CABINET - SUBJECTS FOR CONSIDERATION, 08 OCTOBER 2007 11:00 AM

MONDAY - FINAL AGENDA

1 New Initiatives/Policy Matters

Not Relevant

105 TF07/079CS Treasurer's Item (Kevin Foley)
WITHDRAWN

Not Relevant

105

CABINET COVER SHEET

LOCKED

1. TITLE: VICTORIA PARK REDEVELOPMENT

2. MINISTER: Hon Kevin Foley **MP**
DEPUTY PREMIER

3. PURPOSE: To seek Cabinet approval to refer the Victoria Park Redevelopment project to the Public Works Committee (**PWC**) for consideration and report; to agree ownership arrangements for the new facilities including the building/grandstand and motor race track; and contracting arrangements for construction of the works.

4. IDENTIFY THE RELEVANT GOVERNMENT POLICY AND/OR STATE STRATEGIC PLAN TARGET: The proposed Victoria Park redevelopment will contribute to meeting the South Australian Strategic Plan target to increase visitor expenditure in South Australia's tourism industry (T1.13). The project will also support the target (T2.7) aiming to exceed the Australian average for participation in recreation and sport.

5. ICT COMPONENT Does the submission have a material **ICT** Component? ☒ Yes ☐ No

6. RESOURCES REQUIRED FOR IMPLEMENTATION: Project **M**anagement will be undertaken using existing resources within the **D**epartment for Transport, Energy and Infrastructure (**DTEI**).

The table below shows the impact on **N**et Lending over the forward estimates period

	07-08 $ 000	08-09 $ 000	09-10 $ 000	10-11 $ 000	11-12 $ 000	Total $ 000
Net Oper Balance	10,527	31,365	-997	-997	-997	38,901
Net Lending	-1,287	1,287	-	-	-	-

Department of **T**reasury and Finance (**DTF**) agrees with the basis of the assessment of costs contained in this submission.

7. COMMUNITY AND ENVIRONMENTAL IMPACT: Does the submission have an impact on business? ☐ Yes ☒ No

The project will have a net positive effect on the community and environment by:

- improving community access and the amenity of Victoria Park;
- the return of 4-5 hectares to open space;
- on site car parking minimising inconvenience to nearby residential areas;

- a number of environmental enhancements such as an underground tank with a capacity of 250,000 litres for collecting roof run-off;

- BSD principles applied to the design and operation of the building to reduce reliance on power for cooling and lighting.

8. RISKS:

- Development approval - project opponents (such as the SA Park Lands Preservation Association) may challenge the process through a judicial review.

- Lease - There is a risk that Adelaide City Council (ACC) may refuse to grant a lease or the lease is disallowed by one of the Houses of Parliament.

- Construction - The fixed time constraints to construct between the 2008 and 2009 Clipsal events will require early commitment to structural steel and pre-cast trades for off-site fabrication.

- South Australian Jockey Club (SAJC) - a Heads of Agreement and sublease with the SAJC will have to be finalised concerning the SAJC's agreement to contribute to the development, undertake other development in its own right and to take a sublease of the leased premises.

9. CONSULTATION:

The public and stakeholders have been kept informed through a comprehensive information program. Consultation has taken place with South Australian Motor Sports Board (SAMSB), SAJC, ACC, Crown Solicitor's Office (CSO), DTF and DTEI.

10. COMMUNICATION STRATEGY:

The existing community information program will be maintained principally through the project web site.

11. URGENCY:

For consideration 24 September 2007.

12. RECOMMENDATIONS:

It is recommended that Cabinet:

4.1 *approve* referral of the Victoria Park Redevelopment project to the Public Works Committee for consideration and report;

4.2 *approve* the Minister for Infrastructure, in his capacity as lessee of the proposed ground lease for the subject land at Victoria Park, to own the new building/grandstand, car racing track and related improvements;

4.3 *approve* granting delegated authority to the

Minister for Infrastructure to approve the final terms and conditions of the proposed ground lease with Adelaide City Council and sub lease with South Australian Jockey Club;

4.4 *approve* the adjustment to the forward estimates as outlined in Attachment 1, resulting in the following budget impacts:

	07-08 $ 000	08-09 $ 000	09-10 $ 000	10-11 $ 000	11-12 $ 000	Total $ 000
Net Oper Balance	10,527	31,365	-997	-997	-997	38,901
Net Lending	-1,287	1,287	-	-	-	-

4.5 *approve* the rental costs for the use of the building by South Australian Motor Sports Board and South Australian Jockey Club to be determined by the Treasurer at no negative impact to the Budget; and

4.6 *note* the project's construction procurement plan and that Cabinet will be requested to approve the appointment of a managing contractor to deliver the construction of the new motor race track and building/grandstand.

