

Dunedin City Council

Review of Forsyth Barr Stadium Costs

May 2012

Overall Stadium Summary

- Cost including interest costs at Opening of \$224.4 million
- Net project costs were \$206.4m (excluding interest costs)
- Based on an overall budget of \$198m, net project costs exceeded budget by \$8.4m, or 4.2%
- Net interest costs (calculated to 31 July 2011) were \$18 million
- Cost of work covered by original GMP was \$167.3m - \$1.9m over budget
- DCC/DVML total contribution to the Stadium was \$162.7m

Introduction & Background

- Commissioned by DCC to “Review Costs Associated with the Development of the Forsyth Barr Stadium (the Stadium)”
- Specifically asked to report on DCC’s calculation submitted to The Mayor and Councillors on 20 February 2012 which indicated an overrun (excess deficit position) of \$7.3 million
- Our report does not seek to establish or comment on:
 - The viability of the project;
 - The Stadium’s future financial viability; or
 - The legality of arrangements entered into including any possible conflicts of interest
- Not a forensic audit

PwC Approach

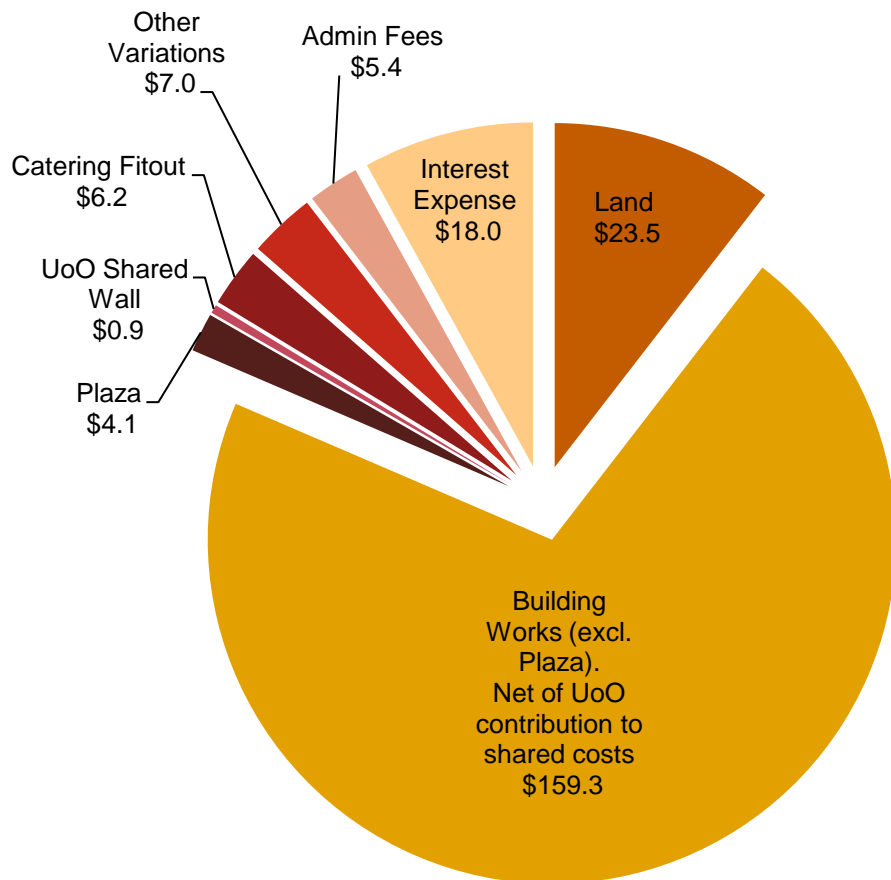
- We reviewed the calculations underlying the \$7.3 million unfavourable deficit figure presented to Council on 20 February 2012
- We reviewed documents provided by and conducted interviews with individuals representing the DCC, DVML, PDT, CST, Arrow and Rawlinsons
- Four over-arching question were addressed:
 1. What did the Stadium cost?
 2. How do these costs compare to any budget?
 3. Was there an overrun, and if so, why?
 4. How was the stadium funded?

