

### 11.3 Marino Hall Section 48

<b>Report Reference</b>	GC230228F11.3
<b>Originating Officer</b>	Registered Architect Strategic Projects – Birgit Stroeher
<b>Corporate Manager</b>	Manager City Activation – Charmaine Hughes
<b>General Manager</b>	General Manager City Development – Tony Lines

### CONFIDENTIAL MOTION

That pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Chief Financial Officer, Manager Office of the Chief Executive, Unit Manager Governance and Council Support, Governance Officer, Manager City Activation and Project Design Advisor be excluded from the meeting as the Council receives and considers information relating to Marino Community Hall prudential report, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information including financial figures and concept designs.

### REPORT HISTORY

<b>Report Reference</b>	<b>Report Title</b>
GC260618F01	Potential Property Acquisition at Marino
GC180828M02	Preliminary Options for Marino Hall and Land at 2 Bakewell Crescent
GC181211R08	Marino Hall Preliminary Development Options
EMF190521R05	Marino Hall Preliminary Development Options Update
SGC200729R01	Marino Hall Redevelopment Feasibility Options
GC201124R12	Marino Community Hall – Community Consultation Update and Project Progression
EMF221122R02	Marino Community Hall Project Update
FRAC221213F6.1	Marino Community Hall Draft Section 48 Report

### REPORT OBJECTIVE

To provide a Section 48 prudential report as required under the Local Government Act to the Council for review. The report prepared relates to the Marino Community Hall project.

### EXECUTIVE SUMMARY

The Marino Community Hall project is listed within the City of Marion's (CoM) 2019/23 Business Plan as a project and included as a [REDACTED] project in the endorsed Annual Business Plan 22/23 in June 2022. Community consultation was undertaken to inform Council on the project scope and detailed designs including a feasibility and business case were completed.

Council provided endorsement in 2021 to proceed with detailed design in readiness for 50% partnership funding and tender to the market in the first quarter of 2023.

Council also endorsed Administration to proceed with a Prudential Report. The draft Section 48 report was tabled and endorsed at the Finance Audit and Risk Committee on the 13 December 2022.

Administration engaged BRM Advisory as consultants to prepare a Section 48 report to review Administration's prudential activities in relation to progressing with the upgrade of this project. **Refer Attachment 1.** The Section 48 report is in accordance with the Local Government Act and examines the project in its entirety in the following key areas:

- Relationship with strategic management plans.
- Objectives of the Development Plan.
- The project's potential contribution to the local economy.
- Consultation that has been undertaken with the local community.
- Potential risks and mitigation strategies.
- Financial Assessment: implications, viability and sustainability of the project both in the short and long term.
- Project delivery.

The Section 48 report states that all Prudential requirements have been met. The draft report was tabled at FRAC in December 2022 and the report commentary addresses items raised for consideration.

## **RECOMMENDATION**

**That Council:**

1. **Notes that the Section 48 Prudential Report addresses all requirements under the Local Government Act 1999.**
2. **Adopts the Section 48 Prudential Report and confirms the report adequately addresses the following issues in relation to the Marino Community Hall project:**
  - a. **The project supports Council's strategic objectives.**
  - b. **The project aligns with the objectives of the Council's Development Plan.**
  - c. **Assessment of the potential economic impacts of the project.**
  - d. **The level of consultation identified for the project.**
  - e. **The assessment of the project's risks and the appropriateness of the mitigation strategies developed.**
  - f. **The project's financial viability in the short and long term.**
  - g. **Council's capacity to deliver the project within its financial sustainability targets.**
3. **Notes the cost increase to [REDACTED] and endorses an additional [REDACTED] to be incorporated into the 2023-24 budget, totalling Council's commitment to [REDACTED] for the [REDACTED] project.**
4. **In accordance with Section 91(7) and (9) of the Local Government Act 1999, orders that the attachments and any financial figures within the report and minutes arising from this report 'Marino Community Hall prudential report', having been considered in confidence under Section 90(2) and (3)(b)(i) and (ii) of the Act be kept confidential and not available for public inspection upon the basis that the information contains commercial information including financial figures and concept designs. This order is to remain in force until such time as it is reviewed, at which time a further order of confidentiality may be made. This confidentiality order will be reviewed at the General Council Meeting in December 2023.**

## DISCUSSION

The City of Marion Strategic Plan 2019-2029 highlights Council's 10-year plan to provide excellent facilities that meet the present and future needs of the community.

