



Business Paper

Extraordinary Council Meeting

Monday, 1 July 2019

6:30pm

**Council Chambers,
Level 2, Administration Building,
4-20 Eton Street, Sutherland**

SUTHERLANDSHIRE

ORDER OF BUSINESS

- 1. ACKNOWLEDGEMENT OF COUNTRY**
- 2. APOLOGIES**
- 3. DISCLOSURES OF INTEREST**
- 4. MAYORAL MINUTES**
- 5. BUSINESS FOR PURPOSE FOR WHICH THE MEETING WAS CALLED**
COR025-19 Sutherland Entertainment Centre Refurbishment Progress Report
- 6. OTHER BUSINESS AS DETERMINED TO BE URGENT BY THE CHIEF EXECUTIVE OFFICER**

**COR025-19 SUTHERLAND ENTERTAINMENT CENTRE REFURBISHMENT
PROGRESS REPORT**

Attachments: Appendix A [↓](#) and Appendix B [↓](#)

EXECUTIVE SUMMARY

- In April 2018 Council endorsed the Sutherland Entertainment Centre major refurbishment projected and voted \$21,861,000 towards the project (SER018-18).
- The Sutherland Entertainment Centre refurbishment project is progressing as programmed.
- Both an external project manager, Root Partnerships, and principal design architects, NBR5 CHROFI, have been appointed.
- A comprehensive value management, cost checking and concept design refinement process has been completed with key user stakeholders, project managers, architects and Council officers to confirm Council's required scope and budget.
- A refined scope with revised project estimates has been prepared and comprises a construction cost of \$22,571,877, project overheads \$2,863,000 and contingency allowance of \$3,385,782.
- Additional inclusions which were not part of the original scope of the project, have also been quantified for Council's consideration.
- The final cost of construction will be known through a competitive tender process.
- Funding arrangements proposed include a mix of Developer Contributions, SUEZ VPA funding via direct allocation of contributions and for servicing of loan borrowings that take advantage of a low interest rate environment.
- The impact on Council's Long Term Financial Plan (LTFP) and associated performance ratios have been reviewed in consideration of the project's increased capital cost as well as on-going operating costs.
- The next stage of the project, contingent on Council's approval, is to proceed with detailed concept design, followed by lodgement of a development application and a capital expenditure review submission to the Office of Local Government.

REPORT RECOMMENDATION

THAT:

1. Council endorses the continuation of the Sutherland Entertainment Centre major refurbishment project, with the preparation of full design and preparation of Development Application.

2. Council adopts, as a minimum, the originally endorsed scope for the project (Option 1) with a total cost of \$29,619,022 for construction, project overheads and contingency allowance over the 3 years of project life to 2021/22.
3. Council undertakes to fund the project through use of \$6,551,864 Developer Contributions, \$16,351,513 available Suez VPA funds and \$6,715,645 of borrowings to be loaned over a 10 year period and repaid via ongoing Suez VPA cash flows over that period.
4. Council gives consideration to including optional elements to the scope of the project, including a full fly-tower (\$1,524,024), Peace Park optimal reconfiguration works (\$1,403,000) and enclosure of a terraced area (\$189,100) and associated contingency allowance (\$467,418), totalling \$3,682,303 (Option 2).
5. That application be made to the Office of Local Government, including seeking approval for external borrowings.

PURPOSE

1. The purpose of this report is to advise Council of the project's progress since the lead architects, NBRS CHROFI were appointed in February 2019 and revised capital cost estimates, on-going operating costs and funding options.
2. Seeks Council's consideration of optional elements to be included in the project, endorsement of the final scope and required funding.
3. To seek approval to progress with the detailed concept design for the lodgement of a Development Application.

BACKGROUND

Earlier reports to Council on the Sutherland Entertainment Centre (SEC) are:

- SER009-18 (11 Dec 2017) which provides a service need and value assessment for SEC upgrade options, together with an assessment of value realisation for redevelopment of the Sutherland precinct.
- SER018-18 (16 Apr 2018) which provides funding and cash flow modelling for basic and major refurbishment options.
- COR001A-19 (4 Feb 2019) appointment of Root Partnerships as project managers to SEC (T794/18).
- COR003A-19 (15 Apr 2019) NBRS CHROFI appointed as architects (lead design consultant) to SEC (T819/19).

Project Objective:

The project seeks to achieve a performing arts facility that will:

- provide a rich and engaging theatre experience that is accessible to all;
- facilitate the flexible delivery of a diverse and high calibre program of performing arts services; and
- enhance and activate the urban context.

It is envisaged that the concept design will lead to a built outcome in which the refurbished building and surrounding public space are integrated in a creative and harmonious way.

