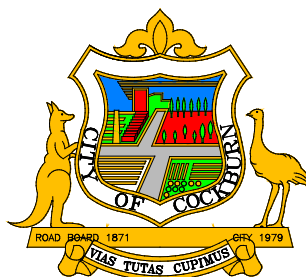


# **CITY OF COCKBURN**



## **SPECIAL COUNCIL MEETING**

### **AGENDA PAPER**

**FOR**

**THURSDAY, 4 APRIL 2013**

# CITY OF COCKBURN

## SUMMARY OF AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL MEETING TO BE HELD ON THURSDAY, 4 APRIL 2013 AT 6:00 PM

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**CITY OF COCKBURN****AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL  
MEETING TO BE HELD ON  
THURSDAY, 4 APRIL 2013 AT 6:00 PM**

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1. **DECLARATION OF MEETING**
2. **APPOINTMENT OF PRESIDING MEMBER (If required)**
3. **DISCLAIMER (To be read aloud by Presiding Member)**

Members of the public, who attend Council Meetings, should not act immediately on anything they hear at the Meetings, without first seeking clarification of Council's position. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

4. **ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT OF INTEREST (by Presiding Member)**
5. **APOLOGIES & LEAVE OF ABSENCE**
6. **PUBLIC QUESTION TIME**
7. **DECLARATION BY COUNCILLORS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS**
8. **(SCM 4/4/2013) - PURPOSE OF MEETING**

The purpose of the meeting is to consider the Business Plan and Independent Review of the Business Plan for the Regional Aquatic and Recreation Community Facility at Cockburn Central West, to enable the Business Plan to be advertised for public comment.

## 9. COUNCIL MATTERS

### 9.1 (SCM 4/4/2013) - REGIONAL AQUATIC AND RECREATION COMMUNITY FACILITY (RARCF) - BUSINESS PLAN (154/006) (S DOWNING) (ATTACH)

#### RECOMMENDATION

That Council

- (1) advertise the Business Plan for the Regional Aquatic and Recreation Community Facility in partnership with the Fremantle Football Club Limited and Curtin University in accordance with section 3.59 (4) of the Local Government Act 1995; and
- (2) call for public submissions from interested parties on the Business Plan; and prepare a report on public submissions on the Business Plan to be presented to the July 2013 Ordinary Council Meeting.

#### COUNCIL DECISION

#### Background

At the February 2013 Ordinary Council Meeting the advertising of the Business Plan for the Regional Aquatic and Recreation Centre at Cockburn Central West was deferred as per the following Council resolution:

*That Council defer the item and as part of the ongoing due diligence process Council seek an opinion from an external prominent accounting firm on the business assumptions contained within the Business Plan and other factors not contained in the current Business Plan that are deemed relevant, and the long term viability of the facility and future imposts on the city of Cockburn ratepayers; and*

- 1. The result of the independent review of the Business Plan be presented to a meeting of the Cockburn Central West Reference Group as soon as the report is available.*
- 2. The terms of reference of the review be presented to the Cockburn Central West Reference Group before the appointment of the external firm is made.*

The Cockburn Central West Reference Group met on the 21 February 2013 to consider and accept the following Terms of Reference:

1. Land - The project seeks to locate the facility in a development known as 'Cockburn Central West'. This land is owned by the WAPC and will be transferred to Landcorp for development. The City has sought a management order over 2.5 Ha of this site. This part of the review is to analyse and test the assumptions regarding the land development proposal.

*Source data provided:* MOU with Landcorp, land transaction arrangement with the WAPC (being presented to their March meeting); draft Structure Plan proposals

2. Review the assumptions behind the proposed capital costs as to their reasonableness, based on current concept and design for the RARCF.

*Source data provided:* Proposed development concept prepared by Cox Howlett Architects; QS estimate prepared by WT Partnership; City of Cockburn DCA 13 Schedule of projects; and City of Cockburn draft Long Term Financial Plan capital forecast

3. Review the assumptions behind the proposed income projections as to their reasonableness.

*Source data provided:* patronage forecasts prepared by Coffey Sports and Leisure; patronage review undertaken by City of Cockburn Recreation Dept; fee structure review proposal prepared by City of Cockburn;

4. Review the assumptions behind the proposed operating expenditure as to their reasonableness.

*Source data provided:* staffing proposal prepared by City of Cockburn Recreation Dept; ESD framework prepared by external consultant

5. Review the building cost contingencies and escalations allowed for in the capital costs

*Source data provided:* QS estimate

6. Review the recommended proposal for facility depreciation and the impact this has on the level of operating subsidy.

7. Review of any risk issues associated with construction and operating the RARCF that have not been included in the Business Plan

*Source data provided:* Local Government Financial Regulations concerning asset accounting and City of Cockburn financial modelling.

8. Review of the Risk Management outcomes, analysing risks and treatments identified for the project.

*Source data provided:* City of Cockburn Risk Management framework.

9. Review of Marketing Plan.

*Source data provided:* City of Cockburn draft plan.

10. Review of any risk issues associated with construction and operating the RARCF that have not been included in the Business Plan.

The Reference Group also supported the appointment of Davis Langdon Aecom as the lead consultant to review the non-financial aspects of the Business Plan whilst KPMG was appointed through Davis Langdon Aecom to review the financial aspects of the Business Plan.

As further background information, the Council has held two prior Special Council Meetings to consider aspects of the proposed facility at Cockburn Central West. The dates of the meetings were 20 September 2012 and 5 December 2012. Below is a summary of the reports submitted to the meetings presenting further background information on the proposed facility.

The provision of community infrastructure for recreational, education and sporting purposes is one of the primary responsibilities of Local Government. This outcome is one of the key themes in the City's Strategic Plan 2012 – 2022:

***Infrastructure*** - Provide community and civic infrastructure. That creates and maintains sporting, educational, social facilities, waste and other civic requirements for our community.

The need for community infrastructure is based on the analysis of demographic data, such as age profiles and catchment population, transport network modelling and a comprehensive needs analysis process. At a strategic level, the City's infrastructure plan is articulated through the Plan for the District.

Following upgrade works to the existing aquatic centre; the South Lake Leisure Centre in 2005, the 2006 version of the Plan for the District 2006 - 2016 identified the requirement for more substantive restoration

of this facility. A review of the land tenure arrangements and other aspects of this location subsequently suggested that a replacement facility would be a better investment for the City. The 2008 version of the Plan for the District 2008 - 2018 identified that a new centre should be built, preferably in Cockburn Central, as this was the most central and accessible location in the District.

The former version of this plan - Plan for the District 2010 – 2020 and now the Community Strategic Plan 2012 – 2022 endorsed this view and commenced the process for scoping of the facility, while previous estimates of need and expenditure had been based on simply replicating the facilities at South Lake.

Second, the Fremantle Football Club (FFC) had also commenced a review of its facility's needs and was examining alternative sites for its Elite Athlete Training and Administration Centre. This work was being done in conjunction with the University of Notre Dame, with the potential to look at a joint development. These aspects were of appeal to the City for the following reasons:

- An integrated facility could have the potential for providing a greater range of facilities in the complex for residents;
- Development of tertiary education facilities in the City was another of the *Strategic Plan 2006 – 2016* goals; and
- There would be a stronger case for external funding from the State and Federal Government under the integrated model.

The City has therefore pursued two approaches to this project:

1. Development of a Regional Aquatic and Recreation Facility on a stand-alone basis; and
2. Development of an Integrated Regional Aquatic and Recreation Facility with the FFC and a Tertiary Education Institute.

Council's adopted Plan for the District 2006 - 2016 identified the requirement for a new aquatic and recreation facility to replace South Lake Leisure Centre. The location of the new facility has been planned to be within the Cockburn Central West (CCW) precinct as this would assist in the creation of a major development hub centrally located within the City.

The Fremantle Football Club (FFC), as part of a due diligence process to investigate alternative options to a Fremantle Oval redevelopment, identified the Cockburn Central site as an option. The Club entered discussions with the City to investigate the opportunity to integrate the Club's future facilities into the City's aquatic and recreation facility at CCW. A Memorandum of Understanding (MoU) was signed by the City with the FFC and the University of Notre Dame to explore the option of developing an integrated recreation, elite sport and education precinct

on the site. The University of Notre Dame has since withdrawn its interest in proceeding with a joint development on the site.

The City has outlined a design concept for the aquatic and recreation component of the facility based on extensive community and stakeholder consultation with this concept being endorsed by the Council as the 'base build' design at the Special Council Meeting held on 20 September, 2012.

Further to the adoption of the 'base build' as part of the City's requirements, Council also resolved to;

*Continue discussions and planning for the project under the Integrated Concept; combining the new Regional Aquatic and Recreation Community Facility, the Fremantle Football Club's Elite Athlete and Administration Centre and a component for a Tertiary Education Institute on the basis that each party will be responsible for its capital and operating costs for inclusion in a Heads of Agreement for consideration by Council.*

In accordance with this resolution, the City and the FFC have worked together to develop concept plans and a cost estimate for an integrated facility proposed at the Cockburn Central West site. Cox Howlett and Bailey Woodland were contracted by both parties to prepare a master plan report and concept designs for an integrated facility.

The concept includes the City's 'base build' requirements for an aquatic and recreation facility as option 1 and the inclusion of the FFC's training and administration facilities, space for a tertiary education institute and a potential function centre as option 2. The concept designs and report acknowledges the CCW site and the proposed development for the precinct in reference to the draft structure plan and background studies that have been completed to date. The report outlines the key relationships between the major components of the proposed site development and how they will drive community engagement.

Development of an integrated facility of this nature would allow the City to submit a much stronger case for Federal and State Government funding that otherwise may not be substantiated if presented as a stand-alone facility. The innovation and combination of community, elite sports and education coming together puts any submission for funding in a strong position, when compared to other stand-alone facilities seeking funding from the same pool. Feedback from users of the centre and community sporting associations was indicating that this would not be an inadequate outcome.

Whilst the planning of the new aquatic and recreation facility was due to commence in 2013/14 FY, two major factors have influenced the advancement of this process. First, Landcorp on behalf of the West



Australian Panning Commission (WAPC), the land owner, has commenced the structure planning for the area colloquially known as 'Cockburn Central West' (CCW). This is the precinct that the new recreation and aquatic centre was proposed to be located. If the City was going to secure an adequate area for its facilities there was a requirement for the scope of the facilities to be documented and justified.

A copy of the full reports submitted to the Special Council Meetings is attached for additional background information.

### **Submission**

N/A

### **Report**

The proposed development of the Facility at Cockburn Central West is a partnership between the City of Cockburn, Fremantle Football Club and Curtin University. The project once completed would deliver state-of-the-art aquatic, recreation, education and elite training facilities to the region, servicing a catchment population area of over 200,000 people. The broad scope of the project will deliver three pools, six court stadium, hydrotherapy pool and recovery area, gym and group fitness, retail and café, ovals, crèche, allied health and receptions plus FFC elite training and administration facilities and education facilities for Curtin University.

The overall capital cost of the facility has been estimated at \$107M excluding any capital requirements from Curtin University. A principle of the integrated development is that each party will be responsible to fund its own facilities and not subsidise the other party. Notwithstanding this, an integrated approach means the project has much stronger funding opportunities through State and Federal grants. The partners will be seeking to source 30% of funding from State and Federal grants with applications already being presented and reviewed by government.

The Business Plan for the proposed integrated facility examines and tests a number of income and expenditure scenarios and provides realistic assumptions on the performance of the facility from a whole of a life cycle perspective. The business plan will outline the proposed project management model and facility management structure required to deliver the project along with a risk assessment. One of the key aims financially is to ensure the subsidy for the proposed facility is similar to that already applied to the South Lake Leisure Centre and therefore a number of strategies have been explored to achieve this.

Section 3.59 of the Local Government Act (a copy of the section is included in Appendix 1) refers to the preparation of Business Plan for a

Major Trading Undertaking or Major Land Transaction. As the trading undertaking associated with the construction of the Cockburn Central West facility will exceed the prescribed limits imposed by Regulation 7 and 9 of the Local Government (Functions and General) Regulations 1996, (a copy of the regulations is included in Appendix 1) it is required of Council to prepare a Business Plan.

*Business Plan Objectives*

1. Provide the Community and Stakeholders with an overview of the proposed project being undertaken by the City of Cockburn
2. Demonstrate Council's ability to deliver the project and maintain a financially sustainable on the capital and recurrent fiscal account
3. Demonstrate Council's compliance with Section 3.59(3) of the Local Government Act 1995.
4. Provide the opportunity for public comment on the proposed project and Business Plan

Once the Council has considered the Business Plan, the Council is required to advertise the Business Plan, calling for submissions. If any submissions are received, the local government is to consider any submissions made and may or may not decide to proceed with the undertaking or transaction as proposed. For the proposal to proceed in accordance with the Business Plan an absolute majority vote of Council is required.

*Project Objectives for the Regional Aquatic and Recreation Community Facility (RARCF)*

1. To deliver a state of the art aquatic and recreation facility to meet the current and future needs of the City of Cockburn community and the broader region;
2. To work in partnership with the Fremantle Football Club and Curtin University to develop an integrated facility;
3. To work in partnership with the Fremantle Football Club to strengthen the opportunity in seeking State and Federal Government funding; and;
4. To provide a facility that is long term financially sustainable for the City to manage.

The attached Business Plan is split into nine sections as follows:

1. Background
2. Building the RARCF – land and building issues around the construction of RARCF
3. Funding the RARCF – How the City will fund the construction of the RARCF
4. Operating the RARCF – How the City will operate the RARCF with assumptions
5. Impact on City of Cockburn and other Capital Projects

6. Risk Management Issues – How the City will manage the identified risk issues
7. Residual Issues – What to do with the current facility at South Lakes
8. Conclusions
9. Public Comments on the Business Plan.

#### *Response to the Independent Review*

The above recommendation has resulted in the commissioning of the attached Davis Langdon Aecom and KPMG report. The report has resulted in the following differences in the financial modelling between the City and the reviewers. This is summarised by the following comments on the noted differences. The other areas of the business plan financial modelling were deemed immaterial/similar.

#### *Key financial issues*

The key areas where the City and the Independent Review are similar are in the following areas:

##### *Income*

Kiosk, Swim School, Other revenues and income from the Fremantle Football Club (although this is still subject to a contract of agreement being reached between the City and the FFC).

##### *Expenditure*

Staff related costs (non-salary), sports activities, kiosk costs, insurance, overheads and ABC costs (excluding depreciation), minor equipment depreciation, phone and printing and other costs. These costs account for 25% of the operating cost budget.

##### *Capital cost of the overall facility*

Both the City and Independent Review concur on a similar amount for the capital cost of the facility at \$80m although there are some items that move up and down when compared with the cost provided by the firm of quantity surveyors of the current design.

The key areas where the City and the Independent Review are dissimilar are in the following areas:

##### *Sports arenas/Highcourt Facilities*

The business plan presented an uplift in income in the financial modelling of 150% over the current facility at South Lake Leisure Centre. The initial basis behind the assumption was the increase in the number of courts from two to six. In fact the SLLC facility is only

available for part of the time due to a prior arrangement with the school next door which effectively limits access to weekends and nights.

In addition, four court facilities at other leisure centres surveyed by the City earn income in excess of \$0.8M from their four courts. The financial model for six courts has \$0.97m. This amount appears reasonable.

#### *Income - Pools*

The business plan presented an uplift in the financial modelling of 75% because of the increase in the number of pools to be constructed. This uplift has been reduced from 75% to 50%. The impact in year 1 is a reduction in income of \$0.17m.

#### *Income - Gym and fitness centre*

The business plan presented an uplift in income in the financial modelling of 15% because of the increase in the size of the facility moving from 750 sq.m. to over 1,500 sq.m.. The increase in 15% appears to be too low as size of the facility appears to correlate directly with income. Although doubling the size of the gym and fitness centre will not attract a doubling of the revenue a more appropriate increase is 25% to 35%. This uplift has been increased from 15% to 25%. The impact in year 1 is an increase in income of \$0.10m.

#### *Income - Patrons and attendance*

The footfall provided by the Coffey Report indicated around 638,000 to 700,000 patrons annually. The Independent Review has commented that these numbers are well within reach due to location and offer of RARCF@CCW. Given that each patron would be budgeted to spend \$7.00 to \$7.50 per visit the additional footfall patronage could potentially add \$0.7m to \$1.1m annually to the revenue model.

Aquatic centres have the "reputation" for losing money, yet in a review of the modern facilities in the Perth metropolitan area a number of the larger facilities at Stirling, Joondalup, Melville make return a cash surplus (that is before the impact of depreciation). This facility at CCW will be in the same league as the ones noted above.

#### *Expenditure - Payroll and staff numbers*

The business plan presented has a work force of 45 full time equivalent staff to operate the facility. The business plan was based on a similar facility recently opened in Victoria with similar array of facilities on offer to the public. The Review believes this number of FTE's is short by approximately 7 FTE staff. The Review was advised that a number of the staff originally recommended were seen as excessive and were trimmed. These include:

- Functions and Bookings Officer – CCW will have no functions centre
- Customer Service Leader – CCW will have a co-ordinator to handle this role
- Member Relations Officer – There is a co-ordinator and Membership sales officer to handle this role
- Assistant Fitness Coordinator – CCW will have Health and Fitness co-ordinator and Group Fitness Supervisor to handle this role
- The staff for the retail/café facility are being reviewed due to the nature of the new facility

At no stage does the health and safety aspect of the facility come into question nor does the actual service being offered. As the facility in Victoria discovered that as patron numbers exceeded targets and additional revenue was booked, staff numbers were increased to meet the demand. This would occur at CCW.

The additional staff noted above if employed would cost \$0.4M in 2015/16 dollars.

#### *Expenditure - Power costs*

The power cost is very much dependent on a number of factors, including design, quantum of the facilities (number of pools for example) and the impact of ESD (environmental sustainability design initiatives). The business plan allows for \$0.25M for power based on a consumption pattern of between 1.7M KwHrs and 2.5M KwHrs. Based on relevant rates this would be around \$0.25m to \$0.35m pa. This is based on a number of similar facilities but all older and with no specific design for energy sustainability. The impact of ESD investment would seek to save between 13% to 20% in power consumption.

#### *Depreciation*

Both the City and the Independent Review concur on a similar quantum for depreciation.

#### *Interest costs*

As part of the funding of RARCF@CCW, the City is to allocate \$25M of the overall \$76M to be collected from developer contributions over the next nineteen years. As this pool of funds is to be expended within the next three years, there will be a need to pre-fund the \$25M by way of a long term borrowing program from the WATC. Collection of DCP funds will repay the loan but the municipal fund will be required to fund the interest component. Based on current interest rates, interest will be \$8.5M over a fifteen year loan.

The interest cost has not specifically been included in the cost of running the RARCF@CCW but rather included in the overall cost

structure of Council as part of the Long Term Financial Plan. The reason why interest is not included is due to the overall aim of the DCP plan, in that 50% of the cost of the scheduled DCP infrastructure has to be pre-funded. The reason being is that the infrastructure is to be constructed over a ten year period whereas the DCP Plan funds are collected over twenty years. It would be patently unfair that one community project that has a revenue stream be allocated an interest cost expense whereas 90% of the prescribed projects have no revenue stream are allocated no interest cost for prefunding. In reality the two largest prescribed projects (Success Library and Community Facilities and Coogee Beach Surf Club and Community Facility) to date received pre-funding totalling \$9.38M but no interest cost has been allocated against the cost as both have no overt revenue streams to Council.

### *Conclusion*

The Business Plan presented to Council and the Independent Review concurs on a range of income and expenditure items including the overall capital cost of the "as proposed" RARCF@CCW. There are also a number of areas where there is a difference being, income for the Sports Stadium/Highcourt facility, Swimming Pools and Gym/Fitness Centre. In addition, a number of expenditure areas also vary such as staff numbers and power costs.

### **Strategic Plan/Policy Implications**

#### **Infrastructure**

- Community facilities that meet the diverse needs of the community now and into the future.

#### **A Prosperous City**

- Sustainable development that ensures Cockburn Central becomes a Strategic Regional Centre.

### **Budget/Financial Implications**

A detailed report on the funding and construction of the Regional Aquatic and Recreation Community Facility is included in the Business Plan attached to this report.

### **Legal Implications**

A detailed report on the funding and construction of the Regional Aquatic and Recreation Community Facility is included in the Business Plan attached to this report.

### **Community Consultation**

The Business Plan is to advertise in the West Australian newspaper, the Cockburn Gazette, the Cockburn Herald, placed on the Council's

website (highlighted on the front page), and placed in the Council's three libraries and a notice on the public notice board of Council. The Council will call for public submissions and will provide a minimum six week comment period.

#### **Attachment(s)**

1. Business Plan for the Regional Aquatic and Recreation Community Facility at Cockburn Central West.
2. Review of the Business Plan by Davis Langdon Aecom and KPMG.
3. Extract of Minutes of the Special Council Meeting – 20/9/2012.
4. Extract of Minutes of the Special Council Meeting – 5/12/2012.

#### **Advice to Proponent(s)/Submissioners**

N/A

#### **Implications of Section 3.18(3) Local Government Act, 1995**

Nil.

### **10. (SCM 4/4/2013) - RESOLUTION OF COMPLIANCE (SECTION 3.18(3), LOCAL GOVERNMENT ACT 1995)**

#### **RECOMMENDATION**

That Council is satisfied that resolutions carried at this Meeting and applicable to items concerning Council provided services and facilities, are:-

- (1) integrated and co-ordinated, so far as practicable, with any provided by the Commonwealth, the State or any public body;
- (2) not duplicated, to an extent Council considers inappropriate, services or facilities as provided by the Commonwealth, the State or any other body or person, whether public or private; and
- (3) managed efficiently and effectively.

#### **COUNCIL DECISION**

### **11. CLOSURE OF MEETING**

Nil



## **BUSINESS PLAN**

# **REGIONAL AQUATIC & RECREATION COMMUNITY FACILITY (RARCF)**

**AT**

**COCKBURN CENTRAL WEST**

**INCLUDING  
AN ELITE TRAINING AND ADMINISTRATION FACILITY  
FOR THE FREMANTLE FOOTBALL CLUB LIMITED**



**January 2013**



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## **Glossary of Terms used in the Business Plan**

*AFL* – The Australian Football League, the issuer of the licence to allow the Fremantle Football Club to participate in the League via the licence owner, the WA Football Commission.

*Benchmark Entrance Fee* – The key entrance fee at SLLC or RARCF on which a substantial number of other subsidiary fees are based. It is used in the Business Plan financial assumptions.

*Business Plan* – A document prepared under the direction of the Local Government Act outlining the reasons for proceeding on a course of action, in this case the RARCF.

*Cabinet Submissions* – An application made in writing to the State Government of WA for funding.

*RARCF at Cockburn Central West* - This is the area where the RARCF facility containing the regional aquatic and recreation community facility for the City of Cockburn and the Fremantle Football Club's Elite Training and Administration Facility.

*CERM - CERM or CERM PI* (performance indicators) is simply the business name used by the University of South Australia - Centre for Tourism & Leisure Management, who helps conduct and collate the results for SLLC's annual customer service performance questionnaires.

*City* – refers to the City of Cockburn

*Coffey* – Coffey Sport and Leisure, a consulting firm providing advice on sporting facilities such as RARCF.

*Community Infrastructure Reserve* – A reserve fund of the City of Cockburn put in place to assist by way of saving monies over multiple years to fund specific community facilities such as RARCF.

*Council* – The official body of the City of Cockburn charged with making decisions unless delegated to Officers of the City.

*CSRFF* – The State Governments Community Sport and Recreation Facilities Fund put in place to part fund certain approved facilities.

*Developer Contribution Plan* – A funding tool adopted by the City of Cockburn and approved by the State Government to enable funds to be collected from land developers for the construction of community infrastructure such as the RARCF.

*Education Dept.* – This refers to the State Government's Education Department

*ESD* – Ecological Sustainable Development. Enables council facilities to reduce their ecological footprint by consuming lower amounts of natural resources through the design process.

*ETAF* – This is the Fremantle Football Club's Elite Training and Administration Facility at CCW.

*FFC* – Fremantle Football Club Limited, a company registered under the Corporations Act and limited by guarantee.

*FFE, AV and IT* – FFE is Furniture, Fittings and Equipment, AV is audio visual equipment, IT is information technology equipment and software

*Financially Sustainable* – A concept whereby the City of Cockburn can fund all activities in its long term financial plan without having to resort to abnormally high rate increases.

*Fremantle Oval* – The home ground of the Fremantle Football Club and located in Fremantle.

*Grants (RDAF & CSRFF)* – Funds provided for specific facilities by the Federal and State respectively.

*Heads of Agreement* – An agreement containing specific actions to be undertaken by each party that may lead to a contract for development of the RARCF facility.

*Landcorp* – A State Government agency charged with development of crown land on behalf of the State Government

*Local Government Act* – The 1995 Act of Parliament, which is the underlying power under which all local governments operate.

*Local Government Regulations* – Specific regulations issue to accompany the Local Government Act which provides specific direction for City to operate.

*Long term financial plan* – The new mandated (by the Minister for Local Government) financial plan each council in Western Australia must prepare for the next ten financial years and update each two years.

*Management Order* – An order issued by the Minister for Lands in the WA Government to use and lease crown land by the Council.

*Memorandum of Understanding* – A document stating a series of intentions by two or more parties which may lead to a Head of Agreement and finally to a contract.

*Municipal Fund* – A council's general financing fund which is used by Council to fund all activities of Council other than funded by a specific levy, charge or grant.

*OCM* – Ordinary Council Meeting of the City of Cockburn. Meetings are held once a month – February to December of each calendar year.

*Patrons* – All persons paying to attend the current facility (SLLC) or the new facility (RARCF)

*Plan for the District* – The current ten year planning document adopted by council each two years outlining all major activities including capital expenditure. This has now been replaced with the Integrated Planning Framework at the direction of the Minister for Local Government.

*RARCF* – Regional Aquatic and Recreation Community Facility located at CCW.

*RDAF* – Regional Development Australia Fund, a fund set up by the Federal Government to distribute grants to councils and other bodies throughout Australia.

*SCM* – Special Council Meeting of the City of Cockburn. Meetings are organised to deal with special and specific issues by the Council.

*SLLC* – South Lakes Leisure Centre, the City's current aquatic facility located in South Lake.

*WAPC* – The Western Australian Planning Commission. Owner of the RARCF land and the State Government's lead agency for major planning approvals.

