

AMENDED ITEM

Item No: 4.13
Title: Gosford Cultural Precinct - Audit
Department: Governance



26 August 2019 Ordinary Council Meeting

Trim Reference: F2019/00041-02 - D13634768

Executive: Evan Hutchings, Director Governance

Report Purpose

For Council to consider the cost of engaging a suitably qualified and experienced consultant to examine the Gosford Cultural Precinct Project.

Summary

In response to Council's resolution for the Chief Executive Officer to prepare a report on the cost of engaging a suitably qualified and experienced consultant to examine the Gosford Cultural Precinct Project with a view to reporting to Council on risks in relation to land acquisition, capital/construction costs including operating costs over a ten year scenario with depreciation, a cost estimate has been received and submitted to Council for consideration.

Confidential correspondence between Council and ET Australia that relates, in part, to the content of this report is also provided for the information of Council.

Recommendation

- 1 That the report on the Gosford Cultural Precinct – Audit be received and noted.**
- 2 That Council consider the quotation received from Capital Insight Pty Ltd for the Gosford Cultural Precinct audit.**
- 3 That the confidential correspondence between Council and ET Australia attached to the report be received and noted.**
- 4 That Council resolve, pursuant to s10A(2)(c) of the Local Government Act 1993, that the attachments to this report remain confidential as they contain information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposed to conduct) business and because consideration of the matter in open Council would on balance be contrary to the public interest as it would affect Council's ability to obtain value for money services for the Central Coast community.**

Context

At its meeting on 24 June 2019 Council resolved as follows:

594/19 That Council requests the Chief Executive Officer provide a report to the meeting being held on 26 August 2019 on the cost of engaging an auditor to examine the Gosford Cultural Precinct Project with a view to reporting to Council on risks in relation to land acquisition, capital/construction costs including operating costs over a ten year scenario with depreciation.

In order to gain an understanding of the scope of work that would be required and to subsequently estimate the costs of the necessary work, a highly reputable service provider on the Local Government Procurement (LGP) panel of pre-qualified contractors was engaged to provide the cost estimate. The firm is Capital Insight Pty Ltd and due to the commercial in confidence nature of significant components of the related information that was required to be reviewed, albeit on a preliminary basis, they entered into a confidentiality agreement with Council. Due to the nature of the information, the extent of the work required to obtain an accurate estimate of costs, and the pre-qualified status of Capital Insight, they have been the only firm engaged to provide a quotation.

Proposal Evaluation

In response, Capital Insight Pty Ltd has submitted a cost assessment dated August 2019, including a methodology, summary and detailed work breakdown structure. A quotation of \$135,272.00 (excluding GST) is provided with the project proposed to include the following ten components:

1. Project Initiation
2. Identification of Strategic Risks
3. Review of Land Acquisition Risks
4. Identification of Design Risks
5. Review of Operational Risks
6. Review of Program Risks
7. Risk Workshop
8. Review of Capital Cost Risks
9. Development of Updated Financial Model
10. Report Preparation and Council Presentation.

It should be noted that the fee includes an allowance of \$35,000.00 (excluding GST) for the provision of specialist input and analysis from a car-parking consultant (for the development of carpark revenue estimates), and a cost consultant (to prepare a risk – adjusted capital cost estimate and an asset lifecycle cost estimate).

The proposed schedule of work assumes commencement on 9 September 2019 with the report prepared and presented to Council in December 2019.

Options

Council may choose to engage Capital Insight to undertake the quoted work at a cost of \$135,272.00 (excluding GST).

Alternatively, Council may choose to take no further action on this matter

Should Council resolve that the quoted work be undertaken, it is understood that, where possible, all work being undertaken by Council staff on the GCP would be halted until receipt and consideration of the consultant's report by Council (anticipated for December 2019). It is noted that delays in the project may have, and will continue to jeopardise any related state and federal government funding.

Related Issue

Prior to the abovementioned Council resolution of 24 June 2019, at its meeting of 11 June 2019 Council resolved, in part, as follows:

551/19 That Council purchase the land known as Lot 11 DP 746819 (which has a street address of 123B-125A Donnison Street, Gosford) by private treaty, in accordance with either revised Option 1 or revised Option 2 outlined in Confidential Attachment 2.

Accordingly, the owner of the land, ET Australia, was informed of Council's resolution by letter dated 25 June 2019 (confidential copy attached) with a view to ET Australia advising Council of their preference (ie either revised Option 1 or revised Option 2). In a letter dated 2 July 2019 (confidential copy attached) ET Australia advised that they preferred revised Option 1.

In view of various components of revised Option 1, and the obligations they would impose, it is not workable as it currently stands. This, coupled with the subject Council resolution of 24 June 2019, has rendered it prudent for Council to pause its negotiations with ET Australia until there is clarification around the related matters. ET Australia was formally advised accordingly in a letter dated 6 August 2019 (confidential copy attached). ET Australia subsequently replied to Council's correspondence in a letter dated 12 August 2019 (confidential copy attached).

Financial Impact

There is no current provision for the cost of the audit detailed in the report and if Council resolves that the work be undertaken it would require a Q1 budget adjustment.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

Attachments

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| 1 | CONFIDENTIAL - Central Coast Council Letter to ET Australia 25 June 2019 | D13635478 |
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| 2 | CONFIDENTIAL - ET Australia Letter to CCC - 2 July 2019 - | D13635487 |
| 3 | CONFIDENTIAL - CCC letter to ET Australia - 6 August 2019 - | D13635465 |
| 4 | CONFIDENTIAL - ET Australia letter to CCC - 12 August 2019 - | D13635469 |