Project Milestones:

A summary the project's key milestones to date are:

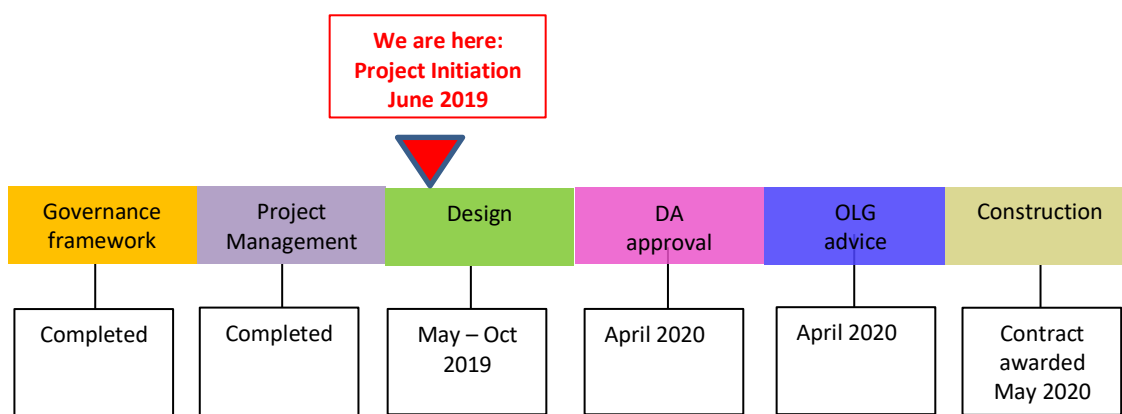
Table 1 – Project milestones

Date	Key events
Apr 2018	<ul style="list-style-type: none"> • Council resolves to progress with major refurbishment of the SEC (SER018-18)
Apr – Oct	<ul style="list-style-type: none"> • Project governance framework is established

Date	Key events
2018	<ul style="list-style-type: none"> Functional Design Brief is prepared
Nov 2018	<ul style="list-style-type: none"> Two (2) stage process to appoint Architect commences Expressions of interest (EOI) called for Architect Three (3) architects (Cox, FJMT and NBRS/CHROFI) invited to next stage
Jan 2019	<ul style="list-style-type: none"> Request for proposal (RFP) issued to the invited architects
Feb 2019	<ul style="list-style-type: none"> Tender for external Project Manager – Root Partnerships appointed Architects submit concepts for mid-point costing
Mar 2019	<ul style="list-style-type: none"> Concept designs are presented to Council briefing Concept designs are costed, value managed and then re-costed
Mar – Apr 2019	<ul style="list-style-type: none"> Concept designs are exhibited to the community Design review panel provides design review of concepts
Apr 2019	<ul style="list-style-type: none"> NBRS/CHROFI appointed as Architect/lead design consultant
May 2019	<ul style="list-style-type: none"> Architect commences the design process (Design Phase 1: Project Initiation) A Review of the Functional Design Brief is conducted involving Stakeholder Workshops
June 2019	<ul style="list-style-type: none"> Scope adjustments and revised construction cost estimates are prepared

The first step of the project's design phase, the project initiation, is complete and the project is on time as shown by the following chart.

Chart 1 - Overall Project Status



Following project initiation (and the determination of revised scope and budget), the next steps for the project will lead to the refinement of the design concept and the preparation of more detailed design documents suitable for the development application (DA) and construction tender processes to commence.

Project Scope

The project scope endorsed was for a major refurbishment in SER009-18 and initial scope and project estimates were detailed in SER018-18. The original endorsed scope is described in the table below.

Assessed Categories	Specific improvements included in major refurbishment endorsed scope	Specific exclusions
User experience	<ul style="list-style-type: none"> • Improved accessibility to all floors and areas (lifts) for patrons and hirers • Relocating box office to the ground floor for ease of accessibility • Improved aesthetics (carpeting, flooring, seating, curtains, lighting, soft furnishings, internal painting, etc.) • Modernising washroom and toilet amenities • Better integration and presentation to surrounding public domain to allow for outdoor performances and space activation • Added technology to offer classes and programs in theatre production • Improved stage and dress circle 	<ul style="list-style-type: none"> • Fly- tower • Orchestra pit • Refurbishment to Peace Park
Venue promotions	<ul style="list-style-type: none"> • Increased street presence and appeal for advertising events • Modernised bar service area to cater for rapid service capability during short intervals • Secure meet and greet area incorporated with a patrons 'pass through' merchandise sales area 	
Flexibility and Adaptability of space	<ul style="list-style-type: none"> • Adaptable, flexible and scalable spaces; i.e. stage and dance floor, cabaret, theatre, flat floor seating, indoor / outdoor combined space uses • Spaces able to be adapted when needed for mobility aids / walker storage area • Ability to expand capacity via a combination of seated and flat floor 	<ul style="list-style-type: none"> • Provision of rehearsal spaces, a smaller master class or teaching theatre with stage (100 – 120 seats)

