

1.3: CITY OF ALBANY PARTICIPATION IN ANZAC CENTENARY EVENTS AND ASSOCIATED INFRASTRUCTURE CONSTRUCTION

File Number (Name of Ward) : (All Wards)
Disclosure of Interest : Nil
Responsible Officer : Chief Executive Officer (F James)

IN BRIEF

- The City has committed to being an integral partner in the delivery of the Anzac Centenary Events, commencing 1 November 2014, with the potential of at least yearly events of significance up to and potentially beyond 2017.
- To date, no formal commitment has been made by either the State or Federal Governments to funding and other resourcing for holding of the Events. The only commitment made by any government to date is a \$6.55M Federal government commitment for construction of the Anzac Interpretive Centre. However, initial indications of Centre construction costs show that those total costs may be in excess of \$9M.
- As a result of formal lack of funding commitment to these Events, and the construction of associated infrastructure, the City now faces extreme legal, financial and other risks regarding its ongoing involvement in these Events.

**ITEM 1.3: RESPONSIBLE OFFICER RECOMMENDATION
VOTING REQUIREMENT: SIMPLE MAJORITY**

1. The City not commit to any activity as a member of the Albany Centenary of Anzac Alliance (ACAA), or in its own right, without having a clearly identified and committed funding source available for that activity.
2. To limit the City facing increased legal and other risk, the City and Council Members take no action that may be implied as commitment to any Anzac Centenary activity which requires funding, where such funding is not already clearly identified and committed.
3. Council members, with relevant city officers, arrange to meet with Federal and State Government politicians and other decision makers seeking clarity regarding the governance and operational challenges of Anzac Centenary, including ownership and management of the Anzac Interpretive Centre.

RESPONSIBLE OFFICER:

BACKGROUND

1. The City has been integrally involved in working with various stakeholders regarding progressing the holding of certain Events, and building associated infrastructure, related to the national commemoration of the Anzac Centenary. Those stakeholders include, and or will include, the RSL, the Federal and State governments, various government agencies such as the Defence Force and WA Tourism, and not least, the entire community of Albany and potentially the Great Southern Region.
2. There are various issues that need to be considered as part of the City's commitment, which to date are unresolved. Essentially, to ensure the success of the Events, and timely construction of the associated infrastructure, the commitment made by the City in resourcing terms is potentially significant. Those resources are presently unplanned and unallocated, but could have significant impact on the finances of the City.
3. The Council has already agreed that the City, in partnership with the RSL, take various steps, including entering into contracts, to advance planning and design for the proposed Anzac Interpretive Centre. That work is well advanced and presently cost estimates for the planning, design and construction of that Centre, based on the scope advised to the consultants, is potentially \$9M+. To date the only confirmed funding for this project is \$6.55M (of which \$709,682 is already committed to existing contracts), leaving \$5.8m for construction. Current cost estimates by a Quantity Surveyor has costed the construction at \$8.05m.
4. Council has also agreed to undertake a consultancy, as a matter of urgency, for detailed business analysis, including financial, risk and asset-management analysis, regarding the City's involvement in; commitment to; and City of Albany and community economic development opportunities of; the Albany-based Anzac Centenary Events, and its associated activities. Payment of such business analysis will be funded from the City's Anzac Centenary Reserve.
5. Outcomes of such business analysis will be needed to guide:
 - Council in its budget allocations for the 2012-13, and 2013-14 financial years, and its models of operationalising its commitment to Anzac Centenary.
 - The City in its future discussions with other levels of Government, and with other stakeholders, regarding support the City may require to ensure these Events are a success.

DISCUSSION

6. The Council has made a significant commitment to date in the City's participation in Anzac Centenary. However, to date no detailed business analysis or risk assessment has been undertaken regarding such commitment. Similarly, the Council has not sufficiently considered the current and long term resource implications of such commitment nor budgeted for the resource allocation that will likely be required.
7. Risk analysis undertaken by the City and provided to the last Audit and Finance Committee shows there are many significant risks to the City from its involvement in this Centenary Commemoration. Included in this is the acquisition and management of any new infrastructure, including infrastructure at Mounts Adelaide and Clarence.