## EXECUTIVE SUMMARY

- Business Plan prepared as per Local Government Act/Regulations due to size of undertaking.
- The plan is to replace the ageing SLLC with a regional aquatic and recreational facility in partnership with Fremantle Football Club and potentially a tertiary education institution. SLLC is situated on a very small site for a regional aquatic facility.
- Heads of Agreement signed by City with FFC to proceed to a contract subject to Business Plan. An MOU has been signed with Curtin University.
- Timetable to build and open RARCF facility by February 2016.
- Land to be leased for regional facility from State and in part sub-lease to FFC (as a contract strata building).
- Broad scope for requirements to include three pools, six highcourt sports areas, hydrotherapy pool and recovery area, gym and group fitness, retail and café, ovals, crèche, allied health and receptions plus FFC facilities.
- Cost is \$107m – City \$82m/FFC \$25m. Educational facility still to be determined.
- Investment of \$1.7m in environmental initiatives to minimise power and water consumption.
- The City to seek tenders for all aspects of the facility apart from internal fit-out of FFC components.
- City to seek State Government support of \$2m and Federal Government support of \$15m. FFC to seek State support of \$15m. (Applications for City have been lodged). All similar facilities in Australia (including WA) have received similar support.
- Federal grant through RDAF will be shared on 77%/23% split after land developments costs. Contingency plan in place to cover grant shortfalls in terms of removing components of the combined facility.
- City has capacity to fund the construction cost in the timeframe but will be required to borrow. Repayments have been planned to be funded by the developer contributions for community infrastructure.
- SLLC is a successful facility but RARCF will offer more services and functions. Patron numbers expected to increase as per sports consultant Coffey Report indicates. RARCF nearest competitors are 12-18km away.
- Slightly higher fees expected because of bigger offer but not in excess of neighbours.
- Aim is to not increase subsidy from municipal fund for RARCF already offered to SLLC. Staffing, marketing and other costs will be driven to achieve this outcome.
- FFC to pay full cost for operating costs, common area outgoings, depreciation and long term capital maintenance. Usage fees offered are appropriately discounted due to volume but signage income will offset small shortfall.
- Impact on long term financial plan and the ability to deliver other projects appears minimal with the strong financial position of the City being retained. Debt servicing will be from developer contributions and not the municipal fund.
- A number of risk management issues exist but a plan is in place to address these risk issues.
- A residual issue of what to do with SLLC is also discussed with a number of options being proposed and canvassed including closure and disposal to Education Department in full or part.
- The Business Plan concludes that the RARCF Facility can be constructed and funded by the City. The operation of the Facility is dependent on the number of patrons and average dollars spent by each patron. Having the FFC pay its own way makes the operations of the facility more economic for the City

## INTRODUCTION

This Business Plan has been prepared for Council as directed by a Resolution of the Special Council Meeting held on the 5<sup>th</sup> December 2012:

- (1) *accept the Heads of Agreement between the City of Cockburn and the Fremantle Football Club subject to amendments as agreed by Council behind closed doors; and*
- (2) *utilise the information contained in the Agreement as the basis for the preparation of a Business Plan, pursuant to Section 3.59 of the Local Government Act, 1995 to be presented to Council for consideration in February 2013.*

Pursuant to the Local Government Act, the City is required to prepare a Business Plan to ensure that Council has taken a long term planned approach to the proposed development of the Regional Aquatic and Recreation Community Facility in terms of the capital and recurrent costs of the proposed facility and having regard to the intrinsic value of the asset to the community.

The proposed development of the Facility at Cockburn Central West is a partnership between the City of Cockburn, Fremantle Football Club and Curtin University. The project once completed would deliver state-of- the-art aquatic, recreation, education and elite training facilities to the region, servicing a catchment population area of over 200,000 people. The broad scope of the project will deliver three pools, a six court stadium, hydrotherapy pool and recovery area, gym and group fitness, retail and café, ovals, crèche, allied health and receptions plus FFC elite training and administration facilities and education facilities for Curtin University.

The overall capital cost of the facility has been estimated at \$107M excluding any capital requirements from Curtin University. A principle of the integrated development is that each party will be responsible to fund its own facilities and not subsidise the other party. Notwithstanding this, an integrated approach means the project has much stronger funding opportunities through State and Federal grants. The partners will be seeking to source 30% of funding from State and Federal grants with applications already being presented and reviewed by government.

The Business Plan for the proposed integrated facility examines and tests a number of income and expenditure scenarios and provides realistic assumptions on the performance of the facility from a whole of a life cycle perspective. The business plan will outline the proposed project management model and facility management structure required to deliver the project along with a risk assessment. One of the key aims financially is to ensure the subsidy for the proposed facility is similar to that already applied to the South Lakes Leisure Centre and therefore a number of strategies have been explored to achieve this.

Section 3.59 of the Local Government Act (a copy of the section is included in Appendix 1) refers to the preparation of Business Plan for a Major Trading Undertaking or Major Land Transaction. As the trading undertaking associated with the construction of the RARCF facility will exceed the prescribed limits imposed by Regulation 7 and 9 of the Local Government (Functions and General) Regulations 1996, (a copy of the regulations is included in Appendix 1) it is required of Council to prepare a Business Plan.

## *Business Plan Objectives*

- Provide the Community and Stakeholders with an overview of the proposed project being undertaken by the City of Cockburn
- Demonstrate Council's ability to deliver the project and maintain a financially sustainable capital and recurrent fiscal account
- Demonstrate Council's compliance with Section 3.59(3) of the Local Government Act 1995.
- Provide the opportunity for public comment on the proposed project and Business Plan

Once the Council has considered the Business Plan, the Council is required to advertise the Business Plan, calling for submissions. If any submissions are received, the local government is to consider any submissions made and may or may not decide to proceed with the undertaking or transaction as proposed. For the proposal to proceed in accordance with the Business Plan, an absolute majority vote of Council is required.

## Project Objectives for the Integrated Regional Aquatic and Recreation Community Facility

1. To deliver a state of the art aquatic and recreation facility to meet the current and future needs of the City of Cockburn community and the broader region
2. To work in partnership with the Fremantle Football Club and Curtin University to develop an integrated facility
3. To work in partnership with the Fremantle Football Club to strengthen the opportunity in seeking State and Federal Government funding and;
4. To provide a facility that is a long term financially sustainable one for the City to manage.

This Business Plan is split into a number of sections as follows:

- Background
- Building the RARCF – Land and building issues around the construction of RARCF
- Funding the RARCF – How the City will fund the construction of the RARCF
- Operating the RARCF – How the City will operate the RARCF with assumptions
- Impact on City of Cockburn and other Capital Projects
- Risk Management Issues – How the City will manage the identified risk issues
- Residual Issues – What to do with the current facility at South Lakes
- Conclusions
- Public Comments on the Business Plan

## **BACKGROUND**

Council's adopted *Plan for the District 2006 - 2016* identified the requirement for a new aquatic and recreation facility to replace South Lake Leisure Centre. The location of the new facility has been planned to be within the RARCF precinct as this would assist in the creation of a major development hub centrally located within the City.

The Fremantle Football Club (FFC), as part of a due diligence process to investigate alternatives to a Fremantle Oval redevelopment, identified the RARCF site as an option. The Club entered discussions with the City to investigate the opportunity to integrate the Club's future facilities into the City's proposed aquatic and recreation facility at RARCF. A Memorandum of Understanding (MoU) was signed between the City, the FFC and the University of Notre Dame (UND) to explore the option of developing an integrated recreation, elite sport and education precinct on the site. The UND has since withdrawn its interest in proceeding with a joint development on the site. Since the withdrawal of the UND, the City has subsequently signed an MoU with Curtin University to have a presence on the site.

The City has prepared a concept design for the aquatic and recreation component of the facility based on extensive community and stakeholder consultation with this concept being endorsed by the Council as the 'base build' design at the Special Council Meeting held on 20 September 2012.

In addition to the adoption of the 'base build' as part of the City's requirements, Council resolved to;

"continue discussions and planning for the project under the Integrated Concept; combining the new Regional Aquatic and Recreation Community Facility, the Fremantle Football Club's Elite Athlete and Administration Centre and a component for a Tertiary Education Institute on the basis that each party will be responsible for its capital and operating costs for inclusion in a Heads of Agreement for consideration by Council."

In accordance with this resolution, the City and the FFC have worked together to develop concept plans and a cost estimate for an integrated facility proposed at the RARCF site. Cox Howlett and Bailey Woodland were commissioned by both parties to prepare a master plan report and concept designs for an integrated facility. The concept includes the City's 'base build' requirements for an aquatic and recreation facility as option 1 and the inclusion of the FFC's training and administration facilities, space for a tertiary education institute and a potential function centre as option 2. The concept designs and report acknowledges the characteristics of the Regional Aquatic and Recreation Community Facility (RARCF) site, draft structure plan and background studies that have been completed to date. The report outlines the key relationships between the major components of the proposed site development and how they will meet current and future community needs.

Development of an integrated facility of this nature would allow the City to submit a much stronger case for Federal and State Government funding that otherwise may not be substantiated if presented as a stand-alone facility. The innovation of a combination of community, elite sports and education requirements coming together places any submission for funding in a strong position, when compared to other stand-alone facilities seeking funding from the same pool.

To cement this position, the City and FFC formalised their partnership, signing a Heads of Agreement on 21 December 2012. A copy of the HOA is not publicly available as it is commercial-in-confidence.

The existing recreation and aquatic facility at South Lake is now twenty years old, having opened in 1992. The facility was constructed on land owned by the Education Department and is now at the end of its economic life without substantial funds being expended to refurbish and re-build the entire complex. Although the possibility that the facility could be



re-built, the significant hurdle facing the City is the site is too small to expand the facility to include more pools, sports stadiums and other facilities identified in the public consultation process. On that basis a different site was located during the planning phase that is more centrally located.

The City has undertaken a number of public consultation programs to seek comment from the community and in particular comment and input from local and state sporting organisations. Their support for this project has been overwhelming. The City has received a number of letters of support to date from clubs, state sporting associations and politicians as identified below

- Hon Gary Grey AO MP – Federal Member for Brand
- Hon Melissa Park MP – Federal Member for Fremantle
- Hon Joe Francis MLA – Member for Jandakot
- Hon Nick Goiran MLC – South West Region
- Hon Phil Edman MLC – South West Region
- Hon Lynn McLaren MLC - Member for the South Metropolitan Region
- Senator Louise Pratt, Senator for Western Australia
- South West Regional Group
- City of Mandurah
- Australian Football League
- West Australian Football Commission
- West Australian Institute of Sport
- Basketball WA
- Volleyball WA
- Swimming WA
- Masters Swimming WA
- Water Polo WA
- The Peel WAFL Club
- Netball WA
- Leeming Master Swimming Club
- Cockburn Master Swimming Club
- South Lakes Dolphin Swimming Club
- Cockburn Melville Chamber of Commerce
- FIFO Families

## **BUILDING THE RARCF**

This section concentrates on the land issues around the RARCF Facility and the design and construction of the actual facility.

### **Timetable**

The timetable as approved by Council at the Special Council meeting held on the 5 December 2012 highlights the various milestone dates surrounding the actual building of the facility.

Table 1 – Timetable for the RARCF Facility

| <b>Milestone</b>                                | <b>Estimated Completion</b> |
|---|-----------------------------|
| HOA presented to Council                        | 5 December 2012             |
| Commonwealth RDAF – EOI submission              | 6 December 2012             |
| CSRFF funding notification                      | January 2013                |
| Architectural and Design Services Tender Called | February 2013               |
| Business Plan Completed to LGA requirements     | February 2013               |
| Commonwealth RDAF - EOI Notification            | 13 February 2013            |
| Development Agreement Signed                    | April 2013                  |
| Lease Arrangements Finalised                    | April 2013                  |
| RDAF – Full Application due                     | 13 April 2013               |
| Council Final Design and funding approval       | October 2013                |
| Council decision on Construction Tender         | December 2013               |
| Building Construction Commenced                 | March 2014                  |
| Building Construction Completed                 | December 2015               |
| Official Opening                                | February 2016               |

### **Land issues WAPC to Landcorp to COC and sub leased to FFC**

RARCF is a 28.66 ha site owned by the WA Planning Commission and on behalf of the State Government, Landcorp, will develop the land and prepare a structure plan for the precinct. The City will receive a land lease for 50 years, on which the City will construct the RARCF with FFC. The City will then contractually sub-lease that portion of the facility to FFC, similar to a strata plan arrangement. Two separate reserves will be created which will be provided to the City by the State Government under a management order. One of these reserves will be leased to the Fremantle Football Club for its and the broader community's use. The other reserve will be for active and passive community use. The balance of the site will be developed by Landcorp with the aim of building medium density apartments similar to Cockburn Central. Initial planning is for 1,200 to 1,500 apartments.

### **Current Scope of the RARCF**

The current facility as approved by Council which has been designed, costed and put out to community consultation will contain the following components, subject to funding;

Table 2 – RARCF Components - Cockburn, FFC and University

| <b>Cockburn</b>   | <b>Football Club</b>   | <b>Education</b>    |
|---|--|---------------------|
| Indoor Courts (6 court playing area)<br>Storage Area<br>Retractable seating<br>Change rooms<br>Public Toilets<br>Officials area<br>Plant Room | Gym and Change rooms<br>Sports science & conditioning<br>Medical<br>Yoga and Pilates | One Floor dedicated |
| Reception and Foyer (& Admin)<br>Community Spaces<br>Allied Health<br>Entrance Canopy   | Foyer<br>Service facilities<br>Toilets   |                     |
| Crèche – Indoor and Outdoor areas   | Media/Communications/admin<br>Staff Toilets<br>Entrance facility                     |                     |
| Retail Centre<br>Café<br>Kid's Party & Activity Area<br>Terrace   | Interactive Facility   |                     |
| Aquatic Centre and Hall<br>8 lane 25m Pool<br>10 lane 52m Pool & Cover & pool deck<br>Leisure pool & Water Slide                              | Office and administration  |                     |
| Aquatic Sport Recovery<br>Hydrotherapy Pool<br>Spa, Sauna and Steam room  | AFL quality Oval   |                     |
| First aid facility<br>School change rooms<br>Club room<br>Aquatic change rooms & toilets<br>Utilities areas/rooms                             |  |                     |
| Gym and Group Fitness<br>Personal Fitness<br>Spin area<br>Mechanical plant rooms  |  |                     |
| Parking<br>Lighting to ovals<br>Grassed areas   |  |                     |

A separate function centre was considered subject to an economic and cost benefit analysis in order to support any business case for its construction. A report has now been completed with the conclusion that the construction and operation of a function centre is a marginal business proposition. Rather than a function centre it is proposed to develop a smaller multi-purpose area provided funds are available.

### **Cost of RARCF**

This section covers the RARCF development with individual components for Cockburn, FFC and indicatively with Curtin University for a combined facility at the RARCF.

Based on current indicative costs provided by the Council's Quantity Surveyor commissioned to price the current design as noted above, the following is the cost to construct the facility;

Table 3 – Cost of Construction including non-building fees

| City of Cockburn | Fremantle Football Club | Sub-Total – Cockburn/FFC |
|------------------|-------------------------|--------------------------|
| \$82.00m         | \$25.00m                | \$107.00m                |

The final component for the Education Facility is still being finalised but it would appear unlikely that the extent of the initial design will be required to satisfy the Education services provider.

A detailed costing for Cockburn’s component is as follows:

Table 4 – Cost for Cockburn including non-building costs allocated

| Cost allocation per part for COC only (Allocation of non-building costs on direct costs) | \$M            |
|--|----------------|
| <b>(All numbers are \$millions)</b>  | <b>Direct</b>  |
| Land Development   | \$3.95         |
| Lower Ground Floor - Circulation   | \$0.09         |
| Ground Floor - loading & Storage   | \$0.23         |
| High Courts - 4 Court Playing Area   | \$7.58         |
| High Courts - 2 Court Playing Area   | \$2.52         |
| Seating  | \$1.00         |
| Leisure Centre Building  | \$5.35         |
| Crèche   | \$0.94         |
| Aquatic Centre Retail & Café   | \$1.72         |
| Aquatic Centre   |                |
| Hall   | \$8.96         |
| 25m pool   | \$2.00         |
| Splash pool and water slide  | \$3.00         |
| 52m Pool   | \$4.95         |
| Cover to 52m Pool  | \$2.13         |
| Pool Deck  | \$0.38         |
| Hydrotherapy pool & Recovery Area  | \$2.03         |
| Spa, Sauna and Steam room  | \$0.46         |
| Change, club & officials rooms   | \$2.73         |
| Utilities Room/Plant   | \$0.94         |
| First Floor Foyer/Circulation  | \$1.10         |
| Change rooms   | \$0.41         |
| Gym  | \$5.44         |
| Parking & External Areas   | \$2.70         |
| <b>Construction Cost Total</b>   | <b>\$60.58</b> |
| <b>Non- Building Costs</b>   |                |
| ESD Initiatives  | \$1.70         |
| Artwork  | \$0.30         |
| Planning   | \$2.95         |
| Construction Contingency   | \$4.66         |
| Escalation Contingency   | \$2.12         |
| FF& Equip, Gym AV & IT (including \$1.2m for Gym equipment)                              | \$3.35         |
| Consultants  | \$6.34         |
| Total Fees   | \$19.85        |
| <b>Total Construction and Fees</b>   | <b>\$82.00</b> |

### *Development costs of land*

It is noted in Table 4 that the land development cost is provided for, however at this stage negotiations are being held with Landcorp to pay all or part of these costs

### *Services to the site*

The current estimate is \$0.5m to provide water, power, sewerage and telecoms but a cost allocation is still to be finalised as it is part of the development of the whole of the RARCF precinct.

### *Professional fees*

This cost estimate provides for a range of professional services including architect, quantity surveyor, engineers to cover fire services, air-conditioning, electrical, water, structural, mechanical services and project management. These services will be tendered out by Council so as to obtain the most competitive pricing.

## **ESD Initiatives (Ecological Sustainable Development)**

The development of this facility will have a strong focus on providing an opportunity to deliver a range of sustainable environmental initiatives to the precinct. The City will seek to engage a design consultant as part of the Architectural Tender to ensure the City maximises the opportunities to include the latest ESD initiatives with the objective to reduce overall operating costs for the facility.

An amount of \$1.7m has been set aside to undertake an investment in a range of initiatives to reduce future operating costs in such areas, as power and water consumption. Some of these initiatives that are currently being considered include:

- Stormwater harvesting for reuse in toilet amenities
- Solar panels and Geothermal energy for heating hot water
- Solar panels for power consumption
- High efficiency pool water filtration system, which will significantly reduce total water consumption
- Building orientation to reduce the requirement for air conditioning
- Building Management System (BMS) with direct digital controllers (DDC) to control air conditioning and ventilation equipment

A whole of life costing and business case analysis is currently underway looking at these investments to ensure that any funds expended reduce the operating costs of the RARCF. The City would target to reduce the base load electricity consumption from the State grid by at least 50-70%.

## **Tenders Requirements**

Section 3.57 of the Local Government Act and Local Government (Functions and General) Regulations (refer Appendix 1) requires any spending over \$100,000 to be competitively tendered as noted below:

Section 3.57 - Tenders for providing goods or services:

- (1) A local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services.

Regulation 11 - Tenders to be invited for certain contracts:

- (1) Tenders are to be publicly invited according to the requirements of this Division before a local government enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$100 000 unless sub-regulation (2) states otherwise.

This overall RARCF project will require multiple tenders to ensure each part is effectively and competitively priced, indicatively these are as follows:

- Tender 1 – Architectural Services (maybe a separate Professional Services tender given quantum of the fees involved)
- Tender 2 – Quantity Surveying (Cost Management)
- Tender 3 – Project Management (Independent of Council)
- Tender 4 – Construction of Facility
- Tender 5 – Fit out of City of Cockburn Facilities
- Tender 6 – Equipment for Fitness Facilities
- Tender 7 – Lease/management of retail space and café

Any tender will always be subject to final funding and design.

The Fit out of the Fremantle Football Club and Curtin University internal facilities will be at the discretion of the FFC and Curtin.

## **FUNDING OF THE RARCF**

### **Indicative Funding for the RARCF**

This report has been prepared on the basis that the Council and FFC will receive a substantial portion if not all of the grant funds sought from the State and Federal Government as noted in Table 6. On this basis the combined construction cost of the RARCF will be \$107m made up as follows:

*Table 5 – Funding for RARCF*

| <b>Partner</b> | <b>Source</b>            | <b>Funding Target</b> |
|----------------|--------------------------|-----------------------|
| Cockburn       | Internal Cockburn Funds  | \$65M                 |
|                | CSRFF Grant              | \$2M                  |
| Cockburn/FFC   | RDAF Grant               | \$15M                 |
| FFC            | Internal FFC funds       | \$10M                 |
|                | State Cabinet Submission | \$15M                 |
| Total          |                          | \$107M                |

### **Grant Funding (CSRFF and RDAF)**

The City of Cockburn and the FFC have applied for the following grants and Table 6 highlights the due date for determination as to the likelihood of Cockburn and FFC receiving the grant funds:

Table 6 – Grant Applications

| Grant and Source   | Amount | Application Date | Determination Date |
|--|--------|------------------|--------------------|
| WA State Government – Community Sport and Recreation Facilities Fund (CSRFF) | \$2.0m | October 2012     | January 2013       |
| Federal Government – Regional Development Australia Fund (RDAF)              | \$15m  | December 2012    | February 2013      |
| WA Government – Fremantle Football Club Ltd (State Cabinet Submission)       | \$15m  | Unknown          | May 2013           |

The proposed funding mix of own source and external grants is shown in Table 7. The City will rely on about 22% of its funds from external sources for its designated areas.

Table 7 – Own Source Funds and Grant Funds

| Project          | City of Cockburn | Fremantle Football Club | Total  |
|------------------|------------------|-------------------------|--------|
| Cost             | \$82m            | \$25m                   | \$107m |
| Grant Fund       | \$17m            | \$15m                   | \$32m  |
| Own Source       | \$65m            | \$10m                   | \$75m  |
| % of Grant Funds | 20.73%           | 60.00%                  | 29.90% |

### RDAF Funding

This is funding provided by the Federal Government to Councils through Regional Development Australia, an independent body set up to assess the merits of applications such as the RARCF project. As this project is being developed on a joint basis, the funding from RDAF is to be shared between the City and the FFC. It has been agreed between the parties that the first \$3.5m of the grant provided will go to the development of the land with the balance being split between City and FFC on a 77%/23% basis respectively.

The expectation of grants funds for this project are not unrealistic given the grant funding provided to similar size projects in WA and around Australia as the following table demonstrates:

Table 8 – Funding sources for Other Aquatic and Recreation centres in Australia

| Facility  | Opening Date              | Council Contribution | State Contribution | Federal Contribution |
|---|---------------------------|----------------------|--------------------|----------------------|
| RARCF – City of Cockburn only \$82m   | February 16               | \$64.5m-78.6%        | \$2.5m-3.0%        | \$15m-18.4%          |
| Glen Eira Sports & Recreation Centre<br>City of Glen Eira Victoria - \$46m^ | May 2012                  | \$31.5m-68.5%        | \$4.5m-9.8%        | \$10m-21.7%          |
| Frankston Regional Aquatic Health and Wellbeing Centre Victoria - \$46m^    | Under Construction        | \$20.0m-43.4%        | \$12.5m-27.2%      | \$13.5m-29.4%        |
| Melbourne Sports and Aquatic Centre – \$65m^                                | Opened 1997/Expanded 2006 | \$4.5m-6.9%          | \$60.5m-93.1%      | Nil                  |
| Arena Joondalup (State managed through Venue West) - \$11m^                 | Opened 1994/Expanded 2000 | \$3.8m-34.5 %        | \$2.7m-24.5 %      | \$4.5m-41.0%*        |
| Cannington Leisureplex - City of Canning - \$35m^                           | June 2012                 | \$24.5m-70.0%        | \$3.5m-10.0%       | \$7.0m-20.0%         |
| Beatty Park - City of Vincent (refurbishment only) - \$17m^                 | November 2012             | \$11.5m-67.6%        | \$2.5m-14.7%       | \$3.0m-17.7%**       |

\*-These funds are not identified as to source, but they are not Federal.

\*\*-These funds are from the State Government via the lease of NIB Stadium

^ - A summary of these is attached in Appendix 2

There is a contingency plan if the City and the FFC are not as successful in the various applications for grant funds from the State Government (CSRFF/State cabinet) and Federal Government (RDAF).

The following table (Tables 9) highlights what may have to be trimmed from the project (for the City) if grant fund applications are not successful, either in full or part. FFC will have to undertake a similar review if they are only partially successful.

Table 9 – Potential facilities to be removed for the City

| Cockburn Priority | Area                                    | Sq.m. Saving | Proposed Savings (including fees) |
|-------------------|---|--------------|-----------------------------------|
| 1                 | Cover to external 50m pool              | 212          | \$2,741,250                       |
| 2                 | Community Office Space                  | 1,600        | \$577,920                         |
| 3                 | Allied Health                           | 150          | \$541,800                         |
| 4                 | Indoor Courts (2 Courts - Playing Area) | 1,481        | \$3,247,833                       |
| 5                 | 10lane 52m Outdoor Pool Including boom  | 4,950,000    | \$6,385,500                       |
|                   | Total                                   | 4,953,443    | \$13,494,303                      |

## City's own source funding

How the City will fund its base contribution of \$82m is detailed in Table 10.

Table 10 - Detailed funding for COC and sources over the period of construction

| Source of Funds (\$m)                    | 2011/12     | 2012/13     | 2013/14      | 2014/15      | 2015/16     | 2016/17  | Total        |
|--|-------------|-------------|--------------|--------------|-------------|----------|--------------|
| Community Infrastructure Reserve         | 6.15        | 5.70        | 6.25         | 5.36         | 0.98        | -        | 24.45        |
| Developer Contribution Plan (DCA 13)     | 1.25        | 2.00        | 2.00         | -            | -           | -        | 5.25         |
| Municipal Fund Capital Allocation        | -           | -           | 2.00         | 4.43         | 5.00        | -        | 11.43        |
| <b>Total Municipal Fund (own source)</b> | <b>7.40</b> | <b>7.70</b> | <b>10.25</b> | <b>9.79</b>  | <b>5.95</b> | <b>-</b> | <b>41.10</b> |
| Grants (State and Federal)               | -           | -           | 6.00         | 6.00         | 3.92        | -        | 15.92        |
| Debt                                     |             |             |              | 25.00        | -           | -        | 25.00        |
| <b>Total Funds Per Annum</b>             | <b>7.40</b> | <b>7.70</b> | <b>16.25</b> | <b>40.79</b> | <b>9.87</b> | <b>-</b> | <b>82.00</b> |

## Construction Budget and Timetable

Based on the timetable published in line with the Special Council meeting held on the 5 December 2012 (in Table 1), the construction will commence April 2014 and conclude in February 2016, a construction period of twenty two months spanning three financial years – 2013/14, 2014/15 and 2015/16. Based on this timetable, the funds raised in Table 10 above are expected to be spent first for the City and then in Table 12 the spending as for the whole of the facility.



Table 11 – Construction Spending for Cockburn Facility only

| <b>Construction Spending (\$m)</b>    | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|--------------|
| Total Cumulative Funds Available      | 31.36          | 58.81          | 28.67          | 2.00           | -            |
| Projected Construction Cost and Spend | -13.33         | -40.00         | -26.67         | -2.00          | -82.00       |
| Net Remaining Funds                   | 18.02          | 18.81          | 2.00           | -              | -            |

Table 12 – Construction Spending for RARCF as a whole

| <b>Construction Spending (\$m)</b>    | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|--------------|
| Total Cumulative Funds Available      | 41.36          | 64.81          | 37.68          | 2.00           | -            |
| Projected Construction Cost and Spend | -17.82         | -53.50         | -35.68         | -2.00          | -107.00      |
| Net Remaining Funds                   | 23.54          | 11.31          | 2.00           | -              | -            |

## **OPERATING THE RARCF**

As part of the City's due diligence, the City engaged the sports facilities consultancy firm, Coffey to prepare cost estimates based on aquatic and recreation centres throughout Australia. This section will review the current patronage and financials (including entrance fees) for the South Lakes Leisure Centre, review the Coffey Report into RARCF and the potential patronage, entrance fees and financial operations of the RARCF.

### **South Lake Leisure Centre (Patrons, Fees and Financials)**

A review of financial data from South Lake Leisure Centre over the last five years 2008/09 to 2012/13 indicates both growth in revenue and patrons and a relative stable subsidy to users of the SLLC at Table 13 indicates.