Assessed Categories	Specific improvements included in major refurbishment endorsed scope	Specific exclusions
	(waiting / standing) spaces <ul style="list-style-type: none"> • Accessible seating for a maximum of 650 persons for performances 	
Building requirement	<ul style="list-style-type: none"> • National Construction Code (BCA) compliance 	<ul style="list-style-type: none"> • Refurbishment to adjoining footpaths / roads / streetscape
Financial consideration	<ul style="list-style-type: none"> • Capital project costs • On-going operating costs (subject to final design) 	<ul style="list-style-type: none"> • External project management consultants fees • Project detailed design and consultant fees • Approval fees • Community and stakeholder engagement costs • Contingency allocations

Councillors were briefed on the design NBRS CHROFI design in March 2019 and in May 2019 several Councillors participated in the Stakeholder Workshops as part of a review of project scope and costs. Subsequent scope refinement and cost revisions followed.

Major refurbishment project construction costs estimates progressively updated:

Adopted estimate* (Apr 2018)	\$21.861M
Independent Quantity Surveyor estimate (Dec 2018)	\$23.90M
NBRS CHROFI concept design estimate** (Mar 2019)	\$29.05M
NBRS CHROFI concept design post value management (May 2019)	\$24.73M
NBRS CHROFI concept design post functional revision (May 2019)	\$22.57M

Note: * The original estimate was based on 2014 Cox Richardson Feasibility report and substantive commencement of the project in 2018/19.

** Tender concept included provision for a half fly-tower and orchestra pit

DISCUSSION

The figures contained in this section of the report refer to 2019 dollars. Escalation to CPI adjusted future dollars will be shown in the Resourcing Strategy Section and the Recommendations of this report.

Following the appointment of architects NBR5 CHROFI, feedback and value management workshops were held with community user groups, industry experts, the architects, project managers and Council officers to settle on a final series of required inclusions for the project and a number of optional elements for Council's consideration.

The workshops identified approximately \$4.3M in elements that could be excluded from the original \$29.05M scheme tendered by NBR5 CHROFI and would not compromise the overall benefits of the refurbishment. These are detailed in Appendix A.

A series of additional elements, considered optional elements were also identified that could either be included or removed from the final scope to be adopted. These are detailed in Appendix B.

Excluded and optional elements, against the tendered concept by NBR5 CHROFI are summarised in the table below.

Scope Elements	NBR5 CHROFI tendered concept elements	Project scope with required retained inclusions Option 1	Project scope with required retained inclusions and optional elements Option 2
New loading dock and improved back of house	✓	✓	✓
Large foyer and improved front of house functionality	✓	✓	✓
Fully functioning café	✓	x	x
Refurbished kitchen with new equipment	✓	x	x
Greater stage area	✓	✓	✓
Theatre seating capacity	700	650	650
Peace Park refurbishment and upgrade	Excluded	Excluded	✓
Fly-tower	Half	None	Full
Rigging system	Counterweight	Suspension	Counterweight
Lifts	1	1	1

Scope Elements	NBRS CHROFI tendered concept elements	Project scope with required retained inclusions Option 1	Project scope with required retained inclusions and optional elements Option 2
Net functional floor area (m ²)	4,866	4,319	4,319
Level one roof terrace bar	✓	✓	✓
Orchestra pit and equipment	✓	x	x
Construction cost estimates	\$29.05M	\$22.57M	\$25.68M

Detailed breakdown of elements, both excluded as well as optional are provided in the table below.

Option 1 - Tendered construction cost estimate	\$29,047,747
Less	
Value management excluded elements implemented (Appendix A)	(\$4,320,496)
Café construction and fit-out	(\$491,050)
Commercial kitchen refurbishment and new equipment	(\$671,000)
Half fly-tower and counterweight rigging	(\$993,324)
Construction cost estimate*	\$22,571,877
Overhead costs	
Consultant and Authority fees	\$2,863,000
Contingency	\$3,385,782
Total Overhead and Contingency*	\$6,248,782

OPTION 1 - Total project cost inc overheads and contingency

\$28,820,659*

Option 2 - OPTIONAL INCLUSIONS	
Full fly-tower with counterweight rigging	\$1,524,024
Peace Park works optimal scope	\$1,403,000
Enclosing café terrace area (no fit-out)	\$189,100
Additional contingency for Optional inclusions	\$467,418
Total Optional Inclusions*	\$3,583,542

**OPTION 2 - Total project cost inc overheads, contingency, and optional inclusions
\$32,404,201***

*Note: costs are escalated in the Resourcing strategy to account for 2.5% pa CPI

RESOURCING STRATEGY IMPLICATIONS

The adopted LTFP provides the following estimates with respect to refurbishment of the Sutherland Entertainment Centre. Unless stated otherwise, all figures are shown in future dollars:

Capital

	2018/19	2019/20	2020/21	2021/22	Total
SEC Upgrade	548,356	2,525,000	14,626,750	4,339,081	22,039,187
Funding Source					
Section 94	520,000	2,525,000	1,000,225	1,642,449	5,687,674
SUEZ	28,356	0	13,626,525	2,696,632	16,351,513
Total Funding	548,356	2,525,000	14,626,750	4,339,081	22,039,187