I declare that I have no actual or potential conflict of interest in relation to the proposals contained in this submission.

Kevin Foley MP
DEPUTY PREMIER

3 /10/ 2007

MINUTES FORMING ENCLOSURE TO **T&F07/079CS**

TO: THE PREMIER FOR CABINET

RE: VICTORIA PARK REDEVELOPMENT

1. PROPOSAL

1.1 To seek Cabinet approval:

1.1.1 to refer the Victoria Park Redevelopment project to the Public Works Committee for consideration and report; and

1.1.2 of the land ownership, financial and construction arrangements for the project.

2. BACKGROUND

2.1 On 29 August 2006, Cabinet approved the redevelopment of the Victoria Park racecourse as a building/grandstand venue with new facilities designed for both the South Australian Motor Sport Board (SAMSB) and South Australian Jockey Club (SAJC).

2.2 Cabinet also approved an allocation of $42.492 million from the Treasurer's Contingency Fund, spread over three years, towards the construction of the new building and realigning the new motor sport track and related infrastructure.

2.3 In December 2006, the Government released comprehensive details of the project for community consultation.

2.4 At the end of the consultation period on 31 March 2007, including a detailed response from the Adelaide City Council (ACC), the building's length and floor area were reduced. In addition, further work was undertaken in collaboration with ACC to layout the new building and improvements in the context of an integrated masterplan for Victoria Park.

2.5 Whilst the project's construction program is set on using and showcasing the new track and building grandstand for the 2009 Clipsal 500 event, it is reliant on the following approvals being in place to allow construction activity to commence in early 2008:

- Development approval – application currently being assessed by Development Assessment Commission.

- Ground Lease approved by ACC and not disallowed by both Houses of Parliament – ACC is currently seeking community views on the lease proposal.

- Public Works Committee (PWC) report tabled in Parliament – this submission seeks approval to refer the project to the PWC.

- SAJC agreeing to proposed financial and sub lease arrangements.

3. DISCUSSION

Purpose

3.1 To seek Cabinet approval to refer the Victoria Park Redevelopment project to PWC for consideration and report, to agree ownership arrangements for the new facilities including the building/grandstand and motor race track, and contracting arrangements for construction of the works.

New Works

3.2 By providing a unique dual purpose grandstand building and realigning the existing horse and car race tracks, improves the appeal and operational efficiency of SAMSB and SAJC events at Victoria Park. In addition it creates greater recreational opportunities and improves the amenity of the Park.

3.3 The new works will provide the following key outcomes:

- a fit for purpose building with an overall smaller building footprint;

- return of between 4-5 hectares back to open space as a result of removing redundant structures and hardstand areas;

- reduction of the annual construction period for the Clipsal event by up to 4 weeks (based on 2006 event scope) by not having to set up the temporary pit building;

- a new and integrated motor sport track that does not cut across the shorter and better integrated new horse racing track;

- new car racing track provides the heritage listed grandstand a prime and active role. In addition, the new track provides opportunities for other recreational uses such as cycling and pedal prix community events; and

- improvement in the biodiversity of Victoria Park by creating the potential to plant over 1,000 trees.

Ground Lease/Ownership

3.4 ACC has been requested to grant a ground lease for the land at Victoria Park to accommodate the construction and operation of new building and the horse racing track. The car racetrack will be built and operated under the *South Australian Motor Sport Act 1984.*

3.5 The proposed term for the ground lease is 42 years (21 years plus a 21 year right of renewal to be exercisable by the Minister for Infrastructure).

3.6 The proposed annual rental is $250,000 (inclusive of Council rates) and is reduced to $100,000 if the lessee agrees to maintain the north-east corner of Victoria Park. As sublessee, the SAJC will be required to take on this obligation given it has ground keeping equipment and resources on site to maintain the horse track. SAJC will also contribute 88% towards the rental and maintenance of the building. The balance will be met by SAMSB.

