

19 Penrith Valley Regional Sports Centre (PVRSC) Repair Works

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Outcome	<i>We have open and collaborative leadership</i>
Strategy	<i>Deliver an efficient, transparent and accountable service to the community</i>
Principal Activity	<i>Support financial sustainability through financial planning and budget management and provide accurate reporting to the community</i>

Executive Summary

This report advises the Council of a request from the Penrith Valley Regional Sports Centre (PVRSC) for Council to provide financial assistance by way of grant to facilitate the replacement of the wooden floors on basketball courts numbers 5 and 6 due to an infestation of termites that has weakened the sub structure of the floor space.

At 5 December 2022 Councillor Briefing on *PVRSC Current Position and Next Steps*, Council officers identified challenges around PVRSC’s ongoing asset renewal that would require addressing if PVRSC were unsuccessful with their three WestInvest applications. PVRSC WestInvest applications were all unsuccessful.

Council officers subsequently met with PVRSC’s Director/Chairman, General Manager and other Board members on several occasions to consider their financial assistance request. Council officers have reviewed PVRSC’s most recent financial statements, their financial projections, PVRSC’s insurance position and their initial scope and quotes for the works.

It is considered appropriate to consider the provision of financial assistance to PVRSC to enable court repair and replacement works, as the funds required are beyond the financial capacity of the PVRSC, and if left unresolved, will leave the community facility unable to viably operate.

Subject to the Council endorsement, in accordance with Section 356(2) of the Local Government Act 1993 Council officers will give 28 days public notice of Council’s proposal to pass a resolution to grant financial assistance to PVRSC. In the intervening period, Council officers will determine how the assistance can be provided and funded, review PVRSC’s proposed scope of works and their quotations and on completion of the public notice period, will bring a report back to an Ordinary Meeting of the Council to consider the provision of financial assistance.

Background

PVRSC is located on Council operational land at 30 Herbert Street, Cambridge Park.

The PVRSC Limited Board consists of volunteer Directors including three community representatives, three nominees from the Penrith & District Basketball Association and a Council nominee.

The land occupied by PVRSC is leased from Council on a 99-year lease, with the building being owned by PVRSC. The lease requires PVRSC to be responsible for all maintenance and renewal of assets, as well as operating costs.

The Council has received a number of reports in the recent past in respect of PVRSC operations including:

- Ordinary Meeting of 27 July 2020, the Council resolved to provide PVRSC with a letter of guarantee for a loan with Westpac Banking Corporation to enable the completion of building works. At this meeting, Council approved this request and provided a letter of guarantee for a new loan to a maximum amount of \$542,000 over a maximum term of 10 years. The Deed of Guarantee was executed for \$542,000 in October 2020 on advice from Westpac Banking Corporation and PVRSC that the guarantee needed to consolidate the existing PVRSC loan facility (2014).
- Ordinary Meeting of 28 September 2020, the Council resolved to provide a \$1,091,686 (plus GST) loan to the Penrith Valley Regional Sports Centre (PVRSC) to enable compliance works to bring their site up to contemporary fire safety compliance standards. The details for this loan are as follows –
 - Loan commenced in November 2020 (last payment due is 1 July 2034)
 - The term of this loan is 13 years
 - Interest rate is 2.99%
 - Repayments are \$7,500 per month until 30 April 2023, when the monthly loan repayments increase to \$8,500
 - Balloon payment at the end of the term (\$255k).
- Ordinary Meeting of 26 July 2021, Council resolved to approve a pause in loan repayments following PVRSC's August 2021 repayment. This was for a period that extended for three months past the date of the lifting of the then NSW Greater Sydney COVID-19 Public Health Order (PHO), that had resulted in the temporary closure of the Centre. Repayments recommenced in January 2022.