Table 13 – Financial and Patronage Data for South Lakes Leisure Centre

|                              | 2008/09          | 2009/10          | 2010/11          | 2011/12          | 2012/13          |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue Streams              | Actual           | Actual           | Actual           | Actual           | Budget           |
| Kiosk                        | 275,685          | 278,753          | 330,785          | 303,958          | 371,398          |
| Gym                          | 714,607          | 750,190          | 881,951          | 890,539          | 922,786          |
| Courts/Stadium               | 256,137          | 277,605          | 303,778          | 321,918          | 359,009          |
| Swim School                  | 360,815          | 412,972          | 466,554          | 536,180          | 564,980          |
| Pool                         | 457,062          | 462,851          | 577,703          | 539,580          | 638,353          |
| FFC                          |                  |                  |                  |                  |                  |
| Crèche & Ministry            | 54,583           | 42,977           | 64,725           | 87,417           | 87,126           |
| <b>Total Revenue</b>         | <b>2,118,889</b> | <b>2,225,349</b> | <b>2,625,498</b> | <b>2,679,592</b> | <b>2,943,651</b> |
| Expenditure + Depreciation)  | 2,597,158        | 2,809,652        | 3,116,353        | 3,173,784        | 3,544,607        |
| Deficit                      | -478,269         | -584,303         | -490,855         | -494,192         | -600,956         |
| Depreciation                 | 267,475          | 263,337          | 234,972          | 337,500          | 369,563          |
| Cash Deficit                 | -210,794         | -320,966         | -255,883         | -156,692         | -231,393         |
| Patrons to SLLC              | 392,654          | 394,378          | 421,471          | 382,967          | 420,000          |
| Subsidy to Users             | -\$1.22          | -\$1.48          | -\$1.16          | -\$1.29          | -\$1.43          |
| Cash (only) Subsidy to Users | -\$0.54          | -\$0.81          | -\$0.61          | -\$0.41          | -\$0.55          |

Operating subsidies from municipal fund to users of SLLC have varied over the last five years from \$1.16 to \$1.48 per patron. That is every patron that uses the SLLC is cross subsidised by the ratepayers of the City to this level of subsidy for each visit each year. So the entrance fees adopted by Council each year represent a subsidised entrance fee. The subsidies cover depreciation, which is why the cash subsidy is around half of the total subsidy. The Council has viewed the subsidy as acceptable as the health benefits outweigh the “loss” from running the SLLC.

Table 14 has been prepared to demonstrate the capacity for price increases in the various benchmark entrance fees for the SLLC facility. When you compare the increases with the patronage numbers in Table 14, it can be seen that the market can absorb fee increases without any loss of patrons. Please note the fall in patronage numbers in 2011/12 coincided with redevelopment work undertaken in the pool and associated facilities.

Benchmark entrance fees are used in this Business Plan as these entrance fees form the basis for a range of subsequent entrance fees, most notably the discounted entrance fees used for seniors, pensioners, children, students, concession card holders amongst other fees. A review of the SLLC fees over the last five years is shown in Table 15. This table demonstrates a consistent range of entrance fee increases and when compared with patronage numbers in Table 13 highlight that the market can take fee increases without loss of patrons.

Table 14 – Benchmark Fees for SLLC from 2008/09 to 2012/13

| Benchmark Fees                     | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|------------------------------------|---------|---------|---------|---------|---------|
| Pool entrance (casual)             | \$4.40  | \$4.60  | \$4.80  | \$5.00  | \$5.20  |
| Increase %                         |         | 4.5%    | 4.3%    | 4.2%    | 4.0%    |
| Sports Stadium Day rate per hour   | \$29.00 | \$30.00 | \$33.00 | \$35.00 | \$37.00 |
| Increase %                         |         | 3.4%    | 10.0%   | 6.1%    | 5.7%    |
| Sports Stadium Night rate per hour | \$35.00 | \$35.00 | \$35.00 | \$38.00 | \$40.00 |
| Increase %                         |         | 0.0%    | 0.0%    | 8.6%    | 5.3%    |
| Gym - 2 options 12 months          | \$559   | \$589   | \$619   | \$656   | \$683   |
| Increase %                         |         | 5.4%    | 5.1%    | 6.0%    | 4.1%    |
| Casual Gym/Pool entrance           | \$15.00 | \$16.00 | \$18.00 | \$18.00 | \$19.00 |
| Increase %                         |         | 6.7%    | 12.5%   | 0.0%    | 5.6%    |

### RARCF Patron Projections

Patronage estimates from the Coffey Report provide a range based on three scenarios (realistic, conservative and optimistic) and those patronage numbers for the next ten years are highlighted in Table 15 below. The impact of these estimated patronage numbers is important in determining the key benchmark of revenue per patron, which in turn drives the extent of any deficit pre and post depreciation and the quantum of any subsidy from the municipal fund for operating the RARCF.

In projecting indicative attendance levels for the proposed RARCF the following considerations are made:

- The current 2012, 5km primary catchment population for the proposed Cockburn Central facility development is 51K persons, projected to increase to 65K persons in 2031. A 10km primary catchment is 207K persons rising to 264k persons in 2031.
- There is a relatively low level of competition with the closest major facilities being: Armadale Aquatic Centre - 16km east, Fremantle Leisure Centre - 16km northwest and Kwinana Requatic Centre - 18km southwest and Melville Aquatic Centre – 11km north, Cannington Leisureplex - 15km northeast and Riverton Leisure Centre - 12km northeast.
- The Cockburn Central precinct is to be developed as significant regional hub attracting a broader catchment population including Cockburn Central, Cockburn Central West, Banjup North, Harvest Lakes, Wandi and areas south of Success.
- The proposed facility development is unique to Perth and hence should encourage a high level of participation including the impact of the FFC presence at the RARCF.
- The proposed development is located close to the Kwinana Freeway providing excellent access for north and south commuters on the train line plus east and west on the bus network.
- It is projected that the annual attendances for the proposed facility development will be 20% higher per head of catchment population than the existing attendances at South Lakes Leisure Centre.
- It is projected that the base level attendances per head of population will be approximately 11.3.

Coffey Sport and Leisure (CSL) were engaged by the City to look at the feasibility and forecasted performance of a standalone facility aquatic and recreation facility. The report outlines the projected attendances based on a number of benchmarks researched by CERM for Group 6 type facilities. These facilities generally are large recreation facilities with indoor and outdoor pools and service a regional catchment area. Anecdotal evidence suggests that swimming pools operating with an exclusive 5 km catchment generally obtain 80% of pool patrons from within that 5km radius. The balance (20%) is generated from outside that radius but generally within a 10 km radius of the pool. In terms of a pool 'Catchment Multiplier' when forecasting attendances for local and district swimming pools notionally attendances are estimated based on the population contained within a 5km radius of the pool. However larger regional pools will draw on 10km+ catchment radius.

Planning for the Regional Aquatic and Recreation Facility shows it will play the role as the major regional aquatic facility and the 10 km regional catchment of 207,000 has been assumed. The CSL report estimates that in 2016 the attendance would be around 622,000 visits per year however the City strongly believes that given the profile, location, distance to other pools, the annual attendance is more likely to be closer to 750,000 visits per year. This is based on a catchment multiplier of 3.6 visits per population within the 10km catchment area. The benchmark multiplier is 2.9 for the 10km catchment area however the City has strong evidence to show that a large portion of users at the existing SLLC are located within the 5-10km catchment.

- It is noted that 70% of the SLLC membership is drawn from a radius of 5km to 10km from the SLLC.

*Table 15 – Forecast attendance at RARCF (Coffey Report) Based on 5km radius*

|         | <b>Realistic Scenario<br/>(in '000s)</b> | <b>Conservative Scenario<br/>(in 000s)</b> | <b>Optimistic Scenario<br/>(000s)</b> |
|---------|--|--|---------------------------------------|
| 2016/17 | 622                                      | 559  | 684                                   |
| 2017/18 | 633                                      | 570  | 696                                   |
| 2018/19 | 645                                      | 580  | 709                                   |
| 2019/20 | 565                                      | 590  | 722                                   |
| 2020/21 | 668                                      | 601  | 734                                   |
| 2021/22 | 679                                      | 611  | 747                                   |
| 2022/23 | 673                                      | 600  | 741                                   |
| 2023/24 | 667                                      | 60   | 734                                   |
| 2024/25 | 688                                      | 610  | 746                                   |
| 2025/26 | 689                                      | 620  | 758                                   |

*Note: subsequent "realistic" and "optimistic" patronage numbers include FFC attendances whereas the above table does not have FFC attendances.*

## **Forecast Entrance Fees and Subsidies**

A new regional facility at Cockburn Central West will attract a wider demographic and from a wider reach than the current SLLC. As such, the following table has been prepared to ascertain what other Councils charge their patrons for the relevant benchmark entrance fees.

Table 16 – Benchmark 2012/13 Entrance Fees for Councils within 20km of the RARCF

| Benchmark Fees                | Cockburn | Cannington (Canning) | Riverton (Canning) | Kwinana | Melville (Melville) | Fremantle | Beatty Park (Vincent) | Joondalup Arena |
|-------------------------------|----------|----------------------|--------------------|---------|---------------------|-----------|-----------------------|-----------------|
| Pool entrance (casual)        | \$5.20   | \$5.20               | \$5.60             | \$4.85  | \$5.60              | \$5.20    | \$5.70                | \$5.30          |
| Sports Stadium Day per Hour   | \$37.00  | \$54.00              | \$0.00             | \$50.00 | \$51.00             | \$44.00   | \$45.00               | \$37.00         |
| Sports Stadium Night per Hour | \$40.00  | \$54.00              | \$0.00             | \$56.00 | \$51.00             | \$44.00   | \$45.00               | \$47.55         |
| Gym - 2 options 12 months     | \$683    | \$590                | \$545              | \$617   | \$849               | \$660     | \$850                 | \$710           |
| Casual Gym/Pool               | \$19.00  | \$16.00              | \$14.00            | \$13.40 | \$15.00             | \$16.00   | \$16.00               | \$14.75         |
|                               |          |                      |                    |         |                     |           |                       |                 |

When compare the entrance fees in Table 17 with proposed entrance fees in Table 17 and 18, the City is at or near the bottom of each benchmark category. The regional facilities of Beatty Park and Joondalup Arena have been included as RARCF will be on par with the facilities provided by these two venues. What this means is that there is capacity to price what is potentially offered by RARCF at a higher benchmark rate. Table 18 compares a higher rate for RARCF, in the order of 8%, so as to match Melville's aquatic centre current entrance fees.

Table 17 below highlights the various options for Year 1 of the RARCF inclusive of patrons, overall revenue and expenditures, depreciation expense, estimated operating deficits and potential subsidies per patron of the RARCF. A detailed 10 year scenario is included in Appendix 3

### *Depreciation*

The current rate of depreciation for Council buildings is 2.5% per annum. The capital value of the RARCF project for Cockburn is \$82m which translates to \$2m per annum. However the value of the planning, development and professional fees equates to \$15m, when this is removed the capital value reduces to \$67m or \$1.679m per annum. The other non-building costs can be budgeted and expended as an operating cost similar to land acquired for road construction from a private owner then expended as it is gifted to the Crown.

The "Realistic/Optimistic" Options are based on the Coffey Report of attendance plus the FFC patronage. The 8% increase in entrance fees in 2016/17 adjusts the base benchmark entrance fees into the current SLLC to the equivalent Melville Aquatic Centre entrance fee (in 2012/13 dollars).

Lowering the cost of depreciation reduces the overall deficit for RARCF but still allowing for cash backing the depreciation for replacement of the actual building and pool facilities. The impact of the increase entrance fees, patrons and depreciation changes on the RARCF operating deficits and any subsidy is highlighted in Table 17 below.

Table 17 – Subsidy per Patron from municipal fund for RARCF

| Option                     | Year    | Patrons | Revenue (\$m) | Revenue per Patron | Op Costs (\$m) Exc Depn | Depreciation (\$m) | Op Deficit (\$m) | Subsidy per patron |
|----------------------------|---------|---------|---------------|--------------------|-------------------------|--------------------|------------------|--------------------|
| <b>Higher Depreciation</b> |         |         |               |                    |                         |                    |                  |                    |
| Realistic Patrons          | 2016/17 | 638,500 | \$4.83        | \$7.57             | \$4.57                  | \$2.00             | -\$1.74          | -\$2.73            |
| Realistic+8%               |         | 638,500 | \$5.22        | \$8.17             | \$4.57                  | \$2.00             | -\$1.36          | -\$2.13            |
| Optimistic Patrons         | 2016/17 | 700,500 | \$5.30        | \$7.57             | \$4.57                  | \$2.00             | -\$1.27          | -\$1.82            |
| Optimistic+8%              |         | 700,500 | \$5.72        | \$8.17             | \$4.57                  | \$2.00             | -\$0.85          | -\$1.21            |
| <b>Lower Depreciation</b>  |         |         |               |                    |                         |                    |                  |                    |
| Realistic Patrons          | 2016/17 | 638,500 | \$4.83        | \$7.57             | \$4.57                  | \$1.68             | -\$1.42          | -2.23              |
| Realistic+8%               |         | 638,500 | \$5.22        | \$8.17             | \$4.57                  | \$1.68             | -\$1.04          | -1.62              |
| Optimistic Patrons         | 2016/17 | 700,500 | \$5.30        | \$7.57             | \$4.57                  | \$1.68             | -\$0.95          | -1.36              |
| Optimistic+8%              |         | 700,500 | \$5.72        | \$8.17             | \$4.57                  | \$1.68             | -\$0.53          | -0.76              |

To obtain a similar subsidy per patron as currently paid (in 2012/13), the RARCF would have to achieve the Optimistic Patrons/Lower Depreciation (without the 8% increase in the base benchmark casual pool entrance rate). That is a subsidy of \$1.36 for every patron.

To obtain a similar operating deficit for the overall facility similar to SLLC, the RARCF would have to achieve the Optimistic Patrons/Lower Depreciation (with the 8% increase in the base benchmark casual pool entrance fee, that is the casual pool entrance fee would have to increase by 8% from \$5.20 to \$5.60, similar to the City of Melville as noted in Table 16 above).

Instead of having an 8% increase (raising the fee from \$5.20 to \$5.60 in 2012/13 dollars) at the time of opening of the RARCF in 2016/17, an alternative proposal would be to have slightly higher increases over the 2013/14 to 2016/17 period as the following table demonstrates:

Table 18 – Alternative to a one off 8% increase in Entrance Fees

| Benchmark Fee                     | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Current Fees SLLC                 | \$5.20  | \$5.40  | \$5.60  | \$5.80  | \$6.10  |
| % Increase                        | 4%      | 4%      | 4%      | 4%      | 4%      |
| 8% Increase at time of opening    | \$5.20  | \$5.40  | \$5.60  | \$5.80  | \$6.30  |
| % Increase                        | 4%      | 4%      | 4%      | 4%      | 8%      |
| Alternative Steady State Increase | \$5.20  | \$5.50  | \$5.80  | \$6.20  | \$6.50  |
| Target (based on Melville)        | \$5.60  | \$5.80  | \$6.00  | \$6.30  | \$6.50  |
| % Increase                        | 4%      | 6%      | 6%      | 6%      | 6%      |

## Staffing Requirements

RARCF will be a bigger facility in both size and services offered than the SLLC. This means the requirement for more full time, part time and casual staff to run and manage the facility. Table 20 demonstrates the current staffing levels at SLLC and the proposed levels at RARCF. Overall there is an expected 47% increase in hours of staff time to run the facility. The bulk of the time is for casuals.

Table 19 – SLLC Staffing migrating to RARCF Requirements in 2016/17

|              | 2009/10      |               | 2010/11      |               | 2011/12   |               | 2012/13      |               | 2016/17      |               |                      |
|--------------|--------------|---------------|--------------|---------------|-----------|---------------|--------------|---------------|--------------|---------------|----------------------|
|              | FTE          | Annual Hours  | FTE          | Annual Hours  | FTE       | Annual Hours  | FTE          | Annual Hours  | FTE          | Annual Hours  | Increase for 2016/17 |
| Casual       | 16.17        | 31,954        | 16.22        | 32,058        | 16.44     | 32,058        | 17.18        | 33,501        | 25.72        | 50,820        | 52%                  |
| Part Time    | 2.57         | 5,075         | 2.56         | 5,070         | 2.56      | 5,070         | 3.56         | 7,176         | 5.08         | 10,046        | 40%                  |
| Full Time    | 9.00         | 17,784        | 9.00         | 17,784        | 9.00      | 17,784        | 8.00         | 15,808        | 11.20        | 22,131        | 40%                  |
| <b>Total</b> | <b>27.74</b> | <b>54,813</b> | <b>27.78</b> | <b>54,912</b> | <b>28</b> | <b>54,912</b> | <b>28.74</b> | <b>56,485</b> | <b>42.00</b> | <b>82,998</b> | 47%                  |

It is anticipated that the staffing requirement especially the casuals will be required to increase substantially as noted in the above table. Based on the above hours, the payroll bill will increase from \$1.82m to \$2.9m (indexed by 3% in the financial years 2013/14 and 2014/15).

A copy of the staff structure for the RARCF SLLC is attached in Appendix 4.

### **Marketing Plan**

A plan has been prepared on the following principles with the aim to attract maximum patrons from day one of the facility opening:

- Internal marketing
- External marketing
- Advertising – what period of time for pre and post opening and the intensity required
- Cost and budget

The detailed plan and a summary of the plan is attached at Appendix 5

### **Fee Structure for Fremantle Football Club**

The fee structure for the various components has been designed to demonstrate that the City is not subsidising a professional sporting organisation. The areas to be covered are depreciation, operating costs on their building, common area costs, long-term capital maintenance costs and facility usage fees.

#### *Depreciation*

The FFC will be required by the Heads of Agreement to place onto their balance sheet the capital contribution and subsequent portion of the building at RARCF. This is similar to a strata arrangement. This would mean that the FFC would depreciate their capital contribution rather than Cockburn depreciate it. The impact would be an annual charge (non-cash) of \$625,000 given the same accounting depreciation rate used by Council.

#### *Operating Costs of the FFC Facility*

The FFC is responsible for the recurrent operating costs of the FFC Facility. The indicative cost provided by the Quantity Surveyor (QS) is \$40 per square metre per annum.

### *Common area costs for the RARCF*

There are a number of common areas in the RARCF such as receptions, lifts, grounds, car parks. The FFC will pay 23% of the recurrent operating costs of these areas. The operating costs are services such as power, cleaning, lift maintenance amongst other common area costs. This is no different to a commercial lease with respective tenants paying variable outgoings as required to a set (annual) budget.

### *Long Term Capital Maintenance*

As with any major building, there will be a schedule of capital maintenance required to ensure the RARCF is maintained at the agreed level. Long term capital maintenance covers air conditioning systems, fire protection, lifts, carpet, roof plumbing, painting, floor coverings amongst other items. A full list is provided with a calculation of the cost. Initial estimates are that the FFC should reserve approximately \$0.335m per annum (from the free cash generated by the depreciation charge) to meet the capital demands as and when required. The Council will set aside the relevant amount into a reserve to meet its commitment. See Appendix 6 for a sample long term capital maintenance plan.

### *Usage Fees for COC Aquatic and recreation Facilities*

The FFC is to deliver to Council a model usage table so Council can provide figures for actual usage of the aquatic and recreation facilities of the RARCF. The FFC will not use the COC fitness facilities as they will have their own for the playing group. It is Council's understanding that the Elite Training Facility will not be available to FFC staff.

This fee will allow following access to those community facilities:

1. Up to 50 players to have access for up to three lanes of the lap pools (with additional lanes available subject to availability); hydrotherapy pool and recovery area.
2. Access for up to 25 coaches, trainers and other specialist staff associated with the performance of the players for the performance of their duties. But not actual usage.
3. Use of the high ball area by the players and support staff.

The Fee proposed in the Heads of Agreement is \$40,000, which represents a discounted rate off the full cost rate (non-subsidised) entrance fee normally charged to casual users. It has been discounted for a number of financial reasons:

1. The FFC is a bulk user of the facility. This would attract a 35% discount because of the recurrent nature of the FFC's use of the facilities
2. A discount has been provided due to the capital contribution proposed to be made by the FFC to the construction cost of the Hydrotherapy pool and recovery area. The proposed capital contribution of \$0.64m has been amortised over a 25 year period discounted by the same percentage provided to the FFC off the full (non-subsidised) cost of usage.
3. A naming rights fee to be negotiated to be paid by the FFC to the COC which will attract an additional \$60,000 per annum to Council



A full calculation of the usage fees is attached in Appendix 7 with relevant notations for each level

### *Football Oval*

FFC will be provided access to the community playing fields as per the standard bookings process and charged in accordance with Councils adopted fees for seasonal use of reserves. Current seasonal fee for active reserve training is \$27 per player per annum. The City accepts that these charges may be used to offset the use of the primary AFL oval (managed by FFC) for City of Cockburn approved activities.

The FFC will be required, at its own cost, to upgrade the football oval from a community standard to an AFL standard oval.

### *Fees paid by COC for use of FFC Facilities*

In line with the principals of shared usage, the City would have access to some of the facilities being provided by the Fremantle Football Club, at no cost to the City. Access to these areas which is under the direct management of FFC is subject to availability and at the discretion of the FFC, for which permission will not be unreasonably withheld. These areas include;

1. primary AFL oval for approved City of Cockburn activities
2. media centre
3. front of house meeting rooms
4. high performance areas for local elite athletes

Where there are direct costs for use of the above facilities by the City, the City or the approved user will be responsible to cover those costs.

## **IMPACT OF THE RARCF AND OTHER PROJECTS**

### **Review of the Long Term Financial Plan**

Impact on the Plan for the District and soon to be updated Ten Year Long Term Financial Plan (LTFP) from the construction of the RARCF

The LTFP 2012-2021 is due to replace the PFTD 2010 – 2020 and the LTFP is attached (in part) at Appendix 8. The LTFP contains all the updated costings for Road, Community, Civic and Sundry Capital Expenditure over the next ten financial years. A full briefing on the LTFP will be provided to Council in February 2013.

Table 20 below highlights the macro level numbers for the proposed LTFP.

*Table 20 – Macro numbers for the LTFP*

|                               | <b>2012/13-2021/22</b> |
|-------------------------------|------------------------|
| <b>(All amounts in \$m's)</b> | <b>LTFP</b>            |
| Rates                         | \$749.12               |
| Total Operating Revenue       | \$1,471.93             |
| Payroll                       | \$498.48               |

|                               | 2012/13-2021/22 |
|-------------------------------|-----------------|
| <b>(All amounts in \$m's)</b> | <b>LTFP</b>     |
| Depreciation                  | \$278.82        |
| Total Operating Expenditure   | \$1,319.87      |
| Capital Income                | \$379.27        |
| Capital Expenditure           | \$790.93        |

*Capital Expenditure* – The item is similar to the current PFTD in terms of items to be constructed. What has changed is the cost of constructing the items especially roads and the associated cost of the land when acquiring it from private land owners. The municipal or council fund contribution to the majority of the capital projects is secure but the grant/developer contributions remains unconfirmed but will be updated as these amounts are confirmed.

The LTFP provides for the cost of constructing the RARCF at \$82m based on \$65m of own source funding including the loan (noted below) and \$17m of grants from the State and Federal Government. The LTFP also provides for the collection of funds from the developer contribution levy. The attached LTFP demonstrates that given certain assumptions, the City will remain able to provide services across the term of the LTFP.

*Capital Income* – This item includes a substantial increase in developer contributions for Road asset infrastructure in addition to quantifying the contributions from developers for community infrastructure such as the RARCF. A note of concern is the level of road asset contribution is currently being reviewed. This item also includes transfers from Council's cash backed reserves to fund capital expenditure such as the RARCF.

#### *Impact on rates*

The LTFP has been constructed to maintain the underlying rate increases first proposed in the PFTD, that is 4% per annum. The City remains a growing municipality with demand for both, new services and facilities as well as renewing existing assets in the established parts of the municipality.

The Ten Year LTFP highlights only one capital project may be delayed as a result of proceeding with this Business Plan and because the need for the land on which it is located is still to go through structure planning. A capital contingency plan will be put in place to upgrade the existing facility for several years.

### **Debt Program**

As part of the funding of the RARCF, the City will be required to undertake to borrow \$25m. The purpose is to pre-fund the developer contribution portion of the overall capital expenditure associated with the RARCF. This is required as the developer contributions are planned to be raised over twenty years but the spending is primarily over the next ten years.

The loan package will be obtained from WATC (Western Australian Treasury Corporation). The current interest rates for a 10/15/20 year loan are 3.82%/4.16%/4.39% respectively.

Table 21 – Sample Loan Program (Principal and Interest) for \$25m over 10/15/20 years.

| (all amounts \$m's) | 10 Year | 15 Year | 20 Year |
|---------------------|---------|---------|---------|
| Loan                | 25.00   | 25.00   | 25.00   |
| Annual Payment      | 3.33    | 2.39    | 1.97    |
| Total Interest      | 5.01    | 8.49    | 12.37   |
| Interest Rate       | 3.82%   | 4.16%   | 4.39%   |

For the purposes of this Business Plan, the 15 year loan has been factored into the LTFFP. The loan will be borrowed in 2014/15 as per the cashflow noted in Table 10 above. The annual repayments are covered by the funds collected by the DCP (DCA13), with the interest being factored into the total operating cost of Council over the 15 years.

### Development Contribution Plan Funds

The projection is to collect between \$2m to \$3m in DCP contributions annually. With no ability to fund the interest component from the DCP funding, the principal repayment component will be averaged at \$1.67m annually. This will leave \$0.33m to \$1.33m post 2016/17 to fund other capital projects requiring DCP funding in part to complete.

In summary, the key impact of constructing and operating the RARCF on the LTFFP is as follows:

1. Pre-funding the developer contribution plan totalling \$25m by borrowing this amount from WATC.
2. Bringing forward an estimated \$37m in capital expenditure over 2013/14 to 2015/16 as compared with the PFTD 2014/15 – 2018/19
3. Delaying the construction of the Visko Park Bowling Facility from 2013/14 to 2016/17 as a result of the current bowling club having three years remaining on its lease, the need for rezoning of the land is still pending a masterplan for the site being finalised and approved.
4. Impact of interest on loan is \$6.25m over the LTFFP.
5. Deferring a portion of funds for asset management to 2015/16 of \$9.00m
6. FFC paying full cost of their facility but a low cost of usage of the City pools offset by a \$0.64m contribution to the hydrotherapy pool and recovery area plus signage income of \$60,000 annually.

### ECONOMIC IMPACT SUMMARY

The project will deliver ongoing substantial economic impact to the region from an employment and social perspective and more importantly will act as a catalyst to activate development of the precinct. As outlined the total project cost is \$116.5M that is a substantial capital injection into the region. The Table below summaries the economic impact the project will deliver during a after construction.