In recent years, Council has taken significant steps towards achieving this strategic goal, developing new facilities at Mitchell Park Sport and Community Centre (MPSCC) (2022), Edwardstown Soldiers' Memorial Recreation Ground (ESMRG) (2019), Morphettville Park Sporting Club (2019), and the BMX facility and Southern Regional Soccer Complex at Majors Road.

The Marino Community Hall is in the southern area of the City of Marion at 44 Newland Avenue, Marino. It will provide a vibrant integrated arts and community facility providing economic and social benefit to the region's community.

Marion Council is seeking to reinvigorate local health, social, education, and creative industries by building a new community facility. The Marino Community Hall will address the shortage of fit for purpose creative facilities in southern Adelaide and be a hub for new community events.

## Background

On 30 July 2018, Council acquired the land at the rear of the Marino Hall located at 2 Bakewell Crescent, Marino. The purchase of the additional land facilitates the opportunity to expand Marino Hall to complement the services provided to the community in Southern Adelaide.

In 2018, Council endorsed to undertake a feasibility study on options to redevelop the Marino Hall to complement the existing services and provide a fit for purpose facility to accommodate additional community programs.

The modern centre will be built on the site of an ageing existing facility which will continue to require extensive maintenance and is at the end of its useful life. It can no longer meet the needs and expectations of the community. This project will provide numerous social benefits through the delivery of arts, multicultural and social programs increasing community participation across all ages of the region's population profile. This includes programs that support people who are socially isolated, new arrivals, multicultural groups and people with disabilities.

An extensive community engagement process was conducted in 2019 and the feedback themes assisted in informing the concept proposal for the site.

At the General Council meeting dated 29 June 2020, Council endorsed the full rebuild concept design option then costed at [REDACTED]. Council also endorsed a commitment to fund 50% of the project cost.

The Marino Community Hall Committee will continue to manage the facility. They manage and attract a range of community-based hirers for the facility. The new facility will have a more efficient floor plan and some additional spaces to support the facility's functions now and into the future. Council's Community Connections team will also collaborate with the Hall Committee on aligned program delivery opportunities in the new facility.

## Project Outcomes

The current facility is not fit for current purpose – it requires significant investment and cannot support future needs.

The analysis and benchmarking undertaken as part of the City of Marion Property Asset Strategy (CoMPAS) project identified the level of community facilities within Marion and outlined a deficit in community facility floor area. The Marino Hall redevelopment is listed as a project that will provide needed service delivery in the western Marion community which is not in close proximity to our existing neighbourhood centres.

The new Marino Community Hall will address the need for several segments of the community supporting the following range of social outcomes and services:

- Provide a centre for arts, performance, recreation and community activities.
- Address the gap in supply of arts and cultural facilities across all ages.
- Support people of all ages to be involved in community groups and meet the high demand for people who are ageing.
- Enable people of all socio-economic backgrounds to participate in activities and pursuits through the provision of well apportioned multi-use activity spaces.
- Be a welcoming place for young people and meet the high demand for space for hobby groups amongst young people.
- Be utilised by a range of community, multicultural clubs/groups and individuals.
- Provide opportunities to improve the community's physical, mental and spiritual health and wellbeing through the centre's programs and services.
- Create opportunities for younger and older people to connect and interact.

Performance and community facilities play an important role in supporting, developing and celebrating social and cultural vitality in our communities through group and individual activities, events and programs.

Physical changes to the site will include the construction of a new building, off street car parking and landscaping elements. There is space for a community café and hireable spaces for occupation by small businesses such as fitness trainers, creative industries groups, performance groups and general community use. The surrounding car park and decking spaces can support community events.

The proposed facility comprises of:

- A main hall that can be divisible for smaller groups or for performance including a stage
- A multipurpose activity space
- Kitchen facilities
- Community operated café
- Gallery/studio space
- Amenities
- Outdoor decking
- Car parking and landscaping
- Roof mounted solar panel system and stormwater retention tank

## Community Consultation

The concept design formed the basis for community consultation undertaken in October 2020. This consultation assisted in refining the current design prior to seeking partnership funding.

A report outlining the community feedback was noted at the 24 November 2020 General Council meeting prior to completing the Section 48 prudential report.

Following the closure of the consultation, analysis was undertaken of the community feedback:

### Communication Approach

- 4 x sponsored social media posts reaching a total of **3,759** views.
- (Email newsletter) sent to key stakeholder involved in past consultations in Marino area – this e newsletter was sent to **72** registered participants with an open rate of **62%**.
- Flyer distribution to **935** households across the suburb of Marino.
- 2 x emails sent to Seacliff Kindergarten, Marino Early Learners and Seacliff Primary School to notify of consultation and seek support in distributing through school communications.
- E-newsletter distributions by the 5049 Coastal Community Association.