Further, in response to a letter from the Chair of PVRSC to Mayor Tricia Hitchen on 23 October 2022, Senior Council Officers met with the Board of PVRSC on 10 November 2022 to further discuss the matters raised in the letter including:

- current financial position
- current business and operational model
- unsustainable ongoing operations with current business model
- options to improve the organisation's financial viability
- seeking endorsement to continue to support PVRSC while determining a sustainable operating model going forward, which would run alongside the proposed Multi sport arena to be developed by Council
- Asset management issues including significant damage to basketball court flooring.

Currently the PVRSC operating model provides for:

- Council leasing the land under a 99-year lease (with 35 years in from 1988) with PVRSC for the site, with a lease fee of \$2,353.45 per annum since 2004. Note that this fee was waived from October 2021 to October 2022 due to COVID-19.
- The lease requires PVRSC to be responsible for all operating costs, maintenance costs, asset renewal, fire safety and water infrastructure on site.
- PVRSC receives all revenue generated from the site operations.
- Penrith Basketball Association also runs its operations from offices on the site and operates under a different model to other users of the centre.

The PVRSC Board has advised that the centre is fully utilised, with Penrith Basketball Association being the largest user of the centre. As the centre is at full capacity, potential users are turned away, therefore revenue potential is limited.

Whilst the PVRSC has been successful in gaining grants to upgrade sections of the buildings and courts to meet current building code standards and implement renewal and upgrade of existing assets, a recent Building Condition Asset report identifies a requirement for significant further investment in asset renewal.

PVRSC were unsuccessful with their 3 WestInvest grants:

- \$20m to meet the requirements of the Building Condition Asset report and to meet current building codes and create a fully accessible centre
- \$40m for 4-6 court extension and car parking
- \$120m for new 24-court facility.

The Board advised that even if the WestInvest grants were successful, the current operating model would still not meet or achieve a positive financial result in the future and that it seeks Council’s assistance and support to develop options for sustainable future operations that will provide continuing benefits for the community in the future.

Council officers are continuing these discussions with PVRSC on the optimal operating model and propose to bring a report back to the Council with a way forward in around 12 months time, after the proposed court 5 and 6 works are completed so as a period of normal PVRSC operations can be properly and fairly assessed.

Current Situation

A letter from the Chair of PVRSC to Mayor Tricia Hitchen on 23 October 2022, and the subsequent Senior Council Officers meeting with the Board of PVRSC on 10 November 2022 raised the issue of damage to Basketball Courts number 5 and 6 and the requirement to carry out significant court repair and replacement works due to termite damage.

The PVRSC Board have advised that the Court works are becoming critical and that it is important for them to carefully manage timelines and relations to ensure the venue only loses the two courts numbers 5 and 6 for a minimum amount of time to manage the impact on customer bookings particularly those customers that require 6 courts.

The PVRSC Board have made a decision to close Court 5 and are monitoring Court 6 due to the assessed safety risks. PVRSC have advised Court hirers and the community.

PVRSC are pursuing several quotes for the required works (including structural and geotechnical engineering services, electrical, excavation, project management, timber replacement sub structure, new floor surface top and pest treatment costs). Indicative costings provided to date from the PVRSC General Manager include the following (NB: includes 20% contingency and some costs not yet quoted):

Item	Fee (incl. GST)	Comment
Cardno Fee - Engineering/Project Fee	\$ 75,419.00	Included scope for DA work, will come down with like for like sub structure. Includes geotechnical tests.
Excavation to access subfloor so that a person can gain access for inspection purposes.		Pest control could find alternative, or work is needed to dig soil out for greater crawl/kneel access.

