

<b>CAIRNS ENTERTAINMENT PRECINCT COMMITTEE</b> <b>19 OCTOBER 2011</b>	<b>1</b>
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## REPORT FROM THE PROJECT CONTROL GROUP

Linda Cardew : 26/7/18-04: #3332105

### **RECOMMENDATION:**

**That Council resolves:**

- 1. to receive and note this report;**
- 2. to direct the design team to progress with the architectural rainforest roofscape;**
- 3. to further engage the approved tenderers for Phase 4 (developed design) to the extent required to prepare relevant early works packages;**
- 4. that it is in the public interest to call for Expressions of Interest from building contractors suitably qualified to undertake the role of managing contractor for the Entertainment Precinct Project; and**
- 5. to delegate authority to the Mayor and CEO in accordance with section 257 of the Local Government Act 2009, to finalise any matter relating to the Expressions of Interest process; and**
- 6. to require a further report on the recommended tender shortlist to be brought to Council prior to the issue of tenders.**

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### **INTRODUCTION:**

To provide the Project Control Group's report on the status of the Entertainment Precinct Project to the Entertainment Precinct Committee, further to the approved project management and reporting framework adopted by Council on 28 July 2010.

This report summarises the project actions and issues arising over the period September to early October 2011.

**Reporting against project goals:**

#### **GOAL 1: TO MEET COMMUNITY NEED**

##### **1.1 Consultations**

A consultation session with the Kuku Yalanji people was held in Mossman Gorge on 6 September 2011, attended by approximately 20 Elders and others. Further consultations with clan groups are scheduled for October, completing a first round of consultations with all tribal groups, and a number of clan groups in the Cairns Local Government Area. A detailed report on the outcome of all Indigenous consultations is scheduled for presentation to the CEP Committee before the end of the year.

## **GOAL 2: HIGHEST AND BEST USE OF THE LAND**

### **2.1 Statutory approvals program**

Briefing sessions were held with DERM (heritage) and Ports North on 27 September 2011 to establish a planning approvals framework for the project. As a result, and in order to progress applications at the earliest opportunity to assist the \$40m Commonwealth funding expenditure by June 2012, Council's consultant planners, Urbis, are in the process of confirming an approvals framework that includes the submission of development applications structured as follows:

Ref	Approval	Rationale
1	Preliminary approval for the complete precinct (all stages)	To deal with issues that will affect the whole of the precinct, regardless of the stage in which it occurs (ie parking numbers, road realignment, stormwater etc).
2	Quicksilver	Different site, uncomplicated approval, allows early start.
3	Road realignment	Different site, uncomplicated approval, allows early start.
4	White's Shed	Recognises program advantages in separating White's Shed from the Performing Arts Centre (PAC) for both documentation and approval.
5	Performing Arts Centre and remaining Stage 1 external works	Recognises program advantages in separating White's Shed from the PAC for both documentation and approval.
6	Operational works	To allow early commencement of basement construction, and other associated enabling works.

The separate approval process for the Convention Centre link will be finalised at a later date, after discussions with the Convention Centre management and State Government as building owner.

### **2.2 Framework, development and lease agreements**

This work is being progressed with updates provided to Ports North by the project manager, Council's consultant planners Urbis, and Savills. The project manager and Council's solicitors met on 5 October 2011 to develop legal documentation that reflects the current program and proposed approvals process as above. Ports North and Council, and all relevant consultants are working together to achieve the target dates.

## **GOAL 3: DESIGN EXCELLENCE AND SUSTAINABILITY**

### **3.1 Design workshops**

CA Cox has progressed with replanning to accommodate the \$155m scheme as developed for the Project Assurance Framework Business Case, and as directed by Council. A staging plan has been discussed with Ports North, noting that generally there were no objections to the proposal, however all recognise that Ports' operations, as set out in its "overriding objectives" document, must continue to be met.

Following Council's resolution on 21 September 2011, consultant teams for thirteen disciplines have been appointed for phases 2 & 3. On 12 October 2011 the PCG approved the appointment of Arup Traffic further to Tender #2318. A further recommendation for the appointment of the civil engineers (Tender #2316) is submitted to the closed session of this agenda.

As part of the tender process, all tenderers were required to submit proposals for the placement of the best and brightest Indigenous graduates within their firms, further to a scholarship, cadetship or work experience position. These opportunities are now being pursued.

The first two design workshops were held on 29 September and 5/6 October 2011, with consultants working across the project on architectural design, town planning issues, heritage issues and the approvals process, cost management, theatre planning, acoustic design, structural and facade engineering, mechanical and electrical design, vertical transportation, landscape, hydraulic and fire service engineering, and are also working with the appointed building certifier.

