



4 COMMUNITY WELLBEING

Item	4.1
Subject	Memorial Hall Project Update, Options and Funding Proposals
Presented by	Michelle McFadyen - on behalf of the Project Control Group

ALIGNMENT WITH DELIVERY PROGRAM

(CL) CIVIC LEADERSHIP

(CL.3) Council is proactive in representing the needs of our community

(CL.3.2) We are consultative

(CL.3.2.1) Execute the Community Engagement Policy and Strategy

RECOMMENDATION

That Council:

1. Note this report in relation to the Bellingen Memorial Hall Transformation Project
2. Endorse and proceed with Option 3 as outlined in this report
3. Authorise the funding strategy as outlined in the confidential attachment to this report
4. Endorse that loan funding of \$1.6M previously approved by Council on 29 July 2020) and proposed to be funded from council's water fund reserves (subject to Ministerial approval) is now sourced through alternate means as identified in the budget section of this report.
5. Authorise the General Manager to execute documents associated with this resolution as required.

EXECUTIVE SUMMARY

Further to the report provided to council at its meeting of 29 July 2020 (attached), the purpose of this report is to provide an update on the progress of the Memorial Hall Transformation Project following the approval of the Development Application (DA) in April 2021 and an independent review having been undertaken for the project to date against the Detailed Design project estimate. This review was undertaken with best endeavours to determine the total project costs and provide Council with options in terms of moving forward. The proposed next steps in the process are also outlined in this report.

REPORT DETAIL

1. Background

Operationally, the Bellingen Memorial Hall has historically been managed by community volunteers (under Section 355 of the NSW Local Government Act 1993) as a delegated authority of the Bellingen Shire Council.

In late 2018, Council was successful with two grant applications for the Hall:

- Restoring heritage aspects of upstairs area at the front of the Hall and conversion of space for use as offices (Heritage Grant \$92,243). This work named Phase 1, commenced in March 2019 and was completed in July 2019.
- Undertaking both repair and new structural works required for the main hall (Stronger Country Communities fund \$335,151).

Just prior to these grants being advised, Council also initiated an operational review on the Hall as a precursor to forming a Strategic Plan for the centre, the results of which were completed just prior to the Regional Cultural Fund Grant being released.

These results identified that whilst there was good usage of the hall with a number of major events and festivals, local community events were steadily declining in number. This, coupled with rising operational and maintenance needs, implied the centre was at risk of losing its cultural significance and relevance to the community.

This revelation started a dialogue about the ongoing and future role of the Memorial Hall for the community, informing the resulting vision and strategy for a 'transformation' of the centre.

In summary, the vision of the initiative was to transform the centre from a 'Memorial Hall' to a 'Cultural Arts HUB', fostering collaboration, community and creativity by:

- Upgrading existing, and building new spaces that welcome new and diverse performances, performers, arts and workshops to the Shire
- Providing a renewed facility that inspires new collaboration and artistic creativity within the community
- Fostering and nurturing a healthy community culture through supporting various arts and cultural initiatives

This vision was the foundation of the Regional Cultural Fund grant application, named the 'Hall to Hub Arts Evolution' which was successful, and the Bellingen Shire Council was awarded \$3,303,000 to implement the project. Additional information on the funding for this project is provided in the Budget section of this report.

2. Project Governance

As council are the body ultimately responsible for the funding, and the Memorial Hall, relevant governance structures were implemented from February 2019 within council.

The Governance structures outlined in the procurement plan for this project consist of a Project Control Group (with representatives from Create NSW) and an internal Project Management Team (PMT) which includes a Project Sponsor and an internally appointed Project Manager. Both the Project Control Group and the Project Management Team generally meet monthly.

As part of the adopted Governance structures, there is a requirement to review and re-establish the Project Management Team coming into construction phase and that will occur in the coming month. In addition, an independent review will also be undertaken of the processes to date to identify and remedy key challenges experienced, and further inform project management and associated governance processes now and in the future.

3. Project Progress to date

Information on the progress of the project was provided to council at its meeting of 29 July 2020 in detail and a copy of that report is attached.

In summary the major developments for the project to date are as follows:

April 2018 - July 2020

- Grants secured
- Operational Review of Hall
- Councillor Workshop January 2019
- Governance Structures formed
- Initial concept design continued
- Councillor Workshop June 2019
- Community Open Days
- Key User Group Consultation

July 2019

- Council resolution (concept designs and RFQ for Detailed Design)

August - September 2019

- Tender process

November 2019

- Council resolution– appoint Architect and Consultant Team

December 2019 - March 2020

- Detailed Design and new concepts to address existing issues and carpark
- Continued consultation (Create and Key User Groups)

March 2020 - July 2020

- COVID 19 impacts on the delivery of the project

From March 2020 to July 2020 our organisation, like many in other parts of the country, experienced the disruption caused by COVID-19 which saw an inevitable delay in the project progression given the restrictions on gathering and movement during that time, required focus on other priorities such as service adaptation to deal with the impacts of the pandemic on council services and facilities operation, and an impact on our partners (architects, sub-consultants etc).

