

9.4 RESERVOIR LEISURE CENTRE - HIGH-LEVEL COSTS, FUNDING STRATEGY OPTIONS AND NEXT STEPS

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EXECUTIVE SUMMARY

In February 2024, amongst other things, Council requested a report be prepared and presented to the March 2024 Council meeting addressing high-level costing estimates, funding strategy options including a specific Future Fund and next steps to achieve the building of a new Reservoir Leisure Centre (RLC). This report has been prepared to respond to this request by Council.

Council has received feedback from community members who have highlighted their concerns about the current condition of RLC and have expressed to Council the need for RLC to be improved as soon as possible.

Council is in the difficult position of needing to balance community feedback on this facility with Council's current and future financial position as well as meeting asset management responsibilities across Council's entire asset portfolio.

Planning for the RLC redevelopment, is long-term and generational in nature, regardless of the redevelopment option chosen (knock-down and rebuild or refurbishment). Funding a project of this scale requires significant funds to be allocated over an extended period of time and will require Council to make choices and trade-offs given its current financial position and the external operating environment more broadly, which is significantly different to when Council made other long-term and generational in nature investment decisions in recent years.

After exploring the various funding strategies, it is clear Council would need to carefully consider the funding envelope it is prepared to commit to a single project and the financial risks and opportunity costs of doing so and the timeframe over when this could occur so that Council continues to meet its asset management and financial sustainability requirements.

Officers' preliminary advice on a funding strategy for a redevelopment of RLC is that this project could only commence after Council's current debt repayments have been completed and, therefore, only from 2033. Further, not all options for the future of this facility discussed in this paper could be afforded and realistically funded within Council's overall financially sustainable budget envelope.

It should be noted the financial advice in this report is based on high-level analysis and further work needs to be done. It will be important to update assumptions and forecasts over time to take account of any changes in the economic context and outlook.

The RLC building is expected to be at the end of its useful life in around 15 years (2039 with some level of risk). Work towards replacing a building of this size needs a 3–4-year lead time and would need to start by 2035.

As Council’s current Long-Term Financial Plan (LTFP) goes through to 2033, this summary provides an indication of the affordable funding envelope by 2033:

Potential funding source	Indicative funds available at 2033	Indicative funds available later	Notes
Capital works program budget	\$10M	\$0	Few other buildings would be redeveloped
Current Open Space Levy (OSL)	\$0	\$0	Already factored into the capital works budget above.
Additional OSL	TBA	TBA	More analysis needed
Current Development Contributions Plan (DCP)	\$0	\$3.57M (total)	Future year collections
Additional DCP	\$0	Potentially 18% of cost	Risky
Borrowings	\$40M	-\$5.7M annually for 10 years	Repayments
Minor property sales	\$6.4M	\$0	Subject to future case-by-case decisions
Grants	\$300,000	\$0	Based on current grants and tight economic outlook for other levels of Government
Reduce subsidies to discretionary services	\$0	\$0	If Council changed its approach to services and decided to reduce subsidies or services, it could potentially redirect \$16M by 2033
Income from leased properties	\$0	\$0	Council could generate revenue if it changed its approach, however this would be a significant change from the approach it has taken in recent decisions.
Total	\$56.7M (+ OSL TBA)		

Officer Recommendation**That Council:**

- (1) Notes the report as requested by Council on 1 February 2024 addressing high-level costing estimates, funding strategy options including a specific Future Fund and next steps to achieve the building of a new Reservoir Leisure Centre.
- (2) Notes the indicative steps and timelines outlined in this report to progress the comprehensive RLC Scoping Study requested by Council as outlined in **Table 1** of this report and notes that officers will use best endeavours to meet these.

BACKGROUND / KEY INFORMATION**Work completed to date**

A master plan for RLC was completed in 2003.

Over recent years, several studies have been completed to help inform decision making.

These studies have included:

Condition Audit Report (Macutex, 2018)

In 2018, a Macutex facility audit was conducted, and peer reviewed for RLC. The audit identified that while significant renewal and repair works were required over the next 10 years for the upkeep of the facility, the report found the building to be structurally sound although it appeared tired.

Many of the Macutex identified works have subsequently been implemented, alongside look, and feel improvements to ensure a better visitor experience. These improvements have received positive community feedback; however, they did not address the long-term future needs of the community and facility.

In February 2019, a briefing was provided to Councillors on both the RLC and NARC projects. Matters considered at this briefing included:

- For RLC, four re-use and redevelopment options were identified to be investigated via a feasibility study that would incorporate investigation into community needs, possible service expansion including co-location options, and an outdoor 50 metre pool.

