



City of Marion

Section 48 Prudential Report:

Marino Community Hall Redevelopment

November 2022

B U S I N E S S • R E S O U R C E • M A N A G E M E N T



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**BRM ADVISORY  
BUSINESS RESOURCE MANAGEMENT**

**Level 8, 420 King William Street, Adelaide SA 5000  
Tel 08 8168 8400 Fax: 08 8168 8499**  
ABN: 65 067 721 797

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## EXECUTIVE SUMMARY

The following report has been prepared for the City of Marion (CoM) to review its prudential activities in relation to the Marino Community Hall (Hall) redevelopment.

The original Marino Community Hall was built in 1940s/50s and is currently used for a range of regular activities, programs and events, and private rental. While much loved by the local community, the ageing facility is slated for a major upgrade and reconfiguration of spaces to meet the changing needs of the community.

The Project comprises the demolition of the existing Hall and the construction of a larger facility which will include a large main hall, separate activity space, café, gallery space and ancillary facilities.

The design has been informed by two rounds of community consultation and a feasibility study, which was considered by council in July 2020. At this meeting Council resolved to proceed with a full rebuild at a budget of up to \$5 million, with Council to commit \$2.5 million subject to receiving a matching external funding commitment.

Council has received \$500K of funding from the State Government, and is working with the Commonwealth Government to formalise a funding commitment of \$2.5 million that was made during the 2022 federal election campaign.

In June 2022, the project, with an estimated capital cost of \$6.0 million and a council contribution of \$3.0 million, was included in the Long Term Financial Plan, and 2022/23 Annual Business Plan and Budget. In October 2022, updated costings estimated the total construction cost to be \$6.37 million.

The most common financial risk in relation to the development of community buildings is ensuring the budget is sufficient to deliver the Project within community and stakeholder expectations. In this instance, given the current cost estimate is already in excess of the agreed project budget there is a residual risk that additional funding may be required to complete the Project.

Another key risk is difficulty in securing Development Approval given the project's inability to meet Planning and Design Code requirements for on-site car parking. Although the number of car parking spaces will be increased from 22 to 29 by the project, there will be a theoretical car parking shortfall of 54 spaces given the increase in building floor area. While there are a number of potentially mitigating factors, failure to secure Development Approval and/or the need to reconfigure the site could introduce delays and uncertainty to the project.

### **Summary Conclusion:**

Noting that uncertainty associated with funding, final costings and planning approval, a reasonable level of 'due diligence' has been applied to the Project at this stage of the project lifecycle.

### **Key Observations:**

- There is a risk that additional funding will be required from CoM to deliver the Project. The Long Term Financial Plan should be updated once the final costings for the Project have been confirmed. A resolution of council will be needed to confirm council's additional financial contribution to the project.
- The failure to secure planning approval, and/or the need to reconfigure the site to accommodate additional car parking spaces could delay the project and increase the cost.

## PRUDENTIAL REVIEW KEY FINDINGS

S48	Description (2)	Prudential Review Comments	Management Comments
(a)	The relationship with <b>strategic management plans</b> .	CoM has included references to the project in both the four-year Business Plan and the current Annual Business Plan.  The redevelopment of the Hall is also listed within the committed capital renewal program within the Buildings and Structures Asset Management Plan. CoM should ensure that future updates of Asset Management Plans reflect the change in the nature of the asset post Project completion.  Whilst not specifically mentioned in the CoM Strategic Plan or Community Vision, the Project is broadly aligned to the liveability and connected community pillars. The project is also consistent with a number of State Government Plans, including the Arts and Culture, and Public Health Plans.	Noted
(b)	The objectives of the <b>Development Plan</b> .	An application for Development Approval has been lodged.  While the proposal broadly accords with the planning intent for the Zone, the adequacy of car parking provision is expected to be a key issue in development assessment. We note that a traffic, parking and access study conducted by consulting firm Cirqa concludes 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 current car parking arrangements where a theoretical shortfall does not result in significant spill over onto surrounding streets.	Noted and to be reviewed as part of the planning approval process.
(c)	The expected contribution of the project to the <b>economic development</b> of the local area. The impact on <b>businesses carried on in the proximity</b> . How the project should be established in a way that ensures <b>fair competition</b> in the marketplace.	CoM has quantified the expected economic impact from the construction phase of the Project on the local and national economy using the REMPLAN Economic Impact Model. This assessment has identified a total economic impact of \$9.19 million and the creation of 26 jobs during the construction phase, based on the direct construction costs and the flow-on demand for goods and services along the supply chain generated by the project.  We do not expect that businesses in the proximity will be materially negatively impacted by progression of the Project during construction, nor will the Project impact on Fair Competition in the marketplace.	Noted

S48 (2)	Description	Prudential Review Comments	Management Comments
(d)	The level of <b>consultation</b> with the local community and the means by which the community can influence the project.	<p>The consultation processes undertaken have been in accordance with the CoM Public Consultation Policy, which commits to appropriate levels of community engagement before making significant decisions and provides council with discretion regarding consultation methods for projects of this kind.</p> <p>Council has undertaken two rounds of consultation using a range of methods, provided regular updates to the community and generated feedback that has informed the design. It is noted that community groups have expressed a strong desire to be kept informed and involved in the project as it progresses.</p>	Noted
(e)	<b>Revenue projections and potential financial risks.</b>	<p>The only recurrent revenue stream that council can expect from the project is its heavily subsidised rent from the Hall Committee, which is immaterial in the context of council's other revenue streams.</p> <p>The Project Risk Register identifies a number of potential financial risks and appropriate controls to mitigate against CoM's risk exposure at this stage of the Project lifecycle. The key financial risks relate to securing the external grant funding, and managing the tight Project budget as the design phase progresses.</p> <p>If CoM is successful in securing external grant funding for the Project, the Risk Register will need to be updated to reflect potential financial risks of any grant conditions not being met.</p>	Noted, Council will continue discussions with the federal funding body on the deed conditions.
(f)	<b>Recurrent and whole-of-life costs.</b>	<p>Recurrent operating and maintenance costs have been estimated by CoM administration to be \$195,129 per annum. Servicing the loan for council's contribution is anticipated to be \$392,375 annually over the ten year term of the loan.</p> <p>The modelling of recurrent and whole of life costs should be updated once the final capital costs are known.</p>	Noted
(g)	<b>Financial viability</b> of the project.	<p>The analysis that has been undertaken by CoM demonstrates that the Project can be funded within the financial performance targets outlined in the CoM Long Term Financial Plan. However, further analysis of financial viability should be undertaken once final project costings have been confirmed.</p>	Noted