3.7 It is proposed the Minister for Infrastructure becomes the Lessee of the ground lease with ACC and the Lessor of the sub lease with SAJC. As lessee of the land and based on the advice of the Crown Solicitor's Office (CSO), it is also appropriate for the Minister for Infrastructure to be the owner of the new building/grandstand and any other fixtures to this land in accordance with the applicable legal principle concerning fixtures (eg such as the car race track). It would have been inappropriate for SAMSB to be the lessee and the owner given its existing contract to host the Clipsal 500 in Adelaide expires in 2015.

3.8 ACC has submitted details of the lease for public consultation and at the end of the consultation period on 21 September 2007 ACC will have to decide whether to formally grant a lease to the State Government for the required land at Victoria Park.

3.9 If ACC agrees to grant the lease, and given the term is over ten years pursuant to *Adelaide Park Lands Act 2005,* the two Houses of Parliament have a specified period of time to disallow the lease. The lease can only be formally entered into between all the parties after the time for disallowance has passed and neither House has disallowed it.

3.10 To facilitate negotiations with ACC and expedite the lease approval process, it is proposed that the Minister for Infrastructure is given delegated authority to approve the final terms and conditions of the lease with ACC and to sublease with SAJC.

Role of SAMSB

3.11 It is proposed that SAMSB continues to be responsible for the management and delivery of the project and constructs the new building/grandstand and related fixtures and improvement on behalf of the Minister for Infrastructure under a Memorandum of Administrative Arrangement. The Memorandum will cover funding, payment and development responsibilities as well as providing access to the land.

3.12 The CSO has advised that the SAMSB has the power to undertake or manage the construction of the relevant facilities and other aspects of the development on behalf of the Minister, and to enter into construction contracts for this purpose, provided that the relevant Minister for the *South Australian Motor Sport Act 1984* approves this as a function of the SAMSB under subsection 10(1)(e) of that Act or a declared area and a specified period are declared under Section 20 of the *South Australian Motor Sport Act 1984* for the purpose of enabling construction of the facilities by SAMSB.

Procurement Plan

3.13 SAMSB has engaged Kellogg Brown Root Pty Ltd (KBR) to lead the professional service contractor (design) team. KBR has completed the Victoria Park Redevelopment design and is now progressively preparing documentation ready for the construction phase.

3.14 Given the opportunities and challenges that exist in the project, a collaborative approach in project procurement between a managing contractor (in the role of general building contractor), professional service contractor team and government has been chosen. It includes the managing contractor as a key stakeholder in the success of the project with project objectives shared by the client, the professional services contractor team and the managing contractor with the aim of producing excellent results and effectively managing risks associated with this complex project.

3.15 Under the model there is early appointment of the managing contractor to allow its full input into the crucial planning stages of the project and to facilitate the overall control of cost, program and quality. Initially the managing contractor provides 'building advice' including constructability, budgeting and programming advice to the team.

3.16 Once the PWC has tabled its report in Parliament and construction spending can commence, the managing contractor will undertake 'project delivery' through the progressive acceptance of completed documents for packages of trade works and arranges, on an 'open-book' basis, for sub-contractors to construct the works.

3.17 Given the fixed time constraint for construction activity between the 2008 and 2009 Clipsal events it is necessary to develop a unique construction delivery strategy that will mitigate the risk of construction not being complete for the 2009 event.

3.18 The ordering and fabrication of structural steel and the fabrication of precast concrete are the off-site construction activities with significant lead times and the early award of these components of the project will significantly improve program certainty. As these activities are considered part of the construction phase they cannot proceed until a PWC report is tabled in Parliament and Development Approval is received.

3.19 In the event of the PWC report being tabled in Parliament and Development Approval granted but the lease approval remaining outstanding, it is proposed that the managing contractor be instructed to tender the critical structural steel and precast trades but award only the off-site fabrication components of these contracts.

3.20 Whilst this initiative will increase program certainty, it will incur a financial risk related to the extent of off-site work completed if the project does not proceed or delayed in the event of outstanding lease approval. The project team will monitor closely the status and timeliness of leasing matters before proposing the implementation of this initiative.