Investigations into the current state of RLC found that while there are many opportunities to improve the facility, it was not at the end of its life – unlike the NARC facility which was found to be at the end of its life when redevelopment occurred.

Feasibility Study (Otium, 2019)

In 2019, a feasibility study investigating the redevelopment of RLC was undertaken. The feasibility study included community consultation over a 5-week period, with 700 responses recorded. The feasibility study explored four potential redevelopment options:

- Option 1: Maintain existing facility – proactive maintenance program for 10 years
- Option 2: Existing footprint – maintenance as well as refurbish to ensure an additional 20–30-year life

- Option 3: Extended footprint – develop high usage areas to attract more users with an additional 20–30-year life and create a community hub
- Option 4: New development – replace centre and integrate extra services to create a community hub.

East Reservoir: Strategies for improving community health and wellbeing (2022)

In November 2019, Council passed a resolution seeking to understand how investment in RLC could improve health and wellbeing outcomes and address socio-economic disadvantage for the local community. This resolution was pivotal in shifting the process from a traditional aquatic leisure facility planning exercise, as completed in 2018-19, to one informed by the social determinants of health.

This resulted in the *RLC Health and Wellbeing Study*, which engaged a multi-disciplinary team across Council with the Department of Public Health at La Trobe University, to consider how investment in the centre could enhance health, wellbeing, and socio-economic outcomes for the community.

In April 2022, Council passed a resolution noting the outcomes of the health and wellbeing study and the recommended hub model of investment in community infrastructure to address socio-economic disadvantage in the northern part of Darebin. The endorsed vision for the redevelopment is to transform RLC into a local wellness hub that connects the East Reservoir community to quality health, wellbeing, and recreation experiences.

Officers were requested to undertake investigation/early design work on options (with options for different size pools to respond to community needs) for the redevelopment of RLC, to present back to Council in April 2023. This included investigating how the RLC redevelopment could meet the 6-star rating under the Green Star Buildings rating tool.

The RFT for design work for options was completed, however, the process ceased in early 2023 while the 2023-24 Council Budget was being considered, due to the short- and long-term financial position of Council.

In June 2023, through the 2023-24 Council Budget process, Council requested officers undertake an RLC Scoping Study in 2023-24, rather than proceeding to early design concepts as previously resolved by Council in April 2022.

Officers briefed Councillors in December 2023 seeking to progress the RLC Scoping Study by building on the work previously undertaken, understanding the changing funding landscape, and addressing the deteriorating condition of the infrastructure as identified by the following reports to prioritise annual actions:

- Pool Inspection Report (Lacus, 2021)
- Building Assessment (CT Management, 2022)
- Aquatic Facility Audit (Commercial Aquatics Australia, 2023)

Following the December 2023 Briefing, officers were planning to bring the RLC Scoping Study to Council in February 2024 for consideration and endorsement of scope and approach. On 1 February 2024, Council resolved to request a report on high-level costings and funding strategies. As a result, the RLC Scoping Study has been delayed to progress this report by March 2024 as the same resources of Council are being used to progress both pieces of work.

Several issues remain unresolved, in particular the endorsement of a redevelopment option to progress to concept design which is reliant on a confirmed funding strategy and capital budget allocation.

Planning for the long-term future of RLC and community infrastructure

Irrespective of Council's decisions about redevelopment and the timing of this, there is a need to make provision for the future of the services delivered from this building for when the building reaches the end of its useful life in around 15 years' time. For a facility of this scale, long-term planning is important to do at least 10 years ahead. Given the scale of funding required, best practice is for this to be done in an integrated way through the Community Infrastructure Plan (currently in development), the Long-Term Financial Plan and Asset Plan (both in place, with the next review in 2025).

Previous Council Resolution

At its meeting held on 1 February 2024, Council resolved:

'That Council:

- (1) *Notes the 2023/24 budget allocated funds for a scoping study which has yet to be completed.*
- (2) *With urgency commits to complete a comprehensive scoping study focusing on the future features of a new rebuilt RLC to achieve the outcomes previously resolved by Council.*
- (3) *Receives a report in March 2024 on:*
 - a. *High-level costing estimates for different options on a new rebuilt RLC.*
 - b. *Funding strategy using Council's own sourced funds and external State and Federal government funding.*
 - c. *Establishing a specific Future Fund for the redevelopment and rebuild of a new RLC in the near future.*
 - d. *Steps and processes on Council committing to and achieving the building of a new RLC in the coming years.*