S48 (2)	Description	Prudential Review Comments	Management Comments
(h)	<b>Risks</b> associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks.	The Project Risk Register captures the majority of project risks at this stage of the Project lifecycle and the existing and proposed controls appear to be satisfactory.  The effectiveness of the controls for risks with a residual rating of 'High' and 'Medium' should be kept under review in accordance with council's Risk Management Framework. Regular updates to the risk register should be undertaken as the project moves through the design, construction and commissioning phases.	Noted, the risk register is reviewed by the team and Council's risk team on at agreed intervals throughout the project delivery.
(i)	The most appropriate mechanisms or arrangements for <b>carrying out the project</b> .	A Procurement Plan has been prepared in accordance with the CoM Procurement Policy, demonstrating that consideration has been given to the appropriate mechanisms and arrangements to carry out the Project.  The indicative milestones for the key stages in project delivery appear reasonable assuming the external funding and development approval are confirmed. The Project Charter and Roles and Responsibilities document outline how the project will be controlled, delivered and governed.	Noted
(j)	If the project involves the <b>sale or disposition of land</b> , the valuation of the land by a qualified valuer under the Land Valuers Act 1994	No sale or disposition of land is proposed.	NA
	An <b>appropriate level of due diligence</b> is applied to the proposed project.	Noting that uncertainty associated with funding, final costings and planning approval, a reasonable level of 'due diligence' has been applied to the Project at this stage of the project lifecycle.	Noted



## 1. INTRODUCTION

### 1.1 Background

1.1.1 The Marino Community Hall (Hall) is located at 44 Newland Avenue, Marino. It is a multipurpose community hall that currently comprises a:

- a large area licensed to hold 300 people (100 seated) and contains a demountable stage and lighting;
- a smaller area that is licensed to hold 50 people (30 seated);
- kitchen; and
- bathroom.

1.1.2 The Hall is currently used for a range of regular activities, including fitness and wellbeing programs, art groups, dance, theatre, church services and the *Brews and Views* café. The Hall hosts regular events, such as the monthly market and repair café. Both the large and small spaces are available for private rental.

1.1.3 The Hall was built in 1940s/50s. While much loved by the local community, Council has determined that the facility is in need of a major upgrade and reconfiguration of spaces to meet the changing needs of the community.

1.1.4 The Hall is managed by the Marino Hall Committee of Management Incorporated (Hall Committee). In accordance with council policy<sup>1</sup>, there is a Lease Agreement in place with the Hall Committee which expires on 30 June 2023. In accordance with the Policy and Lease, the Hall Committee pays 7% of market rent, retains any revenue generated and is responsible for contents and public liability insurance, utilities and a series of maintenance obligations. Council provides building insurance, and has some maintenance obligations.

1.1.5 Figure One shows the current Hall.

**Figure One: The current exterior and interior of the Marino Community Hall.**



<sup>1</sup> Leasing and Licensing of Council Owned Facilities Policy, last updated December 2021.



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- 1.1.6 In 2018, the CoM acquired land at the rear of the Hall at 2 Bakewell Crescent, Marino with a view of using the land to facilitate a future expansion of the Hall. In December that year, Council resolved to undertake a feasibility study, concept design options and costings in relation to a potential redevelopment.
- 1.1.7 Community consultation occurred in late 2019 to determine current and future community needs and to explore options for the redevelopment of the Hall. This process identified opportunities for more programs and activities, café, business ideas and physical hall improvements.
- 1.1.8 In March 2020, Council considered community feedback and engaged consultants to undertake a feasibility study on the options for the Hall. On 28 July 2020, the feasibility report was considered by Council, who endorsed progressing the option of a full rebuild at a budget of up to \$5 million, with Council to commit \$2.5 million subject to receiving a matching external funding commitment.
- 1.1.9 In November 2020, council resolved to complete the 30% detailed design phase to support a State Government grant application. Around this time, Council undertook a second round of consultation to update the community on progress, and seek feedback on concept designs. There has been ongoing consultation with Hall Committee and other community stakeholders since this time.
- 1.1.10 In June 2022, the project, with a total capital cost of \$6 million and council's contribution of \$3 million, was included in the Long Term Financial Plan and 2022-23 Annual Business Plan and Budget. In October 2022, updated costings estimated the total construction cost to be \$6.37 million.
- 1.1.11 At the time of writing, CoM has confirmed funding of \$500K from the State Government, and is formalising an agreement with the Federal Government for additional funding of \$2.5 million which was announced prior to the 2022 election by the now Labor government.
- 1.1.12 CoM has advised that 70% design documentation is expected to be complete by the end of the year, with 100% design documentation to be complete at the end of February 2023. Subject to the confirmation of funding, it is expected that a contract for construction will be awarded by April 2023, with construction to occur between May 2023 and February 2024.