### **3.2 Selection of roofscape design**

The design team now requires direction with regard to the design of the roofscape over the public plaza. The roofscape design is fundamental to the architecture and during the concept design phase two roofscape options were presented: the "architectural rainforest roofscape" and the "layered roofscape".

In view of the requirement to now stage the project, the design team has advised that the "architectural rainforest" is more capable of adaptation to future Stages that may differ from the current three stage model, whereas the "layered roofscape" is not flexible in terms of accommodating a future stage that varies significantly from the current scheme.

The architectural rainforest was preferred by community members who have participated in the consultation process.

The design team prefers and supports the development of the architectural rainforest option for the above reasons. The preference for the architectural rainforest has also been endorsed by the PCG which recommends that Council formally direct the design team to proceed with the development of that option.

### **3.3 Construction staging**

Arts Qld has advised that the Premier requires the Business Case to examine only two options: the “do nothing option” (maintain the Civic Theatre in its current form) and Staging Option 6(1) – the \$155million scheme.

CA Cox Rayner has been undertaking further planning studies, particularly to reconsider whether the second theatre can remain in its original location on the wharf side of the site. At a meeting between CA Architects, Savills and Urbis with Ports on 27 September, Ports indicated that construction access from the wharf (east) side would be possible. As a consequence, the second theatre will remain in the location as originally proposed (however will be delivered as a later stage).

All attempts are being made to maintain the rehearsal space within the budget in Stage 1. There are also advantages in including the catering kitchen in Stage 1 to support the commercial use of White’s Shed to generate revenue, and this is being examined from a cost management perspective.

### **3.3 Carparking**

The high cost of basement carparking on site and the early delivery of the carpark to meet funding acquittal requirements continues to be considered by the project team. The team is concerned to optimise value for money, and to avoid as far as possible the associated risk of ground conditions and the cost of the removal of contaminated material, even where those costs may be met by Ports North.

Carparking options are currently being examined, including the opportunity to reduce the risks from adverse ground conditions, and the project costs, by building some car parking off site. Further information will be brought back to the Committee as soon as available.

### **4.4 Development of early works packages**

In September 2011, following competitive tender processes, Council approved the appointment of thirteen separate design and advisory consultancies across a wide of disciplines. Tender prices were submitted for the remaining stages of the project (Phases 2-5), however at that time Council was requested to appoint the successful tenderers for Phases 2 and 3 only (preparation of a development application and preparation of tender documents for a managing contractor).

Following the meeting with the Premier on 20 September and the September CEP Committee meeting, the State Government has advised that it will bring forward its decision regarding funding to November, rather than December 2011. This timing change now allows the project team to bring forward the development of the early works packages which support the lodgement of several individual DAs for discrete areas of the site. These early works will be funded by the Commonwealth IEP grant funding.

The early works packages comprise the design and documentation of the road realignment on the southern end of the site, the relocation of Quicksilver, 100% design and documentation of White's Shed as required by DERM, services diversions and the wall systems required for the basement works. This work comprises a portion of the scope of services described under Phase 4 (design development).

The successful tenderers will be asked to identify the portion of their approved Phase 4 tender fees that relate to the early works described above. As each of the subconsultants' fees for this work is expected to be under \$150,000, contracts can be finalised to enable design work to start on the early works packages in the second half of October. Council will be asked to approve the remainder of the Phase 4 fees only after the State's commitment to funding is known in November 2011.

#### **GOAL 4: COMMUNITY COMMENT AND CRITIQUE**

##### **4.1 Communications Plan**

Monthly reporting on the implementation of the communications plan and community engagement activities commenced in June 2011.

A separate report from Marketing and Communications is presented on this agenda.

#### **GOAL 5: TO REFLECT THE CHARACTER OF THE CAIRNS REGION AND FAR NORTH QUEENSLAND**

##### **5.1 Invitation to Traditional Owners, tribal and clan groups**

The character and spirit of the region and the Far North may be expressed through the design of the *place*, the form and elements of the building, the materials and finishes, and through public art.

Consultations are continuing as described above in this report.

#### **GOAL 6: ECONOMIC GROWTH**

##### **6.1 Local employment**

One of Council's goals for the project is the creation of employment opportunities. In the last round of tenders, from thirteen disciplines, ten disciplines included Cairns-based consultants as part of the team. Of those ten disciplines, Council appointed eight consultants with a Cairns-based component. With the Indigenous adviser, probity adviser, surveyor, solicitors, and recently appointed traffic engineers, there are thirteen consultancies from Cairns engaged on the project.

## **GOAL 7: SOUND FINANCIAL MANAGEMENT**

### **7.1 Project cost management**

The project Finance Report is presented as a separate agenda item.

### **7.2 Business planning, risk and procurement consultancy services**

#### **7.2.1 Strategic Assessment of Service Requirement (SASR)**

The final version of the SASR was endorsed by Arts Queensland (AQ) on 24 June 2011.