ALIGNMENT TO 2041 DAREBIN COMMUNITY VISION

Strategic Direction 2: Prosperous, Liveable and Flourishing

ALIGNMENT TO 2021-25 COUNCIL PLAN

Strategic Direction 2: Prosperous, Liveable and Flourishing

ALIGNMENT TO COUNCIL PLAN STRATEGIC OBJECTIVES

2.1 We will deliver equitable and accessible infrastructure to provide opportunities for our community to live well

Action 2-2: Redevelop Reservoir Leisure Centre, incorporating opportunities to enhance health, wellbeing and socio-economic outcomes

DISCUSSION

High-level costing estimates for different options on a new rebuilt RLC

In response to the request outlined by Council in February 2024, officers have sought updated high-level costing information from quantity surveyors, Turner and Townsend, for the following options:

- Option 1A: Knock-down and new build based on 8,440m² footprint and comprehensive componentry.
- Option 1B: Knock-down and new build based on existing RLC 4,666m² footprint and prioritised componentry.
- Option 2A: Refurbishment on existing RLC footprint with prioritised componentry.
- Option 2B: Staged wet and dry refurbishment on existing RLC footprint with prioritised componentry.

Please note: these estimated figures are indicative only and are subject to change due to componentry, detailed design and documentation stages, timing, and movement in construction industry pricing. Exclusions are noted in the cost estimates documentation. All estimates include up to a 5-star Green Star rating. For 6-star Green Star rating, an additional allowance of 10% of the construction cost would need to be included.

The recent high inflation context has increased construction costs across Council’s capital works program. The construction price index in Melbourne increased 25% over the three years to December 2023 according to the Australian Bureau of Statistics.

Options and consideration	Scope of works high-level summary	High-level indicative estimates in 2024 \$
<p>1A: Knock-down and new build based on 8,440m² footprint and comprehensive componentry</p> <p>Regional facility providing significant range of wet and dry services and programs</p> <p>Site capability assessment required (especially due to easement through site and 50m pool)</p> <p>Significant capital cost and design/professional fees to construct</p> <p>Likely to compete with other Council facilities for some activities and programs</p> <p>Service access impact for current users and RLC staff while being rebuilt</p>	<p>New build with comprehensive regional level aquatic and recreation componentry of approx. 8,440m² (internal construction only)</p> <p>Current construction costs for a new aquatic and leisure facility are approx. \$9K/m²</p> <p>To accommodate outdoor works (eg including an outdoor 50m pool), consideration would need to be given to which components might be removed from the scope due to existing Melbourne Water easement and land configuration/availability. Approval would be required from Melbourne Water to address the easement</p>	<p>Approx. \$124M</p>

Options and consideration	Scope of works high-level summary	High-level indicative estimates in 2024 \$
<p>1B: Knock-down and new build based on existing RLC 4,666m² footprint and prioritised componentry</p> <p>Improved layout of existing spaces, reconfiguration, and utilisation of space/s</p> <p>Opportunity to complement services provided at other Council facilities</p> <p>Service access impact for current users and RLC staff while being rebuilt</p> <p>Site capability assessment may not be required</p>	<p>New build similar in size to current RLC which is approx. 4,666m² with prioritised componentry (internal construction only)</p> <p>Current construction costs for a new aquatic and leisure facility are approx. \$9K/m²</p> <p>This option does not include costs for a 50m outdoor pool due to lack of readily available space. Should a 50m pool be a priority component, consideration would need to be given to which components would be removed from the scope</p>	<p>Approx. \$65M</p>
<p>Option 2A: Refurbishment on existing RLC footprint with prioritised componentry</p> <p>Reduced construction period and costs</p> <p>Reuse existing footprint and componentry where possible</p> <p>Improved layout, reconfiguration, and utilisation of space/s with enhanced service and program opportunities</p> <p>Service access impact for current users and RLC staff while being redeveloped</p> <p>Site capability assessment may not be required</p>	<p>Refurbishment of existing facility (4,666m²) with prioritised componentry including:</p> <ul style="list-style-type: none"> • External and internal building works, including new entry canopy, facade of building and plant room • Reshape customer entry, create a café space, and enhanced public amenities • Replace indoor 25m pool including a ramp entry, spa, and hydrotherapy pool • Enhanced indoor water play area • Minor gym and aquatic extension on current RLC site 	<p>Approx. \$56M</p>
<p>Option 2B: Staged wet and dry refurbishment on existing RLC footprint with prioritised componentry</p> <p>Parts of RLC continue to operate while staged wet and dry construction underway so some user and RLC staff impact (less than other options but some activities continuing)</p> <p>Additional construction time and costs associated with this option due to staging of works</p>	<p>Staged refurbishment of existing facility (4,666m²) with prioritised componentry including:</p> <ul style="list-style-type: none"> • External and internal building works, including new entry canopy, facade of building and plant room • Reshape customer entry, create a café space, and enhanced public amenities • Replace indoor 25m pool including a ramp entry, spa, 	<p>Approx. \$65M</p>