## 1.2 The Project

- 1.2.1 The Project comprises the demolition of the existing Hall and the construction of a new facility on the same site, which will include:
  - 1.2.1.1 a main hall for performance that is divisible for smaller groups, and which includes a permanent stage;
  - 1.2.1.2 a separate multipurpose activity space;
  - 1.2.1.3 caterer's kitchen;



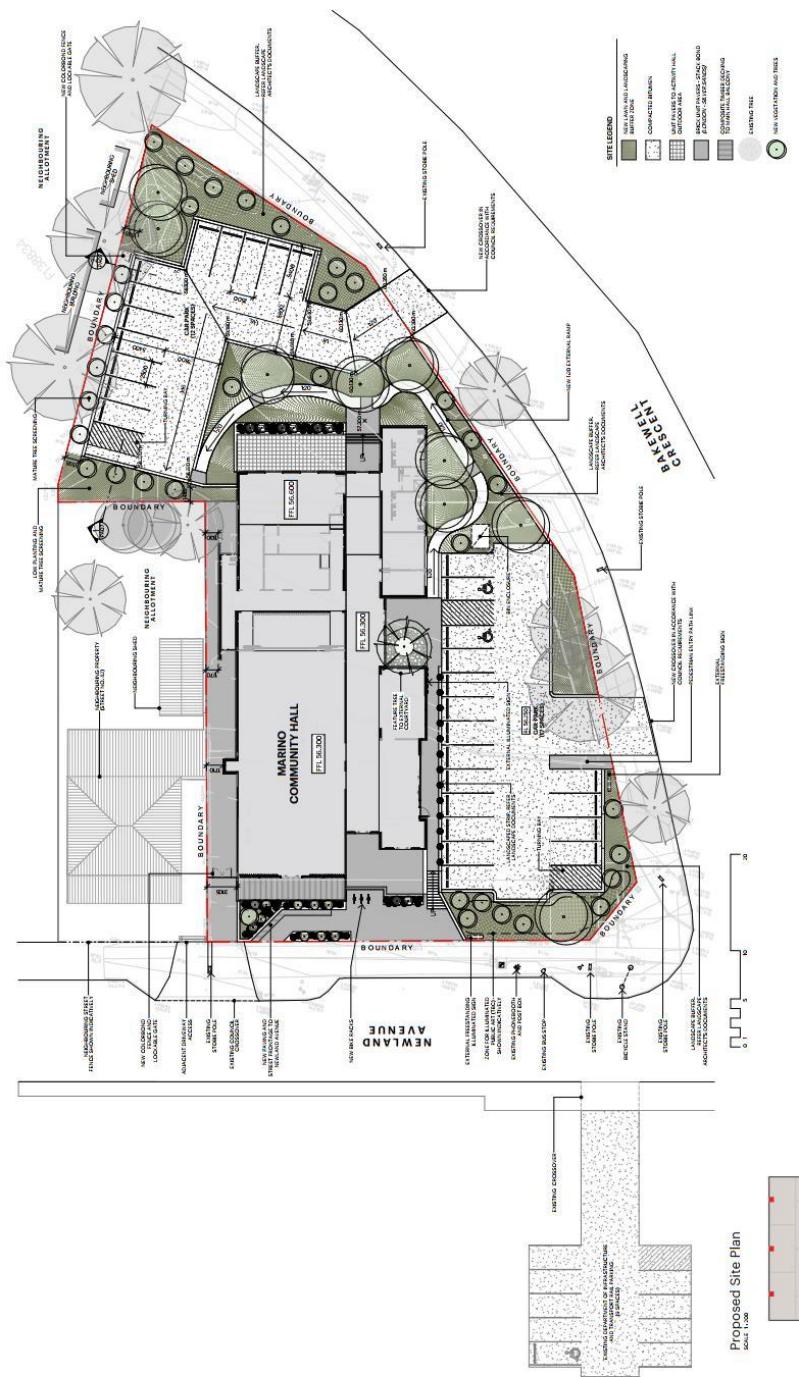
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- 1.2.1.4 café, designed to meet both the needs of the Committee and any future third party operator;
  - 1.2.1.5 gallery/studio space;
  - 1.2.1.6 office and meeting room, which offer the potential for use for use by local businesses, as well as for community purposes;
  - 1.2.1.7 bathroom and other amenities;
  - 1.2.1.8 landscaping, including two outdoor decking areas;
  - 1.2.1.9 increased car parking to accommodate 29 spaces (currently 22); and
  - 1.2.1.10 roof-mounted 15kW solar panel system.
- 1.2.2 The Project will result in the Hall's floor area increasing from 574m<sup>2</sup> to 880m<sup>2</sup>.
- 1.2.3 It is expected that the new facility will result in improved facilities for arts, performance, recreation and community activities, and provide spaces for people of all ages and backgrounds to participate in formal activities and programs, events, and community life. The improved facilities will thus support the health, wellbeing, cultural development and cohesion of the community.
- 1.2.4 It is anticipated that CoM will enter a new five year lease with the Hall Committee for the operation of the new Hall. Although not yet confirmed, it is expected that CoM will include the new building footprint in the leased area (including the decked area) in the new agreement, and the carpark and gardens will become the total responsibility Council.
- 1.2.5 Figure Two shows the site plan, Figure Three displays the interior plan, and Figure Four and Figure Five contain indicative concept designs of the building's exterior and interior.



