7% real rate).

Project case (supports a partnership with SLSQ):

- \$20.1m capex (undiscounted);
- lower opex (\$746K total tapering to \$0 over 5 years);
- no management fee;
- construction risk;
- total cost to council is estimated to be \$15.9 million in NPV terms (7% real rate);
- net cost savings to Council under medium visitor scenario.

The base case and project case analyse the project from an aquatic perspective, to provide a basis for comparison (apples for apples). They do not include the significant benefits that are possible through a partnership with SLSQ. These include:

- deep water rescue pool, funded by SLSQ, with moveable floor and wave maker - when not in use by SLSQ, this pool is additional program space for public swimming and activities;
- expanded gym facilities and crèche funded by SLSQ;
- SES headquarters and storage building funded by SLSQ;
- integrated aquatic and emergency management precinct - first of its kind in the world (funded by SLSQ, fitout by RCC);
- 100-130 FTE permanent positions+ 70 FTE during construction;
- employment, educational and training opportunities for Redland community through the SLSQ centre of excellence and college.

This report seeks support for the project case scenario, as defined in the program business case and EIA report, enabling the partnership with SLSQ to proceed to the next stage.

During the workshop discussion, councillors expressed a desire to consider within the scope of this program, improvements to the leisure pool to maximise visitation and ensure commercial success. Given the scale of the development, and site closure during construction; it would be an opportune time to consider this for inclusion within the overall scope.

As a result of this discussion, it is proposed that concepts be explored to look at gaps in water-based activities, such as slides, wave pools, wave riders and provide indicative costings for this additional scope of works. This will be brought back to council for consideration at a later date. There is also opportunity for community input using the proposed community survey to feed back into the design development process.

Item 2

Land tenure is currently being negotiated with the state government (Department of Natural Resources & Mines - DRNM), with council seeking a land exchange to secure freehold title. In principle support for a land exchange has been agreed, subject to native title issues being resolved.

The land to be offered for exchange would be of an open space recreation use designation and, as Council would be trustee for such land, it is framed as a win-win scenario, ensuring the open space is secured in perpetuity with the state with council acting as trustee.

Native title issues are presently being addressed through RCC legal team and a submission prepared for the Native Title Committee. Pending a determination from the committee, parcels will be identified on a like-for-like unimproved valuation and use basis. These options will be brought to council through a separate report once DNRM requirements are met.

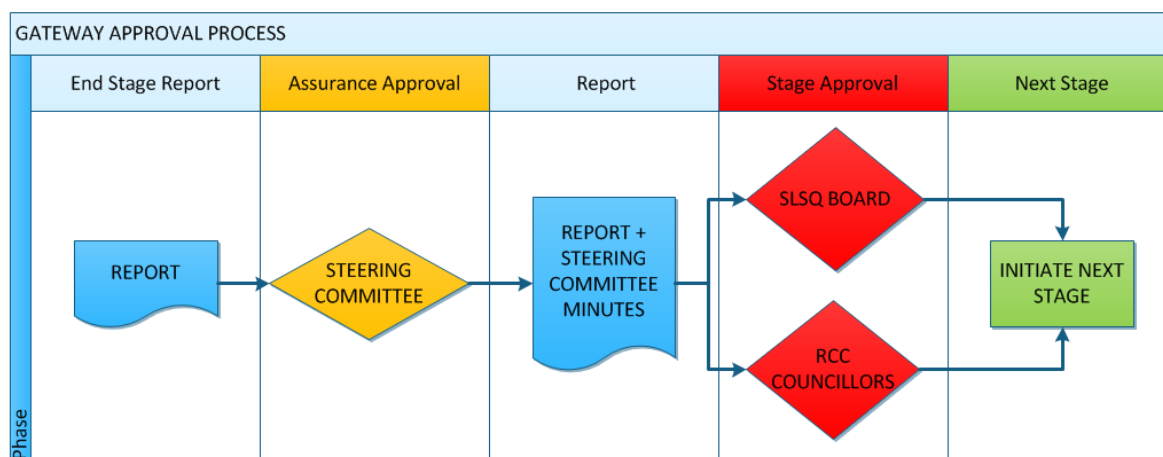
Item 3

The MOU draft has been prepared in consultation with SLSQ and is ready for signing. The MOU (attachment A) articulates the terms of the agreement, program stages, and joint responsibilities up to the end of Stage 3 - project development.

It is proposed that RCC and SLSQ form a steering committee to govern the program delivery. As an appendix to this MOU, the steering committee TOR are detailed (attachment B). The program plan details the overall program approach, and is supported by a communications management strategy, risk management plan, risk register and stakeholder register.