Options and consideration	Scope of works high-level summary	High-level indicative estimates in 2024 \$
Reuse existing footprint and componentry where possible Site capability assessment may not be required	and hydrotherapy pool <ul style="list-style-type: none"> • Enhanced indoor water play area • Minor gym and aquatic extension on current RLC site 	

Should Councillors wish to consider other previously presented options from the *RLC Feasibility Report* (Otium, 2019), officers have sought updated high-level costings:

Options and considerations	Scope of works high-level summary	High-level indicative estimates in 2024 \$ (2019 \$ estimate)
Maintenance and asset renewal (based on Macutex Condition Audit Report)	Critical maintenance works and asset renewal (and staging) to prolong the life of RLC. Works include: <ul style="list-style-type: none"> • Minor building refurbishment • External works • Aquatic works • Design and associated fees • Construction costs and contingencies 	\$6.15M (2019 \$3.47M)
Maintenance and asset renewal (as above) plus customer experience enhancements	As above plus: <ul style="list-style-type: none"> • External building works and minor extension works • Reshape customer entry, café, and upgrade public amenities • Aquatic works (minor enhancement and upgrade to outdoor aquatic water play area) • Design and associated fees • Construction costs and contingencies 	\$27.9M (2019 \$19.3M)
Maintenance and asset renewal plus customer experience enhancements (as above) plus outdoor splash pad external to RLC footprint	As above plus: <ul style="list-style-type: none"> • Provision for an outdoor splash pad external to RLC footprint 	\$31.9M (2019 \$20.3M)

Funding strategy using Council's own sourced funds and external State and Federal government funding

As requested by Council, the advice below discusses potential funding sources and explores indicatively the funding envelope that could be afforded and on what timeframe using Council's own sourced funds and external State and Federal government funding. This is preliminary indicative advice, based on limited data of varying quality. It will need to be reviewed:

- When various asset management plans are completed.
- Following the next update to the Long-Term Financial Plan (LTFFP) and Asset Plan which is due in 2025.
- When future project scope decisions have been clarified.
- When the Community Infrastructure Plan is ready for consideration by Council.
- At future updates to the LTFFP and Asset Plan.

Several assumptions underpin this advice:

- Council's LTFFP has provided the overall budget envelopes that Council needs to meet to achieve financial sustainability. Funding strategies discussed are based on maintaining financial sustainability as outlined in the LTFFP.
- Council remains committed to delivering a wide range of services to community.
- Maintaining the wide range of community assets and facilities that Council provides remains an important priority for Council's overall capital works program.

1. Funding via Council's Capital Works Program budget

The affordable funding envelope for Council's total capital works program has been analysed through to 2033 and is set out in its LTFFP. This funding envelope needs to cover the renewal of all existing assets including roads, drainage, buildings, playgrounds, footpaths, as well as any adaptations or improvements needed for infrastructure to be able to deal with changing needs, risks, or preferences. This includes improving drainage to help the city be resilient to more extreme weather, transport safety improvements and improvements to facilities to respond to changes in community service needs – such as addition of audio-visual equipment, air-conditioning, or gender-inclusive changerooms or expansions to meet higher usage figures.

Substantial work is in progress to improve data and analysis about Council's current assets, their lifetime and condition. This work will contribute to a review of the LTFFP and the Asset Plan in 2025, and it will be important for the RLC funding strategy to be reviewed after that work is completed. The review of the LTFFP is expected to include checking that cost estimates have factored in recent high construction price inflation which has been substantial and included 25% inflation over the three years to December 2023.

The long-term estimates in Council's 10-year capital program (from 2023-24 to 2032-33) include a total of \$20.29M of capital expenditure from years 5 to 10 that is not yet specifically assigned to a renewal program or project. There would be a risk in directing all unassigned funding towards a single project as there are very few large renewal or improvement projects currently programmed over the period. It is expected that in addition to RLC, there will be other facilities that will need significant renewal and/or redevelopment.

Considering this, by 2033, Council may be able to reprioritise \$10M of its capital works budget towards redevelopment of RLC.