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**Figure Two: Site Plan.**



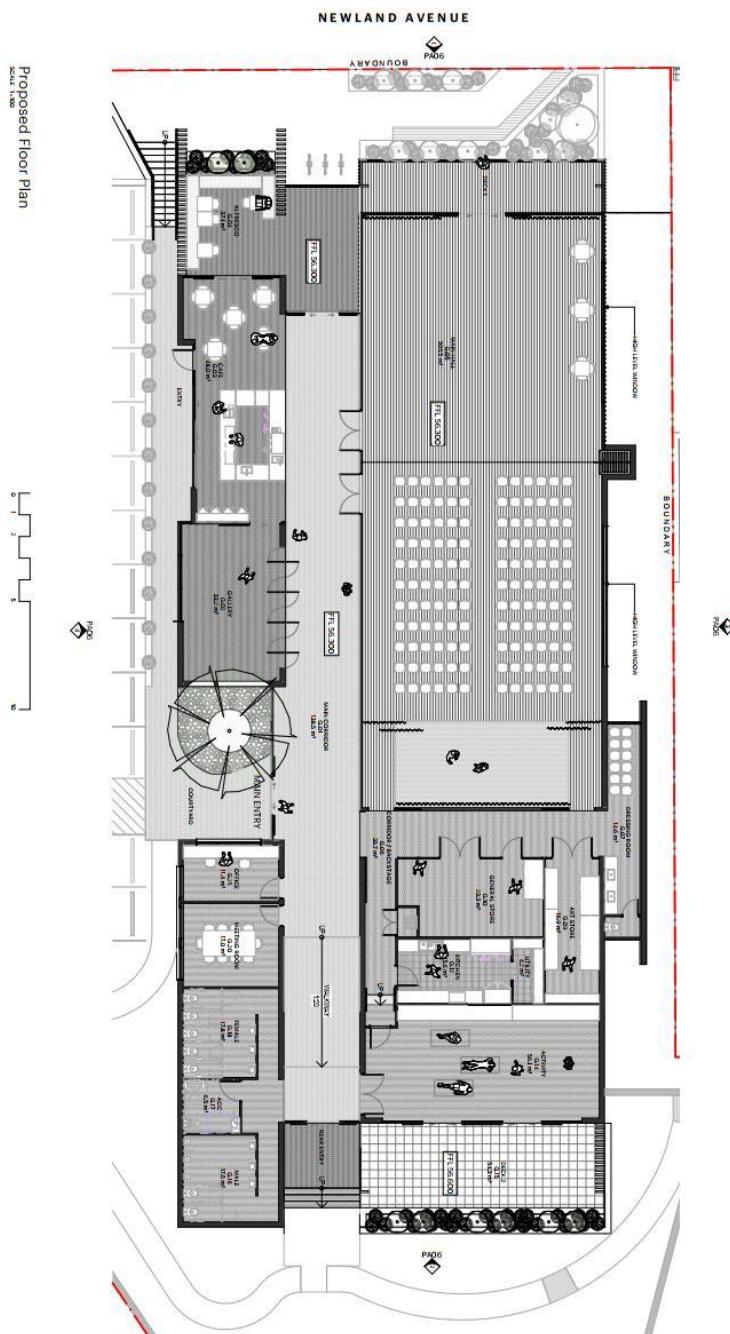
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**Figure Three: Interior Plan**





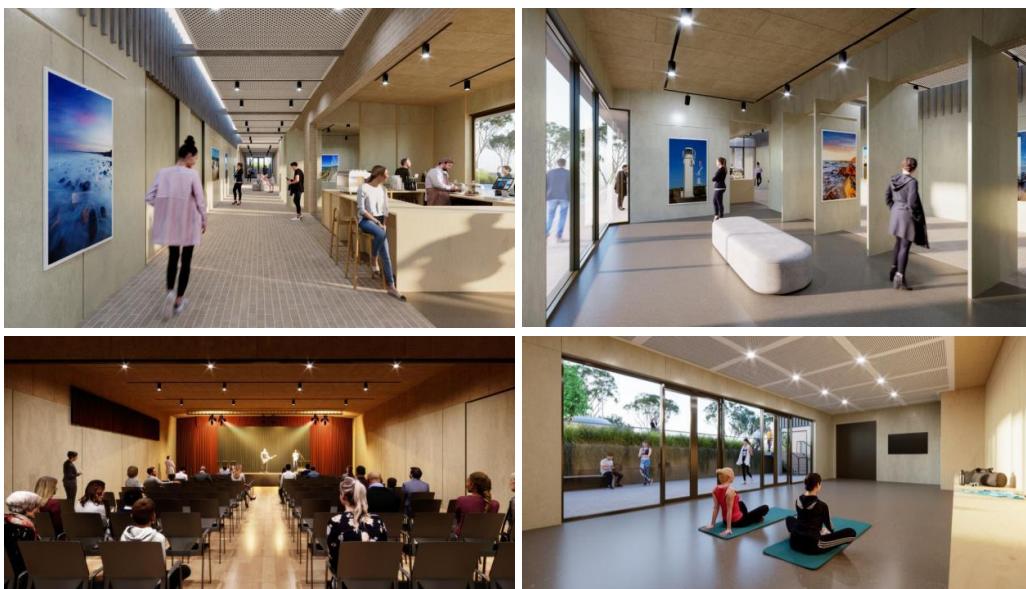
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**Figure Four: Concept designs of the Newland Avenue and Bakewell Crescent elevations.**





**Figure Five: Concept designs of interior spaces.**



### 1.3 Purpose of a Prudential Review

1.3.1 Section 48 of the Local Government Act 1999 (Act) requires a Council to consider a report addressing the prudential issues set out in subsection (2) of the Act when a project meets certain criteria, namely where a council:

- "(b) engages in any project
  - (a) Where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
  - (b) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
  - (c) where the council considers that it is necessary or appropriate."

1.3.1 Council has an adopted Prudential Management Policy (last adopted on 14 September 2021) that sets out Council's approach for prudential management of all its projects. The objectives of the Policy are:

- 1.3.1.1 to ensure the appropriate level of due care, diligence, risk management and foresight is applied before Council undertakes any Project; and
- 1.3.1.2 to ensure Council is provided with appropriate information to make informed and accountable decisions when using Council and public resources.