Further to the above timeline, at its meeting of 29 July 2020 Council resolved as follows:

That Council:

1. *Note this progress report in relation to the Bellinghen Memorial Hall Transformation Project*
2. *Adopt the Bellinghen Memorial Hall Transformation Project Final Concept Design A integrating the car park design, to proceed to the Detailed Design and Development Application phase of the project.*
3. *Approve the utilisation of up to \$1.6M in funds from council's water fund reserves (subject to Ministerial approval) to be repaid at commercial interest rates via an internal loan and adjust the Long Term Financial Plan accordingly.*
4. *In the event that this approval is not secured, authorise the taking of a commercial loan up to \$1.6M.*
5. *Authorise the General Manager to execute associated documents as required.*

Following that resolution of council, preparation for the Development Application (DA) and detailed design continued alongside close engagement with key stakeholders. The DA was lodged in December 2020 and in late January 2021 the Memorial Hall was closed to allow for inventory and removal of items as well as further investigation into the significant structural issues with the Hall.

In mid-April 2021, the DA was approved, and the project progressed to the stage of having an external independent review of the project. This was always planned to occur at this stage in the project and was outlined in a council workshop in July 2020.

Based on the external independent project review, a briefing was held with Councillors on

Wednesday 26 May 2021 and a workshop was held with Councillors on Monday 31 May 2021.

4. Current Challenges

In mid-April 2021 the DA was approved and the project progressed to the stage of having an external independent review of the project. From this review it is evident that various issues are going to affect the total project costs against the budget.

An independent review has been undertaken following receipt of the development approval conditions against the Detailed Design project estimate (August 2020) to determine the total project costs (as opposed to total construction costs). This review has identified the revised estimate at this stage as described in the confidential attachment to this report, which is largely related to affiliated project works as summarised below:

- Detailed cost estimate developed for proposed carpark design
- Review of strengthening works to timber columns and asbestos removal
- Authority fees and charges
- Additional fees to satisfy DA conditions
- Allowance for professional fees necessary for contract administration during the construction phase
- Allowance for cost escalation to tender (impacted by COVID)
- Affiliated sewer diversion to accommodate new building footprint
- Affiliated realignment works to Creek Lane to accommodate proposed carparking layout and address existing encroachment

To address this, it is necessary to present options to Council to determine how this shortfall may be addressed through either modifications to the project scope and/or application of the funding strategies associated with the project which are outlined in the budget section of this report and detailed in the confidential attachment to this report. In order to maintain probity around the upcoming tender process, details in relation to this section are provided in a confidential attachment under Section 10A(2) (a) of the NSW Local Government Act 1993, which permits the Meeting to be closed to the public for business relating to commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.

In presenting this information to council a range of considerations were taken into account including:

- Financial
- Time frame for completion and grant acquittal
- Grant specifications
- User Group Requirements
- Community expectations
- Sustainability of Hall – ongoing
- Risk

5. Options to Progress Project

In seeking to address the project challenges, the following options were worked through in detail (see accompanying attachments):

Option 1

- Retain existing design (no loss of functionality).
- Large funding shortfall.

Option 2

- Retain design modifications to Memorial Hall, Foyer, Amenities and back of house facilities.
- Remove Multipurpose Studio (MPS) and large component of rear deck (including plans to seek additional grant funding to deliver MPS at later stage if application successful).
- Loss of MPS and rear deck impacts functionality.
- Modify accessibility carparking to improve pedestrian access.
- Modify eastern and western carpark based on independent advice (DA modification required).
- No upgrade works in Creek Lane associated with the current project (DA modification required).
- Low funding shortfall (as detailed in the confidential attachment).

Option 3

- Retain design modifications to Memorial Hall, Foyer, Amenities and back of house facilities.
- Retain existing Multipurpose Studio and rear deck area.
- Modify accessibility carparking to improve pedestrian access.
- Functionality of Hall, back of house facilities and MPS retained in the same configuration as Option 1
- Modify eastern carpark based on independent advice (DA modification required).
- No upgrade works in Creek Lane associated with the current project (DA modification required).
- Medium funding shortfall (as detailed in the confidential attachment).

The current design reflected in Option 1 has been developed in consultation with key stakeholders and has resulted in a design that:

- meets the aspirations of the vision for HUB and the grant application(s)
- meets the current needs of the community and the upgrade needs of the hall
- provides the right mix of potential, re-use and adaptability to promote and enable new opportunities, performances and capability for the Shire - well into the future

The major functional changes associated with Options 2 & 3 revolve around reduced costs associated with modifications to carparking capacity and to the scope associated with the multipurpose studio (MPS).