8. When considering infrastructure ownership and management obligations, the City is very aware of the poor experience it has had in whole-of-life asset planning regarding the Albany Entertainment Centre. It has learnt valuable lessons from the experience, and wishes to ensure that any infrastructure the City acquires as part of the Anzac Centenary Commemoration has rigorous business planning underpinning it, and does not become a burden to ratepayers.
9. The whole-of-asset life issues and costs for high-technology-based buildings such as the proposed Anzac Interpretive Centre on Mt Adelaide should not be underestimated. Governance and management models for the assets will need determination. The Federal Government representative on the ACAA Board has stated that the Federal Government has no firm expectations on whether the City will own and operate the Interpretive Centre.
10. The construction of this building from a project management perspective is a risk. There are considerable challenges in building into the side of Mt Adelaide; an adequate contingency amount for the project is difficult to gauge; and should construction difficulties be encountered, the budget for the construction could escalate quickly. The amount of funding formally committed for planning, design and construction is insufficient, compared to cost estimates provided by Quantity Surveyors.
11. As the CEO has explained to Council members previously regarding general asset-management, the cost of construction of an asset is usually small, when compared to the whole-of-life operating and depreciation costs of such assets. High-technology infrastructure is usually even more expensive to own and or operate because of the continually changing technology environment. Future ownership and management obligations for the Interpretive Centre must be clarified as a matter of urgency.
12. The business model of operating the Interpretive Centre and the Mounts Precinct generally MUST be considered NOW. While there is huge opportunity for the City to have a military heritage precinct that is world-class (with the tourism and other economic benefits that that accrues), the design, functionality and broader precinct operating models must be determined, before design and construction is complete. The design of the Interpretive Centre, and particularly ancillary design issues relating to traffic management, pedestrian thoroughfares etc will influence the effectiveness of any operating model.
13. The timeframe for this work is urgent, with the contracted consultants about to finalise preliminary design for the Anzac Interpretive Centre in the next three weeks. Any change of design after that point exposes the City (and RSL) to both design rework costs, and time pressures for the lead time in construction. Knowledge of the operating model for that Centre is essential for the design and construction of the Centre. The timeline for the next milestone for work by the architects is 8 May 2012.
14. Conversations with the Department of Premier and Cabinet have now commenced regarding funding and managing the Anzac Commemorative Events and some associated infrastructure.
15. The Department's senior officer has requested that the City provide the Department with as much information as possible regarding the anticipated challenges and costs of the City's involvement in the Anzac Commemorations. To provide this information, a consultant will be engaged to undertake that work.
16. While the City faces considerable risks from its commitment to the Anzac Events, the Albany community and region could significantly benefit from the Events, particularly through tourism profiling, and the economic opportunities generally of having large numbers of visitors to the town.

17. At a minimum, and in addition to resolving the whole-of-life asset management issues stated above, it is anticipated that the following matters need to be considered and resolved by the Council before any more resources are committed to the Centenary:

a. *The role each stakeholder / partner will undertake as part of its involvement in the Events, and associated infrastructure, both from a governance and operational perspective.*

It is unclear what role each level of government, and the ACAA Board will play into the future regarding the huge logistical support that will be needed to coordinate all Events, and who will provide the ongoing funding of those tasks.

While the State Government has made informal approaches to the City offering its support, and is now seeking formal advice from the City regarding the challenges the City anticipates it will face as a result of these Events, the governance and operational responsibilities of all parties need clarification as a matter of urgency.

Without any formal commitment from either level of government in this regard, and in particular, commitment to leadership and who is doing what (including how it is being funded), if the City continues with present activity, the City will continue to assume and expose itself to risk without being able to “retract” on some activity.

b. *Staffing resources needed to fulfil the City's commitment to the Events.*

The City has provided over \$266,000 in staff in-kind salary to supporting the ACAA Board's work. That salary investment will continue to be needed (and indeed significantly increased), if design and construction work progresses for the Anzac Centenary infrastructure projects.

Additionally, depending on the extent of logistical events management the City is expected to undertake for the Events, additional staff time may need to be invested in preparing for those Events. There is no consideration in any City budget to date regarding those resources.

Further, staffing models will need to be considered – who will be the “employer” of those involved in the preparation for the Events. Such staffing model has Occupational Safety and Health, employment indemnity and WorkCover indemnity consequences.

18. The other opportunity for Albany as a community that should be captured as part of the Events, and progress made quickly on implementation, is a ***strategic approach to leveraging the broader economic and tourism opportunities*** the Events could generate.

19. These opportunities go beyond mere Events "logistics" - if the City only focuses on logistical management, then the real economic development opportunities will be lost, particularly in the long term and ongoing.