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- 1.3.2 This Project meets the threshold of a 'Major Project' defined in the Prudential Management Policy and requires the preparation of a Prudential Report, which is the highest level of due diligence prescribed under the Policy.



## 2. PRUDENTIAL REVIEW

### 2.1 Relationship with Strategic Management Plans

*Section 48 (2) (a) the relationship between the project and relevant strategic management plans;*

Elements	Relevant Documents	Prudential Review Comments
<b>Council Plans</b>	Community Vision – Towards 2040 Strategic Plan 2019-2029 City of Marion Business Plan 2019-2023 Annual Business Plan and Budget 2022-23 Long Term Financial Plan 2021-2031 Buildings and Structures Asset Management Plan 2020-2030	The Project broadly aligns with the long-term objectives of the Community Vision relating to liveable communities, including aspirations for cultural diversity, arts and healthy lifestyles. Similarly, the Project is consistent with the ten year strategic plan directions around vibrant community hubs, making community facilities more accessible, creating opportunities to enjoy recreation and social interactions, and celebrating cultural diversity and heritage through the arts, cultural and community activities. More specifically, upgrading Marino Hall is listed as one of council's priority projects in the 2019-2023 Business Plan, and the 2022-23 Annual Business Plan and Budget. The Annual Business Plan lists the Marino Hall redevelopment as a key capital project for 2022-23, and notes that this reflects State and Federal election funding commitments. CoM has advised that provision has been made for the Project in the latest iteration of the LTFP, with a capital cost of \$6 million and 50/50 funding between CoM and other sources. Marino Hall is identified within the Buildings and Structures Asset Management Plan as a building asset with a condition rating of 'Poor', and low rating for suitability and compliance with codes and regulations. The redevelopment of the Hall is also listed within the committed capital renewal program in this plan. If the Project progresses, the Asset Management Plan will need to be updated to reflect the change in the asset.
<b>State Plans</b>	30 Year Plan for Greater Adelaide (2017 update) Wellbeing SA Strategic Plan 2020-2025 State Public Health Plan 2019-2024 Arts and Culture Plan 2019-2024	The Project supports the objectives of the 30-Year Plan for Greater Adelaide in relation to 'Health, wellbeing and inclusion', and related policies around regeneration of suburbs, access to local community services and facilities and a diverse range of cultural initiatives. The Project is aligned to the Wellbeing SA Strategic Plan vision of improved physical, mental and social wellbeing, and goals around creating a sense of fulfilment, connection and togetherness in communities. The Project similarly accords with the State Public Health Plan goals around 'stronger communities and healthier environments', and related actions to strengthen opportunities for social connection, volunteering and community participation.



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Elements	Relevant Documents	Prudential Review Comments
		<p>The project broadly aligns with the State's Arts and Culture Plan goals around promoting the role of arts and culture in the lives of all South Australians, and enhancing the physical arts and cultural infrastructure in South Australia.</p> <p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (a) <b>have been met.</b></p> <p>CoM has included references to the project in both the four-year Business Plan and the 2022-23 Annual Business Plan.</p> <p>The redevelopment of the Hall is also listed within the committed capital renewal program within the Buildings and Structures Asset Management Plan. CoM should ensure that future updates of Asset Management Plans reflect the change in the nature of the asset post Project completion.</p> <p>Whilst not specifically mentioned in the CoM Strategic Plan or Community Vision, the Project is broadly aligned to the liveability and connected community pillars. The project is also consistent with a number of State Government Plans, including the Arts and Culture, and Public Health Plans.</p>



## 2.2 Objectives of the Development Plan

*Section 48 (2) (b) the objectives of the Development Plan in the area where the project is to occur;*

Elements	Relevant Documents	Prudential Review Comments
<b>Development zone</b>	Planning and Design Code	<p>A Development Application has been submitted and is currently undergoing assessment. The site is located within the Hills Neighbourhood Zone which aims to provide 'complementary transition to adjacent natural and rural landscape'.</p> <p>The zone envisages low density residential development and non-residential uses that improve access to services. This includes "community services such as educational establishments, community...and other health and welfare services". The project would likely fall within this definition and thus is broadly appropriate from a land use perspective.</p> <p>In this zone, there is a strong focus on careful design to ensure development is compatible with natural landforms, and this aspect appears to have been well considered in the project's design, siting and choice of materials.</p> <p>Car parking is a key planning issue for this project. The site currently provides 22 car parking spaces, and this represents a theoretical shortfall of 36 spaces against the Planning and Design Code's car parking requirement for community facilities. Despite this, we have been advised by CoM that there are not significant car parking issues evident with current operations, with limited spill over onto surrounding streets.</p> <p>On-site car parking will be increased from 22 to 29 by the project, with the site topography limiting the provision of further car parks. With the increase in building floor area, the theoretical car parking shortfall will increase to 54 spaces. It is noted, however, that most of the increase in floor area is due to circulation spaces rather than activity spaces. Further, peak demands associated with the different users of the hall rarely coincide, meaning there can be an efficient use of the available car parks. Council is discussing the relocation of a bus stop with the Department of Transport that will increase the supply of on-street parking on Newland Avenue.</p>
<b>Approving Authority</b>	Planning, Development Infrastructure Act 2016.	The City of Marion Council Assessment Panel will be the Relevant Authority for this Development Application.
<b>Development Assessment</b>	Development application documentation	The Development Application was lodged on 30 September 2022. The application is expected to be considered by the City of Marion Council Assessment Panel in December 2022 or January 2023.

**Findings:**

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

An application for Development Approval has been lodged.

While the proposal broadly accords with the planning intent for the Zone, the adequacy of car parking provision is expected to be a key issue in development assessment. We note that a traffic, parking and access study conducted by consulting firm Cirqa concludes 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 current car parking arrangements where a theoretical shortfall does not result in significant spill over onto surrounding streets.



