

QLDC Council
9 October 2014

Report for Agenda Item: 2

Department:
Operations

Shotover Country Primary School court extension

Purpose

- 1 To consider underwriting half the shortfall for the Shotover Country Primary School court extension to enable the project to progress.

Executive Summary

- 2 The cost to extend the Shotover Primary School hall has been confirmed at \$2.1m. The Ministry of Education is seeking Council's commitment to funding half the \$500,000 shortfall by 10 October 2014 to enable the project to continue.
- 3 Third party funding options exist to offset some, if not all, of the shortfall. However, the timing of applications and decisions requires a commitment by Council to underwrite the shortfall in the interim.

Recommendation

- 4 *That Council:*
 - a. **Authorise** an underwrite of \$250,000, in addition to the \$1.6million already committed, to the extension of the Shotover Country Primary School hall to progress the delivery of a full sized indoor court facility for the community, noting the Ministry of Education has also committed an additional \$250,000 to the project, and on the basis that the additional funding is to be paid in the 2015/16 financial year.
 - b. **Direct** officers to apply to third party funders to offset the additional funding required to be underwritten of \$250,000 to the extension of the Shotover Country Primary School hall.
 - c. **Authorise** the General Manager, Operations to execute agreements with the Ministry of Education for the capital contribution for the Shotover Country Primary School hall extension and the Board of Trustees of Shotover School for community access to the facility that will include, but not be limited to, the following:

- i. The grant will be capped at \$1.85m, of which \$1.6m will be paid in 2014/15 and \$250,000 will be paid in 2015/16;
- ii. The community will have priority access to the facility after school hours and on weekends for an initial term of 30 years;
- iii. The school will administer the facility and be responsible for outgoings;
- iv. The school will set charges for community use of the facility during priority access times with Council's approval;
- v. That the school will apply revenue earned from the use of the facility to the operation of the facility and any surplus will be applied to a sinking fund for the purposes of maintaining and renewing the facility.

Prepared by:



Rachelle Greene
Manager Sports & Recreation

3/10/2014

Reviewed and Authorised by:



Ruth Stokes
General Manager, Operations

3/10/2014

Background

- 5 In June 2014, Council resolved through the Annual Plan deliberations to commit \$1.6m to extend the proposed court at Shotover Primary School from 320m² to 855m² to create a full size court.
- 6 The project was intended to provide additional court space, centrally located to Queenstown, Frankton, Lake Hayes and Arrowtown residents, available at peak times (after school and weekends) for community and sporting users and as an alternative venue to QEC when it is booked for events/conferences.
- 7 This improvement meets Sport New Zealand facility benchmarks for the requirements of indoor sporting codes such as netball, tennis, basketball, volleyball and others.
- 8 Sport New Zealand has adopted the Sport England facilities calculator as a benchmark on indoor court demand, adjusted by 15% to reflect higher participation rates in New Zealand, which recommended in 2013 one full size indoor court for 9,000 people.

- 9 The 2013 census confirmed Queenstown's population at 18,591 and as one of the fastest growing areas in the country. There are currently two full sized courts available, indicating the Wakatipu Basin is now moving into a shortfall of provision.
- 10 Consistent with the Annual Plan resolution, officers have negotiated agreements with the Ministry of Education (MoE) and the school such that in return for Council's contribution to the expanded construction, the community will receive guaranteed access outside school hours in high community demand peak time, over the lifetime of the asset.
- 11 The school will administer the facility and charges will be agreed with Council. All operating costs will be covered by the school and any surplus will be applied to a sinking fund for the maintenance of the asset. Council will also contribute to the maintenance should it be required. Should the project progress, it is recommended that these agreements are finalised.
- 12 The expansion of the school hall to deliver an additional court is supported by Wakatipu Netball, Queenstown Tennis, the Tennis Academy, Volleyball Southland, the Shotover Primary School's Establishment Board of Trustees and Principal.

