

**5.1 CITY GROWTH**

**5.1.1 Stage 1 Whyalla Foreshore Masterplan Update – Growing Regions Grant –  
CONFIDENTIAL**

**Council Meeting:** 12 December 2023  
**Author’s Title:** Director City Growth **File No.:** 213  
**Directorate:** City Growth

**Annexures:**

- A- Prudential Report: Foreshore Master Plan – Stage One
- B- Prudential Report: Foreshore Master Plan – Open Space

**Officer Direct or Indirect Conflict of Interest:**

*In accordance with Local Government Act 1999,  
Section 120*

Yes  No

**Status:**

*Information classified confidential under  
Section 90(2) of the Local Government Act*

Yes  No

**Reason** – Commercial in Confidence

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Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Council orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate Services, Jade Ballantine; Director City Growth, Sean Kelly; Manager Communications and Public Relations, Irene Adair; Manager Governance, Michelle Armstrong; Executive Co-ordinator – CEO and Mayor and Lisette Symons; Executive Co-ordinator – Corporate Services for Agenda Item 5.1.1 – Stage 1 Whyalla Foreshore Masterplan Update – Growing Regions Grant.

Council considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Council will receive and consider a report containing information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council and would, on balance, be contrary to the public interest.

## PURPOSE

To update Council in relation to the Foreshore Master Plan Stage 1, now referred to as the Whyalla Beach Plaza and Playground Precinct, Whyalla Surf Life Saving Club and Café, the outcome of the Expression of Interest for the Growing Regions Australian Government Grant, Prudential Review Reports, and next steps.

## SUMMARY

Whyalla City Council's *Growing Regions Program - Round 1* Expression of Interest was successful, and Council has now been invited to apply for Round 1 Stage Two which closes on **Monday 15 January 2024**.

Administration last presented an update to Council in August and again in October 2023 which requested support for the beach plaza area to be included in the scope of works for detailed design to align and integrate with the Surf Life Saving Club and Café development to prepare for Australian Government Grant Funding opportunities.

Council now has the design proposal and costings for the Surf Life Saving Club and Café development, as well as the first iteration of the design for the beach plaza precinct and preliminary costings. The condition of the construction industry and material/locality loadings applied are now requiring projects to be re-staged and apportioned over several financial years. This is occurring Australia wide but is most acute and prohibitive in region.

The contribution of external funding and ideally, tripartite government and private sector investment is critical. The Whyalla community have been eagerly anticipating progress on foreshore development following the extensive consultation and engagement of the masterplan. Council Administration has been working to develop the detailed design concepts and source funding support for all or parts of Stage 1 of the Whyalla Beach and Foreshore Masterplan.

Due to the value of the capital works contained within Stage 1 of the Foreshore Master Plan, Council is required to consider a Prudential Report developed in accordance with section 48 of the *Local Government Act 1999* (the Act) before engaging in this project.

## RECOMMENDATION

### Council

1. endorses the submission of Whyalla City Council's *Growing Regions Program - Round 1 Stage Two* grant application which closes on Monday 15 January 2024 for an amount of \$5.9million, noting that an alternate option for Open Space only will also be included, which requires funding of \$3.0 million;
2. commits a further \$1.06 million to the delivery of the Whyalla Foreshore Masterplan Stage 1, with this to be funded from the new asset allocation for 2024/25 included in the Long Term Financial Plan;
3. commits interest savings generated from current and upcoming land sales to fund the ongoing operating costs of the new foreshore infrastructure in the first instance; and

- 4. in accordance with Section 48 of the Local Government Act 1999, has considered the information provided within the Prudential Reports entitled “Foreshore Master Plan – Stage One” and “Foreshore Master Plan – Open Space”, and in doing so, Council notes that the reports have been prepared by BRM Advisory, who are qualified to address the prudential issues required by the Act and are independent of the project.**
- 5. Having considered Agenda Item 5.1.1 – Stage 1 Whyalla Foreshore Masterplan Update – Growing Regions Grant in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act, orders that the Report pertaining to this item be kept confidential and not available for public inspection for a period of 7 years except insofar as is necessary to implement the Council decision on the basis that it contains commercial information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council, notwithstanding that it will be reviewed annually in February of each year.**

## 5.1 Stage 1 Whyalla Foreshore Masterplan Update – Growing Regions Grant – **CONFIDENTIAL**

### **BACKGROUND**

As previously advised, the Whyalla Surf Life Saving Club (WSLSC) project and associated Foreshore Master Plan elements being prepared for detailed design enables Council to target the larger grants programs which have been rolled out from the Australian Government. Having the architects plans for the WSLSC and the first iteration of the Beach Plaza and playground area has enabled City Growth to lodge a successful expression of interest for the Growing Regions Grant Fund seeking \$5.9 million to match Councils \$3 million and Whyalla Surf Life Saving Clubs \$2.9 million (combination of SLSA Grant of \$2.4 million and WSLSC contribution of \$500,000).

