

CAIRNS ENTERTAINMENT PRECINCT COMMITTEE 21 SEPTEMBER 2011	2
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CAIRNS ENTERTAINMENT PRECINCT – FUNDING PARTNERSHIP

Linda Cardew: 26/7/18-03: #3316086

RECOMMENDATION:

Council resolves, in order to secure grant funding for the Cairns Entertainment Precinct comprising \$40million from the Commonwealth Infrastructure Employment Program committed by Minister Albanese in July 2010, and a requested contribution of \$57.3 million from the State Government, to

- a) **deliver Option 6, Stage 1 as detailed in the *Project Assurance Framework: Preliminary Evaluation* assessment dated September 2011; and**
- b) **provide \$57.3million over the three year construction period, being the balance of funding required, subject to a satisfactory outcome from the State’s independent Financial Sustainability Review of Council’s finances.**

INTRODUCTION:

This report submits *Stage 2 of the Project Assurance Framework: Preliminary Evaluation* for the Entertainment Precinct Committee’s consideration. The report recommends that Stage 1 of Staging Option 6 detailed in the Preliminary Evaluation should be pursued, and that, subject to a positive outcome from the Financial Sustainability Review (FSR), Council makes a firm commitment to providing the balance of partnership funding to enable Stage 1 of the Entertainment Precinct to be delivered.

BACKGROUND:

In January 2011, at the request of the State Government, the project team commenced an assessment of the Entertainment Precinct Project under the State Government’s Project Assurance Framework (PAF), an assessment structure used to determine the need, priority, viability and affordability of major State Government projects. Council again acknowledges the receipt of grant funding from the Department of Premier and Cabinet through Arts Queensland, to undertake this work. The assessment process has been supported by the active contribution of a number of State Government agencies and the process has benefited significantly from the input of State officers.

Stage 1 of the Project Assurance Framework: *Strategic Assessment of Service Requirements* was completed and endorsed by Arts Queensland on 21 June 2011.

Stage 2 of the Project Assurance Framework: *Preliminary Evaluation* has now been finalised after internal review by State agencies, and has been formally submitted through Arts Queensland for consideration by the State Government's Budget Review Committee on 26 September 2011. The completion of this work represents a major milestone with several hundred pages of analyses of all aspects of the CEP project. The development of delivery options and the assessment of each, in detail, has been undertaken by a range of specialist consultants, including PricewaterhouseCoopers. A firm commitment of funding by Council is required in order to request matching funding from CBRC.

Work has now commenced on *Stage 3 of the Project Assurance Framework: Business Case*. The Business Case, based on the most viable option, will be submitted to Arts Queensland and State agencies for internal review in October, together with the Financial Sustainability Review of Council's financial health which is being independently undertaken by Queensland Treasury Corporation. Amongst other things, the FSR determines whether Council is capable of meeting the operational costs of the Entertainment Precinct over the longer term, when considered in the context of all Council operations. The Cabinet Budget Review Committee is to consider both the Business Case and the FSR at its meeting on 5 December 2011.

COMMENT:

The Executive Summary of the Preliminary Evaluation is not repeated here but is contained within the main document attached. The submission is supported by 21 separate attachments detailing the financial analysis, economic analysis, Council's budget analysis, preliminary market sounding, preliminary consideration of legislative approval issues, consideration of whole of government issues, consideration of regulatory issues, a preliminary public interest assessment, detail of the needs, outcomes sought and cultural vitality, consideration of procurement options, risk management, preliminary risk analysis, an options comparison, funding strategy, project plan, governance arrangements, change management strategy, benefits realisation strategy, community engagement strategy, project resourcing, quality management and an operating model.