Table 22 – Economic Impact of Constructing the RARCF

| Construction Impact  | Ongoing Impact  |
|--|---|
| \$118M direct construction cost expected to indirectly generate an increase in output of \$220M. | The development will provide 526 jobs for operational staff once the centre is completed, |

| Construction Impact  | Ongoing Impact   |
|--|--|
|  | of which 276 are likely to be full-time jobs,  |
| Total economic output of \$338M.   | Expenditure in the Cockburn Central Activity Centre by facility user group will result in an economic impact of \$12M per annum.   |
| The direct employment from construction of the facility is estimated to be 397 full time equivalent jobs and a further 740 indirect jobs   | The facility will increase the numbers of visitors to Cockburn Central precinct.   |
| Total employment creation derived from construction of 1137 jobs   | FFC operations contribute around \$48.9M in economic impact to the regional economy per annum.   |
| The project will act as a catalyst, potentially inducing new investment and bringing forward currently planned investment into the area, particularly in relation to key road infrastructure and building of medium to high density dwellings and commercial infrastructure on the adjacent land | The facility is estimated to generate \$44M in revenue over a 10 year period   |
| At the completion of the Cockburn Central Town Centre there will be an estimated 1,100 dwellings adjacent to the RARCF site. In addition, hundreds of new dwellings can be expected to be accommodated within the broader RARCF area.  | FFC makes a significant contribution to the region's competitive advantages, lifestyle and liveability offering substantial leverage to the broader regional economic development goals. |
|  | FFC employs in excess of 130 people; by 2015 the employment levels are expected to increase to 186 persons and by 2025 to 244 persons.   |

## **IMPACT OF OTHERS PROVIDING SIMILAR SERVICES AND FACILITIES**

The City is required under the Business Plan to review the impact on others in the municipality providing similar facilities and services. Of the services and facilities noted as proposed to be provided by the City in Table 2 above, the City may be competing with the private sector for the provision of a café and retail space, gym, crèche and hydrotherapy pool. As for the remaining facilities only local governments generally provide recreation and aquatic facilities to the general public.

As to the other facilities:

- Café and Retail space – Cockburn Central and the Cockburn Gateway shopping centre will provide substantial competition. It is not visaged that this facility will be of sufficient size to cause issues to similar providers.
- Gym and fitness – There are a number of other facilities in the general area, but as the City is relocating an existing successful gym and fitness facility from SLLC to RARCF, no new competition is being created.
- Crèche – This is not a general provider of child services but is provided for general patrons to the RARCF. There will be no impact on other providers
- Hydrotherapy Pool – This is a new facility at RARCF as there is no such facility at SLLC. There are a number of private providers of smaller facilities mostly associated with private health type establishments. As this is a public facility it should not impact on private facilities as the private facilities are generally associated with medical or health operations.

## **RISK MANAGEMENT ISSUES**

A number of risk management issues have been raised with an appropriate response. The City has also prepared a risk management matrix, a copy of which is in Appendix 11.

### **Building Costs – Contingencies and escalations**

The City has provided a sum of money in the budget to cover design and building contingencies plus another sum of money to cover cost escalations for the building contract if it's delayed. The current building market remains very competitive especially for the size of this project.

### **Cost over-runs**

The City will enter into a fixed price contract only.

### **Varying Patronage Numbers**

An extensive marketing plan will be completed to capture the patrons from SLLC to RARCF and to increase this number substantially. The impact of FFC at the RARCF will be of assistance to this end.

### **Offsetting rating income for RARCF development**

The 28.66 hectares site is currently not rated by the City. The development of the land, aside from the RARCF, will see 1,200 to 1,500 apartments constructed. This will add \$1m to \$1.3m in rates currently not in the LTFP. Although rates from the additional apartments are not directly attributable in accounting terms to the RARCF operating income statement, it will none the less add to the overall financial position of the City from the fact that the land surrounding the RARCF will be developed and become rateable.

### **Review of Business Plan**

The financial arrangements and the estimates of the construction costs have been vetted by independent third party accountants and quantity surveyors respectively.

### **Loan Program Management**

The City will enter into a fixed interest loan for fifteen years assuring the repayment structure as highlighted in this Business Plan.

### **Review of Taxation Implications**

Both the City of Cockburn and FFC are exempt of federal income tax but are liable for GST and other transactional taxes. A review of potential income tax benefits by the City's legal advisers, Jackson McDonald is underway, which may lower the overall cost of the construction of the RARCF including FFC's component.

## **Due Diligence on FFC as a Partner**

As the City is entering into a long term arrangement with the FFC, a due diligence exercise has been undertaken on the latest financial information lodged by FFC with ASIC and duly audited by their Auditors, Ernst and Young. The review which in Appendix 9 includes a summary of:

- FFC (as long term partner in RARCF) using 2010, 2011 and 2012 published financials
- Comparison with West Coast Eagles (Indian Pacific Limited) and North Melbourne Football Club
- Fee payments to WAFC for ground use and licence payments for AFL
- What assets do they own and depreciation?

In conclusion the FFC appears from public information to be on a sound financial footing.

## **RESIDUAL ISSUES**

### **Options on what to do with SLLC**

The SLLC at the opening of the RARCF will need to be dealt with. The options for the Council are as follows:

1. Close and demolish the SLLC – The City has a written down value of \$6m on the SLLC at February 2016. This will have to be written off against the revaluation reserve. The demolition costs on the site would be in order of \$1m plus disposals costs.
2. Sell the SLLC to the Education Department in total – Given the Lakelands High School is remaining at their current site, this could be an option. The maintenance of the 20 year old indoor pool is a negative consequence to this option. To upgrade the facility to a standard pool would take at least \$1m.
3. Sell the SLLC to the Education Department in part – What is attractive is the sports stadium, open areas and parking. The pool area would potentially have to be filled in. We do not wish to sell the gym as this may detract from patrons going to the new gym at the RARCF.
4. Convert the pool into an indoor hockey arena – Cost would be substantial and would involve potential leakage of patrons from RARCF, if they offered this program at RARCF.

## CONCLUSIONS

The question proposed by the Business Plan has been one of - Can the City afford to construct and operate the RARCF in conjunction with undertaking the remaining services and facilities as highlighted in the RARCF.

1. Build and fund the RARCF– The Business Plan demonstrates the ability to fund the construction of either the RARCF at the \$82m level or at the lower figure of \$65m. The impact on the financial position of Council is within the capacity of the new Long Term Financial Plan. While the cost of the facility is large, no other project in the LTFP will be delayed other than the re-location and rebuilding the Bowling Club being delayed by several years. Although it has been noted, there is now no urgency as the redevelopment of the City administration site is still a number of years away from proceeding.
2. Operating the RARCF– This facility is significantly bigger than the current SLLC but more in line with regional facilities such as Beatty Park and Arena Joondalup. The two key numbers that determine the success are the potential patronage numbers and the uplift in benchmark entrance fees. In the former case, all indications would point to achieving the patronage numbers, in that the area is a strong growth region, a successful current facility already achieving 70% of the “realistic” targets and 60% of the “optimistic” targets, it is located in the middle of a region where other facilities are 12km to 18 km away and finally the relocation of an AFL Team, namely the FFC. The latter factor is the benchmark entrance fees. The uplift by 8% either as one increase or over a number of years to achieve parity pricing with a number of similar facility is achievable and not unrealistic.
3. To lower the operating cost, the City will implement a range of ESD initiatives as well as expense a portion of the land development and design costs.
4. There is no cross subsidy to the FFC from the City for the FFC to relocate to Cockburn Central with the FFC paying capital and operating costs (including variable outgoings for common areas). The usage fee negotiated with the FFC is generous but is offset with signage income and a capital contribution to the Hydrotherapy Pool and Recovery Area.

### Public comments on the Business Plan

This business plan is being advertised for a period of six (6) weeks from the date of notification in The West Australian on Saturday 23 February 2013. Advertising will also occur in the Cockburn Gazette Newspaper on Tuesday 26 February 2013 and the Cockburn Herald on 23 February 2013.

The Business Plan can be inspected:

1. At the City’s Administration between the hours of 8:30am and 4:30pm Monday to Friday;
2. At the three City of Cockburn Libraries in Spearwood, Coolbellup and Cockburn Gateway Shopping Centre;

3. On the City's website at [www.cockburn.wa.gov.au](http://www.cockburn.wa.gov.au)

Copies of the Business Plan can be obtained by:

1. Downloading the document from the City's website at [www.cockburn.wa.gov.au](http://www.cockburn.wa.gov.au)

Submissions on the Business Plan are to be made in writing and to be received no later than 12 noon, Monday, 8 April 2013.

Submissions in writing can be addressed to:

Chief Executive Officer  
City of Cockburn  
9 Coleville Cres  
SPEARWOOD WA 6163

Or submissions can be lodged electronically by email using the following email address:

[RARCF.BusinessPlan@cockburn.wa.gov.au](mailto:RARCF.BusinessPlan@cockburn.wa.gov.au)



## APPENDIX 1 – SECTION 3.59 OF THE LOCAL GOVERNMENT ACT AND REGULATIONS

### 3.59. Commercial enterprises by local governments

- (3) The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of —
- (a) its expected effect on the provision of facilities and services by the local government;
  - (b) its expected effect on other persons providing facilities and services in the district;
  - (c) its expected financial effect on the local government;
  - (d) its expected effect on matters referred to in the local government's current plan prepared under section 5.56;
  - (e) the ability of the local government to manage the undertaking or the performance of the transaction; and
  - (f) any other matter prescribed for the purposes of this subsection.
- (4) The local government is to —
- (a) give State wide public notice stating that —
    - (i) the local government proposes to commence the major trading undertaking or enter into the major land transaction described in the notice or into a land transaction that is preparatory to that major land transaction;
    - (ii) a copy of the business plan may be inspected or obtained at any place specified in the notice; and
    - (iii) submissions about the proposed undertaking or transaction may be made to the local government before a day to be specified in the notice, being a day that is not less than 6 weeks after the notice is given;
- and
- (b) make a copy of the business plan available for public inspection in accordance with the notice.
- (5) After the last day for submissions, the local government is to consider any submissions made and may decide\* to proceed with the undertaking or transaction as proposed or so that it is not significantly different from what was proposed.

*\* Absolute majority required.*

### Functions and General Regulations 1996

Part 3 — Commercial enterprises by local governments (s. 3.59)

#### 7. Minimum value of major land transaction

For a land transaction to be a major land transaction the total value of —

- (a) the consideration under the transaction; and
- (b) anything done by the local government for achieving the purpose of the transaction,

has to be more, or worth more, than either \$1 000 000 or 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year

#### 9. Minimum expenditure involved in a major trading undertaking

- (1) For a trading undertaking to be a major trading undertaking the expenditure by the local government that —
- (a) the undertaking involved in the last completed financial year; or
  - (b) the undertaking is likely to involve in the current financial year or the financial year after the current financial year,

Has to be more than either \$500,000 or 10% of the lowest operating expenditure described in sub regulation (2).

## **APPENDIX 2 – OTHER AQUATIC AND RECREATION FACILITIES**

Four Facilities visited in the Eastern States:

1. Glen Eira Aquatic and Recreation Centre
2. Frankston Regional Aquatic and Health and Wellbeing Centre
3. Casey Aquatic and Regional Centre
4. Melbourne Sports and Aquatic Centre

Facilities reviewed and visited in Western Australia

1. Arena Joondalup
2. Beatty Park (refurbishment)
3. Cannington Leisureplex and
4. Riverton Aquatic Centre.

These documents are available on-line at [www.cockburn.wa.gov.au/RARCFfacility](http://www.cockburn.wa.gov.au/RARCFfacility)

## APPENDIX 3- REVIEW OF OPTIONS, PATRONS, REVENUES, EXPENDITURE, OPERATING DEFICITS – TEN YEAR PLAN

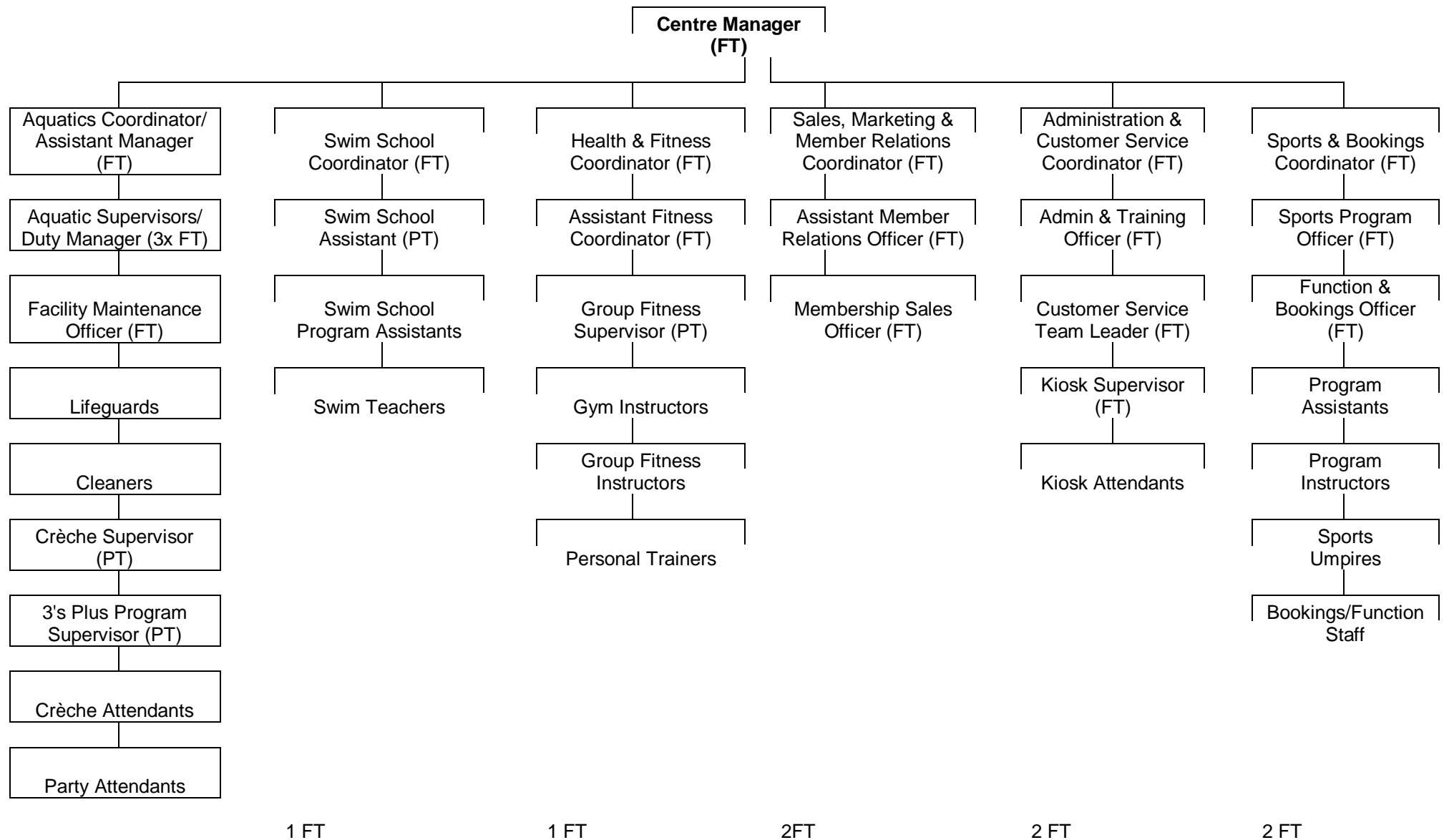
### With Standard Depreciation

|         | Realistic Scenario  | Revenue   | Revenue per Patron | Op Costs  | Deprn     | Op Deficit | Subsidy per patron |  | Realistic Scenario  | Revenue | Revenue per Patron+ 8% uplift | Op Costs | Deprn     | Op Deficit | Subsidy per patron |       |
|---------|---------------------|-----------|--------------------|-----------|-----------|------------|--------------------|--|---------------------|---------|-------------------------------|----------|-----------|------------|--------------------|-------|
| 2016/17 | 638,500             | 4,830,568 | 7.57               | 4,574,207 | 2,000,000 | -1,743,639 | -2.73              |  | 2016/17             | 638,500 | 5,217,013                     | 8.17     | 4,574,207 | 2,000,000  | -1,357,194         | -2.13 |
| 2017/18 | 649,500             | 5,009,582 | 7.71               | 4,757,175 | 2,000,000 | -1,747,593 | -2.69              |  | 2017/18             | 649,500 | 5,410,349                     | 8.33     | 4,757,175 | 2,000,000  | -1,346,827         | -2.07 |
| 2018/19 | 661,500             | 5,195,341 | 7.85               | 4,947,462 | 2,000,000 | -1,752,122 | -2.65              |  | 2018/19             | 661,500 | 5,610,968                     | 8.48     | 4,947,462 | 2,000,000  | -1,336,495         | -2.02 |
| 2019/20 | 671,500             | 5,388,101 | 8.02               | 5,145,361 | 2,000,000 | -1,757,260 | -2.62              |  | 2019/20             | 671,500 | 5,819,149                     | 8.67     | 5,145,361 | 2,000,000  | -1,326,212         | -1.97 |
| 2020/21 | 684,500             | 5,588,131 | 8.16               | 5,351,175 | 2,000,000 | -1,763,045 | -2.58              |  | 2020/21             | 684,500 | 6,035,181                     | 8.82     | 5,351,175 | 2,000,000  | -1,315,994         | -1.92 |
| 2021/22 | 695,500             | 5,795,708 | 8.33               | 5,565,222 | 2,000,000 | -1,769,514 | -2.54              |  | 2021/22             | 695,500 | 6,259,365                     | 9.00     | 5,565,222 | 2,000,000  | -1,305,857         | -1.88 |
| 2022/23 | 689,500             | 6,011,123 | 8.72               | 5,787,831 | 2,000,000 | -1,776,708 | -2.58              |  | 2022/23             | 689,500 | 6,492,013                     | 9.42     | 5,787,831 | 2,000,000  | -1,295,818         | -1.88 |
| 2023/24 | 683,500             | 6,234,675 | 9.12               | 6,019,344 | 2,000,000 | -1,784,669 | -2.61              |  | 2023/24             | 683,500 | 6,733,449                     | 9.85     | 6,019,344 | 2,000,000  | -1,285,895         | -1.88 |
| 2024/25 | 704,500             | 6,466,677 | 9.18               | 6,260,118 | 2,000,000 | -1,793,442 | -2.55              |  | 2024/25             | 704,500 | 6,984,011                     | 9.91     | 6,260,118 | 2,000,000  | -1,276,107         | -1.81 |
| 2025/26 | 705,500             | 6,707,451 | 9.51               | 6,510,523 | 2,000,000 | -1,803,072 | -2.56              |  | 2025/26             | 705,500 | 7,244,047                     | 10.27    | 6,510,523 | 2,000,000  | -1,266,476         | -1.80 |
|         |                     |           |                    |           |           |            |                    |  |                     |         |                               |          |           |            |                    |       |
|         | Optimistic Scenario | Revenue   | Revenue per Patron | Op Costs  | Deprn     | Op Deficit | Subsidy per patron |  | Optimistic Scenario | Revenue | Revenue per Patron+ 8% uplift | Op Costs | Deprn     | Op Deficit | Subsidy per patron |       |
| 2016/17 | 700,500             | 5,299,628 | 7.57               | 4,574,207 | 2,000,000 | -1,274,579 | -1.82              |  | 2016/17             | 700,500 | 5,723,598                     | 8.17     | 4,574,207 | 2,000,000  | -850,609           | -1.21 |
| 2017/18 | 712,500             | 5,495,500 | 7.71               | 4,757,175 | 2,000,000 | -1,261,675 | -1.77              |  | 2017/18             | 712,500 | 5,935,140                     | 8.33     | 4,757,175 | 2,000,000  | -822,035           | -1.15 |
| 2018/19 | 25,500              | 5,697,989 | 7.85               | 4,947,462 | 2,000,000 | -1,249,474 | -1.72              |  | 2018/19             | 725,500 | 6,153,828                     | 8.48     | 4,947,462 | 2,000,000  | -793,635           | -1.09 |
| 2019/20 | 738,500             | 5,925,707 | 8.02               | 5,145,361 | 2,000,000 | -1,219,654 | -1.65              |  | 2019/20             | 738,500 | 6,399,764                     | 8.67     | 5,145,361 | 2,000,000  | -745,597           | -1.01 |
| 2020/21 | 750,500             | 6,126,942 | 8.16               | 5,351,175 | 2,000,000 | -1,224,233 | -1.63              |  | 2020/21             | 750,500 | 6,617,098                     | 8.82     | 5,351,175 | 2,000,000  | -734,078           | -0.98 |
| 2021/22 | 763,500             | 6,362,363 | 8.33               | 5,565,222 | 2,000,000 | -1,202,860 | -1.58              |  | 2021/22             | 763,500 | 6,871,352                     | 9.00     | 5,565,222 | 2,000,000  | -693,870           | -0.91 |
| 2022/23 | 757,500             | 6,603,953 | 8.72               | 5,787,831 | 2,000,000 | -1,183,878 | -1.56              |  | 2022/23             | 757,500 | 7,132,270                     | 9.42     | 5,787,831 | 2,000,000  | -655,562           | -0.87 |
| 2023/24 | 750,500             | 6,845,829 | 9.12               | 6,019,344 | 2,000,000 | -1,173,516 | -1.56              |  | 2023/24             | 750,500 | 7,393,495                     | 9.85     | 6,019,344 | 2,000,000  | -625,850           | -0.83 |
| 2024/25 | 762,500             | 6,999,065 | 9.18               | 6,260,118 | 2,000,000 | -1,261,054 | -1.65              |  | 2024/25             | 762,500 | 7,558,990                     | 9.91     | 6,260,118 | 2,000,000  | -701,129           | -0.92 |
| 2025/26 | 774,500             | 7,363,460 | 9.51               | 6,510,523 | 2,000,000 | -1,147,063 | -1.48              |  | 2025/26             | 774,500 | 7,952,537                     | 10.27    | 6,510,523 | 2,000,000  | -557,986           | -0.72 |

With Non-Standard Depreciation

|         | Realistic Scenario  | Revenue   | Revenue per Patron | Op Costs  | Depn      | Op Deficit | Subsidy per patron |  | Realistic Scenario  | Revenue | Revenue per Patron+ 8% uplift | Op Costs | Depn      | Op Deficit | Subsidy per patron |       |
|---------|---------------------|-----------|--------------------|-----------|-----------|------------|--------------------|--|---------------------|---------|-------------------------------|----------|-----------|------------|--------------------|-------|
| 2016/17 | 638,500             | 4,830,568 | 7.57               | 4,574,207 | 1,679,750 | -1,423,389 | -2.23              |  | 2016/17             | 638,500 | 5,217,013                     | 8.17     | 4,574,207 | 1,679,750  | -1,036,944         | -1.62 |
| 2017/18 | 649,500             | 5,009,582 | 7.71               | 4,757,175 | 1,679,750 | -1,427,343 | -2.20              |  | 2017/18             | 649,500 | 5,410,349                     | 8.33     | 4,757,175 | 1,679,750  | -1,026,577         | -1.58 |
| 2018/19 | 661,500             | 5,195,341 | 7.85               | 4,947,462 | 1,679,750 | -1,431,872 | -2.16              |  | 2018/19             | 661,500 | 5,610,968                     | 8.48     | 4,947,462 | 1,679,750  | -1,016,245         | -1.54 |
| 2019/20 | 671,500             | 5,388,101 | 8.02               | 5,145,361 | 1,679,750 | -1,437,010 | -2.14              |  | 2019/20             | 671,500 | 5,819,149                     | 8.67     | 5,145,361 | 1,679,750  | -1,005,962         | -1.50 |
| 2020/21 | 684,500             | 5,588,131 | 8.16               | 5,351,175 | 1,679,750 | -1,442,795 | -2.11              |  | 2020/21             | 684,500 | 6,035,181                     | 8.82     | 5,351,175 | 1,679,750  | -995,744           | -1.45 |
| 2021/22 | 695,500             | 5,795,708 | 8.33               | 5,565,222 | 1,679,750 | -1,449,264 | -2.08              |  | 2021/22             | 695,500 | 6,259,365                     | 9.00     | 5,565,222 | 1,679,750  | -985,607           | -1.42 |
| 2022/23 | 689,500             | 6,011,123 | 8.72               | 5,787,831 | 1,679,750 | -1,456,458 | -2.11              |  | 2022/23             | 689,500 | 6,492,013                     | 9.42     | 5,787,831 | 1,679,750  | -975,568           | -1.41 |
| 2023/24 | 683,500             | 6,234,675 | 9.12               | 6,019,344 | 1,679,750 | -1,464,419 | -2.14              |  | 2023/24             | 683,500 | 6,733,449                     | 9.85     | 6,019,344 | 1,679,750  | -965,645           | -1.41 |
| 2024/25 | 704,500             | 6,466,677 | 9.18               | 6,260,118 | 1,679,750 | -1,473,192 | -2.09              |  | 2024/25             | 704,500 | 6,984,011                     | 9.91     | 6,260,118 | 1,679,750  | -955,857           | -1.36 |
| 2025/26 | 705,500             | 6,707,451 | 9.51               | 6,510,523 | 1,679,750 | -1,482,822 | -2.10              |  | 2025/26             | 705,500 | 7,244,047                     | 10.27    | 6,510,523 | 1,679,750  | -946,226           | -1.34 |
|         |                     |           |                    |           |           |            |                    |  |                     |         |                               |          |           |            |                    |       |
|         | Optimistic Scenario | Revenue   | Revenue per Patron | Op Costs  | Depn      | Op Deficit | Subsidy per patron |  | Optimistic Scenario | Revenue | Revenue per Patron+ 8% uplift | Op Costs | Depn      | Op Deficit | Subsidy per patron |       |
| 2016/17 | 700,500             | 5,299,628 | 7.57               | 4,574,207 | 1,679,750 | -954,329   | -1.36              |  | 2016/17             | 700,500 | 5,723,598                     | 8.17     | 4,574,207 | 1,679,750  | -530,359           | -0.76 |
| 2017/18 | 712,500             | 5,495,500 | 7.71               | 4,757,175 | 1,679,750 | -941,425   | -1.32              |  | 2017/18             | 712,500 | 5,935,140                     | 8.33     | 4,757,175 | 1,679,750  | -501,785           | -0.70 |
| 2018/19 | 725,500             | 5,697,989 | 7.85               | 4,947,462 | 1,679,750 | -929,224   | -1.28              |  | 2018/19             | 725,500 | 6,153,828                     | 8.48     | 4,947,462 | 1,679,750  | -473,385           | -0.65 |
| 2019/20 | 738,500             | 5,925,707 | 8.02               | 5,145,361 | 1,679,750 | -899,404   | -1.22              |  | 2019/20             | 738,500 | 6,399,764                     | 8.67     | 5,145,361 | 1,679,750  | -425,347           | -0.58 |
| 2020/21 | 750,500             | 6,126,942 | 8.16               | 5,351,175 | 1,679,750 | -903,983   | -1.20              |  | 2020/21             | 750,500 | 6,617,098                     | 8.82     | 5,351,175 | 1,679,750  | -413,828           | -0.55 |
| 2021/22 | 763,500             | 6,362,363 | 8.33               | 5,565,222 | 1,679,750 | -882,610   | -1.16              |  | 2021/22             | 763,500 | 6,871,352                     | 9.00     | 5,565,222 | 1,679,750  | -373,620           | -0.49 |
| 2022/23 | 757,500             | 6,603,953 | 8.72               | 5,787,831 | 1,679,750 | -863,628   | -1.14              |  | 2022/23             | 757,500 | 7,132,270                     | 9.42     | 5,787,831 | 1,679,750  | -335,312           | -0.44 |
| 2023/24 | 750,500             | 6,845,829 | 9.12               | 6,019,344 | 1,679,750 | -853,266   | -1.14              |  | 2023/24             | 750,500 | 7,393,495                     | 9.85     | 6,019,344 | 1,679,750  | -305,600           | -0.41 |
| 2024/25 | 762,500             | 6,999,065 | 9.18               | 6,260,118 | 1,679,750 | -940,804   | -1.23              |  | 2024/25             | 762,500 | 7,558,990                     | 9.91     | 6,260,118 | 1,679,750  | -380,879           | -0.50 |
| 2025/26 | 774,500             | 7,363,460 | 9.51               | 6,510,523 | 1,679,750 | -826,813   | -1.07              |  | 2025/26             | 774,500 | 7,952,537                     | 10.27    | 6,510,523 | 1,679,750  | -237,736           | -0.31 |