Note: there is essential renewal funding for RLC identified in the capital works program. This is not available for redevelopment but is necessary to keep the facility operating as it currently is. If the site were to close during this period, this funding could be redirected, but the assumption used in the report is that this does not occur.

Indicative funding option by 2033: \$10 million

2. Current Open Space Levy (OSL)

Council's current OSL has already been factored into its long-term capital works budget envelope and, therefore, the current levy does not provide the opportunity to source additional funding for RLC above and beyond the funding discussed above.

Indicative funding option: No additional budget as already covered via the capital works program above

3. Additional Open Space Levy (OSL)

Council is currently working towards increasing the OSL as it does not believe the current OSL rate reflects the actual cost of providing for growing needs for open space infrastructure. If Council is successful, this would increase the total capital works pool and may open opportunities for a total increase in expenditure under the capital works program.

Detailed estimates are in progress.

Indicative funding option by 2033: TBA

4. Current Development Contributions Plan (DCP)

The DCP, adopted by Council in 2023, provided for an estimated RLC redevelopment project cost of \$15.5M with estimated contributions of \$3.57M through the DCP (23%). This funding will be collected over time and the RLC component is not expected to be collected until 2038.

Indicative funding option by 2033: \$0; from 2038 \$3.57 million

5. Additional/revised Development Contributions Plan (DCP)

Council could seek to increase the DCP contributions level to reflect increased redevelopment project scope or cost – this would require a planning scheme amendment which would need to be considered at the point the redevelopment scope is clearer. A planning scheme amendment could potentially be in place by 2030. The contributions would be collected over time at the time of subdivision. Funds must be used in line with any adopted DCP and can only be used to fund the proportion of a facility that is servicing population growth. According to Forecast ID, Darebin's population is currently forecast to grow from 164,156 in 2024 to 194,476 (18%) by 2033 and the current DCP collection is around 23% of the project cost that was estimated at the time. Analysis would need to be undertaken to align this with the catchment for any new proposed facility to inform any future DCP.

There is risk associated with this as the location is near a future Suburban Rail Loop (SRL) Station and in a location where the State Government has the power to run planning scheme amendments (although it may decide to not use this power), meaning that Council may not have the same level of influence or control over the outcomes. In the current context of a housing crisis, increases in developer levies are likely to be contested and, therefore, are higher risk, even in the face of good evidence of need, benefit, and good evidence to demonstrate they won't impact housing supply.

Indicative funding option by 2033: minimal; over time potentially 18% to 26%, but risky. Collections would largely occur after 2033

6. Borrowings

The revised 10-year Financial Plan, adopted in June 2023, updated prior funding assumptions significantly due to the rising cost of interest. It had been assumed that low interest rates would apply for the period of that 10-year Financial Plan to source funding for major capital projects. However, once inflation started to rise rapidly, the Reserve Bank delivered 12 rate increases in 14 months, significantly constraining borrowings as a source of funds. The rising interest rates and the flow-on impact on costs were considered in the revised LTFP.

Council is currently budgeting to spend \$5.7M per annum in repayments for borrowings over the period of the LTFP to 2033. The total repayment over a 10-year period to 2033 would be \$56.85M with the interest component \$7.85M. The interest constitutes 16% of the loan amount.

Treasury Corporation of Victoria (TCV) have revised Council's borrowings cap down from \$61M to \$49M and will advise Council annually (in November) of any further revision in the borrowings cap. Given the significant and increasing level of the State Government's debt, it is prudent to expect this cap will decrease, and Council will need to demonstrate it is able to continue to repay its loan repayments while achieving underlying surpluses before TCV will extend any further borrowings. It would be advisable to wait for interest rates to decrease to an affordable level.

Any borrowing beyond 2033 would depend on the following key unknown variables:

- Unpredictability of interest rate movement.
- Applicable debt guidelines of TCV at the time.
- Continued generation of operating surplus and cash surplus.
- Council's ability to meet/exceed the key performance targets.

With an assumption that the financial performance of Council and the lending criteria remain the same, Council could continue to repay \$5.7M per annum for a further period of 10 years.

At an average interest rate of 4%, Council may be able to borrow \$40M. With every increase of 1% in interest rates, the amount of borrowing would reduce by \$2M. For example, if the average interest is 5% and the amount borrowed is \$40M, the borrowing amount would reduce to \$38M at 6%. The fundamental assumption is that the repayments will continue to be \$5.7M per annum for a further 10 years. This would need to be funded via reduced spending on services.

Indicative funding option at 2033: borrowings of \$40 million with annual repayment at \$5.7 million per annum for 10 years with a conservative assumption of increasing interest rates.