#### **7.2.2 Preliminary Evaluation (PE)**

The PE was finalised in early September 2011 after addressing comments from Qld Treasury, and after finalising the financial and economic analyses with PricewaterhouseCoopers. The PE was submitted to Arts Qld and has been signed off by the Minister for The Arts, Rachel Nolan. It will be considered by the Cabinet Budget Review Committee in early October 2011.

#### **7.2.3 Business Case (BC) comparison with the Preliminary Evaluation**

The Business Case is based on the work that was done for the Preliminary Evaluation (PE) and submitted to the Entertainment Precinct Committee at its meeting in September 2011. The BC is a more detailed analysis of the project, including the operation of the facilities. It will be considered by Arts Qld later this month, and then by the Cabinet Budget Review Committee in mid November 2011.

It was recommended in the PE that the BC would analyse the “Status Quo” or “do nothing” option, (that is, retain the Civic Theatre as is) and the development of the first stage only of Option 6 in the PE. This approach has been accepted by the State Government. At a cost of \$154.6 million, Stage 1 of Option 6 in the PE is planned to provide:

- a major theatre which can accommodate up to 1,100 and accommodate the production of both Theatre style productions and Orchestral concerts
- the refurbishment of White’s shed.
- an amphitheatre plaza
- carparking
- a bridge link to the Convention Centre

Some of the items of work carried out on the BC during September 2011 include confirmation of areas allowing finalisation of the cost plan for inclusion in the Financial Analysis and Economic Analysis, and the re-engagement of PricewaterhouseCoopers and Creative Economy to prepare necessary inputs to the BC, including further refinement of operational and revenue assumptions.

The following compares the preliminary results of the BC with the PE.

## **Design and capital cost**

The capital cost in the PE for stage 1 of Option 6 is \$154.6m. The design team is developing the design working to this capital budget.

The ongoing development of the concept design has resulted in the inclusion of an additional revenue generating space: the use of the side stage of the theatre, acoustically isolated from the main stage and back of house.

The design of White's Shed is being developed such that revenue can be generated from this venue for functions and other entertainment and cultural activities.

The spaces within the facility have been rationalised to provide more workable floorspace to meet the needs of the community and those hiring the facilities.

## **Income**

The consultant, Creative Economy has worked with the design team to consider ways in which the facilities in this first stage of the project can be configured to best meet the needs of the community and also provide the best financial outcome for Council.

As a result of the further work for the Business Case, the income has increased in FY2017 from \$3,265,000 to \$3,989,000 (which includes the PAC, White's Shed and the carpark).

## **Expenditure**

Creative Economy has analysed the costs for operating the facilities for Stage 1 in greater detail based on the line by line operating costs of the Civic Theatre.

The engineering services consultants have also analysed the operating and maintenance costs for the equipment in the facilities based on current utility charges. Costs have also been allocated to Capital Works to be funded from the Depreciation Account. The definition used for the allocation of these costs has been agreed with Council officers.

The PE examined the costs of the whole of the Performing Arts Centre (based on the masterplanned site), whereas the Business Case is assessing only the Stage 1 option. With fewer facilities in the staged option, initial indications from the Business Case work are that the overall costs for the CEP will be less than anticipated under the PE. For example, the forecast operating deficit (excluding depreciation and interest expense) for the Performing Arts Centre and White's Shed has been revised down from approximately \$2.9 million to \$1.513 million per year. This is based on a comparison of the Creative Economy estimates for the PE (refer appendix 10 of the PE documentation) against the revised estimates formulated as part of their work on Business Case. This compares favourably with the current Civic Theatre costs of approximately \$1.3 million per year, which will no longer be incurred once the Civic Theatre is replaced by the new Theatre.

## **Budget outcome**

The BC will provide detailed financial analyses of the two options including net present values. It will also include details of the economic impacts of both options, noting that the major benefits of such facilities are indirect, non-market benefits.

For Council purposes, the BC also details Council's income and expenses for the next 10 years, which are comparable to the assumptions in the Council's Sustainability Financial Review. The additional work for the BC has produced a more favourable result for the Council.

## **Procurement**

Through a series of risk and procurement workshops with State, Commonwealth and Council officers, as part of the PE process, it was agreed that the preferred delivery model for the CEP is either a Construction Management or Managing Contractor form of contract. The key issue is whether the detailed design responsibility is transferred to the Contractor or retained with the Council.

In the BC it will be recommended that a Managing Contractor contract be used with the Principal (Council) having the right to transfer the detailed design responsibility to the Contractor, but no obligation to do so. With this model the Council will be able to decide, as the design progresses, if it is confident that the required design standards can be maintained with the Contractor having the design responsibility.