If Council endorses the submission of Whyalla City Council's *Growing Regions Program - Round 1* Stage Two of \$5.9 million, Council Administration will submit an application that acknowledges the potential of scope changes to the Surf Life Saving Club/Café build component which may result in greater expenditure (and therefore scale of delivery) on the Whyalla Beach Plaza and Adventure Play space.

### **DISCUSSION**

Council Administration is continuing negotiations with the WSLSC and Surf Life Saving SA to finalise the timing, scope and construction plans for club and café build with the previously agreed discussion points including (but not limited to):

- The current scale, design and cost of the new build and propensity for a return on investment to the community of Whyalla both from a commercial café tenancy and from the WSLSC is unlikely due to current demonstrated capacity and operating performance by WSLSC and current café operator.
- The WSLSC do not contribute a sustainable financial contribution to enable the asset management of the existing building, even permitting an allowance or dispensation that surf lifesaving as an emergency service provider, calls for differentiated lease arrangements and fees when compared to commercial operators, as the core theme of community benefit takes precedence in their operations.
- An option exists to reverse engineer the scope and design of the WSLSC and Café build (with a focus on materials selection) working with a builder and the architecture firm to obtain value management necessary to reflect regional conditions and capacity of anticipated tenancies.
- Therefore, conditioning Council's (33%) financial contribution to the WSLSC build on shared use functionality, including engineering both a lower cost built form and/or higher performing commercial tenancies is essential.

### Prudential Reports

Due to the value of the capital works contained within Stage 1 of the Foreshore Master Plan, Council is required to consider a Prudential Report developed in accordance with section 48 of the *Local Government Act 1999* (the Act).

The section outlines ten specific items that must be addressed by the Prudential Report. It must be prepared by someone considered to be qualified to address the prudential issues required by the Act and independent of the project. While the Act does allow for them to be prepared by an employee of Council, due to the value and risk involved with the relevant projects, it is best practice to use an external party to undertake this work. In this case, BRM Advisory was appointed to undertake this work.

The Prudential Report must be considered before Council “engages” in the project. As this report recommends that Council submit a funding bid for the project, this was considered to be the most appropriate timing for the Prudential Report to be prepared.

Section 48 requires that a project that is split into multiple stages to be considered in its entirety by the Prudential Report. Initially, the Prudential Report was going to cover all of the works envisaged by the Foreshore Master Plan. However, as future works are likely to be spread over an extended period of time and because undertaking Stage 1 does not commit Council to undertaking the future stages, it was ultimately decided that works not included in Stage 1 are outside the scope of this Prudential. A further Prudential Report will be required at a later date to progress any additional works.

The full funding bid is for a \$11.8 million project 50% funded by Growing Regions, which relies on leveraging the \$2.9 million of funding from SLSA and WSLSC. The current state of negotiations with SLSA adds risk to this proposition, as there is no firm agreement on the final design of the building. In the worst case scenario, SLSA may withdraw from the project, which would only give Council capacity to deliver a \$6 million open space project, 50% funded by Growing Regions, with the SLSC building needing to be removed from the scope. It is also possible that the final outcome may fall somewhere in the middle of these two options.

It is considered important to include this possibility within the funding bid, rather than trying to go back to the funding body later to explain a change in scope. For this reason, two separate Prudential Reports have been prepared, one covering the \$11.8 million full stage 1 project and one covering the \$6 million open space project. Much of the information is common to both reports, with the financial outcomes being the main difference.

The considerations of the reports are discussed in the Financial Implications and Risk Assessment sections of this report.

### **Financial Implications**

Council has already committed \$2 million to progress the new Whyalla Surf Life Saving Building with a café/kiosk, public amenities, and splash play area, as per Stage 1 of the Whyalla Foreshore Master Plan (now referred to as the Beach Plaza and Playground Precinct).

In July 2023 Council considered a report seeking endorsement of a submission to the *Growing Regions Fund – Round 1* Expression of Interest process. This report foreshadowed that Council would need to commit a further \$1.06 million to the project if the Expression of Interest was successful. Council is now being asked to commit this additional funding, from the 2024/25 allocation for new assets contained in the Long Term Financial Plan.

The TCL Beach Plaza play equipment, water play elements, paving and landscaping scope has received early costing indications of \$3.3 million base cost. Once locality loading, professional services and contingencies are provided for, this results in a total estimated cost of \$5.25 million for the plaza.

Securing the \$2.9 million from SLSSA and WSLSC is important to enable the full \$5.9million matched funding by the Growing Regions Program. The alternative is to source an additional \$2.9 million from another party or remove the building from the scope of the project and only deliver a \$6 million open space project, with external funding of \$3 million.

To proceed with a WSLSC and Café build with the available budget of \$6.55 million will require a compromised design from the current plan, as this has been costed at \$7.8 million. This can be achieved through further floorplan adjustments in conjunction with SLSSA, as well as value management of building materials.