Should the Multipurpose Studio (MPS) be deferred, Council needs to be mindful that this will greatly impact on the ability of the facility to accommodate concurrent use and affect the staging for users associated with the improved functionality associated with the MPS.

Design Intention	Impact
MPS adds multi-purpose, multiuser capability to HUB.	Reduced multi-purpose capability. Remove <i>concurrent</i> performance capacity.
MPS is expected to create more usage, more innovation and more collaboration.	Reduce the likelihood of transforming from HALL to HUB culture.
MPS is pre-configured for new, innovative usage.	Reduce expected growth of engagement from local community.
MPS provides an additional, supplemental space for major events (use as Green, Staging or Supper room).	Alternative is to use existing downstairs Flex space as alternative (which is currently used) however now with no direct access from the Hall. <ul style="list-style-type: none"> • Kitchenette/Serving is outdoor • Access to/from Hall is via stairs and side walkway • Flex Room is not acoustically isolated

A secondary component of the project relates to increased carparking being made available to support the improved functionality of the facility and to assist with constrained parking arrangements which exist in Hyde and Church Streets in Bellingen in proximity to Memorial Hall. Proposed refinements and associated cost savings associated with Option 2 involve maintaining the existing carparking arrangements with no increase in capacity from existing arrangements. Proposed refinements and associated cost savings associated with Option 3 involve retaining existing parking arrangements behind Memorial Hall but increasing capacity west of the site to deliver on the aspiration to provide additional parking. These options are put forward based on independent advice, as outlined previously. Realisation of this will require a formal modification to current Development Approval (DA) conditions. This will be assessed independent of Council staff.

An external review of carparking requirements has suggested that the intensification of use associated with the upgraded facility only relates to the MPS and a calculation of increased carparking would equate to approximately 14 additional spaces. On review of Options 2 & 3, it is identified that Option 3 would be aligned with achieving the outcomes of this assessment.

If a need remains to supplement carparking, council retains the option to consider further redevelopment works in Creek Lane as part of works proposed in the Long-Term Financial Plan.

A large component of the works associated with the project relate to addressing the obvious maintenance shortfall on the existing building fabric of Memorial Hall which has occurred over an extended period of time. There remains an option to refurbish the Memorial Hall in its current configuration to reduce the overall costs associated with the project however, this would need to be funded solely by Council as the scope of works would not be consistent with the conditions of the grant provided through Create NSW. Whilst the exact estimate of costs have not been accurately estimated, it is considered likely to be similar to Councils current commitments outlined further within this report.

On review of the options developed to address the funding challenges, Option 3 is presented as the recommended option which seeks to maintain the integrity of the design developed in consultation with the community and council, whilst seeking to address the identified funding challenges.

6. Next Steps

There are timing imperatives in relation to the project program milestones which rely on a construction tender being awarded by the end of July 2021 in order to meet the grant timelines.

The following is a summary of next steps for the project outside of the decision related to the options presented in this report. It should be noted there are future key decision points in the project (and for council) as highlighted below:

Activity	Timeframe
Progress Expression of Interest (EOI) to establish select tenderer list based on assessment of non-price-based criteria	Immediate
Council to select from presented Options (1-3) to progress project. This is the subject of this report.	Immediate
Progress a formal application for modification of DA conditions and independent assessment in consideration of potential carparking changes	Immediate
Facilitate Community and Key User Group engagement	June 2021
Finalise construction documentation based on selected option ready for tender	June 2021
Select tender called in consideration of contractor shortlist developed through EOI process	June 2021
Finalise estimate for completed construction documentation	July 2021
Appointment of Project Manager for Construction phase	July 2021
Progress early works package to address strengthening of timber columns and potential sewer diversion	July 2021
Construction tender recommendation and award by Council	July 2021

7. Summary

In summary, Council has actively worked to secure funding for long term legacy maintenance, and now transformation, of the Memorial Hall to a Hub. It is a complex project which involves new work, aged infrastructure and heritage issues. The project has involved significant consultation and collaboration with the Council, community and key stakeholders and has been subject to various design iterations and development approval.

This report highlights various challenges associated with the project, including the development approval process, cost escalations due to the current market and the affect COVID has had variously and on sourcing materials and labour, a range of affiliated works, and resourcing challenges. In consideration of options to move forward, it was evident that the refurbishment of the hall alone would not meet the grant requirements and that options outside of that would require a review of the previously adopted funding strategy.

Council has, over the past few years, invested significant resources on work around its assets and management of its properties and this has facilitated the revised funding strategy as proposed within this report.

In presenting this information to council a range of considerations were taken into account

including financial, time frame for completion and grant acquittal, grant specifications, user group requirements, community expectations, sustainability of the facility, and risk management. The original vision for the hall, designed to stimulate arts and culture and a transformation from a Hall to a community Hub with multiple spaces and concurrent usage, was also considered in presenting this information and options.