Like for Like Timber replacement sub structure with RED Alert Timbers.	\$ 147,785.00	Quote mentions risk of variations based on quality of existing posts. - Includes suitable timbers according to span and existing Concrete Piers - Includes supply and Installation of Galvanized Ant Caps - Does not include replacement of damaged Concrete Piers or Installation of additional Piers (if required) - Assumes pier height is set to ensure Bearers are at or above minimum standard height from Ground level.
New Floor Surface Top	\$ 519,878.70	* Note this is the highest price of all current quotes, there are still a few issues to rectify with line marking and floor plates but that would not be significant. Alternative quote was \$467,500.00 for comparison. This includes Remove Floor, existing Seating & Substructure to ground
Pest Treatment		Quote not yet provided due to no ability to inspect and build was only just determined.
Electrical Estimate - power point relocation, make safe etc. Cabling in floor as required.	\$ 5,000.00	Estimate - Not yet quoted.
Painting	\$ 5,000.00	Estimate - wall behind grandstand removal.
Demolition Access (Side of Building)		Not yet determined - in addition it would be sensible rather than replacing concrete from side, we would seek to put in an access point (roller door). \$5k for roller door, based on previous purchases. Concrete panel needs to be removed to access courts. Probably \$10k and some metal beams will need to be put in.
Ring Relocation - extended hall means rings need to be recentered, allowing more room to meet BCA		Not yet determined due to solution. Think \$20-30k.
Curtain recentered - extended hall means rings need to be recentered, allowing more room to meet BCA		Not yet determined due to solution - think \$15k.
Seating Replacement		Not included - priority is floor to play on.
20% unknown cost Contingency	\$ 150,616.54	This is based on the risk that we have no idea on the state of the structure underneath and what we can't see.
TOTAL	\$ 903,699.24	

Council Officers have confirmed that the court repair works can be done under the State Environmental Planning Policy (Exempt & Complying Development) 2008 (“SEPP”) as exempt development, so long as a bearer and joist floor are constructed (NB: necessary safeguards and regular treatments for termites will be put in place).

Subject to public notice and Council endorsement, Council officers will work with PVRSC to establish formal arrangements to progress the Court repair and replacement works. Arrangements may include the establishment of a Project Control Group (PCG) to oversee the works, with Council being represented, and ensure the best value outcome is achieved including consideration of the long term asset lifecycle costs.

Financial Implications

At this stage there are no financial implications for Council associated with this report as the recommendation is to put the request from PVRSC on 28 days public notice prior to a Council decision on the request.

Should the Council endorse PVRSC's request for financial assistance at a future Ordinary Meeting, then Council will need to identify an appropriate funding source, as Council's current Operational Plan does not include a budget for PVRSC's indicative \$900k request. There would not be any ongoing financial costs to Council as only the land is owned by Council and PVRSC continues to be responsible for all maintenance and renewal of assets, as well as operating costs since PVRSC own the building.

Risk Implications

The PVRSC provides significant benefits to the Penrith and wider community and approving the request from PVRSC for financial assistance and developing a sustainable financial model would ensure these benefits are continued into the future. However, there is a risk that some members of the public may feel that it is not appropriate for Council to assist PVRSC.

Conclusion

The PVRSC request for Council to provide financial assistance to facilitate the replacement of the wooden floors on basketball courts number 5 and 6 appears appropriate given the service provided to the community, the safety risks, that the repair and replacement works required are beyond the financial capacity of the PVRSC, and if left unresolved, will leave the facility unable to operate viably and will require community events to be deferred.

If Councillors were of a view to support PVRSC's request, then Council officers will give 28 days' public notice of Council's proposal to pass a resolution to grant financial assistance to PVRSC. Additionally, over this period, Council officers will determine how the assistance can be provided and funded, review PVRSC's proposed scope of works and their quotations and on completion of the public notice period, will bring a report back to an Ordinary Meeting of the Council to consider the provision of financial assistance. Council officers will also continue discussions with the PVRSC Board on the development of a more optimal operating model for PVRSC for the longer term.

RECOMMENDATION

That:

1. The information contained in the report on Penrith Valley Regional Sports Centre (PVRSC) Repair Works be received.
2. In accordance with Section 356(2) of the Local Government Act 1993 Council officers give 28 days public notice of Council's proposal to pass a resolution to grant financial assistance to PVRSC.

ATTACHMENTS/APPENDICES

There are no attachments for this report.