## APPENDIX 4 - PROPOSED STAFFING STRUCTURE FOR THE RARCF



|            |               |            |            |            |            |
|------------|---------------|------------|------------|------------|------------|
| 4 FT       |               |            |            |            |            |
| 2 PT       | 1 PT          | 1 PT       |            |            |            |
| * Casual   | * Casual      | * Casual   |            | *          | *          |
| Total: FTE | Total:<br>FTE | Total: FTE | Total: FTE | Total: FTE | Total: FTE |

**Totals (including RARCF  
Manager)**

|               |         |
|---------------|---------|
| 11 FT         |         |
| PT            | (5FTE)  |
| Casuals       | (26FTE) |
| <b>Total</b>  |         |
| <b>FTE: *</b> | 42      |

## APPENDIX 5 – MARKETING PLAN AND COST SUMMARY

### Summary of Marketing costs – Regional Aquatic & Recreation Community Facility (12 months pre & post opening including launch)

|   |           |
|---|-----------|
| Marketing contractor  | \$31,200  |
| Internal Communications   | \$1000    |
| Develop key marketing messages; straplines; look  | \$10,000  |
| Roving display at events, City facilities   | \$6,000   |
| Advertising print (local) and radio – pre and post  | \$42,500  |
| Value added offers (internal cost)  | \$10,000  |
| 2-3 months before completion – media tour   | \$250     |
| Photography – construction photos for the record (four photo shoots)  | \$2000    |
| Soundings extra 4 pages 1 edition   | \$7,000   |
| Billboards x 4 pre and post   | \$16,000  |
| 2 project billboards on site  |           |
| New brochures - posters   | \$15,000  |
| Launch  | \$25,000  |
| Project updates via Staff magazine, Ems newsletter, intranet, email; media releases; e-newsletter; Facebook | \$500     |
| Video for website & photo shoot   | \$30,000  |
| Advertise on trains (tactical); train station(s);   | \$15,000  |
| Total Budget  | \$201,450 |

**Marketing Plan - Regional Aquatic & Recreation Community Facility  
(12 months pre & post opening including launch)**

|  |  |
|--|--|
| 6 months pre-opening; 6 months post - <i>contractor 6 hours per week</i> to work exclusively on marketing of new aquatic facility with support from SLLC marketing/Corporate Communications  | \$100 x 6 hours per week x 52 weeks = 600 hours x 52 = <b>\$31,200</b>   |
| Develop key marketing messages; straplines; look   | <b>\$10,000</b>  |
| Bimonthly project updates on progress of building to staff via Splash, intranet, email; to media via media releases; e-newsletter; Facebook TVs in outstations; Cockburn Soundings; messages on hold; screens at admin building; other outlets | Staff cost + <b>\$1000</b>   |
| Web cam to watch progress  | Project management costs   |
| Moving display for libraries, Youth Centre, Cockburn Gateways Shopping City  | <b>\$6,000</b> – plus staff member to man it at CGSC   |
| Promotion of the facility at major Cockburn events   | SLLC existing staff  |
| <b><u>Six months before completion</u></b>   |  |
| Start paid advertising in Gazette with monthly updates – teasers   | 3 months x once a month half page updates <b>\$2500</b> –  |
| <b>3 months before</b> start tactical advertising offering – each time offering an excellent added value offer – one per month first two months and then one per week for last month = six ads   | 3 months x six half page updates <b>\$5000</b><br><b>Plus \$10,000</b> from facility income budget to fund 200 value added offers @ \$50 each for the tactical advertising |
| <b>2-3 months before completion</b> – invite selected journalists to come and view the project / the facility itself (and FFC facility)  | <b>\$250 (only to produce some media packs / small refreshments) otherwise staff time</b>  |
| Photography – construction photos for the record (four photo shoots)   | <b>\$2000</b>  |
| Start Leisure Centre own Facebook page and e-newsletter with progress, news, links to website page (internal)  | <b>Staff + \$500</b> possible design costs; constant contact subscription –  |
| 1 month before completion - Produce larger 20 page edition of Cockburn Soundings instead of direct mail or insert in paper to promote the new facility   | <b>\$7,000</b><br>For an extra four pages for design, print and distribution   |
| Billboards around City 4 months prior x 4 =  | <b>\$8,000</b>   |
| 2 project billboards on site   | Funded from project budget?  |
| 3 week radio campaign – Perth radio stations – times depending on target audience – allow \$15,000-\$20,000  | <b>\$20,000</b>  |
| New Brochures – posters (including limited period brochure pre-opening and pre professional photos post completion)  | <b>\$15,000</b>  |
| Website pages  | Budget – will be on corporate website  |
| Completion – facility Launch (closed and public) includes t shirts, giveaways. FFC involvement? Staff encouraged to come to launch   | <b>\$25,000</b>  |



| <b><u>12 months following completion</u></b>   |                 |
|--|-----------------|
| Bimonthly (higher frequency closer to the time) project updates on progress of building to staff via Splash, intranet, email; to media via media releases; e-newsletter; Facebook TVs in outstations; Cockburn Soundings; messages on hold; screens at admin building; other outlets | Existing staff  |
| Professional video for website – take a virtual tour plus photo shoot of all facilities and activities for future marketing promotion – (tour done by a FFC footy player)  | <b>\$30,000</b> |
| Billboards 4 months x 4  | <b>\$8,000</b>  |
| Advertise on trains (tactical); train station(s);  | <b>\$15,000</b> |
| Radio campaign approx. 1 month after opening – 3 weeks   | <b>\$15,000</b> |
| <b>Total Budget \$211,450</b>  |                 |

## APPENDIX 6 – LONG TERM CAPITAL MAINTENANCE REQUIREMENTS FOR FFC

| Indicative and Proposed Capital Maintenance over 25 years FFC's ETAF |                     |                    |                               |
|--|---------------------|--------------------|-------------------------------|
| Capital Item   | Replacement at year | Current \$         | Future \$ (inflated by 3.75%) |
| Roofing and Roof plumbing  | 12                  | \$338,750          | \$1,362,915                   |
| Painting   | 7                   | \$232,500          | \$1,205,261                   |
| Window treatments  | 10                  | \$38,125           | \$136,056                     |
| Toilets  | 15                  | \$18,750           | \$32,878                      |
| Carpet   | 7                   | \$268,750          | \$1,393,178                   |
| Vinyl flooring   | 10                  | \$29,375           | \$104,829                     |
| Whitegoods   | 7                   | \$17,500           | \$90,719                      |
| Hot water systems  | 12                  | \$11,719           | \$47,149                      |
| Air-conditioning/Mechanical services                                 | 15                  | \$552,156          | \$1,936,428                   |
| Lighting and power   | 16                  | \$728,125          | \$1,326,059                   |
| Lifts  | 20                  | \$253,750          | \$536,561                     |
| Fire protection  | 15                  | \$39,375           | \$69,045                      |
| Security systems   | 7                   | \$56,875           | \$294,836                     |
| Fencing  | 12                  | \$11,250           | \$45,263                      |
| Paving   | 15                  | \$43,750           | \$76,716                      |
| Sundry   | 7                   | \$406,250          | \$2,105,966                   |
| <b>Total</b>   |                     | <b>\$3,046,999</b> | <b>\$10,763,858</b>           |

Source: Davis Langdon

## APPENDIX 7 – FFC USAGE FEE FOR REGIONAL AQUATIC AND RECREATION COMMUNITY FACILITY

### Fee Structure with Sample Usage

| Facility            | Full Cost inc Depn | Full Cost less Depn | Current Subsidised cost | Discount cost (bulk entry) for FFC | Persons/courts used             | days pool / Hours (hp&hc) | Weeks per year | Full Cost inc Depn | Full Cost less Depn | Current Subsidised cost | Discount cost (bulk entry) |
|---------------------|--------------------|---------------------|-------------------------|------------------------------------|---------------------------------|---------------------------|----------------|--------------------|---------------------|-------------------------|----------------------------|
| Pool (per person)   | \$8.56             | \$6.20              | \$5.20                  | \$5.56                             | 50                              | 3                         | 46             | \$59,031           | \$42,780            | \$35,880                | \$38,370                   |
| HP&RCA (Per hour)   | \$85.52            | \$60.00             | \$55.00                 | \$55.59                            |                                 | 4                         | 46             | \$15,736           | \$11,040            | \$10,120                | \$10,229                   |
| H/courts (per hour) | \$67.52            | \$45.00             | \$42.00                 | \$43.89                            | 6                               | 5.5                       | 46             | \$102,501          | \$68,310            | \$63,756                | \$66,626                   |
|                     |                    |                     |                         |                                    | Full Cost prior to contribution |                           |                | \$177,268          | \$122,130           | \$109,756               | \$115,224                  |
|                     |                    |                     |                         |                                    | less cap contribution rate      |                           |                | \$25,600           | \$19,118            | \$17,540                | \$15,931                   |
|                     |                    |                     |                         |                                    | <b>Fees</b>                     |                           |                | <b>\$151,668</b>   | <b>\$103,012</b>    | <b>\$92,216</b>         | <b>\$99,293</b>            |
|                     |                    |                     |                         |                                    | 2016/17                         |                           |                | \$167,623          | \$114,004           | \$102,094               | \$109,664                  |

## **APPENDIX 8 – TEN YEAR LONG TERM FINANCIAL PLAN**

### Comments on the variances

*Rates* – As per the PFTD rates increases have been forecast to increase by 4% annually and this have been imposed on the new LTFP. Property growth over the next ten years is estimated at 3% across the residential, commercial and industrial sector. There is no increase expected in the rural sector as parts of this inevitably are developed into urban/commercial precincts.

Total Operating Revenue – This increase arises from rates in addition to fees and charges from a number of services provided by the Council including waste collection and disposal, leisure facilities, rents, interest income and operating grants.

*Payroll* – This expenditure items remains at 37% to 38% of the operating revenue in both the PFTD and LTFP. At this percentage it is one of the lowest in the metropolitan local government sector. What has driven this is a number of in-sourcing arrangements and the enterprise agreement process. As inflation continues to fall in line with overall national economic activity future increases have been reduced to around 3%, which is still 40% above CPI Perth. The LTFP has also increased the SG Superannuation component of the payroll in line with Federal Government requirements moving it from 9% to 12% over the period July 2013 to July 2019. A budget has also been factored into the LTFP as it was for the PFTD for new staff including for new facilities such as RARCF and the Success Library.

*Depreciation* – The increase in this non-cash item is due to new assets being constructed as higher costs and a revaluation accounting standard mandating fair value. This provides for up to date values in the balance sheet, but also impacts on the bottom line of the Council's operating costs.

*Total Operating Expenditure* – The cost increases are reflected in the above two items but also in power increases and other state charges. The new costs from the State Government have added approximately \$50m over the ten to the costs of Council. There will also be some interest expenses in line with loans for RARCF and the provision of other facilities (Emergency Services Building at Cockburn Central) and Underground Power for Coolbellup and Hamilton Hill.

*Capital Income* – This item includes a substantial increase in developer contributions for Road asset infrastructure in addition to quantifying the contributions from developers for community infrastructure such as the RARCF. A note of concern is the level of road asset contribution is currently being reviewed. This item also includes transfers from Council's cash backed reserves to fund capital expenditure such as the RARCF.

*Capital Expenditure* – The item is similar to the current PFTD in terms of items to be constructed. What has changed is the cost of constructing the items especially roads. The largest cost is land acquisition from private land owners. Experience with land acquisition of Spearwood Ave indicates that the cost rises significantly once the fact becomes publically known. The municipal or council fund contribution to the majority of the capital projects is secure but the grant/developer contributions remains unconfirmed but will be

updated as these amounts are confirmed. The Ten Year LTFP highlights only one capital project that may have to be delayed as a result of proceeding with this business plan.

## **APPENDIX 9 – DUE DILIGENCE ON FFC AND COMPARISON WITH WCE AND NMFC**

Will be attached when FFC, WCE and NMFC lodge their 2012 Financials with ASIC in late January 2013  
At the time of writing, only FFC results had been released through ASIC and as such, the due diligence review has not been completed.

## **APPENDIX 10 – ADDITIONAL SUPPORT DOCUMENTS ON-LINE**

1. Coffey Sport and Leisure Report;
2. Cox Howlett Architects - site drawings.

These documents are available on-line at [www.cockburn.wa.gov.au/RARCFfacility](http://www.cockburn.wa.gov.au/RARCFfacility)

## APPENDIX 11 – RISK MANAGEMENT MATRIX

The following table represents a high level risk assessment and mitigation strategies for the City of Cockburn with regards to the project. The risk profile of this Project has been classified as **MODERATE**. A full risk assessment will be completed as part of the Project Manager contract.

|               |   |                |   |           |       |
|---------------|---|----------------|---|-----------|-------|
| CATASTROPHIC  | 5 | ALMOST CERTAIN | 5 | EXTREME:  | 20-25 |
| MAJOR         | 4 | LIKELY         | 4 | HIGH:     | 13-19 |
| MODERATE      | 3 | POSSIBLE       | 3 | MODERATE: | 7-12  |
| MINOR         | 2 | UNLIKELY       | 2 | LOW:      | 0-6   |
| INSIGNIFICANT | 1 | RARE           | 1 |           |       |

| RISK CLASSIFICATION | RISK DESCRIPTION                                      | CAUSE OF RISK   | CONSEQUENCES  | LIKELIHOOD OF OCCURANCE | RISK RATING COMBINED IMPACT | RISK MITIGATION STRATEGY  |
|---------------------|---|---|---------------|-------------------------|-----------------------------|---|
| ENVIRONMENT         | Environmental impact natural bush area                | Clearing an existing greenfield site                            | MINOR<br>2    | ALMOST CERTAIN<br>5     | MODERATE                    | Appropriate approvals sought and development is undertaken by Landcorp<br>Consultation through structure plan   |
|                     | Construction impact on surrounding residents/business | Noise, track and dust pollution caused by construction          | MODERATE<br>3 | POSSIBLE<br>3           | MODERATE                    | No existing residential to impact on close to site<br>Traffic management study to be developed and plan to be implemented<br>Regular inspections by Environmental Health for compliance with dust control |
| FINANCIAL           | Capital availability                                  | Insufficient reserve funds to deliver project                   | MODERATE<br>3 | UNLIKELY<br>2           | LOW                         | City is financially well positioned to deliver the planning and construction of the project. Financial modelling has been completed<br>Project Cash flows to be reviewed regularly                        |
|                     | External funding                                      | Insufficient funding from Federal Government – RDAF             | MAJOR<br>4    | LIKELEY<br>4            | HIGH                        | Identify staged components of facility once funding amounts have been confirmed - Project scaled back   |
|                     | External funding                                      | Insufficient funding from State Government - Cabinet Submission | MAJOR<br>4    | POSSIBLE<br>3           | MODERATE                    | Staged components of facility<br>FFC unlikely to partner – project continues as standalone  |
|                     | Debt Borrowing – Market Risk                          | High Level borrowing Impact on future borrowing costs           | MODERATE<br>3 | UNLIKELY<br>2           | LOW                         | Loan facility via WA government over 15years to cap future interest rates   |
|                     | Developer fees  | Land Cost higher than predicted                                 | MODERATE<br>3 | POSSIBLE<br>3           | MODERATE                    | Project has considered cost escalation and has allowed for contingencies for budget increases at various stages   |
|                     | Taxation Implications                                 | Liability for GST   | MAJOR<br>4    | UNLIKELY<br>2           | MODERATE                    | City to seek advice from legal advisers – may have a positive effect on project budget  |



| RISK CLASSIFICATION | RISK DESCRIPTION                               | CAUSE OF RISK   | CONSEQUENCES         | LIKELIHOOD OF OCCURANCE | RISK RATING COMBINED IMPACT | RISK MITIGATION STRATEGY  |
|---------------------|--|---|----------------------|-------------------------|-----------------------------|---|
|                     | Project Cost Estimate                          | Cost estimate for project well below Tendered price                         | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Independent QS to be appointed to the project<br>Competitive tendering process & Fixed Price Contracts<br>Establish strong budget guidelines for project                |
|                     | Budget Increase                                | Cost overruns due to variations   | <b>MODERATE</b><br>3 | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | City to enter into a fixed price contracts<br>Regular financial reporting on budget v actual spend  |
| LEGAL               | Public Liability<br>Civil Liability            | Injury or Death to public, staff or workers                                 | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | All works and contractors comply with OH&S plan – Builder<br>Project Manager to control risk<br>Provide appropriate insurance cover                                     |
|                     | Policy Compliance                              | Compliance with Councils internal policy and LG requirements                | <b>MODERATE</b><br>3 | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Project team fully aware of Council requirements<br>Stakeholders adhere to agreements   |
|                     | Disputes                                       | Partnership disputes  | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Appoint legal adviser over the course of project<br>Project manager to manage contractor disputes   |
| ORAGNISATIONAL      | Internal project management                    | Lack of internal resources / changing personnel                             | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Provide dedicated FTE to manage the project internally<br>Steering committees and working groups developed<br>Reporting on project to Project Control Group and Council |
|                     | Organisation change                            | Local government reform   | <b>MINOR</b><br>2    | <b>UNLIKELY</b><br>2    | <b>LOW</b>                  | Project structure would remain given the expected time reform could take place  |
|                     | Meeting the requirements of funding agreements | Project Delays  | <b>MODERATE</b><br>3 | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Provide regular reports to state and federal and maintain close communication   |
|                     | Complexity and ability to deliver              | Experience to in delivering large Capital projects                          | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Relevant staff and resources are committed<br>Regular reporting on project  |
| PLANNING            | Design   | Design inadequacies at time of tender                                       | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Project Manager and Project Control Group to monitor  |
|                     | Planning Delays                                | Delays in planning and design process                                       | <b>MODERATE</b><br>3 | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Regular review of project timeline and allow for contingencies  |
| POLITICAL           | Other City Projects delayed                    | Impact on other infrastructure projects                                     | <b>MINOR</b><br>2    | <b>POSSIBLE</b><br>3    | <b>LOW</b>                  | Review capital works program and factor in project cost<br>Extend delivery time of current projects if required   |
|                     | Public Image, Reputation                       | Poor public image of Project scope  | <b>MODERATE</b><br>3 | <b>UNLIKELY</b><br>2    | <b>LOW</b>                  | Develop and maintain a positive marketing campaign on project with regular progress updates   |
| PROJECT DELIVERY    | Project Management                             | Inexperienced or under resourced project manager reducing delivery capacity | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Independent Project Manager appointed<br>Tendering consultants to provide a brief/presentation as part of tender with detailed experiences and personnel                |
|                     | Construction – Market Risk                     | Loss or delays in contractual disputes                                      | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Independent Project Manager to manage and resolve contractual issues<br>Independent QS appointed fro period of project to   |

| RISK CLASSIFICATION | RISK DESCRIPTION            | CAUSE OF RISK                            | CONSEQUENCES         | LIKELIHOOD OF OCCURANCE | RISK RATING COMBINED IMPACT | RISK MITIGATION STRATEGY   |
|---------------------|-----------------------------|--|----------------------|-------------------------|-----------------------------|--|
|                     |                             |  |                      |                         |                             | provide advice on cost   |
|                     | Construction Delays         | Project delayed due to Builder           | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Project Manager to control construction schedule and EOTs<br>Appropriate penalties in place for delays<br>Develop an conservative project timeline<br>Develop contingency plans and ensure contractors provide contingencies |
|                     | Builder                     | Builder going broke                      | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Ensure during tender process that detailed reference checks are carried out, credit checks, cash flow ability, sub-contractor checks and appropriate retentions and bank guarantees are in place                             |
| SERVICE DELIVERY    | Facility subsidy            | Operating subsidy higher than expected   | <b>MODERATE</b><br>3 | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Review of entry fees to reduce ongoing subsidy<br>Attendance targets set per month   |
|                     | Annual facility attendances | Lower than expected facility attendances | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Develop strong marketing plan 12 months from opening<br>Engage marketing firm to develop and implement strategies<br>Working group to be formed to address   |
| STAKEHOLDER         | FFC financial status        | FFC's financial sustainability long term | <b>MINOR</b><br>3    | <b>UNLIKELY</b><br>2    | <b>LOW</b>                  | Review of FFC financial position to date shows the club is in a financial healthy position   |
|                     | FFC partnership             | FFC pulling out of the Joint Development | <b>MAJOR</b><br>4    | <b>POSSIBLE</b><br>3    | <b>MODERATE</b>             | Timing of project delivery is reviewed and scale is reduced  |

# Regional Aquatic and Recreation Centre Facility

Draft Business Plan Review



# Regional Aquatic and Recreation Centre Facility

Draft Business Plan Review

Prepared for  
City of Cockburn

Prepared by

**Davis Langdon Australia Pty Ltd**

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4 April 2013

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## 1.0 Introduction

The City of Cockburn is proposing to build a new Regional Aquatic and Recreation Centre Facility (RARCF) at Cockburn Central West (CCW). In support of the development the Council developed a draft Business Plan. The Council are seeking to have the draft Business Plan reviewed to ensure it provides a robust assessment of the project, prior to it being publicly advertised.

The Terms of Reference for the review included:

1. Land. Land ownership rests with the Western Australian Planning Commission and is to be transferred to Landcorp for development. An analysis of the land development proposal is being sought to test the assumptions being made.
2. Review the assumptions behind the proposed capital costs as to their reasonableness, based on current concept and design for the RARCF.
3. Review the assumptions behind the proposed income projections as to their reasonableness.
4. Review the assumptions behind the proposed operating expenditure as to their reasonableness.
5. Review the building cost contingencies and escalations allowed for in the capital costs
6. Review the recommended proposal for facility depreciation and the impact this has on the level of operating subsidy.
7. Review of the Risk Management outcomes, analysing risks and treatments identified for the project
8. Review of the Marketing Plan proposed for the RARCF;

The City engaged Davis Langdon and KPMG to undertake the review. The following represents the key outcomes of the review process

## 2.0 The Land Development Proposal

### 2.1 Background

The rationale for site selection and the potential benefits to the city requires careful consideration. The historic identification of the site and the rationale for its continued pursuit should be clearly understood to determine whether the identification has been opportunistic or part of a long term strategic pursuit. From reviewing historic documentation it is clear that the site and surrounds have been considered for community recreation and community purposes for almost two decades. This is evidenced through:

- Thomsons Lake Regional Centre Master Plan Report of 1996. Two versions of the plan were developed reflecting a difference in emphasis on the significance of the regional sporting facilities to the role of the town centre.
- 2000 Master Plan Evaluation Report. Under the plan a town centre would be created which integrates the proposed railway station, Gateway Shopping Centre, and the Sport and Recreation land surrounding the Town Centre.
- Cockburn Regional Centre Composite Structure Plan which labelled the site an Environmental and Recreation Precinct.
- The Thomsons Lake Regional Centre Structure Plan 2001 identified the site for major sports and conservation purposes.
- The Cockburn Activity Centre Precinct Plan identified the area as a designated Public Open Space, Proposed Major Active Recreation, and Proposed Conservation Precinct.

The Department of Sport and Recreation under Strategic Directions 5 further endorses the approach undertaken in identifying the site for future sport and recreation provision to meet the needs of a growing population and to ensure access to quality sport and recreation facilities for all Western Australians. Within the documentation partnerships (education, community and elite sport) are seen as a mechanism for delivering good quality outcomes for Western Australians.

The need for the regional facility was initially identified in the City of Cockburn Sport and Recreation Strategic Plan 2009, and further highlighted in the "Plan for the District 2010 – 2020". The key facilities identified were a regional indoor aquatic and highball facility to replace the existing South Lakes Leisure Centre and provide for the population of the City. CCW was identified as the preferred location.

### 2.2 Rationale for site selection

The City has sought a management order over 2.5 Ha of the WAPC owned site which is to be sold to Landcorp. The rationale for site selection is a critical component of any development. It is important to determine how the site was selected and whether the eventual choice is founded on good planning and economic rationale. Table 1 below highlights the key areas which would be expected to be addressed as part of the site selection process with accompanying commentary.