Operating

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Income	1,490,985	1,480,627	1,517,643	1,555,584	1,594,474	1,634,336
Operating Costs	(2,384,027)	(2,430,560)	(2,491,324)	(2,553,607)	(2,617,447)	(2,682,883)
Maintenance Costs	(201,940)	(204,457)	(209,568)	(214,807)	(220,177)	(230,681)
Depreciation	(236,959)	(236,959)	(236,959)	(236,959)	(680,222)	(680,222)
Increased Net Operating Deficit						(335,000)
Net Result	(1,331,941)	(1,391,349)	(1,420,208)	(1,449,789)	(1,923,372)	(2,294,450)

Should Council wish to proceed with the refurbishment of the Sutherland Entertainment Centre, additional funding is required to be made available to the project, for both the capital upgrade costs and recurrent operating costs including depreciation and maintenance.

Note, the adopted LTFP includes a deterioration in the operating result of the Entertainment Centre, reflecting increased operating costs of the refurbished facility from 2023/24 onwards. Given the timing for reopening, this increase should be brought forward to the 2022/23 financial year.

Whilst there are a number of options available to Council with respect to project construction, and optional inclusions, as canvassed in the Discussion section, there are fundamentally two options presented for consideration:

- Option 1: Revised Construction Cost Estimates – No Optional Inclusions
- Option 2: Revised Construction Cost Estimates – All Optional Inclusions

LTFP implications for these two options are set out below, and are modelled inclusive of project management overheads and a prudent project contingency. Both models consider a range of funding sources, including:

Borrowings

Council's recently adopted Operational Plan 2019/20 projects a comfortable debt service cover ratio of 16.56x at the end of 2019/20. This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. This projected result is well ahead of the adopted Target (industry benchmark) of >2.00x and indicates Council has significant capacity to adequately service debt.

Consistent with Council's Objective 3.2 of Council's adopted Financial Strategy, consideration should be given to borrowing as a strategy to fund infrastructure costs where it is considered advantageous to meeting the community's needs and will enhance intergenerational equity.

The current level of funding sourced from borrowings for this project is nil.

For both Options 1 and 2, it is considered appropriate to fund the additional project cost through loan borrowings, particularly given the current low interest rate environment (in comparison the annual escalation of commercial building costs, expected to be around 3% during 2019, based on the Rawlinson's Construction Cost Guide 2019), and Council's low levels of existing debt. Any loan borrowings can be structured to provide for progressive drawdown, therefore funding the contingency element of the overall project would only be utilised if required.

Indicative rates over ten years are between 3.1% and 3.25%. Modelling shown below is at 3.25% for a term of 10 years. In considering any utilisation of loan borrowings, Council must identify how funds will be made available to service the loan repayments – both interest and principal.

SUEZ Voluntary Planning Agreement

SUEZ Voluntary Planning Agreement (VPA) provides for a total contribution payment to Council of \$100m over a 15 year period. Council has already utilised part of the total funding stream to fund a range of service and infrastructure priorities. The current allocation of SUEZ funding to the SEC project is \$16.352M over a four year period.

Both funding options below consider use of additional SUEZ funding to service loan borrowings. This is permissible under the terms of the agreement, and ensures funding is made available to SEC project, whilst still leaving capacity for other projects to be funded in the future from the contribution stream across the life of the agreement.

Developer Contributions

A total amount of \$5.2M funding was identified in the Developer Contributions Community Facilities Contributions Plan schedule of works for the Entertainment Centre. The adopted LTFP provides for \$5.688M of project funding from Developer Contributions, reflecting the increased fund balance over time. Current projections show additional contributions of approximately \$0.864M will be collected into this Plan from development application lodgements prior to 1 January 2017. As the only remaining project in the schedule of works, this creates capacity for Council to increase the current allocation of Developer Contribution funding to this project

Option 1: Revised Construction Cost Estimates – No Optional Inclusions

Increase to construction cost of \$7.580 million compared to the adopted LTFP as follows:

	2018/19	2019/20	2020/21	2021/22	Total
Current LTFP Provision	548,356	2,525,000	14,626,750	4,339,081	22,039,187
Revised Estimates	548,356	2,525,000	20,661,330	5,884,336	29,619,022
Shortfall	0	0	6,034,580	1,545,255	7,579,835

Funded by:

	2018/19	2019/20	2020/21	2021/22	Total
Developer Contributions proposed	520,000	2,525,000	1,864,415	1,642,449	6,551,864
SUEZ VPA proposed	28,356	0	13,626,525	2,696,632	16,351,513
Borrowings proposed	0	0	5,170,390	1,545,255	6,715,645
Total Funding	548,356	2,525,000	20,661,330	5,884,336	29,619,022

The loan servicing requirement will be \$0.787M per annum for a period of 10 years, which will be funded by SUEZ contributions. Total interest expense across this period is \$1.204M.