3.21 Managing contractors will be invited to tender both Part 1 'building advice' and Part 2 'project delivery' in September 2007. Following tender appraisal Cabinet will be requested to approve a managing contractor's total offer with appointment restricted to Part 1 services (estimated to be in the order of $200,000). Approval will also be sought for Cabinet to delegate to the relevant Minister the authority to extend the managing contractor's contract to include Part 2 (estimated to be in the order of $38 million). The delegation will only be exercised once the PWC report has been tabled in Parliament and Development Approval granted.

Economic, financial and budgetary

3.22 State Government has allocated $42.492M towards the project of which $33.757M (escalated to 2009) has been budgeted for the design and construction of the new building; the balance will be used to construct the racing track. The SAJC has undertaken to contribute $10M (in 2008/09) towards the cost of the building and will be responsible for its building fit-out and construction of the new horse racetrack – the estimated cost of these two items is a further $10M.

3.23 SAMSB will repay the Government $1M each year from when the new building is completed and ready for operation (say 2009 race) up to 2015 inclusive.

3.24 The application of these funds excluding GST, is summarised in the following table:

COST ITEM	STATE GOVT	SAJC	TOTAL
New Grandstand	$23,757,000	$10,000,000	$33,757,000
New Car Race Track & Related Improvements	$8,735,000		$8,735,000
New Horse Race Track		$5,000,000	$5,000,000
Building Fit-out		$5,000,000	$5,000,000
TOTAL	$32,492,000	$20,000,000	$52,492,000

3.25 ACC has indicated it will upgrade and restore the heritage listed grandstand as part of its on going capital works program. In addition, ACC has also been asked to contribute to a number of urban design and public amenity improvements identified through the Victoria Park Masterplan. These include new paths, lighting, toilet facilities and new wetland area. The combined value of this work is in excess of $2M.

Impact on consolidated account

3.26 The following table sets out the cash-flow for the Government's allocated funds towards the project:

Financial Year	Cash-flow
2006/07	$ 1,602,000
2007/08	$10,212,000
2008/09	$30,678,000
Total	$42,492,000

3.27 As mentioned in Section 2 above, Cabinet approved SAMSB to undertake the redevelopment of Victoria Park at a cost of $42.492 million. It has been agreed in principle with SAJC that they will make a contribution towards the building totalling $10M million to the South Australian government.

3.28 As advised in point 3.6 above, it is proposed the Minister for Infrastructure becomes the lessee of the subject land at Victoria Park and is also the owner of the new improvements, such as the building/grandstand and car race track.

3.29 The lease agreement with both SAJC and the SAMSB for the use of the new building/grandstand will include the need for lessees to be responsible for all outgoings including the maintenance of the building. To meet this expenditure, both lessees will jointly establish a sinking fund. SAMSB will also be responsible for the maintenance and outgoings associated with the car racing track.

3.30 To facilitate the necessary financial arrangements, the following is proposed and the budget impact is demonstrated in the table below:

- Amounts budgeted in contingencies for SAMSB reduced in 2007-08 by $8.525 million and in 2008-09 by $31.365 million;

- To provide the Department of Transport, Energy and Infrastructure (DTEI) with additional investing expenditure authority in 2007-08 of $11.814 million and in 2008-09 of $30.078 million;

- DTEI to purchase SAMSB's works in progress "WIP" associated with the Victoria Park Redevelopment of $2.002 million in 2007-08 pending statutory approvals; and

- SAMSB reverse the grant provided by the Administered Items of the Department of Treasury and Finance (DTP) using proceeds from the sale of the WIP of $2.002 million and unspent funds of $2.575 million.

3.31 The above will result in a benefit to the Net Operating Balance of $38.901 million and nil impact on the Net Lending over the forward estimates period.

	Actual 2006-07 $ 000	**Budget** 2007-08 $ 000	**Budget** 2008-09 $ 000	**Budget** 2009-10 $ 000	**Budget** 2010-11 $ 000	**Budget** 2011-12 $ 000	**Budget** Ongoing $ 000
Current Forward Estimates							
Operating							
Capital grant to SAMSB	-1,602	-8,925	-31,965	-	-	-	-
Operating Grant to SAMSB	-	-	1,000	1,000	1,000	1,000	1,000
Contribution from SAJC	-	-	10,000	-	-	-	-
Revised Proposal							
Operating							
Capital grant to SAMSB	-1,602	-400	-	-	-	-	-
Operating grant to SAMSB	-	-	1,000	1,000	1,000	1,000	1,000
Special Dividend from SAMSB to Government	-	2,002	-	-	-	-	-
Ground Lease expense to ACC	-	-50	-100	-104	-108	-112	-117
Building Management Administration costs	-	-7	-6	-6	-6	-7	-7