7. Sale of property assets

Council sells minor land assets every year that are no longer needed for community uses. Right of ways often fall into this category as do some parcels of land. For example, Council will consider the sale of two residential blocks in the next 6 months.

While Council has other large property assets, most of these are zoned for public use or for provision of parks and recreation, which means they are not able to be sold without rezoning and would be subject to the State Government's Windfall Gains Tax. Rezoning must also demonstrate community benefit of the zoning change and to gain support needs to ensure net community benefit is achieved relating to the site itself. This means they are not a reliable source of funding for a separate project. Council has obligations to ensure its decisions about property are each on their own merits and trade-offs to other sites cannot be considered.

Indicative funding option by 2033: \$6.4 million (at \$800,000 per year) to be confirmed

Potential but risky/unlikely funding sources

8. Secure community support to increase rates and seek an exemption from the rates cap

Council could provide the Darebin community the opportunity to consider funding this new facility through an increase to rates. If Council were to secure community support and demonstrate it through community engagement, it could share the community feedback with the State Government via an application for an exemption to the rates cap. Subject to approval of the State Government, an increase in rates could be used as a funding source.

As an indication, a contribution of \$17 per household per annum (at 60,000 households) would provide \$1M per year should Council commence increased rates from 2025-26. By 2033, this would have accrued to \$7M.

In the current context of cost-of-living pressures and the impact they are having on households, it is unlikely to achieve strong community support and, therefore, the assessment is that this is not a realistic funding source.

Indicative funding option by 2033: \$7 million

9. Grant funding from State or Federal budgets

Council has not had recent success in securing large funding for similar facilities and, at this time, there is significant budget pressure on all levels of government and, in general, available funding is reducing rather than increasing.

State and Federal Government grants generally require projects to be shovel-ready (ie design cycles completed) with committed Council funds and clear timelines for project construction.

The only potential funding officers are currently aware of is Sports and Recreation Victoria's Local Sports Infrastructure Funding. The last round of this program only offered grants of up to \$300,000 on a basis of 1:1 matched funding. This level of funding would make minimal difference to Council's ability to fund a redevelopment of an aquatic centre. When the State Budget position was in a better position, the only State Government support Council was able to secure for NARC was a small grant (\$27K) for Changing Places change rooms and a low-interest loan that saved Council approx. \$1.1M. Acknowledgement of State Government investment is a requirement under these grants.

The State Government previously offered Better Pools and Stadiums grants of up to \$2.5M; however, these grants are not currently being offered to metropolitan Councils and it is unknown when, or indeed if, this funding may return.

The Federal Government also supports sports infrastructure projects ranging from small community facilities to major sporting venues. The major source of Federal Government sports funding currently available is \$200M over three years, across Australia as part of the Play Our Way program to increase female participation in sports, of which \$136M is available for facilities across a three-year period. Projects are not eligible if they do not have a primary or exclusive focus toward women and girls and must be completed within three years. A minimum of \$50,000 to a maximum of \$1.5M is available. Acknowledgement of Federal Government investment is a requirement under the grant. There are many pools across Australia coming to end of life as well as new infrastructure needs in rapidly growing areas; this also means there is strong competition for grants.

Given the above funding from State and Federal Government is likely to be modest and would more likely than not require Council to fulfill a range of requirements including acknowledgement of investment as Council has been required to do for other projects.

Indicative funding option by 2033: \$300,000

Possible funding streams if Council were to reconsider priorities or policies

10. Reduce Council subsidies for lower benefit services

Given Council's ongoing commitment to maintaining discretionary services, this would require a significant shift in Councillor priorities, and community and staff engagement.

Council runs a number of discretionary services that are not required to meet its statutory obligations. Council could decide to reduce investment in one or more services to save funds for a major redevelopment.

While assessed as unlikely, it remains possible should Council's priorities change and could allow savings of \$2M to \$4M per year.

Indicative funding option by 2033: \$16 million (@ \$2 million savings per year)

11. Increase cost recovery from Council's leased properties

Council is currently consulting on a draft leasing and licensing policy which proposes peppercorn rental for not-for-profit organisations and prioritises existing tenants. If endorsed, this would make this funding source very difficult to achieve as it would require significant change to the policy. It would also reduce some rental income from current tenancies that operate at partial rather than full subsidies.

Council currently provides leased properties every year and most of these are provided at full lease subsidy for community group users. These subsidies are valued at several million dollars in total. There are various options Council could consider that could return some funding from Council's leased properties for funding of priority community projects such as RLC - for example:

- There may be some opportunities to co-locate tenants where they have complementary times of use, which could in turn free up a building for a commercial tenant that could return some funds for community use.