The adopted LTFP provides for an annual depreciation expense of \$0.680m for the facility. This will increase to \$0.914m per annum under Option 1, once the refurbished asset is commissioned.

Option 2: Revised Construction Cost Estimates – All Optional Inclusions

Increase to construction cost of \$11.262 million compared to the adopted LTFP as follows:

	2018/19	2019/20	2020/21	2021/22	Total
Current LTFP Provision	548,356	2,525,000	14,626,750	4,339,081	22,039,187
Revised Estimates	548,356	2,525,000	23,510,003	6,717,966	33,301,325
Shortfall	0	0	8,883,253	2,378,885	11,262,138

Funded by:

	2018/19	2019/20	2020/21	2021/22	Total
Developer Contributions proposed	520,000	2,525,000	1,864,415	1,642,449	6,551,864
SUEZ VPA proposed	28,356	0	13,626,525	2,696,632	16,351,513
Borrowings proposed	0	0	8,019,063	2,378,885	10,397,948
Total Funding	548,356	2,525,000	23,510,003	6,717,966	33,301,325

The loan servicing requirement will be \$1.219m per annum for a period of 10 years, which will be funded by SUEZ VPA contributions. Total interest expense across this period is \$1.845M.

The adopted LTFP provides for an annual depreciation expense of \$0.680M for the facility. Under Option 2, the annual depreciation expense will increase to \$1.028M once the refurbished asset is commissioned.

Operating Model

Irrespective of the construction option selected, changes will be required to the way in which the facility is managed and operates. With increased capacity, it is anticipated the volume of productions hosted will increase, driving up variable revenue and expenditure; and increases to utilities and building operations. A deterioration in the net operating deficit of \$0.335 million has been factored in to the forward years of the LTFP. Further refinement and analysis of facility operations will be required over the coming months to ensure any impact on operating result is constrained to the extent possible. Any movement beyond this budget provision will need to be offset by generation of additional revenue; achievement of other operational efficiencies; or service level adjustments.

Impact on key financial ratios

The ratios included in the adopted LTFP factor in a \$23 million dollar planned renewal of the Entertainment Centre. Over the ten year period of the LTFP, the differential impact on key financial ratios of Option 1 compared to Option 2 are immaterial. Either option will have the following impact:

Indicator	DP/OP 2019/20	Target	Impact	Comment
Infrastructure Backlog	2.29%	<2.00%	Nil	Cost to bring to satisfactory already included in LTFP.

Indicator	DP/OP 2019/20	Target	Impact	Comment
Asset Renewal Ratio	98.85%	100%	Negligible	Renewal component already included in LTFFP. Minor improvement to the extent the increased funding is renewal (as opposed to upgrade).
Capital Expenditure Ratio	142.14%	100%	Improve	For the two years 2020/21 and 2021/22.
Debt Service Cover Ratio (times)	16.56x	>2.00x	Deteriorate	Over ten year term of loan from 2020/21 onwards. Well within industry target, and funding source for servicing identified.
Operating Performance Ratio	-0.53%	>0.00%	Deteriorate	The increase in net operating deficit and increased depreciation expense will drive the Operating Performance Ratio downwards.

COMMUNITY ENGAGEMENT

Engagement activities conducted by Council in 2018, and more recently during the architect tender process, show that there is community support for a refurbished SEC, and that there is particular support for the refurbishment concept prepared by the awarded architect, NBR5 CHROFI.

During the project initiation phase the design team has undertaken a review of the project's functional design brief (the brief) and upon which the concept design originally tendered by the architect was based. The review has involved several workshops with a number of community user groups and local industry experts, together with stakeholders internal to Council. The purpose of the review has been to validate and update the brief and to identify possible changes and departures to improve its value proposition.

The review workshops have informed the scope considerations and options presented in this report. Engagement of stakeholder groups will continue in the concept and schematic design phases before the development application is lodged and the proposal is placed on public exhibition.

STRATEGIC ALIGNMENT

The project continues to align with Council's Community Strategic Plan (CSP) and link directly to Council's Delivery Program (2017-2021) and Operational Plan (2018-2019), as shown by the table below:

Community Strategic Plan Strategy	Delivery Program (2017-2021) and Operational Plan (2018-2019) Deliverables
4.2 Maintain and enhance our cultural facilities.	4A Develop and present a diverse, dynamic, and inspiring Arts and Culture Strategy and Plan 4A.05 Progress delivery of the upgrade of the Sutherland Entertainment Centre

The project aligns with CSP Strategy 4.2 "Maintain and enhance our cultural facilities" and supports Council's Delivery Program (2017-2021) at Deliverable 4A "Develop and present a diverse, dynamic, and inspiring Arts and Culture Strategy and Plan".