**Table 1 Rationale for site Selection – implications related to current documentation**

| No.              | Criteria           | Description                               | Comment  |
|------------------|--------------------|---|--|
| <b>Financial</b> |                    |   |  |
| 1)               | Lease or Land Cost | Total annual lease or land purchase costs | <ul style="list-style-type: none"> <li>- The Western Australian Planning Commission (WAPC) have agreed to sell the land to Landcorp and set aside as a Crown reserve with the power to lease land for the aquatic and recreation components subject to meeting agreed infrastructure costs.</li> <li>- Under the agreement between Landcorp and the City of Cockburn it is acknowledged that Landcorp is required to meet a minimum rate of return on its</li> </ul> |

| No.                     | Criteria   | Description  | Comment   |
|-------------------------|--|--|---|
|                         |  |  | <p>projects and has a statutory obligation to transact on land at market rates.</p> <ul style="list-style-type: none"> <li>- Development risks are shared with Landcorp who have responsibility for developing public open spaces and providing public services.</li> </ul>   |
| 2)                      | Ongoing Cost   | Annual costs such as lease, maintenance etc.   | <ul style="list-style-type: none"> <li>- Ongoing costs and annual running costs fall within the responsibility of the City who has the option to offset costs through entering into agreements with third parties (in this case the Fremantle Docks and an education institution).</li> </ul>   |
| 3)                      | Revenue Streams  | Does any agreement prevent access to revenue streams through the development of partnerships and sub-leasing                   | <ul style="list-style-type: none"> <li>- Agreements do not negate the opportunity for the City to generate income from the site, subject to agreement by other relevant state agencies</li> </ul>   |
| 4)                      | Capital Cost   | Are there any issues with the site that may make it more expensive to build on?  | <ul style="list-style-type: none"> <li>- It appears to be a cost effective option to secure a large tract of land for community sport and recreation purposes.</li> <li>- The development of the site will be subject to a cost apportionment agreement ensures that the City will not be liable for all development costs.</li> </ul>  |
| 5)                      | Funding Opportunities  | Through State or Federal Government, Local Government or other parties.  | <ul style="list-style-type: none"> <li>- The development of the site in partnership with the Fremantle Docks Football Club and an Education institution does not preclude opportunities for attracting additional state or federal government funding. The partnership moreover is likely to enhance the potential of attracting additional external funding.</li> </ul>  |
| <b>Council Services</b> |  |  |   |
| 6)                      | Proximity to existing council services                               | Potential for costs savings to accumulate through the provision of aligned council services.                                   | <ul style="list-style-type: none"> <li>- Whilst not an existing City Council service centre, the site is located within Cockburn Central Secondary Centre, the highest level activity centre located in the City of Cockburn.</li> <li>- In future it is likely that the secondary centre will be the location of additional and complimentary council services</li> </ul>  |
| 7)                      | Proximity to existing membership base of South Lakes Leisure Centre. | Ability for the new facility to serve the needs of existing user groups at South Lakes Leisure Centre and future growth areas. | <ul style="list-style-type: none"> <li>- South Lakes Leisure Centre is located within the 5km catchment of the proposed site. As a result the majority of existing users of the South Lakes Leisure Centre are likely to be within the 5km catchment of the proposed new centre.</li> <li>- Future growth within the city is likely to occur within and adjacent to the Cockburn Central Secondary Centre.</li> </ul> |
| 8)                      | Potential to grow  | Potential for the City to increase use of the leisure  | <ul style="list-style-type: none"> <li>- Current and anticipated growth within the City is identified as 6.1% annually.</li> </ul>  |



| No.   | Criteria  | Description   | Comment   |
|---|---|---|---|
|   | the user base                                       | centre in line or above current and anticipated population growth for the City.   | - The facility is located centrally within the anticipated growth area with good access from public transport (Perth – Mandurah rail line and supporting Transperth services).<br>-   |
| 9)  | Potential Partnerships with other service providers | Potential for club to partner with the local community to generate exposure, goodwill, increase membership and other commercial opportunities | - Partnerships have been established with Landcorp to deliver and develop the land. The current agreement signed between the two parties provides sufficient protection to the city whilst maximising the potential returns based principally on the community use of the site.<br>- Ongoing partnership with the Fremantle Dockers will secure a strong link between elite and community sport.<br>- The proposed education partnership has been downscaled and under current proposals is unlikely to deliver a significantly strong partnership outcome                                    |
| 10)   | Profile   | Opportunity to provide maximum exposure of City services.   | - The site is located in a prominent position within the Cockburn Central Secondary Centre.<br>- Care needs to be taken to ensure that any branding is not diluted by the presence of Fremantle Dockers at the site. The principle focus should be on the community service   |
| <b>Access, Facilities and Land Capability</b> |   |   |   |
| 11)   | Access to state of the art facilities               | Are there any access issues; need to share facilities   | - Agreements have been entered into which provide Fremantle Dockers Football Club with access to the community sports facilities (particularly the aquatic infrastructure and high courts) at a nominal cost. Whilst the time allocation has yet to be determined, it is unlikely to be significant. However the agreement is highly beneficial to the football club and may compromise long term programming of the facility.<br>- Care will need to be taken in ensuring that the dedicated time required for elite sport training and rehabilitation does not compromise community access. |
| 12)   | Quality of facilities                               | Is it likely that facilities of a high standard will be provided on site  | - The concept designs presented for the masterplan identify that the facility is likely to meet modern day sporting needs and   |
| 13)   | Sport and Recreation Facility Provision             | Other sporting facilities that may benefit from the development of the facility   | - A significant beneficiary would be the Fremantle Dockers Football Club who is afforded the opportunity to relocate their current training and administration base from Fremantle.   |

| No.                            | Criteria                             | Description   | Comment  |
|--------------------------------|--------------------------------------|---|--|
|                                |                                      |   | <ul style="list-style-type: none"> <li>- The replacement of facilities at South Lake Leisure Centre will be highly beneficial. The centre, whilst well utilised is tired and dated. If the RARCF development was not to be pursued, there would be a need to invest substantially in the current SLLC site to bring the quality and experience at the facility up to modern day sporting standards.</li> <li>- No other benefits to existing sport and recreation clubs /associations have been identified. However the potential does exist to expand current club activity in an expanded facility.</li> </ul> |
| 14)                            | Potential to grow                    | Future proofing of facility for growth  | <ul style="list-style-type: none"> <li>- The extent of the site would permit limited expansion to the proposed RARCF.</li> <li>- Should the Fremantle Dockers development not progress, greater flexibility for development on site would be available.</li> <li>- The current designs provide the potential to enclose the outdoor pool area and further extend the indoor provision should a need be demonstrated.</li> </ul>  |
| 15)                            | Access to proposed oval developments | Are there any access issues with other tenants or with the development of the site which may compromise access? | <ul style="list-style-type: none"> <li>- Access to the training oval will be compromised by the requirements of Fremantle Dockers Football Club.</li> </ul>  |
| 16)                            | Access                               | Are there any access issues/restrictions for accessing the facility   | <ul style="list-style-type: none"> <li>- Only access restrictions identified relate to the times at which the Fremantle Dockers Football Club are seeking to secure dedicated time within the community facility. The dedicated time sought by the Football Club is likely to be outside of the 'core' community operating hours (i.e. at off-peak usage times)</li> </ul>   |
| <b>Government and Planning</b> |                                      |   |  |
| 17)                            | Level of State Govt Support          | Are there likely to be any issues with State Govt for the site  | <ul style="list-style-type: none"> <li>- Current issues relate to the Structure Plan for the area which the State Government (through the WAPC) have advised that they are not prepared to support.</li> <li>- The agreement with Landcorp is as strong as it could be at the current stage in the sites development.</li> <li>- The State government policy intentions are to increase the importance of Cockburn Central in the regional network of activity centres.</li> </ul>   |
| 18)                            | Level of Stakeholder                 | Are there likely to be any issues with other Stakeholders   | <ul style="list-style-type: none"> <li>- The education partnership dynamic does not appear to have progressed and has been downscaled significantly within the</li> </ul>  |

| No.                                  | Criteria                            | Description   | Comment   |
|--------------------------------------|-------------------------------------|---|---|
|                                      | Support                             | for the site  | <p>past year.</p> <ul style="list-style-type: none"> <li>- The relationship with the Fremantle Dockers Football Club appears sound and sufficient mechanisms have been put in place to develop the community facility in isolation should the club training and administration base not progress.</li> </ul>  |
| 19)                                  | Planning                            | Are there likely to be any planning issues or restrictions with the site  | <ul style="list-style-type: none"> <li>- There appears to be no significant planning issues relating to the development of the site. Work will be required to test the ground conditions and ensure that the land is viable.</li> </ul>   |
| <b>Timing and Access</b>             |                                     |   |   |
| 20)                                  | Timing                              | Are there likely to be any issues with gaining access to the site to allow the project to be completed in the required timeframes?    | <ul style="list-style-type: none"> <li>- The only significant limitations will be those placed by the state government departments and agencies (Department of Planning, WAPC and Landcorp most notably).</li> </ul>  |
| <b>Economic Benefits to the Area</b> |                                     |   |   |
| 21)                                  | Benefit to the local economy        | Will the development result in attracting complimentary employers to Cockburn Central Secondary Centre.                               | <ul style="list-style-type: none"> <li>- It is estimated that 397 full time equivalent jobs will be attracted to the area to support construction. 740 indirect jobs will be created elsewhere. This however is short term during the construction phase.</li> <li>- Once the facility is fully operational 526 employees (of which 276 are likely to be fulltime) will be attracted to the area. A number of these jobs will be directly transferred from SLLC.</li> <li>- The main benefit to the local economy is the introduction of an additional workforce at Cockburn Central who is likely to benefit the mixed use activity centre through the use of local services.</li> </ul> |
| 22)                                  | Benefit to the Regional Economy     | Will the development result in attracting high end strategic industry and associated businesses to Cockburn Central Secondary Centre. | <ul style="list-style-type: none"> <li>- None of the employment identified in the economic study relating to the site would be considered as high end and strategic. As such they are unlikely, in themselves, to attract other employers to the area.</li> <li>- The development of the RARCF is therefore unlikely to significantly enhance the regional economy</li> </ul>   |
| <b>Social Benefits to users</b>      |                                     |   |   |
| 23)                                  | Social benefit to the local area    | Is the social return on investment clearly identified in the locality of the site?  | <ul style="list-style-type: none"> <li>- Social benefits to local users could potentially be high. However research conducted to date suggests that this has yet to be tested (Pracsys 2012)</li> </ul>   |
| 24)                                  | Social Benefit to the Regional Area | Is the social return on investment  | <ul style="list-style-type: none"> <li>- Social benefits to the region could potentially be high. However research conducted to date suggests that this has</li> </ul>  |

| No. | Criteria | Description | Comment  |
|-----|----------|-------------|--|
|     |          |             | <p>yet to be tested (Pracsys 2012).</p> <p>- The securing of land for the long term sport and recreational needs of a growing community is highly beneficial and cost effective when considered against the cost of retrofitting infrastructure.</p> |

## 2.3 Additional Supporting Documentation

The following additional documentation has been used to supplement the rationale for site selection and is provided in more detail below:

### **Cockburn Regional Physical Activity and Education Centre Economic and Social Impact Report (Pracsys - December 2012)**

The report identified that the direct economic impact of the development in the short term is:

- Direct employment associated with the construction of the facility is estimated to be 397 full time equivalent jobs, assuming that construction works are completed with one year.
- The creation of 397 direct jobs can be expected to generate an additional 740 indirect jobs elsewhere in the Australian economy. This results in a total increase in 1,137 jobs.

Direct economic impact in the longer term is identified as:

- Once the facility is operational it is expected to accommodate approximately 526 employees, of which 276 are likely to be fulltime.
- By 2025, an additional 58 employment opportunities associated with the Fremantle Football Club are anticipated.
- The facility reflects the redistribution of employment with the region to a more efficient configuration, consistent with Directions 2031 outcomes.

The connection of the development with the aspiration of Directions 2031 is a tenuous link as the development could realistically be located on any available land. The main consideration should be whether such land is available to serve an immediate growing population. From experience in assessing and securing land for regional level infrastructure it is this aspect which is critical. Often land is not available in growth areas, and where opportunities do arise they are subject to extensive legal processes and land owner compensation claims. In this instance, such circumstances will be avoided.

Commentary within the report also states that whether the new facility will induce people to undertake recreation by changing the availability of facilities or whether the new facility will shift demand away from existing facilities remains to be quantified. Whilst the beneficial effects of regular participation in sport and physical activity have been widely recognised and supported by scientific evidence it is again tenuous to state that the current facility will be anything other than one element which contributes to the health and wellbeing of a community.

The site does therefore not possess a unique characteristic from an economic or social perspective. It does however present an opportunity to secure land for the long term sport and recreational needs of a growing community.

### **Cockburn Central West Development Parameters**

The following is relevant:

- Landcorp does not own land but is to progress the planning and development of the site, which includes:
  - Planning
  - Detailed Design
  - Obtaining Statutory approvals
  - Procurement of consultants and contractors

- Forward earthworks
  - Related civil works (infrastructure i.e. roads, paths, drainage)
  - Services (i.e. power, water, sewer, communications, reticulated natural gas)
  - Landscaping of road verges and public open spaces
  - Marketing sales and communications
- Responsibility for developing a secondary playing field and community running track.
  - Not responsible for the public car park, primary AFL Oval, internal servicing of any super lots, parking, landscaping and any other improvements within the integrated facility site.
  - City of Cockburn's obligation is to work with Landcorp to achieve statutory approvals and develop the integrated recreation and community facility.
  - Project funding: the development of a specific agreement is required for cost apportionment.
  - Landcorp is required to meet a minimum rate of return on its projects.

Risks include:

- i) Statutory Approvals
- ii) Approval of Landcorp Business Case by their board
- iii) Cost apportionment agreement
- iv) Securing financial commitment from 3<sup>rd</sup> parties.

In conclusion the information contained within the CCW Development Parameters is reasonable and sufficiently protects the interests of the City at this stage.

### **WAPC Considerations**

The following is of relevance:

- The WAPC raise concerns that the structure plan has not been the subject of detailed costing and economic analysis.
- Landcorp have advised of a number of shortcomings with the structure plan.
- WAPC nevertheless agree to sell the land to Landcorp and set aside as a Crown reserve with the power to lease land for the aquatic and recreation components subject to meeting agreed infrastructure costs.

The risks associated with the WAPC considerations relate to the lack of agreement on the structure plan. It is however understood that this will be progressed and will not affect the acquisition of the land by Landcorp.

It is understood that the Draft Structure Plan currently being developed for the site will be presented to the City for comment and then formally advertised for public comment before final endorsement by Council and re-presenting to the WAPC.

### **Cockburn City Council Committee Considerations**

Alignment to strategic and corporate documents:

- Plan for the District 2006 - 2016 identifies the requirement for a new aquatic and recreation facility to replace South Lakes Leisure Centre.
  - Growing City: Investment in industrial and commercial areas, provide employment, careers and increase economic capacity in the City.
  - Infrastructure: Community facilities that meet the diverse needs of the community now and into the future. Community infrastructure that is well planned, managed, safe, functional, sustainable and aesthetically pleasing. Partnerships that help provide community infrastructure.
  - Community & Lifestyle: People of all ages and abilities to have equal access to our facilities and services in our communities. Promotion of active and healthy communities.

- Leading & Listening: Manage our financial and infrastructure assets to provide a sustainable future. Investment in the local economy to achieve a broad base of services and activities.
- Moving Around: Infrastructure that supports the uptake of public transport and pedestrian movement.
- The proposed facility is consistent with the needs identified in the Department's State Aquatic Sports Facility Strategic Plan.

## 2.4 Conclusions

The process in identifying and securing the site is consistent with the role of local government and aligns with strategic documentation previously referenced by the City and which are publicly available. All assumptions are reasonable and ultimately the project is seeking to achieve an outcome which is supported through the long term corporate planning aspirations. It is important to note the following:

- The site has been identified for sport and recreation use for a period of 17 years.
- The securing of a large tract of land to provide the RARCF is under-pinned by a sound planning process which will deliver a reasonable return on the investment.
- The partnership with Landcorp will enable the city to secure the land for future generations at a reasonable cost which will in part be offset by Landcorps contribution.
- The partnership with Fremantle Dockers Football Club is opportunistic but would not result in the project remaining undelivered if the partnership ultimately fails to succeed.
- The social return on the investment has not been fully tested, but anecdotally it will increase the opportunities for residents within the city.
- The benefit to the local and regional economy will be limited as it will not attract high end strategic employment to the area. It is however consistent with State Governments aspiration to develop diverse opportunities and vibrant activity centres.
- The site is located in a prominent position within the Cockburn Central Secondary Centre.
- The replacement of facilities at South Lake Leisure Centre will be highly beneficial. The centre, whilst well utilised is tired and dated. There would be a need to invest substantially in the current SLLC site to bring the quality and experience at the facility up to modern day sporting standards.

## 3.0 Review of Proposed Capital Costs and Building Cost Contingencies

### 3.1 Capital Cost Assessment

A “cost check” was undertaken of the concept plan estimate by WT Partnership dated December 2012 for the proposed RARCF. It is specific to Cox Howlett & Bailey Woodland concept plans for the Facility. The cost assessment takes into account the variations which have emerged through the following development options:

- June 2012 Masterplan (Including Oval and Community Training Oval and parking of 17,000 m<sup>2</sup>).
- Non-integrated Masterplan (Including Oval, excludes playing fields. Parking of 12,000 m<sup>2</sup> and 3,000 m<sup>2</sup> overflow).
- Integrated Masterplan September 2012 (Includes Oval, excludes playing fields. Parking of 12,000 m<sup>2</sup> and 3,000 m<sup>2</sup> overflow)
- Integrated Masterplan December 2012 (Includes Oval, excludes playing fields. Parking of 12,000 m<sup>2</sup> and 3,000 m<sup>2</sup> overflow)

The non-integrated masterplan references the community facility only. All other options consider various elements relating to the education facility, function space and base infrastructure which have been scaled down within the last 9 months and have subsequently been modified further by the City. The Fremantle Football Club development has remained consistent during that period. The cost check is provided in detail at Appendix A and contains comments relating to assumptions made. It is to be noted that the WT Partnership cost estimate excluding GST is \$108,958,400 whereas the Davis Langdon cost check estimate excluding GST is \$108,376,500. A differential margin of approximately 0.5% is negligible for a project in excess of \$100m. It is therefore concluded that the capital cost estimation is sound based on the current masterplan. It should however be noted that whilst the overall costs estimated are comparable, there are a number of elements which should be considered further to determine opportunities for cost savings. The most notable anomalies include:

- Site clearance and earthworks – down \$345k
- FDFC Change Rooms and Property – down \$140k
- Community Space – up \$241k
- Media / Comms area – up \$788k
- Indoor Courts -up \$308k and \$148k
- Reception Foyer area – down \$516k
- Aquatic hall – up \$332k
- 8 lane pool – up \$300k
- Splash pad – down \$600k
- Aquatic Sport Recovery and Hydrotherapy – up \$360k

### 3.2 Building Cost Contingencies

The building cost contingencies provide the following comparisons:

**Table 2 Building cost contingencies assessment**

| Contingencies   | WT Partnership | Davis Langdon Cost Check |
|---|----------------|--------------------------|
| Allow for power, communication, water, fire water, sewerage, gas, stormwater and the like | 500,000        | 500,000                  |
| ESD Initiatives [3%]  | 2,617,000      | 2,617,000                |
| Artwork Allowance [1%]  | 899,000        | 899,000                  |

| Contingencies                                   | WT Partnership | Davis Langdon Cost Check |
|---|----------------|--------------------------|
| Planning and Design Contingency [5%]            | 4,538,000      | 4,538,000                |
| Construction Contingency [5%]                   | 4,765,000      | 4,765,000                |
| Escalation [Say Tender November 2013]           | 3,260,000      | 0                        |
| FF & E, Gym Equipment, AV and IT Allowance [5%] | 5,166,000      | 5,166,000                |
| Consultants Fees [9%]                           | 9,764,000      | 9,764,000                |

Commentary provided by the Quantity Surveyors indicate that due to the 'soft' nature of the construction market the escalation figure for November 2013 (tender) is unlikely to move from current costs. Whilst the planning and design contingency is identified as 5%, whereas industry standards indicate a contingency of between 7.5% and 10% would be more appropriate.



## 4.0 Review of Income Projections

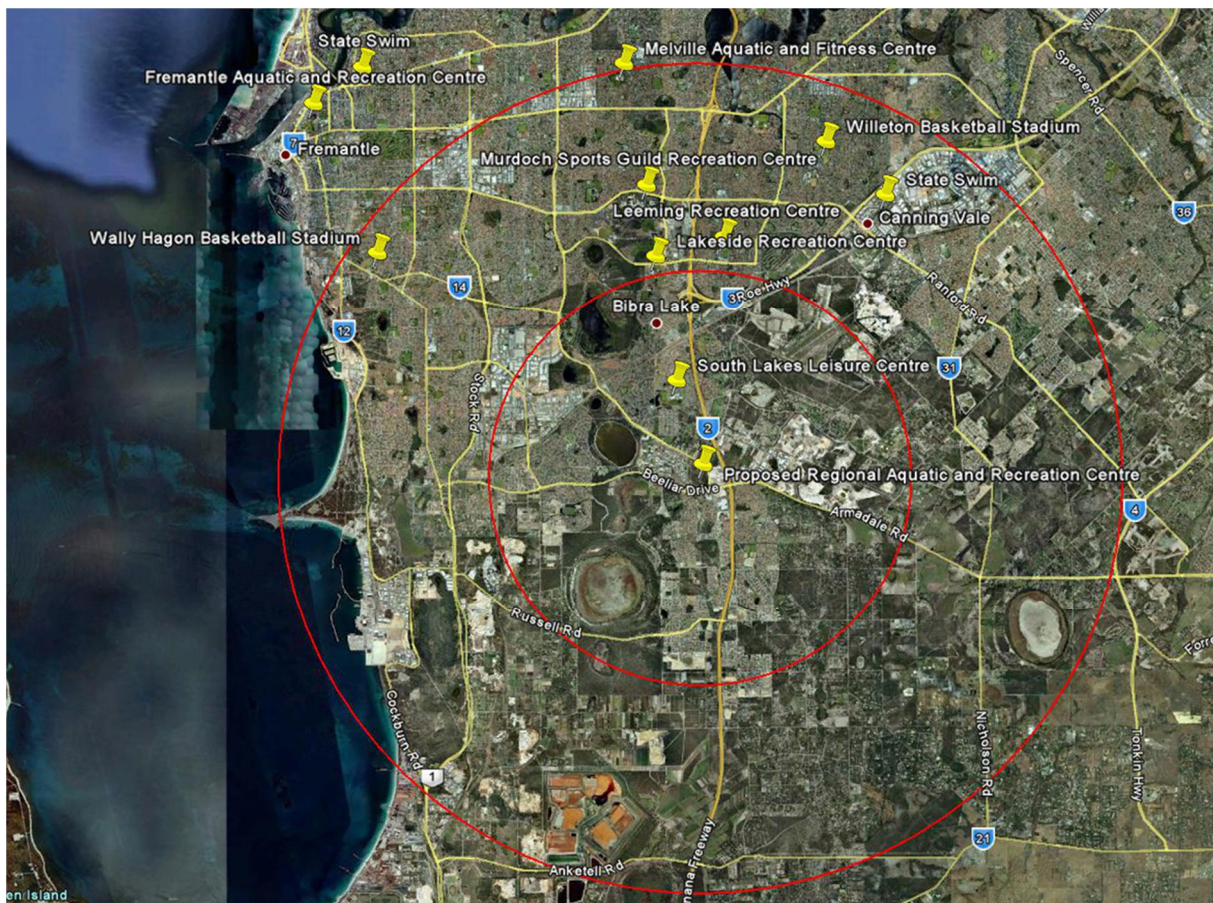
### 4.1 Process of the Review

A review has been performed on the reasonableness of assumptions behind the proposed income revenue projections contained in the City of Cockburn – Cockburn Central West (CCW) Business Plan.

The key sensitivity drivers influencing income projections relate to the expected levels of population within the 5 and 10km catchment area, frequency of visits, participation rates, level of fees and ability to provide the required programmes and services for the community. These drivers have been used by the City of Cockburn (CoC) to calculate revenue uplift percentages from the levels currently being experienced at South Lake Leisure Centre (SLLC). SLLC is also operated by CoC.

In assessing the reasonableness of the assumptions used and percentage uplifts applied, benchmarking has been performed against similar facilities within the Perth metropolitan area such as South Lake Leisure Centre, Melville Aquatic Centre, Craigie Leisure Centre, Lakeside Recreation Centre and Beatty Park Leisure Centre. The CoC has used a standard 4% increase year on year after the first year uplifts, which is based off levels currently seen within the CoC as a community.

Figure 1 5km and 10km catchment of the RARCF with significant state / local government infrastructure



### 4.2 Findings

The key driver of the various revenue streams is the visits per person within the catchment area. At present the SLLC experiences attendance levels which equate to 9.4 visits per head of population annually. This statistic is significantly higher than the Centre for Environment and Recreation Management (CERM) industry benchmark of 5.4 visits per head of population. For this reason the level of 11.3 visits being included in the CoC business plan for the new CCW facility appears within reach due to, increased services to be provided and lack for competition.

The size of the catchment will also have significant influence over the uplifts in revenue experienced. The business plan currently outlines 5 and 10km catchments (see figure 1) being the key attendance areas. It may also be possible to attract sporting organisations and community groups outside of that 10km catchment area through aggressive marketing by a proactive council. As part of the Coffey Sport and Leisure feasibility study sporting organisations such as Water Polo WA, Football West, Masters Swimming WA and Basketball WA showed considerable interest in the development of such a facility. The ability to attract these organisations will ensure maximum utilisation of the facilities provided.

Each of the key revenue streams contained within the CoC business plan have been analysed below to look at their individual assumptions and percentage uplifts specifically, and any risks surrounding such assumptions:

**Swim school:**

The business plan has proposed a 45% uplift in revenue in year one from the existing facility at SLLC. This is on the basis that the facility will be moving from a previous 25 metre pool to now an additional 50 metre pool and 25 metre pool.

This assumption appears reasonable due to the lack of facilities within the catchment area to provide such services, especially for school Learn To Swim programmes. With the increased capacity, this should form a key area for marketing by the council due to profitability of such programmes at similar centres.

**Pool:**

As discussed above, the facility is increasing its service offering from a 25 metre indoor pool and water castle to an additional 50 metre pool, larger spa, sauna and steam room facilities, waterslide, children's attraction area and year round toddlers pool.

On the basis of benchmarking against facilities of a similar nature the proposed adjusted uplift of 75% on current SLLC revenue appears aggressive. This is further supported by analysis of the proposed footfall, services being provided and current fee structures.

A more reasonable uplift would be 50% and has been discussed and agreed with CoC officers, which will be incorporated into the final business plan presented as part of the funding requirements.

A key sensitivity driver to the level of revenue for pools in centres similar to SLLC and the proposed CCW centre is the programmes and services provided within the pools. General lap swimmers prove to be a negative earner for pools where as swimming squads and swim schools provide more profitable revenue streams. For this reason greater importance should be placed on structuring a plan as to the intended use during opening hours for the pool facilities.

Therefore based on the above shift in revenue uplift, revenue from the pool would decrease by approximately \$173,000 per annum from the current business plan model.

**High Court:**

The CCW facility will be moving from a two court set-up at the existing SLLC facility to a proposed six court facility based on expected funding arrangements. At present the CoC business plan has applied a 150% revenue uplift on this revenue stream based on the increased floor space.

This is seen as unreasonable based on a number of factors.

The first of which is that the current SLLC facility has a court that is unavailable for hire during the day due to arrangements with the attached school. The new facility would not have this arrangement and it is believed that this will free up time that the court would be revenue earning.

Realistically however the key revenue hours for facilities such as high courts are from the hours of 3pm to 10pm during week days and then all day Saturday and Sunday. The percentage increase experienced from the availability of five courts during the day will be effectively minimal on the overall results experienced.

It is also unlikely that a new centre will be able to run their high court facilities at near full capacity from day one of opening the centre. It would be anticipated that there will be a lag between the opening of the centre and when competitions run in full. This will be due to a number of factors, such as the timing of the opening of the centre. If it falls at a time when basketball or netball seasons are already underway, organisations will have already locked in leasing facilities at other centres and will not move competitions mid season, social competitions will also already be filled at other facilities and so demand for CCW programmes will again experience a lag time before running near full capacity.

High courts also have periods of "dead time" depending on the nature of program or service being provided at any one time. Programmes such as netball and basketball are fine as they use one court at a time, but programmes like indoor soccer or indoor hockey will utilise up to two or three courts at a time due to the shape and size of the playing facility required, therefore the revenue per head participating will decrease.

The main concern behind the aggressive uplift currently included is that the uplift is predominantly on the increase in floor space and not on the expected footfall or programmes to be provided. It is understood that currently there seems to be a lack of facilities within the Perth metropolitan area to provide the services required for the community, but the current uplift of 150% is not based on current population results.

An uplift percentage of between 100 to 125% would be more realistic based on benchmarking and expected levels of take-up. The result this would have on the bottom line would be a decrease in revenue of approximately \$210,000 to \$295,000 per annum.

#### **Gym:**

The gym percentage uplift in revenue has been set to 15%. This appears very reasonable as unlike other revenue streams the gym revenue is linked closely with the square metre of space the gym has and therefore the number of members that can be accommodated at one time. Under the current proposed plan the gym floor space will almost double to 1,500m<sup>2</sup>.

At present there is a number of competitors within the 10km catchment area such as Next Generation Bibra Lake and a number of 24 hour self service gyms. Based on the CoC business plan, if SLLC is closed down when the new facility opens, it will be expected that a large number of these patrons will move to the new facility.

A strong marketing campaign should be launched to attract the additional member base to reach the level of revenue uplift.

The percentage uplift applied appears reasonable and achievable, if not understated at 15%. This was discussed with CoC officers as part of the review and will be increased to 25% as part of the final submission for funding.

#### **Kiosk:**

The revenue uplift of 4% appears reasonable and in line with standard growth levels experienced at SLLC, as well as the expected increase in patrons at the new centre.

The CoC is still looking at options of subletting the kiosk, which is not in the current business plan. Should the area be sublet the revenue currently reflected in the business plan for the kiosk will differ and the financial position may improve.

#### **Sundry Revenue Streams (crèche, rental & room hire, ministry):**

There has been a 10% revenue uplift in year one applied to these areas, based on increased capacity and size. In line with the increased footfall this revenue uplift is considered reasonable. After year one a standard 4% increase year on year has been applied.