On the basis of all analyses undertaken, the option identified in the *Preliminary Evaluation* as Option 6, Stage 1, is recommended as the preferred option for which funding from the State Government is requested. The matching of equal contributions of \$57.3 million each from the State and Council, together with the \$40 million already committed by the Commonwealth Government to deliver Stage 1 will:

- address the community's concerns about capital cost and operational affordability
- maintain the integrity of the masterplanning to ensure appropriate future development and contribution to the future of the city
- maintain the objective of meeting the identified community needs over the next 50 years

- provide an outcome that will demonstrate to the Federal government that the \$40 million grant can be used to deliver a discrete stage, not a “hole in the ground”
- be delivered at a cost which can be realistically funded by Council and the State government in partnership in the current economic climate
- be designed to ensure the ability to achieve future stages when further funding becomes available
- include the main performing arts venue in order to meet the most pressing community needs
- include such early works as are essential to the operation of the site, eg realignment of the southern access road, relocation of Quicksilver, services relocation
- include sufficient refurbishment of White’s Shed to ensure public safety and deliver satisfactory access to the site
- include coverage of the plaza area to provide a high level of public amenity
- include car parking
- include the convention centre link to optimise commercial opportunity and broader economic benefits
- include landscaping, external lighting, signage
- deliver a substantial and valuable contribution to the local community and CBD businesses
- make an immediate economic contribution to the local community through employment and construction opportunities.

It is recommended that Council supports Option 6, Stage 1 and resolves to commit Council funding to achieve this stage, acknowledging that the State and Federal Governments, as funding partners, require the certainty of Council’s financial commitment to the project.

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 Council's commitment to providing \$57.3 million over the three year construction period for Stage 1 of the Entertainment Precinct. This commitment matches an equal contribution requested from the State Government, and will provide certainty to the Commonwealth Government regarding Council's own commitment to the project. Council's financial contribution will be subject to a positive outcome from the FSR.

The timing of Council's decision, prior to the Cabinet Budget Review Committee's review of the Preliminary Evaluation on 26 September 2011 is critical.

The risk of Council committing a lesser amount, or making no commitment to the delivery of the project is likely to place the project in jeopardy and is expected to result in the withdrawal of the Commonwealth's \$40 million grant funding allocated specifically to the Entertainment Precinct.

Sustainability:

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

CONSULTATION:

The Project Control Group, consultants to the project and Council's Finance Branch have been consulted in the preparation of this report.

OPTIONS:

Council may:

- resolve to commit funding as recommended, in which case a robust position will be communicated to the State and Federal Governments
- resolve to commit a lesser amount, or no funds, which is likely to jeopardise the project
- decline to make a decision or defer the decision to a later date, which will result in failure to access the Commonwealth funds prior to the acquittal date and the likely withdrawal by the Commonwealth of the funds.

CONCLUSION:

The Preliminary Evaluation contains a significant level of detail on the priority of need and affordability, with options assessed on a wide range of bases, including detailed analyses of the financial and economic outcomes.

The work that has gone into the Preliminary Evaluation gives a sufficient amount of detail for both Council and the CBRC to make an informed decision on the merits of the project, Council's ability to fund its operations over the long term, and level of funding commitment required.

Stage 1 has been designed to maintain the integrity of the masterplanning of this exceptional site, so that appropriate future stages can be delivered, to meet the community's needs over the next 50 years. The delivery of the museum, second theatre and extensive rehearsal space in Stages 2 and 3 will occur when further Federal funding becomes available.

Commencement of Stage 1 will make an immediate economic contribution to the local community through employment and construction opportunities, as well as bringing forward additional convention capacity. The project will also complement the Ports North's development of Shed 2 and the foreshore Precinct, and is expected to be a catalyst for much-needed private commercial development within the CBD.

Stage 1 of the Project is expected to take three years to construct, giving both Council and the Queensland Government flexibility in cashflow contributions to the project over that period. As the \$40 million Federal Government commitment must be spent first, State funds and Council funds can be forthcoming in the two outer years as the budget position improves.

Unprecedented assessment has been undertaken to ensure the Entertainment Precinct meets the needs of our community, creates jobs and is a financially sound investment for all three levels of government. The PCG submits that the worth of this project has been proven, and that Council has the capacity to manage its scale and complexity. Council's formal commitment to funding, to support the existing \$40 million grant funding from the Commonwealth Government, and the commitment to the project made by the Premier in 2010, is recommended.

ATTACHMENTS:

Stage 2 of the Project Assurance Framework: Preliminary Evaluation with attachments 1, 2 and 4-21. Due to file size, attachment 3 is available on the Entertainment Precinct website via the following link: http://www.cairns-entertainment-precinct.com.au/index.php?we_objectID=22

Linda Cardew
Project Manager – Cairns Entertainment Precinct

Lyn Russell PSM
Chief Executive Officer