The project is included in the current Operational Plan at Deliverable 4A.05 "Progress delivery of the upgrade of the Sutherland Entertainment Centre".

RISK

The main risks arising from a revised scope and budget are set out in the table below.

Risk Source	Description	Likelihood ¹	Rating ²	Response/ Mitigation	Residual Likelihood ¹	Revised Rating ²	Status
Budget/ financial management	Council decision to proceed results in over expenditure relative to a revised budget	Possible	High	Reduce probability: undertake ongoing cost planning and value management	Unlikely	Medium	Open
Design	Project not scoped adequately or insufficiently researched	Possible	Medium	Reduce probability: undertake adequate investigation, Research best practices and provide fit for purpose documentation	Unlikely	Low	Open
Stakeholder management	The adopted scope does not satisfy the needs of user stakeholders	Likely	High	Reduce probability: continue define clear scope & actively consult and engage with all stakeholders	possible	Medium	Open
Stakeholder management	General community expectations are not met. Negative	Possible	Medium	Reduce probability: implement communications strategy and ensure clear	Unlikely	Low	Open

Risk Source	Description	Likelihood ¹	Rating ²	Response/ Mitigation	Residual Likelihood ¹	Revised Rating ²	Status
	media coverage.			articulation of value proposition and funding sources			
Construction	Latent site conditions cause significant scope increase	Likely	High	Reduce probability: continue to implement thorough due diligence and provide adequate contingency	Possible	Medium	Open

Notes:

1. Likelihood: unlikely; possible; likely; and almost certain
2. Rating: low; medium; high; and extreme

POLICY AND LEGISLATIVE REQUIREMENTS

NSW Office of Local Government

The project continues to require notification to the NSW Office of Local Government (OLG) prior to the commencement of construction and must satisfy all of the relevant requirements of the NSW Government's Capital Expenditure Guidelines (2010). It is anticipated that OLG notification will be finalised by April 2020.

State Significant Development

Developments which are valued at \$30M or more are declared to be State significant development under planning legislation (State Environmental Planning Policy (State and Regional Development) 2011). Should the project's value attain this threshold, then the development application may follow the State Significant development process and be determined by the NSW Department of Planning as delegate of the Minister for Planning. This approval pathway is not expected to impact the current timeline for the project or incur any additional cost and will be determined upon completion of the schematic design before submission of the development application.

Disability Inclusion Action Plan

Council's Disability Inclusion Action Plan 2017-2021 (DIAP) was created in accordance with the *NSW Disability Inclusion Act 2014* and works alongside relevant Commonwealth legislation (*Disability Discrimination Act 1992* (the DDA)) and the National Construction Code (the NCC) to help remove barriers and enable people with disability to participate equally in the community. The DIAP applies to all Council infrastructure including the SEC.

Delivery of the project will provide significant improvement in achieving disability inclusion for the SEC consistent with Council's DIAP, the DDA and the NCC.

CONCLUSION

The Sutherland Entertainment Centre refurbishment project is progressing well with the appointment of the external project manager and principal design architect team. The next formal stage of the design process was to undertake a comprehensive review of the functional requirements brief and value management opportunities to ensure robust cost analysis with a hold point for Council to confirm scope and budget before proceeding.

The initial budget provision for delivery of the Sutherland Entertainment Centre major refurbishment of \$21.861M excluded the scope of a full fly tower and Peace Park reconfiguration. Following comprehensive design and value management review of the winning architectural submission, \$4.3M construction cost reduction was achieved. The revised total project cost for construction, project overheads and contingency allowance of \$29,619,022 (Option 1) was arrived at.

Council has the option to adopt, if it wishes to, some or all of the additional optional elements identified through stakeholder feedback, include a full fly tower and counterweight rigging (\$1.52M), Peace Park refurbishment works (\$1.40M) and enclosing a terraced area (\$0.19M), a total project budget of \$33,301,325 (Option 2) for construction, project overheads and contingencies.

Funding of the proposed works is achievable by Council utilising a combination of Developer Contributions, leveraging a low interest rate environment and the Suez VPA funding via direct allocation of contributions and also for servicing of loan borrowings.

The major refurbishment is programmed to be completed 2021/22.

RESPONSIBLE OFFICER

The officer responsible for the preparation of this Report is the Director Shire Infrastructure, Peter Hazeldine, who can be contacted on 9710 0388.

File Number: 2019/309689

Appendix A – Sutherland Entertainment Centre Refurbishment**OPTION 1 - Excluded elements from SEC Functional requirements Brief**

The following list of exclusions represent departures from the Functional Requirements Brief but still provide a finished SEC that meets the base components of the original endorsed scope (Dec 2017) while incorporating the implemented value management cost reductions totalling \$4.3M against the tendered NBRS CHROFI concept design.

Reduced Theatre Seating Capacity

Reducing the theatre seating capacity from 700 to 650 enables significant elements of the existing theatre structure to be retained and results in a saving of approximately **\$850,000**. A 650 seat capacity was supported by stakeholders and project working groups during the Review process.