### 2.3 Contribution to Economic Development

*Section 48 (2) (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the marketplace;“*

Elements	Relevant Documents	Prudential Review Comments
<b>Contribution to economic development</b>	REMPPLAN report Project Business Case	<p>CoM has prepared a REMPLAN Economic Impact report to estimate the expected impact the construction phase of the Project will have on economic activity and jobs. This assessment has identified a total economic impact of \$9.19 million and the creation of 26 jobs from progressing the Project, based on the direct construction costs and the flow-on demand for goods and services along the supply chain generated by the project.</p> <p>Beyond this, the redeveloped Hall will provide spaces that may support the incubation of creative industries in areas including broadcasting, industrial and product design, performing arts and writing and publishing. While these industries are known to be associated with a high spend on locally sourced goods and thus may contribute to economic development, their economic contribution should not be overstated due to the fluid and somewhat uncertain nature of activities to be accommodated by the Hall.</p> <p>The Hall will provide a café, support the development of craft industries through markets, and host festivals and events which may make a modest contribution to local economic activity.</p>
<b>Impact on businesses in the proximity</b>	None	<p>Given the location and proposed activities of the redeveloped Marino Hall, we do not expect that there will be any significant impacts on future businesses as part of the Seacliff Park development, or other businesses in the locality.</p>
<b>Fair competition</b>	None	<p>The principles of Fair Competition are not relevant to the Project. The only commercial aspects of the Project are the café and occasional markets, festivals and events, all of which will be managed by the Hall Committee and not by council.</p>

**Findings:**

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

CoM has quantified the expected economic impact from the construction phase of the Project on the local and national economy using the REMPLAN Economic Impact Model. This assessment has identified a total economic impact of \$9.19 million and the creation of 26 jobs during the construction phase, based on the direct construction costs and the flow-on demand for goods and services along the supply chain generated by the project.



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We do not expect that businesses in the proximity will be materially negatively impacted by progression of the Project during construction, nor will the Project impact on Fair Competition in the marketplace.



## 2.4 Level of Consultation

*Section 48 (2) (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;”*

Elements	Relevant Documents	Prudential Review Comments
<b>Level of consultation</b>	CoM Public Consultation Policy (last updated May 2019) CoM Public Consultation Procedure (last updated March 2019)	In accordance with the objects of its Public Consultation Policy, CoM has exercised its discretion under Part 3 of the Public Consultation Procedure to seek community feedback on the redevelopment of the Marino Hall. There is no prescribed manner in which discretionary consultation must be undertaken.

### Marino Hall Design Consultation

- Community Engagement Report – February 2020
- Community Engagement Report – November 2020
- Project Business Case
- Local Government Act 1999

### Marino Hall Consultation

- Community Engagement Report – November 2020
- Project Business Case
- Local Government Act 1999

### Prudential Review Comments

<b>CoM Public Consultation Policy (last updated May 2019)</b> <b>CoM Public Consultation Procedure (last updated March 2019)</b>	Council delivered consultation in two main stages. The first stage was a 46 day consultation period between October and December 2019, and involved workshops with the Hall Committee, Marino Early Learners Childcare, Kids Market and 7 drop-in style workshops with general users of the Hall. There was also an online consultation process. This stage of consultation focused on the valued elements of the current Hall, as well as what could be improved. Feedback identified opportunities for physical hall improvements, and changes to the programming and activities on offer. This feedback was provided to council in March 2020, and informed the feasibility study. A second stage of consultation occurred in September and October 2020. This process focused on informing the community on how their preliminary ideas had informed the design, sought feedback on concept plans and artist impressions, and provided updates on project funding. Methods included sponsored social media posts, eNewsletters, flyers and communications via local Kindergartens, childcare and schools, and via the 5049 Coastal Community Association and Hall Committee.
	Feedback at this stage was mostly positive in support of the concepts, albeit with stakeholders expressing a strong desire to continue to be involved as details are finalised, understand why a rebuild is preferable over adaptive re-use, and opportunities to continue to operate during construction. Ongoing updates continue to be provided via the Making Marion portal, the Hall Committee's own website and the 5049 Coastal Community website. The Making Marion portal was updated in May 2021 with more detailed designed and renders, and funding updates.

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Elements	Relevant Documents	Prudential Review Comments
Level of community influence to the Project	Marino Hall Engagement Feedback Report – February 2020 Marino Hall Design Consultation Community Engagement Report – November 2020 Project Business Case	The consultation methods used to date have presented the community with information and sought feedback on their views and preferences for the redevelopment of the Hall. Feedback from the community and stakeholders has influenced key elements of the Stage 1 concept design such as the inclusion of the café, gallery spaces and separate activity space. Lower levels of support for a rooftop garden (it was the lowest ranked element in the online feedback) resulted in this element being removed from the project. The feedback during the second stage of consultation found that most respondents either 'definitely agree' or 'somewhat agree' that the concepts presented met the four core objectives of the project. The relative satisfaction in the process, and the ability for the community to influence the project is evident in the following comments on the website of the 5049 Coastal Community group website: "Overall there was a great response from the community; it was comprehensive, thoughtful and generally positive, with some excellent contributions. The report on what we heard is very clear. This is an excellent basis for developing the designs further to meet community expectations".

**Findings:**

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

The consultation processes undertaken have been in accordance with the CoM Public Consultation Policy, which commits to appropriate levels of community engagement before making significant decisions and provides council with discretion regarding consultation methods for projects of this kind. Council has undertaken two rounds of consultation using a range of methods, provided regular updates to the community and generated feedback that has informed the design. It is noted that community groups have expressed a strong desire to be kept informed and involved in the project as it progresses.