- There may be some tenants with an ability to cover some of the costs and where a partial subsidy is as effective as a full subsidy at providing community value.
- Council could reconsider overall how it provides subsidies to direct them based on grants and/or individuals with high needs, rather than via lease subsidies.

Work is in progress to assess the potential revenue should Council wish to take a more commercial approach to property leasing.

Indicative funding option by 2033: \$0

12. Partnerships

Partnerships may provide Council an opportunity to receive a capital contribution in lieu of a rent-free period for a provider of community or allied health, or a university if Council felt this was a good fit with the project. The total amount of this opportunity is unknown but is likely to contribute only a small proportion of required funding.

Further work would be needed to explore this option should Councillors see this as a viable opportunity.

13. Operating Model

A funding stream option could be to reduce the current annual operating subsidy of \$1.865M and, like the outsourced operating model for NARC, turn this into an Operations and Management contract return for Council.

Officers consider this is only a realistic option following redevelopment due to the current condition of the facility and would require further assessment in terms of change costs and industrial relations considerations.

Indicative funding option by 2033: \$0; after redevelopment \$1.865M

Establishing a specific Future Fund for the redevelopment and rebuild of a new RLC in the near future

The creation of a specific future fund for a new RLC could be achieved through the creation of a discretionary reserve.

The reserve allows Council to hold funds for the particular use. The main challenge for Council is to hold the funds as savings and put them aside over time for this particular use.

Such reserves are not required under legislation and are, therefore, discretionary in nature, are not counted in any calculation of restricted cash and investments. They can be subject to change, including closure and transfer of any funds back to accumulated surplus, by a future Council.

The fund would need to set its objective and the criteria as to how funds are used, what funds could be transferred, and whether there are any limitations.

Steps and processes on Council committing to and achieving the building a new RLC in the coming years

The current next step as resolved by Council in June 2023 and February 2024 is to undertake the RLC Scoping Study. The timelines to complete the RLC Scoping Study in 2024 were identified as a risk in the Council Plan Action 2023-2024 Progress Report Q2 reported to Council in February 2024. It takes significant time to prepare to and consult with community effectively on important projects like the RLC Redevelopment to achieve the desired level of meaningful engagement to the depth and breadth expected. It is proposed that the RLC Scoping Study involves community consultation which is additional to consultation previously undertaken through the RLC Feasibility and RLC Health and Wellbeing Studies.

Table 1 – Indicative high-level steps of RLC Scoping Study

Officers will use best endeavours to achieve the timeframes outlined below which are tight and are outlined as indicative only:-

<p>Undertake RLC Scoping Study focused on the future features of a new RLC to achieve the outcomes previously resolved by Council, including:</p> <ul style="list-style-type: none"> • Establish Project Governance (PCG) (March-April 2024) • Procure engagement consultant (April-June 2024) • Engagement design (including Gender Equity Impact Assessment) and undertake consultation (June-September 2024) (concluding prior to caretaker period) • Procure quantity surveyor (QS) (July-August 2024) • Analyse and identify findings from community consultation (September-October 2024) • QS report on priority components (October-November 2024) • Briefing and Report to Council (November-December 2024) 	2024-26
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Table 2 – Progressing outcomes of RLC Scoping Study

At the conclusion of the steps in Table 1, progress to the development of an RLC Business Case including funding strategy, establishment of the project budget range and connect to LTFP	
Seek and secure funding aligned to Council-endorsed funding strategy e.g. through savings, borrowing, advocacy, grant applications, etc.	
<p>Consider operations and management model including:</p> <ul style="list-style-type: none"> • Risk Assessment: Prepare a whole of project risk assessment. • Management Model: Review existing operating model and consider options for best outcomes for return on investment <p>Design:</p> <ul style="list-style-type: none"> • Engage probity auditor (to support tender) 	2 years when funding confirmed

<ul style="list-style-type: none"> • Procure (via tender) the principal design consultant/architect • Develop concept design • Peer review concept design with key industry stakeholders including but not limited to Lifesaving Victoria, Aquatics and Recreation Victoria, Fitness Victoria • Community consultation • Develop schematics and detailed designs 	
<p>Construction:</p> <ul style="list-style-type: none"> • Procure contractor via tender • Undertake construction • Practical completion 	Up to 3 years pending chosen option when funded
Transition facility to operational mode: pre-opening, staffing (including centre induction and training), management model, marketing, FF&E	4-6 months from practical completion
Redeveloped RLC opens to community	18-24 months from commencement of construction

CONSIDERATION OF LOCAL GOVERNMENT ACT (2020) PRINCIPLES

Financial Management

Following the February 2023 Monitor's Report, Council has ongoing financial reporting obligations to demonstrate financial governance in decision making.