It is proposed to invite Expressions of Interest from appropriately qualified contractors later this month and to short list for Council's consideration, four contractors who will then tender for the role of Managing Contractor. The tender will include pricing for Overheads and Margins. Tenders will not be called until in-principle agreement is reached for funding. The program assumes the Managing Contractor will be appointed in early February 2012. A recommendation of this report is that Council resolves to call for Expressions of Interest for a Managing Contractor.

It is proposed to use a standard Queensland Government Department of Works contract modified to meet the specific needs of the Council.

### **7.3 State Government funding**

The Mayor, the Mayor's adviser, the CEO and project manager met with the Premier of Queensland, and her advisers on 20 September 2011, to request the State's early consideration of its commitment to funding, given that the Preliminary Evaluation under the PAF was completed in September, and the draft Business Case is due for submission in October. This request was made primarily to secure the earliest possible access to the Federal Government funding – which will not be available until the State Government is satisfied that all Project Assurance Framework requirements have been met.

Arts Queensland has advised that the Preliminary Evaluation has been approved by the Minister for the Arts and that the submission is scheduled to be considered by the Cabinet Budget Review Committee in early October 2011.

#### **7.4. Federal Government funding**

On Monday, 19 September 2011 the project manager and Savills briefed senior officers of the Department of Infrastructure and Transport in Canberra on the current status of the project and the Project Assurance Framework on which the Commonwealth Government is also relying to demonstrate the viability of the project. In particular an update was provided on the staging proposed and the deliverables that would be achieved with the use of Federal Government funds of \$40 million.

The Department also advised that the National Audit Office had completed a review of the Infrastructure Employment Program (IEP). The report on the program was tabled in Parliament on 22 September. It noted that in relation to Cairns, the CEP project could be removed from the administration under the IEP and administered as a separate item.

Government approval (outside the Department of Infrastructure and Transport) is required to manage funds beyond the program end date of 30 June 2012 and a separate application is to be made. In associated correspondence the Department also reaffirmed the Commonwealth's commitment to funding the project.

#### **7.5 Council funding**

On 21 September 2011, the CEP Committee resolved to commit funds of \$57.3 million to support the project, this sum being Council's equal share with that requested from the State Government, and the contribution of \$40 million from the Federal government to deliver Stage 1 of the project at a cost of \$154.6 million.

Following Council meeting on 21 September, a letter was written to the Premier advising her of Council's resolution, with a copy to the Commonwealth Department of Infrastructure and Transport and Arts Queensland.

### **GOAL 8: TO IDENTIFY AND MANAGE RISK**

#### **8.1 Risk management plan**

The risk management plan has been updated.

### **GOAL 9: EFFICIENT AND EFFECTIVE PROJECT DELIVERY**

#### **9.1 Governance**

Workshops for Councillors are now being held on at least a monthly basis. The last workshop was held on 12 October 2011.

#### **9.2 Use of Aconex**

All significant project communication is now undertaken using the web-based document management system Aconex, enabling the permanent capture of all correspondence and file transfer, regardless of size, between all consultants and Council.

## **GOAL 10: COST EFFECTIVE, EFFICIENT OPERATIONS**

As described above, the Project Assurance Framework Business Case requires the further development of operational costs and revenue. A peer review of operational and revenue assumptions is currently underway. Opportunities to generate revenue from White's Shed are currently being examined and will be discussed as soon as possible.

### **CONSIDERATIONS:**

#### **Corporate and Operational Plans:**

Council's Corporate Plan 2009-2014 lists the establishment of a regional Performing Arts Centre and regional Museum advocacy as Corporate Projects.

Council's Cultural Plan 2009-2014 identifies the building of a regional Performing Arts Centre and the provision of support for the State Government in establishing a Regional Museum as Outcomes Strategy 1 for cultural facilities.

#### **Statutory:**

The processes outlined in this report are in accordance with the provisions of the *Local Government Act 2009*.

#### **Policy:**

The Terms of Reference for the Cairns Entertainment Precinct Committee are listed in Policy No 1:05:08.

#### **Financial and Risk:**

This report recommends the bringing forward for a portion of consultants scope of work and fees from Phase 4 (design development) to enable the development of early works packages. This work is essential to ensure that those packages will be ready to go out to tender in early 2012.

#### **Sustainability:**

The issues detailed in this report include all elements of a quadruple bottom-line outcome.

### **CONSULTATION:**

The Project Control Group and consultants to the project have been consulted in the preparation of this report.

### **OPTIONS:**

The Committee may choose to note the report or not to note the report. Specific resolutions are invited as set out in the recommendations.

**CONCLUSION:**

This month sees progress across a number of project areas. Council's approval as recommended will enable the program to continue in anticipation of the State's commitment to funding required to deliver Stage 1.

**ATTACHMENTS:**

NIL

Linda Cardew  
**Manager – Cairns Entertainment Precinct**

Lyn Russell  
**Chief Executive Officer**