20. Associated with provision of such services, is **provision of airport services**. It is anticipated that passenger air travel during the Events periods will significantly increase. This will require working with Skywest and private charters to coordinate additional flights from an airport utilisation perspective. It will also require additional logistics support by the City in respect of passenger screening capability, plane "parking" space, and the ability to move much larger numbers of passengers via air in small "windows" of time, for example to cater for dignitaries and visitors who wish to fly-in-fly-out on the day of key Events.
21. In addition to the above, the City is also committing staff and other resources to **projects, such as an "Anzac in my Family"**. Council needs to decide what it will support in respect of such ancillary projects, because as the Events dates draw closer, public interest in those projects will increase, demanding more resource commitment from the City.

STATUTORY IMPLICATIONS

22. Nil

GOVERNMENT CONSULTATION

23. Consultation has occurred regularly with many stakeholders, including both State and Federal Government. However, to date, the only firm commitment of support the ACAA has received is Federal Government funding of \$6.55M for planning, design and construction of the Anzac Interpretive Centre, and various Federal parliamentary resolutions and or statements regarding the government's commitment to the Departure of the Convoy Event, and construction of the Interpretive Centre.

PUBLIC CONSULTATION

24. Consultation has occurred regularly with many stakeholders, including members of the public and key bodies. This consultation has been predominantly led by the consultant engaged by, and or the Chair of, the ACAA Board.
25. The City is now getting increasing requests from community stakeholders for provision of more definite planning information regarding the Events.

STRATEGIC IMPLICATIONS

26. The City's involvement in the Anzac Centenary Events, with associated infrastructure, fulfils many of the City's Strategic Key Focus Areas, with the associated Community Priorities and Proposed Strategies, including:
- Lifestyle and Environment
 - Sustainability and Development
 - Albany's Role as a Regional Hub
 - Organisational Performance

POLICY IMPLICATIONS

27. Nil

RISK IDENTIFICATION AND MITIGATION

28. Risk identification and categorisation relies on the City's Risk Management Framework. A very comprehensive risk analysis has previously been provided to the Council's Audit and Finance Committee regarding the City's involvement with the Anzac Centenary. Council is referred to those Audit and Finance Committee papers in this regard.

FINANCIAL IMPLICATIONS

29. The City has a Reserve Account, the purpose of which is "Anzac Centenary". The amount currently in that Reserve stands at just over \$126,000.
30. Over the 2010-11, and this financial year, the City has expended \$9,000+ in operating expenses on Anzac Centenary preparation. Furthermore the City has also committed large amounts of in-kind support to the Events, through staff time, such amounts having previously been advised to the Council's Audit and Finance Committee. For example, the City is providing over \$266,000 in staff in-kind salary to supporting the ACAA Board's work.
31. At present, the City has no other identified resources, beyond the Reserve Account, to support its involvement in the Anzac Centenary Events, and associated infrastructure.

LEGAL IMPLICATIONS

32. The City faces considerable legal risk in progressing its involvement in the Anzac Centenary without committed funding. The City has already entered into contracts relating to Anzac Centenary.

ALTERNATE OPTIONS

33. While Council could determine that the City not have any further involvement in the Anzac Centenary, such an approach would be severely detrimental to the potential heritage, profiling, economic and other benefits the community may derive from its involvement in the Centenary.
34. Such withdrawal from the Centenary is not reasonably feasible. Rather Council is encouraged to seek firm commitment from the various stakeholders to the Centenary, thus minimising risk to the City.

SUMMARY CONCLUSION

35. The Council has made a significant commitment in the City's participation in Anzac Centenary. However, to date no detailed business analysis has been undertaken regarding such commitment.
36. Similarly, the Council has not sufficiently considered the current and long term resource implications of such commitment nor budgeted for the resource allocation that will likely be required. This lack of analysis before making such commitment is very worrying, and as the Events start to "crystallise" the City's CEO is becoming increasingly concerned that the City will not satisfactorily meet its commitments to these Events.
37. The Council MUST determine the risks it is prepared to bear in relation to the Events, including the financial, legal, governance and operational issues it currently faces.

38. There are essentially two annual budgets available for the Council to properly allocate resources to the Event which will launch Anzac Centenary commemorations nationally and internationally. If the City does not "shine" during the Departure of the Convoys as a favourable visitor destination, then the City will lose the best opportunity it has for economic development and invigoration in decades.
39. Budget allocations must be made in the 2012-13 and 2013-14 financial year budgets, which properly reflect the commitment and scope of the City's involvement in Anzac Centenary. That commitment must be formally resolved by Council.