To understand the assumptions and commentary on the assumptions made within the business plan, it is important to understand the key income drivers for aquatic facilities and combined aquatic and dry side infrastructure. Table 3 below identifies industry benchmarks produced by the Leisure Institute of Western Australia in relation to aquatic provision in the state. It is to be noted that as with the CERM benchmarks, the average visits per head of population within WA range from between 4.36 in Metropolitan Perth to 9.84 in regional areas. It is evident from the data produced that the higher level of competition within the market, the lower the level of average visits per head of population. Accessibility to the infrastructure and quality of provision are also strong dynamics which influence footfall per head of population. The average level of expenditure per pool should also be noted as this provides an indication of the cost of operating pool infrastructure.

Table 3 Industry Comparisons (Source Leisure Industry WA)

| Region         | Population       | Number of Pools | Annual Patronage | Average Visits per Pool | Pools visits per head of Population | Total Annual Expenditure | Average Expenditure per pool |
|----------------|------------------|-----------------|------------------|-------------------------|-------------------------------------|--------------------------|------------------------------|
| Perth          | 1,507,949        | 27              | 6,576,343        | 243,568                 | 4.36                                | \$29,674,614             | \$1,099,059                  |
| South West     | 227,981          | 13              | 1,066,997        | 82,076                  | 4.68                                | \$8,705,491              | \$669,653                    |
| Great Southern | 72,868           | 17              | 716,895          | 42,170                  | 9.84                                | \$4,952,174              | \$291,304                    |
| Midlands       | 52,214           | 24              | 279,942          | 11,664                  | 5.3                                 | \$2,750,676              | \$114,612                    |
| South Eastern  | 53,708           | 7               | 290,779          | 41,539                  | 5.41                                | \$2,449,140              | \$349,877                    |
| Central        | 60,167           | 13              | 344,403          | 26,492                  | 5.72                                | \$4,848,581              | \$372,967                    |
| Pilbara        | 40,132           | 12              | 230,750          | 19,229                  | 5.75                                | \$3,428,191              | \$285,683                    |
| Kimberley      | 35,865           | 7               | 311,987          | 44,569                  | 8.7                                 | \$1,257,974              | \$179,711                    |
| <b>TOTAL</b>   | <b>2,050,884</b> | <b>120</b>      | <b>9,815,096</b> | <b>81,792</b>           | <b>5.0</b>                          | <b>\$58,066,841</b>      | <b>\$483,890</b>             |

## 5.0 Review of Operating Expenditure

### 5.1 Process of the Review

A review has been performed on the reasonableness of the assumptions used for the proposed operating expenses included in the CoC CCW business plan. Operating expenditure involves a range of expenditures including staffing, utilities, maintenance, etc.

It must be noted that the operating expenditure which has been included in the CoC business plan includes only those items expected to be incurred annually to give a true reflection of what can be expected to be incurred in the ordinary course of business.

A number of extraordinary expenses that we would expect to see incurred especially in the year before the centre opens and year one of operations as a result of the opening of the centre have not been included in the business plan.

It should also be noted that the CoC business plan has not included any borrowing costs such as interest that may be incurred by the CoC on the funding required as part of this facility. It was the opinion of the city's officers that borrowing costs for infrastructure projects never get directly on-charged to specific projects but apportioned over the city as a whole.

### 5.2 Findings

Each of the key operating expenditures has been analysed for the reasonableness of the assumptions used in reaching their projected expenditure levels and are detailed below.

#### **Salaries:**

Staffing and salaries is the highest risk area for centres of this nature. Risk areas related to staffing are outlined further in the report. These broadly relate to providing the required services and programmes that are at a level expected by the community and that meet all the health and safety requirements.

Salaries also have the greatest impact on overall operating expenditure in the financial statements, due to the cost associated with employees.

As part of their due diligence for the project Coffey Sport and Leisure were asked to provide a feasibility study based on the proposed specifications of the new centre. As part of that study and benchmarking they indicated facilities of similar size and nature have between 55 and 60 full time equivalents (FTE) including approximately 200 casual staff.

In conducting our review we requested current management at the SLLC to provide a proposed staffing structure for a facility of the proposed size. A figure of 52 FTE's was provided, which is discussed further on in the report, but was seen as a reasonable structure.

It is therefore felt that the current figures of 45 FTE's being included in CoC business plan is under the levels that should be seen for a centre of this size. There needs to be a direct correlation between staffing level increases required for this facility, and uplift percentages applied to the revenue streams within the business plan that will require additional programmes and services. In order to properly service these programmes, additional staff will be required. Taking directly from the CoC business plan the average uplift across the revenue streams that will require additional staff to cover additional services and programmes is 72%, but there is only a 50% increase in FTE's from the current SLLC to the new proposed facility.

This difference has a significant effect on the bottom line of the financials for the centre as the average annual cost of a FTE is \$66,936. Based on this average cost, if the FTE's were to increase to 52 at a minimum, which is still below the benchmarking average, this would be an additional seven staff. The net effect would be a \$462,000 (this is 7 employees at \$66,000) negative movement on the profit and loss currently forecasted in the business plan.

#### **Utility costs:**

There are a number of factors that will affect the cost of utilities for the proposed new centre. As part of the development a large capital expenditure project is being proposed for Ecological Sustainable Development (ESD)

as a commitment to reduce the ecological impact the centre will have on the surroundings. ESD incorporates a number of initiatives.

The initiative will include installations of a 130 kilowatt solar array similar to that currently being used at the Oasis Recreation Centre in the city of Kalgoorlie-Boulder, geothermal energy for heating, high efficiency pool water filtration system and stormwater harvesting for reuse in toilet amenities.

Under the current business plan a utility cost of \$250,000 has been included. We feel this is unreasonable based on the following factors:

- Current utility costs at SLLC are expected to be approximately \$375,000 in 2014/15 based on the figures contained within the CoC business plan financial modelling. This figure is broken down further to \$118,609 for gas, \$222,789 for electricity and \$33,948 for water. Based on the increase in facility size and offering, the use of electricity and other utilities will also increase.
- Benchmarking performed showed that Melville Aquatic Centre which only has pools has a power consumption expense of \$244,000 and Craigie Leisure Centre (which has pools and 4 high courts) has a power consumption expense of \$359,800. Although both of these centres don't have ESD initiatives the current savings indicated from ESD reports would reduce these values to \$208,000 and \$305,000 respectively, for the smaller facilities.
- Geothermal heating will be installed into this facility which will reduce the need for gas. Pumps involved in these systems still require a large amount of electricity to operate, therefore again the CCW facility will need to increase the power consumption of the facility from the benchmarking above. Based on research performed the geothermal heating will provide heating to a certain level, at which point if more heating is required it reverts to gas heating. Without being supplied reports from the CoC stating otherwise, it must be assumed this will be the same for the CCW centre. Therefore it is assumed gas utility costs will continue to be incurred by the centre.
- For comparison utility costs for the Terry Tyzack Aquatic Centre (TTAC) were obtained from the 2012 management accounts presented to Stirling City Council. The total utility costs for this centre were \$451,766. This is broken down to \$191,406 for electricity, \$33,156 for water and \$227,204 for gas. The TTAC is smaller in size to the proposed CCW facility as it does not contain any high court facilities, which require additional heating and lighting requirements. Based on this it would be assumed additional utility costs would be incurred by the proposed CCW facility.
- Water expenses have not been provided to be included in the current figure of \$250,000.

It would be more reasonable to see electricity costs for the facility to be in the range of \$300,000 to \$350,000 and water expenses to be in the range of \$30,000 to \$35,000. Gas utility costs are likely to be minimal, but still incurred due to the installation of a geothermal heating system. Therefore we would expect a reasonable utilities expense to be in the range of \$330,000 to \$380,000, approximately \$100,000 above the current level.

#### **Promotion:**

The promotion and marketing of this new facility is going to be paramount in ensuring the footfall reaches or exceeds the levels anticipated. This is as mentioned earlier a key driver for revenue growth of facilities of this nature.

At present a promotion expense of \$170,000 for year one has been included in the business plan.

We fully expect that expenditure of this level will be required in the year leading up to the opening of the facility and year one of operation to ensure the patronage hits the required level, but we do not believe that this level of expenditure will be incurred year on year for the centre. We would expect a level of annual expenditure slightly higher to that of SLLC, (currently approximately \$60,000) due to the CCW facility drawing from a larger catchment area and increased competition for services such as gyms.

Therefore we see this expenditure as reasonable but would not expect to see similar levels after year 1, once the profit of the facility has been established and the services available known.

#### **Depreciation:**

Depreciation expense is detailed later in section 6 of the review.

**Chlorine:**

Although the total pool area is increasing by 200% the chlorine expense has increased by only 100%. The reason for there being a difference in the correlation of this is due to the new facility shifting from a liquid system currently used at SLLC to a gas system. Based on benchmark information from Terry Tyzack Aquatic Centre this level of expenditure appears within reason.

**Other sundry expenditure:**

All other minor operating expenditure segments appear reasonable based on the assumptions applied.

## 6.0 Review of the recommended proposal for facility depreciation and the impact on level of operating subsidy.

### 6.1 Review the recommended proposal for depreciation

Based on our review of depreciation, the proposed 2.5% straight line method for all capitalised construction costs for the facility appears reasonable and in line with Australia Taxation Office (ATO) expectations. Whilst we recognise that the centre will not be an entity subject to the provisions of the Income Tax Assessment Act (ITAA), the ATO's rates are widely used as a benchmark for depreciation.

Of key note though is that not all amounts included in the costing model of \$82 million will be depreciable at the above rate.

Some of the costs such as land development and planning will not be depreciated at all and so need to be excluded from this calculation.

Other items such as the fit outs of various rooms within the facility, seating, covers for the pool, pool deck, gym equipment, audio visual equipment, furniture and fittings and IT equipment will need to be extracted from this total figure and analysed individually on their useful lives and have appropriate depreciation rates applied.

Calculations based on the initial draft figures included in the report would suggest the depreciation expense in the financial statements of this facility will be around the \$2 million amount.

Please note the final depreciation expense reflected in the financial statements for this facility will be directly impacted by what the final quote for the build. Until that point no reasonable calculation of the expense can be made.

The assumptions being applied as part of the CoC business plan are considered reasonable.

Based on discussions with officers at the CoC, depreciation from this facility will be cashed back and deposited into a sinking fund for the future replacement and maintenance of the facility. This method of providing for future capital works is one seen on many major projects and ensures that when capital works are required to maintain the facility, funds are available.

Due to the size of this facility, and being 100% new, the level of depreciation will have a significant effect on the subsidy incurred by the rate payers of the CoC. At current estimations this subsidy will be between \$2.15 and \$2.75 per person entering the facility.



## 6.2 Life Cycle Cost

The total cost of ownership over the life of the asset was assessed to determine the appropriate allocation of funding which is required to be set aside annually to facilitate the effective management of the asset during the anticipated life of the RARCF. Table 4 identifies the life cycle cost parameters and assumes a building life of 30 years. It is understood that the City of Cockburn assume a building life to be 20 years. The assumptions used in determining the compounded life cycle costs are provided overleaf.

Table 4 Life Cycle Costs for the RARCF

| <b>LIFE CYCLE COST PARAMETERS</b>  |                          |
|------------------------------------|--------------------------|
| Building Life (years)              | 30                       |
| Interest Rate                      | 3.0%                     |
| Building Area (m2)                 | 20806                    |
| <b>LIFE CYCLE COSTS COMPOUNDED</b> |                          |
| <b>YEAR</b>                        | <b>Replacement Costs</b> |
| 1                                  | 0                        |
| 2                                  | 0                        |
| 3                                  | 723,387                  |
| 4                                  | 0                        |
| 5                                  | 1,001,546                |
| 6                                  | 653,534                  |
| 7                                  | 953,709                  |
| 8                                  | 146,404                  |
| 9                                  | 715,000                  |
| 10                                 | 3,632,092                |
| 11                                 | 0                        |
| 12                                 | 3,399,763                |
| 13                                 | 170,065                  |
| 14                                 | 1,227,579                |
| 15                                 | 15,350,956               |
| 16                                 | 0                        |
| 17                                 | 0                        |
| 18                                 | 1,133,859                |
| 19                                 | 0                        |
| 20                                 | 5,266,932                |
| 21                                 | 2,506,290                |
| 22                                 | 0                        |
| 23                                 | 229,478                  |
| 24                                 | 4,870,792                |
| 25                                 | 1,823,570                |
| 26                                 | 0                        |
| 27                                 | 1,226,118                |
| 28                                 | 2,018,542                |
| 29                                 | 0                        |
| 30                                 | 927,890                  |
| <b>TOTAL</b>                       | <b>\$47,977,506</b>      |

**Assumptions used in the life Cycle Cost Analysis**

The following economic life cycles for replacement purposes have been assumed:

|   |          |
|---|----------|
| - Carpet  | 7 years  |
| - Vinyl Floor Covering  | 10 years |
| - Timber flooring/decking   | 15 years |
| - Painting  | 5 years  |
| - External Works  | 10 years |
| - Roofing & plumbing  | 12 years |
| - Air-conditioning & Ventilation  | 15 years |
| - Lift (equipment)  | 20 years |
| - Electrical Services   | 15 years |
| - Hot Water System  | 12 years |
| - Fire Protection   | 15 years |
| - Security Systems, AV & IT, Gym Equipment                                | 7 years  |
| - Sundry Replacement (e.g.: ceilings, tapware, toilet hardware, f&f, etc) | 10 years |

In addition the following additional factors are built into the analysis:

- 75% of the total cost of the lift equipment shall be replaced every 20 years.
- 5% of the total cost of pool shall be the replacement cost every 3 years
- 35% of the total cost of electrical works shall be the replacement cost every 7 years
- Current interest rate is applied.

The indicative cashflow for the replacement facility costs is identified in table 5. This highlights the focus areas throughout the life of the building for asset management purposes. It also highlights the costs incurred throughout the life of the building for each of the facility elements requiring replacement.

Table 5 Indicative cashflow for replacement facility costs: RARCF

| CASHFLOW FOR REPLACEMENT COSTS |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     |                     |
|--------------------------------|------------------------------|--------------------|----------------------|--------------------|--------------------|--------------------|----------------------------|------------------|---------------------|--------------------|--------------------|--------------------|---|---------------------|---------------------|
| LIFE CYCLE :                   |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | 30                  |
| Annual Interest rate           |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | 3.0%                |
| YEAR                           | REPLACEMENT COSTS COMPOUNDED |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     |                     |
|                                | Carpet                       | Vinyl              | Timber flooring/deck | Painting           | External Works     | Roofing            | Air conditioning incl.vent | Lifts            | Electrical Services | Hot Water          | Fire Protection    | Pool plant service | Security, IT &AV, Access & Gym equipment. | Sundry Replacements | TOTAL               |
| Initial Cost Year 0            | \$580,000                    | \$401,000          | \$1,939,000          | \$747,000          | \$963,000          | \$977,000          | \$3,500,000                | \$310,000        | \$1,978,500         | \$850,000          | \$968,000          | \$546,000          | \$227,000                                 | \$500,000           |                     |
| 1                              |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 2                              |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 3                              |                              |                    |                      |                    | \$126,035          |                    |                            |                  |                     |                    |                    | \$597,352          |   |                     | \$723,387           |
| 4                              |                              |                    |                      | \$867,728          | \$133,818          |                    |                            |                  |                     |                    |                    |                    |   |                     | \$1,001,546         |
| 5                              |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    | \$653,534          |   |                     | \$653,534           |
| 6                              |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    | \$279,972                                 |                     | \$953,709           |
| 7                              | \$673,738                    |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$146,404           |
| 8                              |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$715,000           |
| 9                              |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    | \$715,000          |   |                     | \$1,464,404         |
| 10                             |                              | \$494,575          |                      | \$1,007,967        | \$1,454,873        |                    |                            |                  |                     |                    |                    |                    |   | \$674,677           | \$3,632,092         |
| 11                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 12                             |                              |                    |                      |                    |                    | \$1,399,734        |                            |                  |                     | \$1,217,783        |                    | \$782,246          |   |                     | \$3,399,763         |
| 13                             |                              |                    |                      |                    | \$170,065          |                    |                            |                  |                     |                    |                    |                    |   |                     | \$170,065           |
| 14                             | \$882,275                    |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    | \$345,304                                 |                     | \$1,227,579         |
| 15                             |                              |                    | \$3,039,250          | \$1,170,871        | \$180,568          |                    | \$5,486,011                |                  | \$3,101,164         |                    | \$1,517,274        | \$855,818          |   |                     | \$15,350,956        |
| 16                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 17                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 18                             |                              |                    |                      |                    | \$197,551          |                    |                            |                  |                     |                    |                    | \$936,309          |   |                     | \$1,133,859         |
| 19                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 20                             |                              | \$609,987          |                      | \$1,360,104        | \$1,963,138        |                    |                            | \$423,326        |                     |                    |                    |                    |   | \$910,377           | \$5,266,932         |
| 21                             | \$1,056,038                  |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    | \$1,024,370        | \$425,883                                 |                     | \$2,506,290         |
| 22                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 23                             |                              |                    |                      |                    | \$229,478          |                    |                            |                  |                     |                    |                    |                    |   |                     | \$229,478           |
| 24                             |                              |                    |                      |                    |                    | \$2,005,379        |                            |                  |                     | \$1,744,700        |                    | \$1,120,713        |   |                     | \$4,870,792         |
| 25                             |                              |                    |                      | \$1,579,920        | \$243,650          |                    |                            |                  |                     |                    |                    |                    |   |                     | \$1,823,570         |
| 26                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 27                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    | \$1,226,118        |   |                     | \$1,226,118         |
| 28                             | \$1,226,711                  |                    |                      |                    | \$266,566          |                    |                            |                  |                     |                    |                    |                    | \$525,264                                 |                     | \$2,018,542         |
| 29                             |                              |                    |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$0                 |
| 30                             |                              | \$927,890          |                      |                    |                    |                    |                            |                  |                     |                    |                    |                    |   |                     | \$927,890           |
| <b>TOTAL</b>                   | <b>\$3,838,762</b>           | <b>\$2,032,452</b> | <b>\$3,039,250</b>   | <b>\$5,986,590</b> | <b>\$5,112,147</b> | <b>\$3,405,112</b> | <b>\$5,486,011</b>         | <b>\$423,326</b> | <b>\$3,101,164</b>  | <b>\$2,962,483</b> | <b>\$1,517,274</b> | <b>\$7,911,459</b> | <b>\$1,576,423</b>                        | <b>\$1,585,054</b>  | <b>\$47,977,506</b> |

### 6.3 Annual Operating Expenses

The actual costs associated with operating the facility (including maintenance, repairs, management, utilities, taxes and insurance) has also been assessed based on building area of the RARCF. The floor area analysis is used as comparative information to assist in building the operational cost analysis and is used to inform the potential level of operating subsidy required to support the centre.

Table 6 Annual Operating Expenses by Building Area

| ANNUAL OPERATING EXPENSES              |                       |                     |                      |
|--|-----------------------|---------------------|----------------------|
| BUILDING AREA:                         | 20806                 |                     | Annual Interest rate |
|  |                       |                     | 3.0%                 |
| Annual Operating Costs                 | Rate per m2           | YEAR                | Compounded Amount    |
| Insurance                              | \$7.00                | Initial Cost Year 0 | \$2,205,436          |
| Air Conditioning Maintenance           | \$20.00               | 1                   | \$2,272,516          |
| Building Supervision                   | \$5.00                | 2                   | \$2,341,637          |
| Total Energy                           | \$15.00               | 3                   | \$2,412,860          |
| Fire protection                        | \$4.00                | 4                   | \$2,486,250          |
| Lifts                                  | \$7.00                | 5                   | \$2,561,871          |
| Repairs & Maintenance                  | \$15.00               | 6                   | \$2,639,793          |
| Security                               | \$3.00                | 7                   | \$2,720,085          |
| Landscaping                            | \$5.00                | 8                   | \$2,802,819          |
| Management Fee                         | \$10.00               | 9                   | \$2,888,069          |
| Sundry Costs                           | \$1.00                | 10                  | \$2,975,913          |
| Cleaning                               | \$14.00               | 11                  | \$3,066,428          |
| <b>TOTAL</b>                           | <b>\$106.00</b>       | 12                  | \$3,159,696          |
| <b>TOTAL OPERATING EXPENSES (P.A.)</b> | <b>\$2,205,436.00</b> | 13                  | \$3,255,802          |
|  |                       | 14                  | \$3,354,830          |
|  |                       | 15                  | \$3,456,870          |
|  |                       | 16                  | \$3,562,014          |
|  |                       | 17                  | \$3,670,356          |
|  |                       | 18                  | \$3,781,994          |
|  |                       | 19                  | \$3,897,027          |
|  |                       | 20                  | \$4,015,559          |
|  |                       | 21                  | \$4,137,696          |
|  |                       | 22                  | \$4,263,548          |
|  |                       | 23                  | \$4,393,228          |
|  |                       | 24                  | \$4,526,852          |
|  |                       | 25                  | \$4,664,540          |
|  |                       | 26                  | \$4,806,417          |
|  |                       | 27                  | \$4,952,608          |
|  |                       | 28                  | \$5,103,247          |
|  |                       | 29                  | \$5,258,467          |
|  |                       | 30                  | \$5,418,408          |
|  |                       | <b>TOTAL</b>        | <b>\$108,847,402</b> |

### 6.4 Recommendation

The analysis identified a significant annual impact on the financial bottom line of in excess of \$2m for annual operating costs (based on current day figures) and a \$48m investment over the 30 year life of the building to maintain the facilities in an 'as-new' condition.

As previously stated it is understood that depreciation from this facility will be cashed back and deposited into a sinking fund for the future replacement and maintenance of the facility. Setting aside finances to cater for replacement facility costs is considered to be good practice and should be continued and incorporated within a comprehensive asset management and replacement plan. Table 5 identifies the indicative cashflow for replacement facility costings for this purpose.

## 7.0 Review of Risk Management Outcomes

### 7.1 Overview

Risk is defined as “Exposure to the possibility of something happening that will have an impact on achieving objectives”. Risk arises out of uncertainty and has two elements:

- Probability (of something happening), and
- Consequence (impact resulting from the event).

Risk Management is a process of well-defined steps that support better decision making by providing greater insight into risks and their impacts.

As part of the RARCF Draft Business Plan it is understood that a high level risk assessment was undertaken. It is expected that the risk assessment would have focussed on the following aspects:

- Improve strategic planning for all delivery areas of the project
- Improve risk awareness
- Improve cost control in each of the key delivery areas
- Minimise losses and maximise opportunities
- Increase knowledge and understanding of exposure to specific risk events
- Increase preparedness for outside review
- Minimise disruptions
- Improve resource utilisation

Potential risks should be identified under designated risk categories and subsequently analysed in terms of probability (likelihood) and impact (consequence). Ratings of H (high), M (medium) and L (low) should be accorded to probability and impact and identified as MA (major), MO (moderate) or MI (minor) risks based on the following matrix.

**Table 7 Typical Risk Matrix**

| Probability | Impact | Risk |
|-------------|--------|------|
| H           | H      | MA   |
| H           | M      | MA   |
| M           | H      | MA   |
| M           | M      | MO   |
| H           | L      | MO   |
| L           | H      | MO   |
| M           | L      | MI   |
| L           | M      | MI   |
| L           | L      | MI   |

**Major Risks** require careful management and the development of a Risk Management Plan.

**Moderate Risks** require a manage-and-monitor response.

**Minor Risks** would be generally accepted or discarded.

The Risk identification, analysis and evaluation process is critical to ensure the Council understand all implications of the project. A Risk Register for the development should provide a template for ongoing risk management. This

should be periodically revisited to review risk status, eliminate risks no longer relevant and incorporate any additional risk items.