PwC Methodology and Assumptions

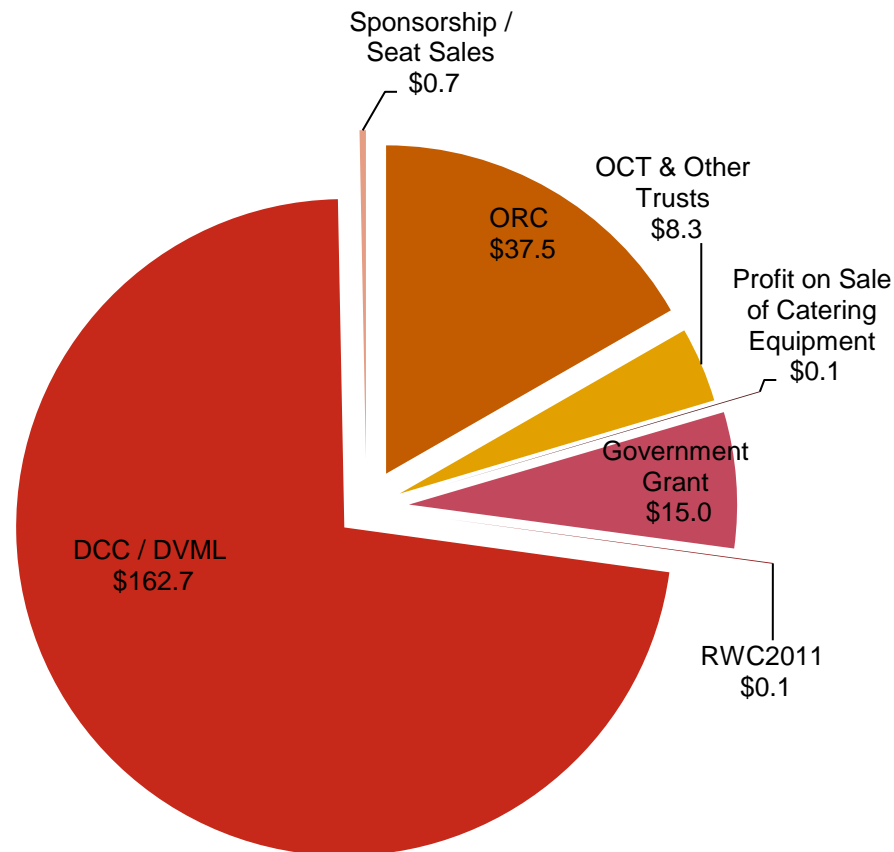
- All costs required to ultimately complete the stadium as approved and meet the RWC2011 deadline were included in our calculation regardless of whether the costs were incurred by DCC or DVML
- Where assets were acquired for the project and subsequently sold (i.e. sale of land to the UoO), only the cost of the **net** assets retained by the project were included
- Where assets were acquired for the project by means of third party grants (i.e. Grassmaster turf reinforcement), the **gross** cost of the asset has been recorded as a project cost and the funding has been recorded as a source (i.e. no netting was done)

Stadium Costs & Funding – Big Picture

Net Costs (\$224.4m)



Net Funding (\$224.4m)





Significant Variations

Arrangements with the University of Otago (UoO)

- Anticipated \$10 million cash contribution to the project from UoO.
- Deed between DCC and UoO left items '*to be agreed*' or by proportion which left the DCC with little certainty over costs.

Plaza

Total Budgeted Cost	\$1.2m
Expected Budgeted Cost	\$0.6m
Actual Cost to DCC	\$1.6m
<i>Unexpected DCC Cost</i>	<i>\$1.0m</i>

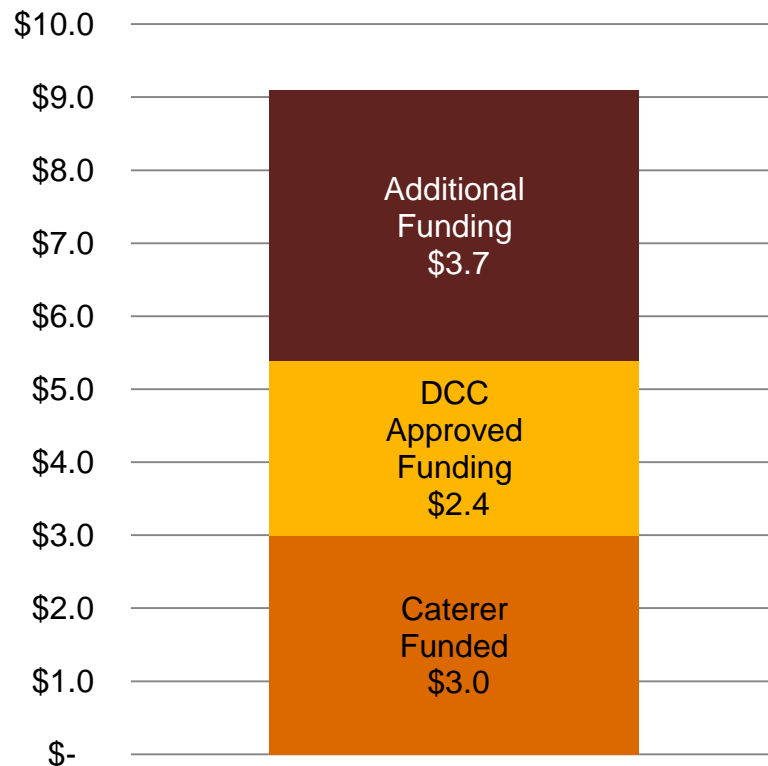
Shared Wall

Expected Budgeted Cost	\$0
Total Cost	\$1.8m
Actual Cost to DCC	\$0.9m
<i>Unexpected DCC Cost</i>	<i>\$0.9m</i>