The Brief stipulated a 700 seat capacity partly because that number reflected a multi-venue context which Council had earlier considered (Council paper SER009-18 noted that *'theatre style seating capacity of 650 would be the best multi-use combination for the Entertainment Centre.'*)

In considering the seating capacity it is not only the number of seats which is important, but also the seating arrangement and the sight lines and theatre experience which this may offer.

To meet the project objectives and significantly improve the theatre experience, a 650 seating capacity is proposed – all seats with good sight lines to the stage.

The 650 seat capacity proposed will transform the SEC into a competitive and purpose-built theatre.

Key points to note are:

- 1 The capacity would reduce from 892 seats of generally poor quality to 650 good quality seats,
- 2 The number of seats downstairs (in the 'stalls') would increase from 488 flat floor seats with poor sight lines to 500 tiered seats, all with good sight lines, including accessible and wheelchair areas. (The existing flat floor seating would be removed and replaced with fixed tiered seating.)
- 3 The number of seats upstairs in the dress circle or gallery would decrease from the existing 404 to 150 (compared with 200 as per the Brief and achieved by the tendered Concept design). The steep angle of the seating is corrected and the size of the structure reduced. To achieve 200 seats upstairs requires an additional spend of some \$850,000 in changes to the existing structure of the building. An increase in the stalls seats

While achieving an overall capacity of 700 seats is desirable, a 650 seat theatre is recommended for the following reasons:

- 1 It will still be a competitive size – comparable venues offer a range of seating from 500 to 750 seats and present a program similar to what the EC aspires to.

- 2 The significantly improved theatre will still attract performers with improved staging and fly tower, back of house and seating design.
- 3 The relative return for the added 50 seats is disproportionately low to the high cost. The added ticket income per SEC presented show would range from a \$3000 - \$5000 (\$60 - \$100 per ticket) if the show is sold out, annual contribution estimated maximum \$80,000.
- 4 It is also unlikely that a higher venue hire could be commanded for the extra 50 seats.
- 5 Whilst the income potential for hirers is reduced from the 892 for the sell-out performances there is still potential for 2 shows.
- 6 Whilst some large dance schools and major school events desire a large venue they are open to and could be worked with to adjusting their shows, which will also be occurring during the shutdown. They are also not expecting to pay more for the venue.

The table below shows key elements for comparable facilities.

VENUES	THEATRE SEATING
Riverside Parramatta	761
Joan Sutherland Penrith	580
IPAC Wollongong	515
NIDA	707
Arthouse Wyong	500
Anita's Thirroul	450
Lyric Theatre	2000
Glasshouse Port Macquarie	588
Capitol Theatre	2094
State Theatre	2034
Roslyn Packer theatre, Wharf	896
Enmore	1600

Floor Area Reduction

The net functional floor area of NBRS tender design was 4,866 sqm. Through the Project Initiation Review process and in consultation with key stakeholders, the floor area has been reduced by over 500sqm to align more closely with the net floor area of the Functional Design Brief. The cost saving associated with this is approximately **\$2.5M**. A summary of the net floor area at key project milestones is provided below;

Precinct	Existing	Brief	Tender	After Review
Theatre, Meeting Room and Rehearsal spaces	800	1182	1336	976
Front of House	865	910	1307	814
Back of House	282	950	823	729
Administration	220	200	237	0
Food and Beverage	280	340	247	300
Plant	330	360	278	275
Circulation	430	360	638	1225
TOTAL	3,207	4,302	4,866	4,319

Removal of the Orchestra Pit

The Orchestra Pit building and associated equipment was estimated at **\$350,000** and upon further analysis of the value in consultation with key stakeholders the Orchestra Pit and equipment have been omitted from the Brief.

Fittings, Furniture and Equipment (FFE)

Following detailed consultation with the SEC's technical and operating staff at the facility and user groups, auditing of the equipment owned by Council and the anticipated programming the allowance for FFE has been reduced by approximately **\$500,000**.

Appendix B – Sutherland Entertainment Centre Refurbishment

Option 2 - Optional elements

The following list of items are for consideration of inclusion as part of Option 2.

Peace Park

The initial budget allocation did not allow for any works within Peace Park. Works within Peace Park were, for cost planning purposes, to be differentiated from the works within the SEC site.

The design team has developed two different schemes for Peace Park. The first is a minimalist approach that satisfies the basic functional requirements of the brief in dealing with changes in levels, etc. and ensures the refurbished SEC will sit comfortably with the Park. The cost of this approach is **\$875,000**.

The second approach seeks to better address a key objective of the project which is to enhance and activate the town centre context. This approach is more optimal. It considers the park holistically, not simply at the edge where it meets the SEC building and results in far more cohesive public domain outcome. Accordingly, the scope of works is more extensive than the minimal scheme. The cost of this optimal approach is **\$1,403,000**.