Formal signing of the MOU will initiate the communications project launch, project portal and pre-consultation activities, such as the community pre-consultation survey.

During Stage 3 of the program, the commercial terms of the partnership will be drafted in a joint development agreement (JDA), outlining procurement and contract management, operational and lease details for the following Stages 4-6. This will be the subject of a gateway approval process, and brought before councillors for approval in a report. This is illustrated in the flow diagram below.



Item 4

Project governance has been established and workshops have been held with internal and external stakeholder reference groups. The project governance structure consists of:

- Redland aquatic precinct (RAP) steering committee;
- RAP internal reference group;
- RAP external reference group;
- RAP working group.

The RAP steering committee shall comprise the Mayor Redland City Council and CEO Surf Life Saving Queensland as joint project sponsors, SLSQ board member appointed to the project, senior user - Service Manager City Sport & Venues (RCC), senior supplier – client's representative Craig Chandler Architect (SLSQ) and ELT representative General Manager Infrastructure & Operations (RCC) in accordance with RCC PMO project and program management framework.

The RAP internal reference group representing internal suppliers to the program and consists of council officers, acting as subject matter experts (SMEs), project managers or delivery team managers.

The RAP external reference group consists of members of Queensland Fire & Emergency Services (QFES), Queensland Ambulance Service (QAS), State

Emergency Service (SES) and Local Disaster Management Group (LDMG). This group will expand in program stage 3 to include other site users such as swim squad and club, skate park users and the broader community of precinct users.

A RAP working group is established consisting of senior user – Service Manager City Sport & Venues (RCC), senior supplier – client’s representative Craig Chandler Architect (SLSQ), program manager (RCC), and project managers for individual projects under the program.

STRATEGIC IMPLICATIONS

Legislative Requirements

Nil.

Risk Management

The program is managed through a separate risk management plan, using RCC enterprise risk management framework, and bespoke best practice program risk management plan.

RCC’s risk exposure rests primarily in construction risk, shared somewhat with SLSQ in partnership. Operational risk is largely with SLSQ.

Financial

This report commits council to the 16/17 FY budget expenditure for consulting services delivering design development of the proposal, and community consultation activities. This budget is already approved (\$1.442M).

Consideration of the finance strategy for the program funding will be the subject of further investigations with Finance and presented separately. It is expected that funding will be from borrowings, including the potential for funding from state and federal government departments. Preliminary advice suggests this will not adversely affect Council’s key financial benchmarks, KPIs or debt servicing ratios.

People

The program and its component projects will use existing contract and permanent council officers, creating no new positions. The delivery of Stage 3 will rely heavily on external consultant and project partner (SLSQ) input.

Environmental

Nil.

Social

The program demonstrates Council delivering inter-generational community infrastructure, with considered and targeted community consultation throughout the design development and master plan phases.

Alignment with Council's Policy and Plans

The proposal aligns with Council’s Corporate Plan through:

6. Supportive and vibrant economy by:

- Supporting infrastructure that encourages business and tourism growth

7. Strong and connected communities by:

- maximising community benefit from improving access to sport and recreation activities; and
- improved preparedness for disasters through education, training and strong partnerships between Council and other agencies.

CONSULTATION

Consultation was held with:

- General Manager Infrastructure & Operations in relation to program approach, finance strategy, in addition to the Finance Manager - Business partnering;
- Service Manager City Sport & Venues was consulted in relation to EIA, community and client relationship management and ongoing pool management through the current operator;
- Director - PMO was consulted in relation to the gateway approval process, overall program approach and supporting program documentation;
- External stakeholders including: SLSQ, QFES, QAS, SES & LDMG have been consulted through a workshop process;
- Legal Counsel;
- Communication Engagement & Tourism;
- Department of Natural Resources & Mines;
- Councillors through workshop on 28 June 2016.

OPTIONS

Option 1

That Council resolves to:

1. Ratify the MOU and supporting TOR for the RAP steering committee and delegate authority to the committee to act in accordance with the TOR.
2. Endorse the business case presented by Deloitte as the project case.
Approve the program gateway for Stage 3 project development to commence, in favour of the project case.
4. Retain this report in confidential until official signing of MOU between SLSQ and RCC.

Option 2

That Council requests further information.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To ratify a memorandum of understanding and supporting terms of reference for the Redland aquatic precinct steering committee and to delegate authority to the committee to act in accordance with the TOR;
2. To endorse the business case presented by Deloitte as the project case;
3. To approve the program gateway for Stage 3 project development to commence in favour of the project case; and
4. That this report remain confidential until the official signing of the memorandum of understanding between SLSQ and RCC.