Depreciation (over 42 years)	-	-	-	-997	-997	-997	-997
Landscaping	-	-	-600	-	-	-	-
Contribution from SAJC/ACC	-	-	10,000	-	-	-	-
Ground Lease revenue from SAMSB	-	6	13	13	14	14	15
Ground Lease revenue from SAJC	-	51	93	97	100	105	109
Investing							
New Building/Grandstand	-	-9,812	-30,078	-	-	-	-
Purchase of WIP from SAMSB	-	-2,002	-	-	-	-	-
Net Operating Balance Impact	-	10,527	31,365	-997	-997	-997	-997
Plus Investing Expenditure	-	-11,814	-30,078	-	-	-	-
Less Depreciation	-	-	-	-997	-997	-997	-997
Net Lending Impact	-	-1,287	1,287	-	-	-	-

Note: Expenditures and revenues associated with the lease of the building are not included in the Table

Economic Evaluation

3.32 An economic assessment identified the following key benefits deriving from the project:

- reduction in set up costs by SAMSAB estimated at 5% or $500,000 pa;
- saving in $12M capital expenditure by SAMSB for new temporary pit building;
- public benefits (less disruption, better access etc) approximately $720,000 pa;
- greater marketing power and high value attendances to Clipsal event estimated $2.3M per year; and
- improved SAJC operations and greater revenue capacity worth in the order of $450,000 pa.

3.33 Based on quantifiable costs and benefits, it is estimated that the project will deliver in the order of $17M in net benefits over 20 years, which calculates to a positive benefit cost ratio of 1.4.

Required Resources

3.34 The cost of the resources required for the Victoria Park project is included in the $42.492M funding outlined above. Project management is being undertaken using the specialist services of KBR and in-house resources within DTEI.

3.35 KBR and its design sub-contractors are preparing detailed design drawings and will work with a managing contractor to deliver the construction elements of the project.

South Australia's Strategic Plan

3.36 The project will contribute to meeting the South Australian Strategic Plan target to increase visitor expenditure in South Australia's tourism industry. The project will also support the target aiming to exceed the Australian average for participation in recreation and sport.

Information and communication technology requirements

3.37 No impact.

Staffing Implications

3.38 No Impact.

Impact on Community and Environment

3.39 Regulatory – nil.

3.40 Family and Social Impacts

- The upgrade of Victoria Park, including the provision of new footpaths and enhanced landscaping, will provide greater access and amenity for the community.

- The return of some 4-5 hectares of open space will create greater opportunity for community recreational activities.

3.41 Small Business Impacts

- During construction, the project is likely to have a positive impact on South Australian small businesses involved in the works. The principal contractor is likely to engage smaller local specialist companies which will be able to tender for various components of the works or supplies such as landscape and paving works, concrete supply and fabrication work.

3.42 Regional Impact – the proposal will not directly impact on the regions.

3.43 Environmental Impacts

- The proposal includes an underground tank with a capacity of 250,000 litres for collecting roof run-off.

- Most of the car parking for the Clipsal and horse racing events will be accommodated on site and on car parks in non-residential areas.

- The building design will provide adequate thermal comfort for occupants, particularly through natural ventilation and access to light. This diminishes the reliance for mechanical ventilation and lighting systems.

- Other than the heritage listed grandstand, some 19 existing buildings with a combined floor footprint of approximately 6,400 square metres on the northeast corner of the site will be demolished.

- Based on extensive horticultural studies of the area, approximately 22 trees that are either inappropriately located or in poor health will be removed and replaced. SAJC has advised that for OH&S reasons, one significant tree at the northern end of the track will need to be removed. As part of the landscaping plan for the project, there is the potential to plant a further 1,000 trees.

Risk Management Strategy

3.44 The project faces a number of high risks, which have the potential to delay the construction program and complete the project in time for the Clipsal 2009 race.

3.45 Development Approval – If the development application is approved by the Development Assessment Commission (DAC), there is a risk that project opponents (such as the SA Park Lands Preservation Association) may challenge the process through a judicial review. There is also a risk that DAC could refuse the application or impose stringent development conditions that may be difficult to implement. The project team will monitor progress and where possible address the issues as they arise.