The increased scope of works in Peace Park will provide improvements in the key areas:

- Increased functionality of the space and audience area for outdoor entertainment e.g. Music in the Park, outdoor cinema and emerging artists programs, Currently the space is dissected and areas limited with differing levels, water features and fencing;
- Increased accessibility for patrons east to west, especially from the carpark. With the public entrance at the western end now removed to be secure stage door and loading bays visitors need an improved and safe wayfinding to the new main entrance; and
- Increased usage of the park, improved general amenity and beautification of the precinct. As a north facing green space and now fronting a landmark cultural building the new, integrated design will have significantly more appeal as a friendly and safe leisure space.

Fly Tower

The Brief stipulates 'Cost effective facilities for the bump-in, performance and bump-out of stage lighting, sets and scenes. Suspension only rigging; or full fly tower with counterweight flying subject to budget.' The existing Entertainment Centre theatre setup is limited and comprises a 'dead-hung' suspension only rigging system with no fly tower.

The proposition of a half-fly tower was first contemplated by the Architects following feedback from the project management team that their proposed design schemes were forecast to cost more than the

approved allocation. The half fly-tower, with a counterweight, motorised or manual rigging system provides some of the same functionality as a full fly-tower however limited as it does not enable items to be 'Flown -out' and completely concealed. A full height fly tower enables stage props and lighting to be entirely concealed allowing an industry benchmark facility, more flexible use of the stage and will attract a broader range of shows.

Through the workshops theatre consultants, stakeholders and users all expressed strong views that a full fly tower was critical to flexible and efficient use of the stage. The full fly tower provides an opportunity to attract a wider base of commercial users and increased industry use of the theatre, increases the breadth and standard of programming and increases utilisation. No technological or digital solution has been identified that circumvents the need for a fly tower.

The below table seeks to inform Council of the costs associated with a half and full fly tower and counterweight rigging additional to a setup similar to that of the existing facility.

Table 1 - Fly-Tower and Rigging System Costs

	HALF	FULL
Counterweight rigging	\$310,000	\$345,000
Fly Tower	\$685,000	\$1,215,000
TOTAL	\$993,324	\$1,560,624

COMPARITIVE VENUES	FULL FLY TOWER
Riverside Parramatta	Yes
Joan Sutherland Penrith	No
IPAC Wollongong	Yes
NIDA	Yes
Arthouse Wyong	Yes
Anita's Thirroul	No
Lyric Theatre	Yes
Glasshouse Port Macquarie	Yes
Capitol Theatre	Yes
State Theatre	Yes
Roslyn Packer theatre, Wharf	Yes
Enmore	Yes

Café and Kitchen

The current scheme provides for a new full functioning café/restaurant for 75 diners that can be expanded to 150 and the refurbishment including new equipment of the existing Kitchen. The scheme also allows for a dumbwaiter from the kitchen to the level one roof terrace bar area. The below table seeks to provide Council with the costs associated with providing this functionality;

Cost to enclose the Café space in lieu of an outdoor terrace.	\$189,100
Café fit-out allowance	\$301,950
Refurbish the Kitchen including new equipment (excl. dumbwaiter)	\$671,000

On review of the contribution and importance of a restaurant/café as an essential and profitable added service it has been determined that the industry model of providing theatre bars with snack service for performances and capacity to cater for events with light food is preferable. Particularly where the potential saving from not refurbishing the kitchen and fitting out a restaurant/café is significant.

The key considerations:

- 1 Meeting Customer Demand – As a performing arts centre the provision of a bar and snack service only is the most common food and beverage (F&B) service in the vast majority of comparative regional and medium sized theatres (see table below). The key demand from audiences is to provide quick service to potentially large numbers pre-show and during short intervals with multiple service points and limited choice. The designed extended bar and box office and added upstairs bar would achieve that.
- 2 Be a contributor to the local economy – our major theatre will be a key source of activation for local restaurants and cafes. Working with the precinct to grow pre-show dining packages and promotion will contribute to the growth of a unique arts and dining precinct.
- 3 Low profitability of dining option vs bar only service– Due principally to the high labour costs in food preparation and service and the relatively low price points demanded. The margins on a bar service however are significantly higher at 50% - 60% with central service points reducing labour costs and better use of staff across box office and ushering.
- 4 Can still retain catering services to clients – The building will still have capacity with the existing kitchen and storage to cater for the key existing events.

The table below shows key elements for comparable facilities.

COMPARABLE VENUES	FOOD and BEVERAGE
Riverside Parramatta	Bars
Joan Sutherland Penrith	Bars
IPAC Wollongong	Bar/Cafe
NIDA	Café/Bar
Arthouse Wyong	Bar/cafe
Anita's Thirroul	Bar
Lyric Theatre	Bars
Glasshouse Port Macquarie	Bars
Capitol Theatre	Bars
State Theatre	Cafe
Roslyn Packer theatre, Wharf	Bars
Enmore	Bars