## 2.5 Revenue, Revenue Projections and Potential Financial Risks

*Section 48 (2) (e) if the project is intended to produce revenue, revenue projections and potential financial risks"*

Elements	Relevant Documents	Prudential Review Comments
<b>Revenue projections</b>	None	<p>The only recurring revenue that CoM will generate from the project will be from the lease to the Hall Committee. In accordance with the CoM Leasing and Licensing of Council Owned Facilities Policy, this will be set at 7% of market rent. The rental return is expected to be less than \$10k per annum which is not material in the context of the Project.</p> <p>Revenue from the operations of the Hall, such as from hire fees or the café, will be retained by the Hall Committee. The café has been designed to accommodate a third party provider should this be required in the future.</p> <p>CoM has a grant agreement in place with the State Government for a \$500K contribution to the capital cost of the project, and is currently confirming a \$2.5 million contribution from the Commonwealth Government. Any grant funding received will be recognised as revenue in accordance with Australian Accounting Standards.</p>
<b>Potential financial risks</b>	Project Risk Register Risk Management Policy Risk Management Framework	<p>A Risk Register for the Project has been prepared which details controls and treatment plans for a number of identified financial risks. The internal project governance and oversight frameworks in place to manage potential financial risks, should the Project go ahead, appear to be reasonable.</p> <p>The two key financial risks relate to finalising the grant agreement with the Federal Government, and reducing the impact of potential capital cost increases on the Project budget.</p> <p>We understand that advanced discussions are occurring in relation to the Federal Government funding commitment, and that the likelihood of an agreement failing to be signed is low. The risk that funding is not secured is appropriately captured in the Project Risk Register.</p> <p>It is noted that the construction sector has recently been in high demand and there may still be a shortage in the supply of labour and key building materials, placing rising pressure on capital cost budgets. The cost estimate for this project has increased from \$5.12 million in March 2021 to \$5.75 million in June 2022 and to \$6.37 million in October 2022. We understand that costings will be updating in coming months as the project progresses through detailed design, with 50% designs expected by the end of November, and 70% designs by the end of the year. As CoM does not expect to secure more than \$3 million in external funding for the project, it will need to fully fund increases in project costs over \$6 million. This means it will exceed the previously intended 50% contribution should costs continue to escalate and if cost savings cannot be identified. Any additional capital contribution will require a resolution of council, either as a separate item or through a budget review.</p>



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

The only recurring revenue that council can expect from the project is its heavily subsidised rent from the Hall Committee, which is immaterial in the context of council's other revenue streams.

The Project Risk Register identifies a number of potential financial risks and appropriate controls to mitigate against CoM's risk exposure at this stage of the Project lifecycle. The key financial risks relate to securing external grant funding, and managing cost escalations and budgetary pressures as the Project moves through the detailed design phase.

If CoM is successful in securing external grant funding for the Project, the Risk Register will need to be updated to reflect potential financial risks of any grant conditions not being met.



## 2.6 Recurrent and Whole of Life Costs and Financial Arrangements

*Section 48 (2) (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;”*

Elements	Relevant Documents	Prudential Review Comments
<b>Recurrent costs</b>	Whole of Life Cost Analysis	<p>Recurrent costs for the Project include maintenance, repairs and depreciation of the Hall (but not interest on the loan). These costs have been estimated by CoM to total \$195,129 per annum.</p> <p>An increase in recurrent operating costs due to the increased value of the Hall will be partially offset by the proposed transfer of responsibility for the management of non-structural elements, such as fixtures and fittings, fit outs, utilities, and some grounds maintenance, to the Hall Committee.</p> <p>The latest LTFP has considered expected depreciation and finance costs on the assumption of a \$6 million project capital cost and \$3 million council contribution. Given the current project cost estimate exceeds \$6 million and council's contribution could increase, there may need to be adjustments to the LTFP to reflect increased depreciation and finance costs.</p> <p>It is proposed that CoM's financial contribution to the Project will be funded through a 10 year Principal and Interest loan from the LGFA. Based on the current costings and LGFA interest rate of 5.84% (which is subject to change) the cost of servicing the loan would be \$392,375 annually over the ten year term of the loan.</p> <p>The impact of any write down of the remaining book value of the existing Hall to be demolished will also need to be recognised if the Project proceeds.</p>
<b>Whole of life costs</b>	Whole of Life Cost Analysis	<p>Whole of life costs for the Project will include the upfront capital costs plus the sum of the operating and maintenance costs over the life of the project. This has been estimated by CoM to be \$19.84 million over 40 years (in today's dollars)</p> <p>An ESD report has been prepared which demonstrates that lifecycle costs have been considered in the concept design with materials selection to improve energy efficiency and minimise maintenance and renewal costs.</p>
<b>Financial arrangements</b>	None	<p>The proposed financial arrangements assume that the upfront capital cost for the Project will be funded by a committed State Government grant of \$500K, an uncommitted Commonwealth Government grant of \$2.5 million, with the balance funded by Council through borrowings.</p>



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	<p>CoM Administration has advised that the two grants and a council commitment of \$3 million have been incorporated within the latest iteration of the CoM LTFP. This may need to be reviewed if the actual costs of the Project exceed \$6 million.</p>
<b>Findings:</b>	<p><b>Requirements of Section 48 (2) (f) have been met.</b> Recurrent operating and maintenance costs have been estimated by CoM administration to be \$195,129 per annum. Servicing the loan for council's contribution is anticipated to be \$392,375 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.</p>



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## 2.7 Financial Viability

*Section 48 (2) (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;”*

Elements	Relevant Documents	Prudential Review Comments
<b>Financial viability</b>	Long Term Financial Plan	<p>The project has been included in the latest version of the CoM LTFP, which demonstrates that council's contribution can be funded through borrowings that are achievable within the financial performance targets outlined in the Plan. Any modest capital cost overruns are not going to materially impact CoM's financial performance targets.</p> <p>Based on the CoM Licensing Policy, revenue generated from rent to the Hall Committee will not be sufficient to meet the projected operating costs and financial obligations and, like most community facilities, will require a council subsidy.</p>

**Findings:**

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

The analysis that has been undertaken by CoM demonstrates that the Project can be funded within the financial performance targets outlined in the CoM Long Term Financial Plan.