3.46 Lease – There is a risk that ACC may refuse to grant a lease or the lease is disallowed by one of the Houses of Parliament. Should either of these events arise, the Government may need to consider alternative strategies to progress the project.

3.47 Construction –The fixed time constraints to construct between the 2008 and 2009 Clipsal events will require early commitment to structural steel and pre-cast trades off-site fabrication. The proposed managing contractor procurement approach provides an excellent opportunity to effectively manage risks associated with the delivery of this project. This approach has at its core a strong focus on collaboration and establishing stretch objectives to deliver an outstanding quality project.

3.48 SAJC – As an integral part of the development, SAJC will be required to commit to the funding and proposed development through a Heads of Agreement. The Agreement will be subject to the sale of the Cheltenham property.

Consultation

3.49 Following a comprehensive community consultation program earlier this year, over 2,000 people provided feedback and approximately 54 per cent of the responses received were generally in favour of the proposal and 39 per cent were generally opposed.

3.50 In accordance with consultation requirements for Cabinet Submissions appropriate interdepartmental consultation has occurred with the CSO, the Department for Environment and Heritage (DEH) and DTP. In addition there has been extensive consultation with ACC in relation to the proposed lease arrangements and Victoria Park Masterplan. The project has been progressed in close consultation with SAJC and SAMSB.

Implementation Program

3.51 The project program is based on completing the construction of the new grandstand and racetrack by January 2009 to allow sufficient time to set up and host the Clipsal 500 later in March of that year. The broad implementation plan is shown below:

Development Approval	October 07
Lease Approval	November/December 07
Public Works Committee Report	November 07
Demolition of Existing Buildings	December 07/January 08
Construction (commence)	March 2008
Completion of new building and race track	Late January 09
Completion of horse race track	Last quarter 08

3.52 The SAJC program of work is planned to run concurrently with the grandstand construction program. Once the last programmed race for Victoria Park for 2007 is completed on 14 December 2007 (and subject to all relevant approvals) the SAJC will work with the project team to construct the race track and the fit out of the building in the first quarter of 2009.

Communication Strategy

3.53 SAMSB and DTEI will continue to liaise with ACC, SAJC and other major stakeholders. The public will be kept informed through the existing project website and media releases.

Executive Council

3.54 Executive Council approval is not required.

4 RECOMMENDATIONS

It is recommended that Cabinet:

4.1 *approve* referral of the Victoria Park Redevelopment project to the Public Works Committee for consideration and report;

4.2 *approve* the Minister for Infrastructure, in his capacity as lessee of the proposed ground lease for the subject land at Victoria Park, to own the new building/grandstand, car racing track and related improvements;

4.3 *approve* granting delegated authority to the Minister for Infrastructure to approve the final terms and conditions of the proposed ground lease with Adelaide City Council and sub lease with South Australian Jockey Club;

4.4 *approve* the adjustment to the forward estimates as outlined in Attachment 1, resulting in the following budget impacts:

	2007-08 $ 000	2008-09 $ 000	2009-10 $ 000	2010-11 $ 000	2011-12 $ 000	Total $ 000
Net Operating Balance	10,527	31,365	-997	-997	-997	38,901
Net Lending	-1,287	1,287	-	-	-	-

4.5 *approve* the rental costs for the use of the building by South Australian Motor Sports Board and South Australian Jockey Club to be determined by the Treasurer at no negative impact to the Budget; and

4.6 *note* the project's construction procurement plan and that Cabinet will be requested to approve the appointment of a managing contractor to deliver the construction of the new motor race track and building/grandstand.