Comment

- 13 The construction of the school has begun and changes to the hall building, which is the gateway to the school, have been designed and costed to accommodate the extension. The school is a quality "green star" build, which will deliver operating cost efficiencies as well as a superior education environment.

Issues

- 14 The combination of build cost and additional size has resulted in a final cost for the addition of \$2.1m, meaning there is a \$500,000 shortfall between Council's contribution and the total cost.
- 15 The MoE is seeking Council's commitment to proceeding with the project by 10 October 2014. Holding costs beyond this point are prohibitive and as the entrance building, the critical path for construction also requires a decision to proceed by this time.
- 16 The benefits to the school and wider community are acknowledged by the MoE and to assist in the project moving forward, it has committed to funding half the shortfall (\$250,000) in addition to covering further escalation risk. The MoE seeks Council's support for the remaining shortfall.

Options

- 17 The options available to Council are:
 - a. withdraw from the project,
 - b. fully fund the shortfall,

c. underwrite the shortfall and seek third party funding to cover this.

- 18 If Council withdraws from the project, as noted above, the district is moving towards a shortfall in provision relative to population and alternatives will need to be evaluated.
- 19 The Long Term Plan currently provides for court extension at the Queenstown Events Centre in 2015/16. Proceeding with the Shotover Primary court extension enables the deferral of this expenditure for a number of years and is a lesser cost and earlier achieved option to achieve a full sized court.
- 20 Fully funding the shortfall has financial implications as detailed below, however the Ministry may be amenable to deferring payment of the additional \$250,000 until 2015/16.
- 21 Deferring the payment also provides time for officers (and the school) to seek third party funding support. Council would still be required to commit to the shortfall and take the risk that this funding may not be realised.
- 22 Officers recommend that Council underwrite the shortfall, whilst other funding is sought, on the basis that the payment would not be required until the next financial year.
- 23 Officers have been in regular contact with the Central Lakes Trust (CLT) on the project. Whilst CLT has generally committed no more than \$100,000 to school hall projects, an application can be made on the basis that the project is a community sporting facility with wide support. CLT has also advised that when considering applications, a mix of funders is preferable and has recommended seeking the support of Lotteries and the Community Trust of Southland. Officers will contact these entities also and provide an update to Councillors at the meeting.

Financial Implications

- 24 The original funding proposal was an amortising loan for the \$1.6 million grant. The annual cost of the loan plus the operating costs was estimated to be \$160k per annum. The simplest way to deal with the increase of \$250k is for Council to agree to pay this amount in the 2015/16 year. This allows funding applications to be made over the next six months with the worst case scenario being an additional \$250k added to the original loan in 2015/16.
- 25 The rates impact of loan funding the \$250,000 shortfall would result in the rates increase associated with the project moving from \$9.52 to \$10.48 (GST inclusive) or from 0.40% to 0.46% (District-wide basis).

Next Steps

- 26 Contingent on the Council's decision, the next steps are to
- Confirm the agreement with the MoE
 - Renew discussions between officers and the Establishment Board of Trustees to ensure applications are lodged with funding agencies – specifically:'

- Central Lakes Trust: immediately to ensure initial consideration at its October meeting
- NZ Lotteries Board, Community Facilities Fund: next round opens 10 December, closing 18 February 2015 with a decision in May 2015
- Community Trust of Southland: deadline 31 October 2014 for applications for up to \$50,000, to be considered in November.

Local Government Act 2002 Purpose Provisions

27 The funding of the Shotover Primary School court extension is consistent with Section 10 of the Local Government Act 2002 as it delivers local infrastructure in a way that is cost-effective for households.

Council Policies

28 The following Council Policies were considered:

- 2012/22 Long Term Plan to confirm proposed future court expansion budgets and timing.

Consultation

29 The proposal to contribute to the Shotover Primary School court extension was subject to public consultation as part of the 2014/15 Annual Plan. 70% of respondents were in favour of the proposal.