Significant Variations

Catering Fitout

Catering Fitout Funding (\$million)

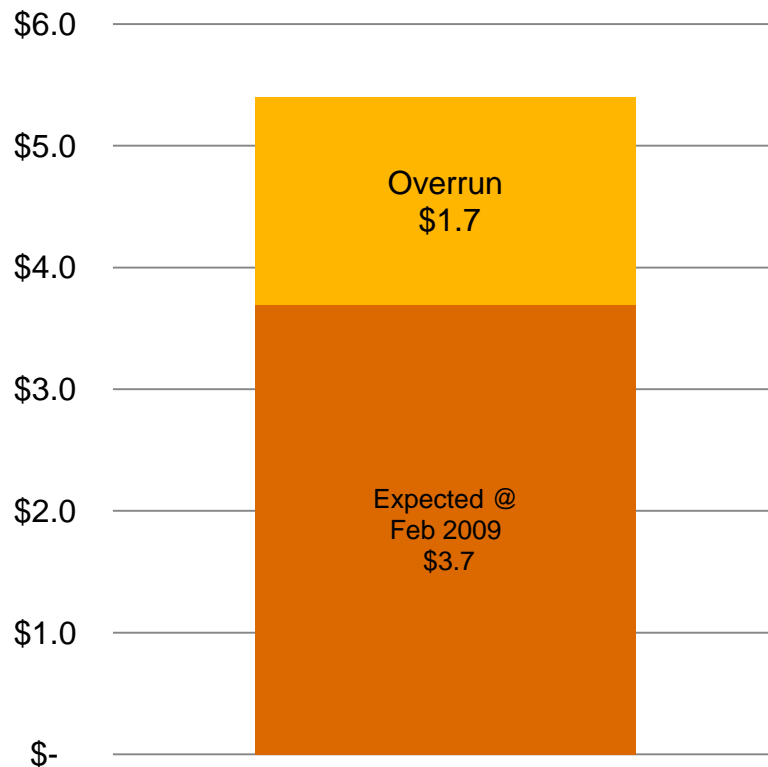


- Original Food & Beverage (F&B) design based on Westpac Stadium
- GMP included F&B facilities to be fitout by contracted caterer
- GMP design was reassessed by DVML who concluded that the business case projections could not be satisfied by GMP design
- New design proposed by DVML
- Additional fitout cost of \$2.4m was approved by Council committee on 14 March 2011
- Final net fitout costs (after \$0.1m profit on sale of catering equipment) were \$6.1m -- \$3.7m overrun was not formally approved by Council
- PDT believed GMP contingency was sufficient to cover catering overrun

Significant Variations

Trust and Administration Costs

CST Administration Costs (\$million)



- In broad terms these payments can be described as follows:
 - administration (includes set monthly payments) for CST (\$2.09 million)
 - PDT (\$1.10 million), Marketing (\$1.30 million)
 - Remaining balance relating to CST's involvement in the property purchases, various reviews and costs associated with the project planning and setup
- Total costs of \$5.7 million were incurred since September 2007 and do not include exploratory costs
- '£198m Budget' cashflow dated 9 February 2009 reflected that these costs were expected to be \$3.7 million
- No formal DCC budget-to-actual review is evident
- PwC did not audit these costs

Learnings

- Overall costs exceeded budget by 4% (excluding financing costs)
- Some excess costs and delays resulted from late appointment of operating entity
- Papers for Council were unnecessarily complicated and did not clearly record for the reader in one place:
 - The full cost;
 - How that cost was to be paid for; and
 - Operating forecasts enabling the level of ratepayer contribution to be clearly identified
- Significant focus and concerns at time of construction contract signing focussed on GMP, not holistic project costs (e.g. interest and trust administration costs)
- Having DCC with a stronger contribution to the entire project management arrangements, including dealing with all aspects of the development costs would have helped to manage costs and requirements
- Not all expenses were subject to equal amounts of scrutiny and controls
- Proper approval should be obtained for all variances as soon as possible

Summary and Conclusion

- Final Stadium costs were \$206.4m plus \$18m interest for a total cost of \$224.4m
- The base building works as originally specified was completed within the GMP budget
- Project overruns compared to original expectations resulted from:
 - Late adjustments;
 - Failure to agreed the position with UoO on a timely basis;
 - Failure to specify the project completely (incl. involving operator from the beginning); and
 - A lack of transparency around administration costs
- Council funded \$162.7m on project completion

End

This is not PwC's report to DCC on this matter. It is a presentation to media containing a summary only of certain aspects of PwC's full report dated 11 May 2012.