Kevin Foley **MP**
DEPUTY PREMIER

3 / 10 / 07

ATTACHMENT 1

	Actual 2006-07 $ 000	Budget 2007-08 $ 000	Budget 2008-09 $ 000	Budget 2009-10 $ 000	Budget 2010-11 $ 000	Budget 2011-12 $ 000	Budget Total $ 000
CURRENT FORWARD ESTIMATES							
Operating							
Capital grant to the SAMSB	-1,602	-8,925	-31,965	-	-	-	-42,492
Operating Grant to SAMSB	-	-	1,000	1,000	1,000	1,000	4,000
Contribution from SAJC/ACC	-	-	10,000	-	-	-	10,000
REVISED FORWARD ESTIMATES							
Operating							
SAMSB							
Capital grant to the SAMSB	-1,602	-400	-	-	-	-	-2,002
Operating Grant to SAMSB	-	-	1,000	1,000	1,000	1,000	4,000
Special Dividend from SAMSB	-	2,002	-	-	-	-	2,002
Contribution from SAJC/ACC	-	-	10,000	-	-	-	10,000
DTEI							
Ground Lease expense to ACC	-	-50	-100	-104	-108	-112	-474
Building Management Administration costs	-	-7	-6	-6	-6	-7	-32
Depreciation (over 42 years)	-	-	-	-997	-997	-997	-2,991
Landscaping	-	-	-600	-	-	-	-600
Ground Lease revenue from SAMSB	-	6	13	13	14	14	60
Ground Lease revenue from SAJC	-	51	93	97	100	105	446
Investing							
DTEI							
New Multipurpose Building and racing track	-	-9,812	-30,078	-	-	-	-39,890
Purchase of WIP relating to the new multipurpose building and racing track from the SAMSB	-	-2,002	-	-	-	-	-2,002

Net Operating Balance Impact	**-**	**10,527**	**31,365**	**-997**	**-997**	**-997**	**38,901**
Plus Investing Expenditure	-	-11,814	-30,078	-	-	-	-41,892
Less Depreciation	-	-	-	-997	-997	-997	-2,991
Net Lending Impact	**-**	**-1,287**	**1,287**	**-**	**-**	**-**	**-**

Note: Expenditures and revenues associated with the lease of the building are not included in the Table

105 attach

LOCKED

MINUTES forming ENCLOSURE to

File T&F07/1031

Doc No TF07D05891

To Tim McDonald
Parliamentary and Cabinet Officer
Treasurer's Office

COSTING COMMENT: VICTORIA PARK REDEVELOPMENT

The Treasurer's Office is seeking Treasury and Finance comments on the draft Cabinet submission, *"Victoria Park Redevelopment"*. These comments relate only to the costs, budget impacts and Full-time Equivalent (FTE) numbers in the draft submission and cannot be construed to imply support for this policy or initiative.

Please attach a copy of this Costing Comment to the Cabinet Submission.

ISSUES

The submission seeks approval to refer the Victoria Park Redevelopment project to the Public Works Committee for consideration and report.

In addition, the submission seeks approval for the Minister for Infrastructure:

- to own the proposed new building/grandstand and motor racing track at Victoria Park; and
- to be the lessee of the ground lease with the Adelaide City Council (ACC) and the lessor of the sub lease with the South Australian Jockey Club (SAJC) and the South Australian Motor Sport Board (SAMSB).

COSTING COMMENT

Cost Assessment

Treasury and Finance advises that there are costs associated with this submission. These are detailed in Attachment 1 of the submission.

The submission proposes that planning for the project continue on the basis of completion in time for the March 2009 Clipsal 500 race. Given the tight timescale imposed by this date, the submission proposes that the off-site fabrication of structural steel and precast concrete components commence once development approval is granted, but ahead of ACC approval of the lease. Treasury and Finance notes that there is a financial risk in this approach.

Treasury and Finance agrees with the basis of the assessment of required resources contained in the submission.

Budget Impact

Treasury and Finance advises that the submission will have an impact on the general government net operating result and net lending position, as shown in the table below.

Budget Impact table (1)

	2007-08 $000	2008-09 $000	2009-10 $000	2010-11 $000	Ongoing $000
Operating Expenses(1)(2)	8,468	21,259	-1,107	-1,111	-1,116
Operating Revenue(1)	2,059	10,106	110	114	119
Net Operating Balance Impact(3)	10,527	31,365	-997	-997	-997
Investing Expenditure(1)	-11,814	-30,078	-	-	-
Less Depreciation(1)	-	-	997	997	997
Net Lending Impact(3)	-1,287	1,287	-	-	-

(1) Negatives indicate increases in agency spending or reductions in revenues (deterioration in net lending). Positives indicate savings or increases in revenue (improvement to net lending).
(2) Including Depreciation
(3) Impact on net operating balance and net lending does not reflect the offsetting impact of payroll tax at the whole of government level.

FTE Impact

Treasury and Finance advises that the submission will not have an impact on the FTE numbers of the agency.

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3 October 2007

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