Council will need to address Division 4 of Part 4 of the Local Government Act 2020 with regard to funding strategies for the future RLC redevelopment:

- (1) The following are the financial management principles:
- (a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;
 - (b) financial risks must be monitored and managed prudently having regard to economic circumstances;
 - (c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community;
 - (d) accounts and records that explain the financial operations and financial position of the Council must be kept.
- (2) For the purposes of the financial management principles, financial risk includes any risk relating to the following
- (a) the financial viability of the Council;
 - (b) the management of current and future liabilities of the Council;
 - (c) the beneficial enterprises of the Council.'

Community Engagement

In undertaking the earlier feasibility and health and wellbeing studies, users of the facility and the general community were invited to provide feedback through a series of workshops, surveys, and public submissions. Key themes and community sentiment expressed throughout these processes have been captured and used for the work completed to date including the current vision for the project.

Other Principles for consideration

Overarching Governance Principles and Supporting Principles

- (b) priority is to be given to achieving the best outcomes for the municipal community, including future generations;
- (g) the ongoing financial viability of the Council is to be ensured;
- (i) the transparency of Council decisions, actions and information is to be ensured.

Public Transparency Principles

- (a) Council decision making processes must be transparent except when the Council is dealing with information that is confidential by virtue of this Act or any other Act;

Strategic Planning Principles

- (c) Strategic planning must take into account the resources needed for effective implementation;

Service Performance Principles

- (a) services should be provided in an equitable manner and be responsive to the diverse needs of the municipal community;
- (c) quality and costs standards for services set by the Council should provide good value to the municipal community;

COUNCIL POLICY CONSIDERATIONS

Environmental Sustainability Considerations (including Climate Emergency)

East Reservoir is identified as high risk to heat vulnerability due to the combination of social and environmental factors in this neighbourhood. This presents health and wellbeing risks, which should be considered in any proposed interventions to the physical space. Further to this, ESD outcomes can be achieved through redevelopment opportunities.

It should be noted according to the *2023 Environmentally Sustainable Development (ESD) Building and Infrastructure Policy*: New buildings or major upgrades to an existing building with a total design and construction value of \$15M or more should have SMP with certified Green Star 5-star rating as a minimum and NABERS assessments where applicable: Embodied Emissions Initiative, energy 5-stars and water 5-stars.

RLC is currently Council's largest gas consumer – the key change to reflect the 'prohibition of new gas connections, appliances, and requirement to remove existing gas where possible' as articulated in the policy is a key consideration, particularly 'Guiding Principle 6.3 All building retrofit/renewal/redevelopment projects must replace any existing gas with electric or passive alternatives where feasible'.

Equity, Inclusion, Wellbeing and Human Rights Considerations:

An Equity Impact Assessment was completed at the inception of the RLC Health and Wellbeing Study. The data obtained through the wellbeing study clearly shows the health inequity that exists in East Reservoir and other parts of the Reservoir community. The proposed model and interventions seek to respond to these issues and address disadvantage through the following approaches, as aligned to the Towards Equality Framework and Health and Wellbeing Plan which were critical in guiding the health and wellbeing study:

- The three lenses of People, Place and Experience are central to the proposed community hub approach, to provide accessible, place-based access to multiple services that reflect community need and experiences.
- An investment plan in capital and social infrastructure that is across the spectrum of responses, from prevention to tertiary response.
- A lifespan approach that considers how community members' needs vary and change over time, with a strong focus on strengthening early years as a platform for lifelong wellbeing and addressing disadvantage.

Economic Development and Cultural Considerations

The proposed hub investment model supports the ongoing revitalisation of the Reservoir Activity centre through the activation of unused Council buildings in this precinct.

Operational Impacts

The outcomes of the RLC Scoping Study and future work will result in operational impacts. These will be explored during later stages of the project.

Legal and Risk Implications

A detailed risk assessment will need to be undertaken following identification of Council's preferred funding strategy. High-level risk information has been incorporated into key funding strategy options.

IMPLEMENTATION ACTIONS**Next steps:**

- Undertake RLC Scoping Study

RELATED DOCUMENTS

Not applicable

Attachments

Nil

DISCLOSURE OF INTEREST

Section 130 of the *Local Government Act 2020* requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any conflicts of interest in a matter to which the advice relates.

The Officer reviewing this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.