As a consequence, and post detailed consideration of the challenges and options by council, this report recommends a preferred option to take the project forward along with an affiliated funding strategy for the consideration of council.

As part of the project planning, the Hall was closed to the public in late January 2021 to allow for the inventory and removal of items from the hall, and further investigation around the significant structural issues. It was intended to previously commence some early works around the structural issues however finalisation of the DA requirements did not allow for this. Now that the development approval processes have been substantially finalised, staff are seeking to progress the structural and other preparatory works, and an associated sewer realignment as an early works package. It should be noted that the structural issues require close consideration and have implications around work health and safety and community safety concerns.

Aside from the decision required from this report around the option moving forward, it should be noted that there is a further key decision point in the process (as outlined in section 6 above) which will be at the time of the assessment of the tender for construction and the market response. A further report will be provided to council at that time – expected late July 2021). It is anticipated that the project construction work will be commencing in quarter 3 2021 and continue through to mid-2022.

BUDGET IMPLICATIONS

Current Funding Commitments

The approved financial commitments for the Memorial Hall Project as previously considered by council and stated in the report are as follows:

Current commitments:	\$2,196,331
General Revenue:	\$500,000
Loan amount:	\$1,596,331
Annual Interest Rate:	2.50%/20 years
Annual Repayment:	\$102,500 pa

At the time of the consideration in July 2020, it was recommended, and adopted, to secure the loan funds of \$1,596,331 as an internal loan against the Water Fund (pending Ministerial Approval).

In practical terms Council was looking to utilise \$1.6M in funds from council water fund reserves and repay back at a commercial interest rate via an internal loan. Since that time a review of the Water Fund has been undertaken and the Chief Financial Officer has indicated that it is appropriate that due to a number of major projects in Water and Wastewater, and given the current low interest rates, council proceed with a commercial loan. The recommendation to this report addresses this matter.

Proposed Funding Commitments

Consideration has been given to the following opportunities to address the identified funding challenges:

1. Funding realised through the rationalisation of existing facility assets

2. Extend the amount associated with an external commercial loan
3. Refinement of projects within the existing capital works programme via quarterly budget review and/or programme adjustment.

In order to maintain probity around the upcoming tender process, details in relation to this section are provided in a confidential attachment under Section 10A(2) (a) of the NSW Local Government Act 1993, which permits the Meeting to be closed to the public for business relating to commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.

Council has been prudent in the use of borrowings, traditionally holding very low levels of debt. The appropriate indicator of this is measured by the Debt Service Coverage Ratio. The Debt Service Cover Ratio is used to measure the availability of operating cash to service debt including interest and principal payments. It also shows the commitment of future revenue necessary to fund long term obligations. Council's current Long Term Financial Plan shows an average of \$4.30 in available operating cash for every \$1 of loan required to be paid, this is a very healthy position, well above the minimum benchmark of \$1.50 as set by the NSW Office Local Government.

In terms of funding this project, it is important to acknowledge that this project will create a facility that will be used by future generations. To ensure intergenerational equity, the use of borrowing costs is a sound strategy i.e. future generations are paying towards the cost of construction of the facility. To facilitate the annual internal loan repayments, council will continue its journey of reviewing its business operations and services to the community, as it has over past years. Council will look to find savings in other programs and services in order to facilitate the adjustment to the Long-Term Financial Plan.

SUSTAINABILITY ASSESSMENT

Adoption of this recommendation allows this project to progress and contributes to the wellbeing of the community with the progression of the Memorial Hall Transformation Project being a significant project for council and the community. In addition, the social and economic benefits of the transformation project are significant.

ENGAGEMENT

The Bellingen Shire Council Community Engagement Strategy is designed to outline the approach Bellingen Shire takes towards engaging with our community.

Having regards to the Community Engagement Strategy it is considered that the actions/initiatives contained within this report are appropriately categorised as having a LEVEL 1 impact. To address the requirements of Council's Community Engagement Strategy and the NSW Local Government Act 1993, Council carried out extensive community and user group engagement throughout the design stages of the project as outlined in previous reports. Subject matter experts were also involved in consultations. This detail is included in the attached report from 29 July 2020.

A workshop and briefing were held with councillors on 26 May 2021 and 31 May 2021 which involved a detailed briefing and consideration of funding options. In addition, consultation was undertaken with the NSW Office of Local Government in the preparation of this report.

There will be further and ongoing engagement in the next phase of the project which will include the community generally as well as key stakeholders including key user groups. This will take the form of general community updates, meetings with key stakeholders and user groups to further inform and engage.

ATTACHMENTS

1. Options plans
2. Report to Council July 2020
3. Options and Funding Strategies - Confidential