It is estimated that Council should seek club tenancy and commercial lease returns of \$25,000 and \$50,000 respectively. These estimates have been produced from benchmarked surf life saving and café clubs with the most recent construction occurring in Normanville. That commercial build involves similar objectives to the WSLSC and Café build, however the estimates for Whyalla have been reduced compared to the Normanville outcome, due to local conditions, including the difficulty experienced in finding a café operator for the foreshore area. The Prudential Report has been based on a commercial return of \$50,000 per annum from a Café but has not considered a material return from other users, consistent with current arrangements.

The Prudential Report for the entire Stage 1 shows that this project is expected to increase Council's operating costs approximately \$375,000 above current projections. The Long Term Financial Plan (LTFP) does build in operating costs for new capital projects, but because this project is leveraging so much external funding, the value of new assets far exceeds the \$3 million that Council is contributing, and so until this time these costs have not been built into the plan. It is also noted that the ongoing cost of waterplay elements is higher than other assets.

The alternate Prudential Report relating to only the Open Space components shows an ongoing increase in operating expenses of \$270,000 per annum above current projections.

Recent conversations were held with Council Members and the Audit & Risk Committee around how expected income from strategic land sales should be incorporated into the Long Term Financial Plan. There was some thinking that these funds should be reinvested into community assets rather than just being used to improve Council's financial position.

The challenge is that the current limitation on the LTFP, especially in the short term, is a serviceability one, not an inability to borrow more. If additional funds received are invested in additional assets in the short term, this will only worsen Council's financial position, at a time when it should be improving.

A suitable compromise may be to use these funds to reduce loan borrowings and then use the interest savings generated, to offset the ongoing operational costs of the project being considered. This will still allow Council to connect the sale of strategic land to the building of a vital community asset, but without putting further pressure on financial projections.

If Council is not willing to commit to funding the ongoing costs in this way, then it is not recommended to proceed with the project at this time, as it would not be financially prudent.

### **Strategic Plan**

*Objective 2.1 - To create a city that is attractive that showcases our natural and built assets*

Strategy 2.1.1 - Embed place making principles in council development to ensure that places reflect the needs and uses of the location.

Strategy 2.1.2 - Facilitate place making principles in Whyalla embracing and promoting our industrial heritage, our Aboriginal heritage and our migrant heritage.

Strategy 2.1.3 - Promote, protect, and rehabilitate the unique and historical built environment of Whyalla.

### **Legislation**

A prudential report is required under section 48 of the *Local Government Act 1999* for capital projects that have a value greater than \$5,814,000, commencing after 1 January 2024. This threshold is indexed annually.

**Officer Direct or Indirect Interest - Nil**

### **Risk Assessment**

The nature of the project being considered creates risk for Council, simply because of its inherent complexity. It involves many stakeholders, has high community interest, will involve complex contractor management and also involves the creation of asset types that don't currently exist within Council's stock. It is also likely to be a multi-year project, which involves key people risk.

If Council chooses to proceed with this project, sufficient resources and focus need to be applied to it, which will likely mean reducing focus on other projects over the next few years. The value and nature of the project means that regular oversight should be provided by Council and the Audit & Risk Committee on Governance arrangements.

**Social Considerations - Nil**

## **Community Engagement**

The Foreshore Masterplan was thoroughly undertaken and completed with thorough consultation and opportunity for engagement and feedback, however consultation of the final designs of the WSLSC and Beach Plaza and Playground Precinct will be required to be undertaken once the plans are endorsed by Council.

## **Environmental Implications - Nil**

## **Communication**

Regular updates will be provided on the progress of this project, as it has high levels of community interest.

## **Conclusion**

The contribution of external funding and ideally, tripartite government and private sector investment is critical. The Whyalla community have been eagerly anticipating progress on foreshore development following the extensive consultation and engagement of the masterplan. Council Administration has been working to develop the detailed design concepts and source funding support for all or parts of Stage 1 of the Whyalla Beach and Foreshore Masterplan.

The full funding bid is for a \$11.8 million project 50% funded by Growing Regions, which relies on leveraging the \$2.9 million of funding from SLSA and WSLSC. The current state of negotiations with SLSA adds risk to this proposition, as there is no firm agreement on the final design of the building. In the worse case scenario, SLSA may withdraw from the project, which would only give Council capacity to deliver a \$6 million open space project, 50% funded by Growing Regions, with the SLSC building needing to be removed from the scope. It is also possible that the final outcome may fall somewhere in the middle of these two options.

If Council is not willing to commit to funding the ongoing costs of the project using the interest savings generated from strategic land sales, then it is not recommended to proceed with the project at this time, as it would not be financially prudent based on Council's current financial position.

If Council chooses to proceed with this project, sufficient resources and focus need to be applied to it, which will likely mean reducing focus on other projects over the next few years. The value and nature of the project means that regular oversight should be provided by Council and the Audit & Risk Committee on Governance arrangements.