- Social Media post distributed by the 5049 Coastal Community Association.

#### Community Feedback

- There were **293** visitors to the consultation website.
- **46** people completed the survey.

The feedback provided indicates most people agreed overall that the concept met the objectives of the principles including sufficient flexible space, improving car parking, fit for purpose and contributing to local character.

The large hall space was of most importance to people who responded, followed by the café and studio space.

Feedback was received from a wide cross section of both current users and non-users of the Hall. A broad cross section of community groups participated in the survey from exercise and fitness groups to community garden members, committees, and school.

The design addresses the majority of the feedback received and subsequent updates on the design were included on the Making Marion page. Throughout the documentation phase the project team have liaised with the community hall committee and responded to feedback received by them and other stakeholders. This is aligned with the KPMG Community Consultation Internal Audit report recommendations tabled in November 2022.

### **Section 48 Prudential Report**

Section 48 of the Local Government Act 1999 (the 'Act') requires Council to consider a report for any project where the expected capital cost is likely to exceed [REDACTED] indexed over the ensuing 5 years and addresses several key prudential issues.

A Section 48 prudential report was commissioned from BRM Advisory and is attached as Attachment 1. The report considers the requirements under the Act, in particular the financial viability and sustainability of the project. The Section 48 makes the following observations, however, importantly confirms that all the Prudential requirements have been met:

#### **Section 2.1 Relationship with strategic management plans**

##### **Requirements of Section 48 (2) (a) have been met.**

CoM should ensure that provisions for the project are included in future updates of the Asset Management Plan. The existing facility is well used and it is envisaged to increase further due to the new accommodation provided and the increase in residents resulting from the Villawood development underway nearby. Council's Community Connections team will collaborate with the Hall Committee to provide advice on maximising programming opportunities at the site.

#### **Section 2.2 Requirements of the Development Plan**

##### **Requirements of Section 48 (2) (b) have been met.**

An application for Development Approval has been lodged and approved.

While the proposal broadly accords with the planning intent for the Zone, the adequacy of car parking provision was a key consideration in the development assessment. A traffic, parking and access study conducted by consulting firm Cirqa concluded that the parking shortfall is manageable in the context of the timing of activities at the Hall. The potential to increase on-street parking on Newland Avenue by relocating a bus stop and the future Newland Avenue streetscape upgrade could increase on-street parking further, decreasing the risk of any significant spill over onto surrounding streets during large scale events.

During the public notification period for the development application, one representation was received regarding the car park driveway location and this was responded to by the project team.



The member of the public did not 'wish to be heard'. The project was subsequently assessed post the FRAC meeting and planning approval obtained on 19 December 2022, under delegated authority by Council's Planning assessment team.

### **Section 2.3 Contribution to Economic Development**

#### **Requirements of Section 48 (2) (c) have been met.**

No additional observations made.

### **Section 2.4 Level of Consultation**

#### **Requirements of Section 48 (2) (d) have been met.**

It was noted that ongoing engagement by Council will occur at intervals informing the community on progress during the construction phase.

### **Section 2.5 Revenue, Revenue projections and Potential financial risks**

#### **Requirements of Section 48 (2) (e) have been met.**

When CoM can confirm external federal grant funding for the Project, the Risk Register will need to be updated to reflect potential financial risks of any grant conditions to be determined in the deed, not being met. Minister McBain MP for Regional Development, Local Government and Territories released a media statement on 5 November 2022 advising that the federal grant funding (■■■■■) had been confirmed. On the 19<sup>th</sup> Feb 2023, CoM received an invitation to apply for ■■■■■ of funding from the federal government. On successful completion of this application, the Council will be able to sign a funding deed.

### **Section 2.6 Recurrent and Whole of Life and Financial Arrangements**

#### **Requirements of Section 48 (2) (f) have been met.**

Recurrent costs have been estimated by CoM administration to be ■■■■■ per annum. Servicing the loan for Council's contribution is anticipated to be ■■■■■ annually over the ten-year term of the loan.

The modelling of recurrent and whole of life costs should be updated once the final capital costs are known. The existing building write down value is ■■■■■. It should be noted that the Marino Hall Committee will continue to be responsible for all day-to-day general maintenance as well as the operating costs of the facility. Council will be responsible for structural repairs and maintenance.