## 2.8 Risk Management

*Section 48 (2) (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*

Elements	Relevant Documents	Prudential Review Comments
<b>Risk assessment</b>	Risk Management Policy (last updated February 2020)	In accordance with the CoM Risk Management Policy and Risk Management Framework, a detailed Project Risk Register has been prepared with 57 identified risks. All but one of the risks has been assessed as having either a 'Low' or 'Medium' residual risk which sits within the acceptable risk tolerances adopted in the Policy.
		<p>The one risk with a residual risk of high is "latent conditions not covered under the fixed price" for which the only treatment is the project contingency.</p> <p>In our assessment, this Project has a typical risk profile for the design and construction of community building. Key Project risks include:</p> <ul style="list-style-type: none"> <li>• The Project does not proceed creating reputational and political risk for Council.</li> <li>• Cost overruns and project delays, particularly given the current construction market and disruption to the supply of labour and materials.</li> <li>• Council's contribution to the Project is greater than anticipated due to no or reduced funding received from the Commonwealth Government (noting the Council would still retain the decision about whether to proceed in this circumstance).</li> <li>• The project does not receive development approval, and/or requires a significant redesign due to the car parking shortfall (further discussed in Section 2.2).</li> </ul>
<b>Risk mitigation</b>	Risk Management Policy (last updated February 2020)	Most of the residual risks are rated as medium. Given this, CoM should ensure that the mitigation strategies identified for the risks associated with the Project are implemented and progressively updated as the Project progresses.
	Project Risk Register	<p>Risk monitoring of the key financial risk around cost overruns, which is the only risk with a residual risk rating of high, will require reporting to the Risk Department, and the Project Delivery Board via Project Steering Group, in accordance with council's Risk Management Framework.</p> <p>The Project Risk Register should be comprehensively reviewed once a construction contractor has been appointed. Prior to the commencement of construction, appropriate reporting protocols should be established in accordance with the Risk Management Framework.</p>



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**Findings:**

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

The Project Risk Register captures the majority of project risks at this stage of the Project lifecycle and the existing and proposed controls appear to be satisfactory.

The effectiveness of the controls for risks with a residual rating of 'High' and 'Medium' should be kept under review in accordance with council's Risk Management Framework. Regular updates to the risk register should be undertaken as the project moves through the design, construction and commissioning phases.



## 2.9 Project Delivery

*Section 48 (2) (i) the most appropriate mechanisms or arrangements for carrying out the project;"*

Elements	Relevant Documents	Prudential Review Comments
<b>Project Delivery</b>	Procurement Policy Project Procurement Plan Project Risk Register Project Charter Roles and Responsibilities	<p>A Procurement Plan for the Project has been prepared which details the proposed market approach for consultancy services, construction works and artwork.</p> <p>The Procurement Plan states that council's internal project officer will carry out project management during the design procurement and design phases. A superintendent will be procured for the construction phase.</p> <p>The proposed open call for Expressions of Interest for construction services followed by a select invitation to Tender is consistent with CoM's Procurement Policy for a capital works project of this nature.</p> <p>CoM have prepared a Project Charter which details how the project will be controlled, governed and delivered. The charter details the project objectives, scope, major milestones and is supported by a Roles and Responsibilities document which contains on project governance, including the roles of the Project Manager, Project Advisory Group, Program Delivery Board, and Council.</p>

### Findings:

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

A Procurement Plan has been prepared in accordance with the CoM Procurement Policy, demonstrating that consideration has been given to the appropriate mechanisms and arrangements to carry out the Project. The indicative milestones for the key stages in project delivery appear reasonable assuming the external funding and development approval are confirmed. The Project Charter and Roles and Responsibilities document outline how the project will be controlled, delivered and governed.



## **2.10 Sale or Disposition of Land**

*Section 48 (2) (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994;'*

<b>Elements</b>	<b>Relevant Documents</b>	<b>Prudential Review Comments</b>
<b>Valuation of land</b>	None	The Project does not involve the sale or disposition of land.
<b>Findings:</b> Requirements of Section 48 (2) (j) are not applicable to this Project.		



## **ATTACHMENT ONE: LOCAL GOVERNMENT ACT, 1999 SECTION 48**

### **Section 48 – Prudential requirements for certain activities**

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
  - (a) acts with due care, diligence and foresight; and
  - (b) identifies and manages risks associated with a project; and
  - (c) makes informed decisions; and
  - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
  - (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
    - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
    - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
    - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
  - (a) the relationship between the project and relevant strategic management plans;
  - (b) the objectives of the Development Plan in the area where the project is to occur;
  - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
  - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
  - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
  - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
  - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
  - (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
  - (i) the most appropriate mechanisms or arrangements for carrying out the project;
  - (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.
- (2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the project as a whole.
- (3) A report is not required under subsection (1) in relation to—
  - (a) road construction or maintenance; or
  - (b) drainage works.



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- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the relevant person)—
  - (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
  - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
  - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
  - (d) if that person is a partner of the relevant person; or
  - (e) if that person is the employer or an employee of the relevant person; or
  - (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
  - (g) if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
  - (a) by virtue only of the fact that the person—
    - (i) is a ratepayer, elector or resident in the area of the council; or
    - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
  - (b) in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—
  - employee** of a council includes a person working for the council on a temporary basis;
  - non-profit association** means a body (whether corporate or unincorporate)—
    - (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
    - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.