It should be noted that the Federal Government has confirmed that the grant funding amount has increased to ■■■■■ from the original ■■■■■ and that the pre-tender estimate for the project as of 20 February 2023 is ■■■■■, which will slightly increase the loan costs for Council.

### **Section 2.7 Financial Viability**

#### **Requirements of Section 48 (2) (g) have been met.**

No additional observations made.

### **Section 2.8 Risk Management**

#### **Requirements of Section 48 (2) (h) have been met.**

The effectiveness of the controls for risks with a residual rating of 'High' and 'Medium' will be kept under review in accordance with Council's Risk Management Framework. Regular updates to the

risk register will be undertaken as the project moves through the design, construction and commissioning phases.

## Section 2.9 Project Delivery

**Requirements of Section 48 (2) (i) has been met.**

No additional observations made.

## Section 2.10 Sale or Disposition of Land

**Requirements of Section 48 (2) (j) are not applicable to this Project.**

## Programme

The project programme is below, outlining key milestones.

Feasibility and business case phase	Completed 2019
Concept design phase	Completed 2020
Design development phase	Completed 2021
State Government partnership funding secured	Completed 2022
Detailed design and documentation, development approval	August 2022 - February 2023
Section 48 Prudential report for Council endorsement	February 2023
Federal Government partnership funding deed finalised	Anticipated March 2023
Tender (2 stage) process	January - April 2023
Construction	May 2023 - March 2024
Defects liability period	March 2024 – March 2025

## Project Cost

The cost estimate includes cost associated with the design and construction of the redevelopment. These are as follows:

- Design and construction contingencies
- Escalation of costs to construction tender
- Foreseeable Market trends and conditions
- Fees and levies
- Project scope
- Builder's margin and preliminaries

The original estimated project budget was [REDACTED] based on the concept design in January 2021. As a result of the national and global market conditions, construction projects have experienced significant cost escalation and delays as a result a shortage of available materials and labour.

The project budget noted in the 2022/23 Annual Business Plan is [REDACTED]. This budget is based on the January 2022 project estimate, on then known market trends.

The cost estimate dated October 2022 and presented to FRAC in December 2022, was [REDACTED], which considered the documented project scope for construction in May 2023. The bulk of expenditure is projected to be in the 2023/24 financial year. The budget was supported by [REDACTED] State Government and [REDACTED] Federal Government funding offer, requiring a contribution of [REDACTED] by CoM.

The proposal provided to the Council Forum in November 2022, noted an increase in civil costs associated with the car parks and set back requirements to neighbours due to the topography of the site. There were also additional escalation costs due to national and global market trends regarding labour, supply and transport costs.

It should be noted that the Federal Government funding invitation has now been received, with CoM invited to apply for [REDACTED] funding, an increase of [REDACTED].

The Council has now received a further cost estimate dated 20 February 2023, pending the pre-tender estimate in March 2023. The projected overall cost has increased to [REDACTED] an increase of [REDACTED]. This increase has arisen as:

- a result of scope increase agreed at the November 2022 Elected Member Forum (future café provisions, storage provision for 5049 group and recycled concrete slab content) [REDACTED]
- required increased in acoustics specification for the performance hall to meet the required acoustic category for this specialised environment [REDACTED],
- other general design resolution changes to reach 100% detailed design (includes necessary changes in roof specification, stormwater and detailing of internal finishes) [REDACTED]
- Escalation costs due to ongoing market conditions [REDACTED]

Current funding commitments:

- [REDACTED] State Government deed signed and committed.
- [REDACTED] Federal government, funding deed process underway.
- [REDACTED] Council commitment funded through borrowings, in the Annual Business plan.

Whilst there has been an increase in the projected cost as at 20 February 2023 to [REDACTED], Council will receive an additional [REDACTED] through the Federal Funding. This requires Council to endorse an additional CoM budget of [REDACTED] for a full commitment of [REDACTED], which is approximately a 50% partnership funding model with State and Federal governments.

The project will be tabled at a General Council meeting in March 2023, once tender documentation is 100% complete and a pre-tender estimate has been finalised. As part of the tender evaluation a financial check will be undertaken on the shortlisted contractors. The project has been documented and elements selected where possible for local or national supply to minimise risk of any potential supply chain issues influenced by global factors.

## CONCLUSION

The Section 48 Report demonstrates that the City of Marion has the capacity to deliver the Marino Community Hall project for the future operation of the facility and that the project risks have been identified and appropriate strategies to mitigate risks have been developed and will continue to be monitored.

## ATTACHMENTS

1. Attachment 1 - Marino Community Hall Prudential Report - November 2022 [11.3.1 - 34 pages]