A desk top review was undertaken of the key risks identified in the draft business plan. This review assessed the assumptions made and used comparative data from similar projects to assess whether all relevant risks had been appropriately recognised. It is not the intention of this analysis to re-write the risk matrix, but merely to identify risks which are likely to occur during the partnership evolution; design development, tendering, construction, fit out, commissioning and opening processes

## 7.2 Risks Identified

The following are key risks which have been identified in a range of similar construction projects. They have been identified through the review process and assessed against the risks identified in the Draft Business Plan:

Table 8 Risks identified in the development of the RARCF

| Potential Risk Identified           | Cause of Risk  | Draft Business Plan reference  | Level | Recommendation   |
|-------------------------------------|--|--|-------|--|
| <b>Approvals</b>                    |  |  |       |  |
| Planning approval required          | There may be conditions on the approval that are going to be difficult to resolve.   | Identified under <b>PLANNING</b>   | MOD   | No action Required   |
| Headwork's Approvals                | Approvals are not obtained or are delayed and costs estimates are out.   | Not specifically identified  | LOW   | Responsibility of Landcorp   |
| <b>Site</b>                         |  |  |       |  |
| Latent ground conditions            | Contaminated material found in ground  | Not specifically identified  | LOW   | Include within the risk management matrix. ( <b>ENVIRONMENT</b> )      |
| Site availability and accessibility | Issues to be resolved with Landcorp  | Not specifically identified  | LOW   | Include within the risk management matrix. ( <b>PROJECT DELIVERY</b> ) |
| Unidentified existing services      | Potential for builder to hit unidentified existing services  | Not specifically identified  | LOW   | Include within the risk management matrix. ( <b>PROJECT DELIVERY</b> ) |
| <b>Design and Development</b>       |  |  |       |  |
| Coordination of design documents    | Documents are not properly coordinated to a reasonable standard at the end of DD.  | Broad reference is made to design under <b>PLANNING</b> . During the detailed design phase it will be important to break down the design risk further.<br>Under <b>PROJECT DELIVERY</b> reference is made to project management and construction delays. This section purely relates to pre-construction detailed design | LOW   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Scope/brief changes                 | Stakeholder changes or budget changes. Significant change to the scope of the project which could result in a sizeable cost blowout. |  | MOD   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Disability access                   | Non-Compliant DDA Design Aspects.  |  | LOW   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Ecologically Sustainable design     | Does not meet expectations   |  | MOD   | Include within the risk management matrix. ( <b>PLANNING</b> )         |

| Potential Risk Identified            | Cause of Risk   | Draft Business Plan reference                                       | Level | Recommendation   |
|--------------------------------------|---|---|-------|--|
| Future proofing of services          | Brief is not adequate. Advance provision costs: Relating to new technology and future proofing the facility. Experience shows that new technology which is initially expensive eventually comes down in cost, making it affordable. | and documentation.  | MOD   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Programme                            | Design does not meet programme  |   | MOD   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| OH&S/Maintenance Reviews             | Does not meet codes and regulations.  |   | LOW   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Structural Design                    | Lack of detail and omissions  |   | LOW   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Civil Design                         | Lack of detail and omissions. Lack of sufficient detail with Civil design at construction stage which could result in cost increase.  |   | LOW   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Services                             | Lack of information particularly in ground services   |   | LOW   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| Project Communication                | Lack of communication   |   | LOW   | Include within the risk management matrix. ( <b>PLANNING</b> )         |
| <b>Construction on Site</b>          |   |   |       |  |
| Site management during construction. | Project delay due to builder  | Identified under <b>PROJECT DELIVERY</b>                            | MOD   | No action Required   |
| Weather                              | Inclement weather causing delays in build program   | Not specifically identified   | MOD   | Include within the risk management matrix. ( <b>PROJECT DELIVERY</b> ) |
| Materials                            | Materials are not readily available.  | Not specifically identified   | MOD   | Include within the risk management matrix. ( <b>PROJECT DELIVERY</b> ) |
| Inflation/Escalation                 | Inflation affects builders costs  | Identified under <b>FINANCIAL</b>                                   | MOD   | No action Required   |
| Public Liability                     | Damages/Injury/Death to public  | Identified in <b>LEGAL</b>  | MOD   | No action Required   |
| Communication                        | Variations etc and instructions not tracked or provided   | Identified under broad Project Management heading in <b>PROJECT</b> | MOD   | No action Required   |



| Potential Risk Identified          | Cause of Risk  | Draft Business Plan reference  | Level | Recommendation   |
|------------------------------------|--|--|-------|--|
| Structure                          | formally.  | <b>DELIVERY</b>  |       |  |
| Delays                             | The project is delayed by agreed timeframe   | Identified in <b>PROJECT DELIVERY</b>  | MOD   | No action Required   |
| Complying with planning conditions | They don't comply.   | Identified in <b>PLANNING</b>  | LOW   | No action Required   |
| <b>Commissioning</b>               |  |  |       |  |
| Commissioning                      | Staff are not provided with appropriate training from relevant sub-contractors and provided with manuals and as built documentation. | No specific reference  | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> ) |
| Resources                          | Adequate staff are not trained to use the equipment and technology in the building.  | No specific reference  | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> ) |
| Integration of handover/commission | Commissioning does not occur in a timely or logical manner   | No specific reference  | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> ) |
| Staged handover                    | Handover does not occur in a timely or logical manner.   | No specific reference  | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> ) |
| <b>Legal</b>                       |  |  |       |  |
| Commissioning                      | The City are exposed to further costs due to unforeseen fit out costs  | No specific reference  | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> ) |
| Integration of handover/commission | With Landcorp, Fremantle Dockers and Education Partners  | Identified broadly under <b>STAKEHOLDER</b>                                  | MOD   | No action required.  |
| <b>Operating</b>                   |  |  |       |  |
| Security                           | The security requirements are not achieved.  | No specific reference  | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> ) |
| <b>Industrial Relations</b>        |  |  |       |  |
| Industrial Relation events during  | Industrial Relations issues affect progress of works.  | Identified under broad Project Management heading in <b>PROJECT DELIVERY</b> | MOD   | No action required.  |

| Potential Risk Identified                                  | Cause of Risk  | Draft Business Plan reference  | Level | Recommendation   |
|--|--|--|-------|--|
| commission   |  |  |       |  |
| Supply of labour   | Labour shortages resulting in project delay.   | No specific reference  | MOD   | Include within the risk management matrix. ( <b>PROJECT DELIVERY</b> ).  |
| Stakeholder Management                                     |  |  |       |  |
| Community expectation                                      | New facility does not meet expectations of community. Potential over-selling through marketing and under-delivering the service.   | No specific reference  | MOD   | Include within the risk management matrix. ( <b>STAKEHOLDER</b> ).   |
| Stakeholder outcomes                                       | The stakeholders (sports groups, SLLC users, staff) have unrealistic expectations of the scope of the project.   | No specific reference  | MOD   | Include within the risk management matrix. ( <b>STAKEHOLDER</b> ).   |
| Lack of Suitable Consultation                              | Resulting in disenfranchised individuals / groups  | No specific reference  | MOD   | Include within the risk management matrix. ( <b>STAKEHOLDER</b> ).   |
| Negative public relations                                  | That the project attracts bad publicity.   | Identified under <b>POLITICAL</b>  | LOW   | No action required   |
| Change of Personnel  | Scope change   | Identified in <b>ORGANISATIONAL</b>  | MOD   | No action required   |
| Budget/Financial   |  |  |       |  |
| Financial reporting  | Changing in financial reporting processes requiring all corporate overheads to be included in annual profit and loss account for the regional centre. Could potentially impact on promotion and marketing and undermine the business plan. | Broad reference is made to budget / financial aspects under <b>FINANCIAL</b> . There is potential to add to current risk assessed to provide greater breakdown | MOD   | Include within the risk management matrix. ( <b>FINANCIAL</b> ).   |
| Some fees, works or fit out not included in project costs. | Exposes the City to additional unaccounted costs and potential cost blow out.  |  | MOD   | Include within the risk management matrix. ( <b>FINANCIAL</b> ).   |
| Allowance made for contingencies                           | Provisional sum insufficient and may need to be re-considered.   |  | MOD   | Include within the risk management matrix. ( <b>FINANCIAL</b> ). The contingency has been identified as potentially being low. |

| Potential Risk Identified   | Cause of Risk  | Draft Business Plan reference            | Level | Recommendation   |
|---|--|--|-------|--|
| Contract not fixed price  | Client exposed to cost increases due to variations.  |  | MOD   | No Action required – contained under <b>FINANCIAL</b>  |
| Builder progress payment schedule (project cash flows) not determined nor agreed by QS, builder and client. | Lack of control or certainty to certifications of builder and consultants progress claims. The project needs to strictly adhere to a well-planned and rigorously monitored schedule. Failure to keep to this schedule can cause unforeseen or unwanted delays which, in turn, can lead to a rapid escalation of costs. |  | MOD   | No Action required – contained under <b>PROJECT DELIVERY</b> – Project Management.   |
| Tender price significantly higher than QS estimate.   | The project cannot proceed.  |  | MOD   | No Action required – contained under <b>FINANCIAL</b>  |
| Meeting requirements of funding / grant agreements  | A lack of adherence to funding requirements resulting in the foreclosure of grants and reclaim of expenditure.   |  | MOD   | Include within the risk management matrix. ( <b>FINANCIAL</b> ). Grants are to be applied for and will need to be managed if successful. |
| <b>Political</b>  |  |  |       |  |
| Other Projects Delayed  | Lack of finance available for other City projects as a result of a down turn in the market or project cost blowouts  | Identified under <b>POLITICAL</b>        | LOW   | No action Required   |
| <b>Service Delivery</b>   |  |  |       |  |
| Market risk:  | This is important when consumers can choose alternative services   | No specific reference                    | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> )   |
| Staffing Levels   | Inappropriate staffing levels to meet the expectations of the business plan and to service customer needs  | No specific reference                    | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> )   |
| Operational flexibility of facility   | Inability to deliver complementary activities that will generate additional revenue such as corporate events and significant sporting events.  | No specific reference                    | MOD   | Include within the risk management matrix. ( <b>SERVICE DELIVERY</b> )   |
| Operating risk  | Underestimation of operating costs and occasionally, an overestimation of the output from the proposed facility.   | Identified under <b>SERVICE DELIVERY</b> | MOD   | No action Required   |

| Potential Risk Identified | Cause of Risk   | Draft Business Plan reference            | Level | Recommendation     |
|---------------------------|---|--|-------|--------------------|
| Demand risk.              | This is a result of an overestimation of the demand and "willingness to pay" for the proposed infrastructure facility | Identified under <b>SERVICE DELIVERY</b> | MOD   | No action Required |

### 7.3 Recommendations

The review of the risk management plan did not identify any significant high level risks which had not been accounted for. Moreover the assessment identified a number of areas where a greater emphasis should be placed on moderate level risk ratings. It must be emphasised that the risks identified have not been work-shopped or tested with peers to confirm the risk rating. Nevertheless the following highlights the important risks identified in table 7 above:

- Latent ground conditions – early survey work to offset potential project delay.
- Community expectation – the need to engage stakeholders during the construction phase. Stakeholders include sporting groups; current users of SLLC and
- Marketing and promotion: Ability to draw on additional reserves to facilitate more aggressive marketing. Necessary to achieve footfall.
- Rise in utility costs / ESD initiatives compromising the long term financial viability of the centre.
- Staffing Structure – inappropriate to serve the needs of the RARCF.
- Changes to financial reporting requirements – offsetting costs against broader 'City of Cockburn' corporate overheads.
- Recreation and Leisure Market Risk: Impact of Murdoch Activity Centre Development / Commercial Gym development and others need to be factored in. Due to the extent of growth in the area (6.1% annually), it is likely that the commercial fitness and leisure market will be attracted to Cockburn Central.

All additional risks identified will need to be assessed against the consequence and likelihood and a risk management strategy identified.

## 8.0 Review of Marketing Plan

### 8.1 Current Proposal

The following table highlights the marketing plan components and budget for the facility and is understood to be in addition to the annual \$45,000 marketing budget for the South Lake Leisure Centre. The budget will be a one off contribution to raise the profile of the facility up to a year before opening and a year post opening.

**Table 9 Overview of Cockburn Aquatic Sport and Community Facility: 12 months pre and post opening including launch**

| ACTIVITY  | COST                                   |
|---|--|
| <b>PRE-OPENING</b>  |  |
| 12 months x 6 hours per week (Marketing Contractor)             | \$31,200                               |
| Develop key marketing messages; straplines; look                | \$10,000                               |
| Web cam   | \$0                                    |
| Displays  | \$6,000                                |
| Promotion at events   | \$0                                    |
| <b>SIX MONTHS BEFORE COMPLETION</b>                             |  |
| Paid advertising in Gazette                                     | \$2,500                                |
| Tactical advertising with offerings                             | \$15,000                               |
| Selected journalists to come and view the project (media packs) | \$250                                  |
| Photography   | \$2,000                                |
| Facebook page an e-newsletter                                   | \$500                                  |
| Produce larger 20 page edition of Cockburn Soundings            | \$7,000                                |
| Billboards around City 4 months prior x 4                       | \$8,000                                |
| Billboards on site  | \$0                                    |
| 3 week radio campaign   | \$20,000                               |
| New Brochures   | \$15,000                               |
| Web site pages  | \$0                                    |
| Completion – facility Launch                                    | \$25,000                               |
| <b>12 MONTHS FOLLOWING COMPLETION</b>                           |  |
| Project updates   | \$0                                    |
| Video   | \$30,000                               |
| Billboards x 4  | \$8,000                                |
| Train station advertising                                       | \$15,000                               |
| Radio Campaign  | \$15,000                               |
| <b>TOTAL BUDGET</b>   | <b>\$210,450 (stated as \$211,450)</b> |

### 8.2 Review of current plan

The marketing plan is focussed on public relations and promotion with the bulk of the budget attributable to standard promotional items and written / spoken word media releases. Whilst this will raise brand awareness of the facility components and gain general awareness of the centres opening it is not sufficiently targeted to

increase the footfall through the centre. It is not considered that the approach advocated will generate significant sustained usage at the RARCF.

A critical component with the closure of South Lakes Leisure Centre will be to engage with current users of that centre and identify their needs and aspirations in moving to a new facility (and if the new facility as currently being proposed will meet their needs). It is therefore recommended that additional investment is set aside for stakeholder engagement / management prior to centre opening to ensure that current user groups can transition from SLLC seamlessly. In summary the approach should focus on:

- Centre membership and pre-selling. This is critical to achieve the level of footfall desired and anticipated in the income projections associated with the draft business plan.
- Identification of potential user groups (segmentation). This will require detailed analysis of the local area and demographics (existing and future) to identify the potential best usage return by identified target groups. It is important to target these groups by differentiating the service offer by segment (i.e. young people, youth, babies, toddlers, mothers, women, over 65's, over 50's minority ethnic communities, indigenous community etc.).
- Develop the messaging approach to focus on key user groups and avoid generic promotion and advertising.
- Develop key goals and measures to determine the ultimate program and staffing requirements (current staffing numbers are based on an approximation and do not necessarily reflect the external user group and membership engagement process.
- Incorporate the identified tactics being used regarding web, press, political process which are considered reasonable with the identified timeline

## 8.3 Recommended Marketing Plan Requirements

### 8.3.1 The Marketing Plan

The basic components of the RARCF marketing plan include:

- A statement of the main aims and objectives
- An outline of what is planned to be undertaken.
- Situation analysis:
  - Identify current situation
  - Impact on the plan
- Target market analysis which defines the current and future market and identifies techniques in targeting the market. To be underpinned by demographics including age, income, gender, ethnicity and geographic influences.
- Issues and opportunities analysis.
  - The current market opportunities and competitive influences
  - What needs to be undertaken to compete effectively and grow
  - Identify marketing strategies and tactics which are likely to be effective in a relatively new and growing area.
- Set objectives
  - How, why and when to introduce an event or activity.
  - Measurements of success e.g. number of people signing-up for membership, numbers through the door, programs, customer surveys etc.
  - Achievable: Staffing levels appropriate to perform the task (membership officer, customer services representative etc.).
  - Realistic targets - increase numbers in line with current population (anticipated footfall based on industry benchmark plus % for new infrastructure attractiveness) and anticipated population growth.

- Timetabled activities – 6 months out, 3 months out, opening and ongoing promotional pushes.
- Provide specific marketing strategies to assist in achieving the objectives with an emphasis on promotion and targeting specific market segments with an appropriate message.
- Implementation and control – roles, responsibilities and measurements. All to be time bound and achievable within the centres budget and City of Cockburn broader collective corporate budget.

### **8.3.2 Staffing Requirements**

The key staffing functions at the RARCF will include overall management, financial management, administration, reception, program delivery, marketing, asset management and maintenance, cleaning, child care, catering, safety/risk management and customer service. All elements are critical in making the centre work and to achieve the anticipated footfall demanded by the anticipated usage of the facility.

Staffing requirements should not be underestimated as the proportion of income generated is directly proportional to the staff delivering the programs and services. Where facilities are seeking to expand and develop the user base it is essential to employ staff with direct responsibility for customer care and for selling appropriate membership packages. Membership packages are generally available in all combined wet and dry facilities and are particularly attractive when associated with group fitness and gym activities. The majority of leisure centres are now employing dedicated membership officers with sole responsibility to attract and retain members of the centre and respond to membership service complaints. This model was originally developed by commercial gyms and is now commonplace in local authority leisure centres.

As a minimum it is recommended that the City of Cockburn employs one full time membership officer at least 3 months (preferably six months) prior to the centre opening with the specific function of:

- Promoting the facility both within and external to the centre (schools, clubs, associations, existing user groups and nominated workplaces).
- Undertake research into potential users and profiles.
- Develop membership offers and packages.
- Build a network of contacts and potential referrals
- Establish a member complaints process.
- Investigate potential products, programs and services which add value to the member experience.
- Develop key messaging for market segments.

Upon the centre opening it is recommended that the staffing level be increased by a minimum of one full time equivalent with similar responsibilities.

## Appendix A

# Capital Cost Review



## Appendix A Capital Cost Review

Table 10 Comparative Capital Cost Review – Based on an assessment of WT Partnership cost estimate of December 2012 and City of Cockburn subsequent adjustments (DL rate, total and commentary)

| REGIONAL AQUATIC AND RECREATION CENTRE COCKBURN CENTRAL WEST SPORTS PRECINCT MASTER PLAN |   |        |      |           |           |           |                         |           |          |                     |                |           |  |
|--|---|--------|------|-----------|-----------|-----------|-------------------------|-----------|----------|---------------------|----------------|-----------|--|
| INDICATIVE COST ESTIMATE   |   |        |      |           |           |           |                         |           |          |                     |                |           |  |
| ITEM   | DESCRIPTION   | AREA   | UNIT | RATE      | TOTAL     | Community | Fremantle Football Club | Education | Function | Base Infrastructure | DL RATE REVIEW | DL TOTAL  | COMMENTS   |
| <b>Site Preparation</b>  |   |        |      |           |           |           |                         |           |          |                     |                |           |  |
| 1  | Site Clearance and bulk earthworks                  | 69,000 | m2   | 50        | 3,450,000 |           |                         |           |          | 3,450,000           | 45             | 3,105,000 | The rate for Site Prep appears circa \$5/sq m high. This is on the assumption that no hard rock or abnormals are onsite. We are receiving rates back as low as \$35/sq m |
| 2  | Provisional allowance for retaining wall structures | 1      | Item | 500,000   | 500,000   |           |                         |           |          | 500,000             | 500,000        | 500,000   | \$500K allowance has been maintained in verification by DL however this would allow for circa 900sq m of retaining structures which appears significant.                 |
| <b>Buildings</b>   |   |        |      |           |           |           |                         |           |          |                     |                |           |  |
| <b>Lower Ground Floor</b>  |   |        |      |           |           |           |                         |           |          |                     |                |           |  |
| 3  | FDFC Gymnasium                                      | 450    | m2   | 2,600     | 1,170,000 |           | 1,170,000               |           |          |                     | 2,600          | 1,170,000 | No plan for Lower Ground Floor   |
| 4  | FDFC Change Rooms and Property                      | 350    | m2   | 3,400     | 1,190,000 |           | 1,190,000               |           |          |                     | 3,000          | 1,050,000 |  |
| 5  | Sports Science and Conditioning                     | 300    | m2   | 3,000     | 900,000   |           | 900,000                 |           |          |                     | 3,000          | 900,000   |  |
| 6  | Medical   | 380    | m2   | 3,000     | 1,140,000 |           | 1,140,000               |           |          |                     | 3,000          | 1,140,000 |  |
| 7  | Yoga, Pilates, Rehab                                | 180    | m2   | 2,600     | 468,000   |           | 468,000                 |           |          |                     | 2,500          | 450,000   |  |
| 8  | Foyer and circulation                               | 195    | m2   | 2,600     | 507,000   | 91,000    | 416,000                 |           |          |                     | 3,000          | 585,000   |  |
| 9  | Sevice Core and Toilets                             | 100    | m2   | 3,400     | 340,000   |           | 340,000                 |           |          |                     | 3,000          | 300,000   |  |
| 10   | FDFC Terrace  | 530    | m2   | 750       | 397,500   |           | 397,500                 |           |          |                     | 800            | 424,000   |  |
| <b>Ground Floor</b>  |   |        |      |           |           |           |                         |           |          |                     |                |           |  |
| 11   | Community space                                     | 241    | m2   | 3,500     | 843,500   |           |                         |           | 843,500  |                     | 4,500          | 1,084,500 |  |
| 12   | Media/Comms/Admin/Media/Semina/Altitude             | 1,312  | m2   | 3,400     | 4,460,800 |           | 4,460,800               |           |          |                     | 4,000          | 5,248,000 |  |
| 13   | Service Core and Staff Toilets                      | 100    | m2   | 3,400     | 340,000   |           | 340,000                 |           |          |                     | 3,000          | 300,000   |  |
| 14   | Covered Way/Entrance Canopy                         | 115    | m2   | 1,000     | 115,000   |           | 115,000                 |           |          |                     | 1,000          | 115,000   |  |
| 15   | Loading and Storage                                 | 155    | m2   | 1,500     | 232,500   | 232,500   |                         |           |          |                     | 1,500          | 232,500   |  |
| <b>Indoor Sports/High Ball Area</b>  |   |        |      |           |           |           |                         |           |          |                     |                |           |  |
| 16   | Indoor Courts [4 Court Playing Area]                | 3,080  | m2   | 1,700     | 5,236,000 | 5,236,000 |                         |           |          |                     | 1,800          | 5,544,000 |  |
| 17   | Indoor Courts [2 Court Playing Area]                | 1,481  | m2   | 1,700     | 2,517,700 | 2,517,700 |                         |           |          |                     | 1,800          | 2,665,800 |  |
| 18   | Storage Areas                                       | 295    | m2   | 1,650     | 486,750   | 486,750   |                         |           |          |                     | 1,500          | 442,500   |  |
| 19   | Extra over for retractable seating                  | 1      | Item | 1,000,000 | 1,000,000 | 1,000,000 |                         |           |          |                     | 1,000,000      | 1,000,000 | Allowance maintained   |

|    |  |       |      |           |           |           |         |  |  |           |           |                              |
|----|--|-------|------|-----------|-----------|-----------|---------|--|--|-----------|-----------|------------------------------|
|    | <b>Indoor Sports/High Ball Area (Coned)</b>                      |       |      |           |           |           |         |  |  |           |           |                              |
| 20 | Change Rooms and Toilets   | 350   | m2   | 3,400     | 1,190,000 | 1,190,000 |         |  |  | 3,000     | 1,050,000 |                              |
| 21 | Public Toilets   | 25    | m2   | 3,700     | 92,500    | 92,500    |         |  |  | 3,000     | 75,000    |                              |
| 22 | Ref, Toum, Offices   | 60    | m2   | 2,800     | 168,000   | 168,000   |         |  |  | 3,200     | 192,000   |                              |
| 23 | Utilities/Plant  | 225   | m2   | 1,800     | 405,000   | 405,000   |         |  |  | 2,000     | 450,000   |                              |
|    | <b>Leisure Centre Building Management</b>                        |       |      |           |           |           |         |  |  |           |           |                              |
| 24 | Reception/Foyer/Internal Circulation                             | 795   | m2   | 4,650     | 3,696,750 | 3,696,750 |         |  |  | 4,000     | 3,180,000 |                              |
| 25 | Community Office Space   | 160   | m2   | 2,800     | 448,000   | 448,000   |         |  |  | 3,200     | 512,000   |                              |
| 26 | Allied Health  | 150   | m2   | 2,800     | 420,000   | 420,000   |         |  |  | 3,200     | 480,000   |                              |
| 27 | Administration   | 55    | m2   | 2,800     | 154,000   | 154,000   |         |  |  | 3,200     | 176,000   |                              |
| 28 | Entrance Canopy  | 630   | m2   | 1,000     | 630,000   | 630,000   |         |  |  | 1,000     | 630,000   |                              |
|    | <b>Crèche</b>  |       |      |           |           |           |         |  |  |           |           |                              |
| 29 | Crèche, Indoor Area  | 260   | m2   | 3,000     | 780,000   | 780,000   |         |  |  | 3,000     | 780,000   |                              |
| 30 | Crèche, Outdoor Area   | 200   | m2   | 400       | 80,000    | 80,000    |         |  |  | 550       | 110,000   |                              |
| 31 | Covered Way/Entrance Canopy                                      | 80    | m2   | 1,000     | 80,000    | 80,000    |         |  |  | 1,000     | 80,000    |                              |
|    | <b>Aquatic Centre Retail</b>                                     |       |      |           |           |           |         |  |  |           |           |                              |
| 32 | Café   | 155   | m2   | 3,400     | 527,000   | 527,000   |         |  |  | 4,000     | 620,000   | Assumed this is a restaurant |
| 33 | Retail and Club Merchandise                                      | 120   | m2   | 2,800     | 336,000   | 336,000   |         |  |  | 2,100     | 252,000   |                              |
| 34 | Kid's Party / Activity Area                                      | 140   | m2   | 3,000     | 420,000   | 420,000   |         |  |  | 3,000     | 420,000   |                              |
| 35 | Interactive  | 110   | m2   | 3,000     | 330,000   |           | 330,000 |  |  | 3,000     | 330,000   |                              |
| 36 | Terrace  | 390   | m2   | 750       | 292,500   | 292,500   |         |  |  | 900       | 351,000   | Timber Deck assumed          |
| 37 | Covered Way/Entrance Canopy                                      | 140   | m2   | 1,000     | 140,000   | 140,000   |         |  |  | 1,000     | 140,000   |                              |
|    | <b>Aquatic Centre</b>  |       |      |           |           |           |         |  |  |           |           |                              |
| 38 | Aquatic Hall   | 3,320 | m2   | 2,700     | 8,964,000 | 8,964,000 |         |  |  | 2,800     | 9,296,000 |                              |
| 39 | Future Expansion   | 625   | m2   | 0         | Excluded  |           |         |  |  |           |           |                              |
| 40 | 8 Lane 25m Lap Pool  | 1     | Item | 2,000,000 | 2,000,000 | 2,000,000 |         |  |  | 2,300,000 | 2,300,000 | 21m x 27m                    |
| 41 | Leisure Pool, learn to swim and splash pad including water slide | 1     |      | 3,000,000 | 3,000,000 | 3,000,000 |         |  |  | 2,400,000 | 2,400,000 | 30m x 20m                    |
| 42 | 10 lane 52m Outdoor Pool including boom                          | 1     |      | 4,950,000 | 4,950,000 | 4,950,000 |         |  |  | 5,100,000 | 5,100,000 | 53m x 24m                    |
| 43 | Cover to external 50m pool                                       | 2,125 |      | 1,000     | 2,125,000 | 2,125,000 |         |  |  | 1,000     | 2,125,000 |                              |
| 44 | Pool Deck to Perimeter of Outdoor Pool                           | 1,500 |      | 250       | 375,000   | 375,000   |         |  |  | 400       | 600,000   |                              |
| 45 | Aquatic Sport Recovery and Hydrotherapy                          | 600   |      | 3,200     | 1,920,000 | 1,280,000 | 640,000 |  |  | 3,800     | 2,280,000 |                              |
| 46 | Hydrotherapy pool [say 200 m2]                                   | 1     |      | 750,000   | 750,000   | 750,000   |         |  |  | 760,000   | 760,000   |                              |
| 47 | Spa x 2 [40 m2]  | 1     |      | 260,000   | 260,000   | 260,000   |         |  |  | 260,000   | 260,000   |                              |
| 48 | Sauna [15 m2]  | 1     |      | 50,000    | 50,000    | 50,000    |         |  |  | 50,000    | 50,000    |                              |
| 49 | Steam Room [15 m2]   | 1     |      | 50,000    | 50,000    | 50,000    |         |  |  | 50,000    | 50,000    |                              |
| 50 | First Aid, Life Guard Office                                     | 35    |      | 2,800     | 98,000    | 98,000    |         |  |  | 3,200     | 112,000   |                              |
| 51 | School Change Rooms  | 120   |      | 3,400     | 408,000   | 408,000   |         |  |  | 3,000     | 360,000   |                              |
| 52 | Club Room  | 50    |      | 3,300     | 165,000   | 165,000   |         |  |  | 3,000     | 150,000   |                              |
| 53 | Aquatic Change, Showers, Toilets and Admin                       | 410   |      | 3,400     | 1,394,000 | 1,394,000 |         |  |  | 3,200     | 1,312,000 | Incl Admin                   |
| 54 | Circulation Space  | 45    |      | 2,600     | 117,000   | 117,000   |         |  |  | 3,000     | 135,000   |                              |
| 55 | Slab Overhang Soffit   | 170   |      | 250       | 42,500    | 42,500    |         |  |  | 250       | 42,500    |                              |
| 56 | Covered Way/Entrance Canopy                                      | 600   |      | 1,000     | 600,000   | 600,000   |         |  |  | 1,000     | 600,000   |                              |

|  |   |        |      |  |                    |                   |                   |                  |                  |                  |  |  |         |                    |  |  |  |  |  |           |
|--|---|--------|------|--|--------------------|-------------------|-------------------|------------------|------------------|------------------|--|--|---------|--------------------|--|--|--|--|--|-----------|
| 58                                     | Education Including Lecture Room  | OMIT   |      |  |                    |                   |                   |                  |                  |                  |  |  |         |                    |  |  |  |  |  |           |
| 59                                     | Foyer/Circulation Space   | 315    |      |  | 3,500              | 1,102,500         | 1,102,500         |                  |                  |                  |  |  | 4,000   |                    |  |  |  |  |  | 1,260,000 |
| 60                                     | Change Rooms  | 120    |      |  | 3,400              | 408,000           | 408,000           |                  |                  |                  |  |  | 3,000   |                    |  |  |  |  |  | 360,000   |
| 61                                     | Function  | OMIT   |      |  |                    |                   |                   |                  |                  |                  |  |  |         |                    |  |  |  |  |  |           |
| 62                                     | Gym Floor   | 900    | m2   |  | 2,600              | 2,340,000         | 2,340,000         |                  |                  |                  |  |  | 2,600   |                    |  |  |  |  |  | 2,340,000 |
| 63                                     | Group Fitness   | 350    | m2   |  | 2,600              | 910,000           | 910,000           |                  |                  |                  |  |  | 2,600   |                    |  |  |  |  |  | 910,000   |
| 64                                     | Personal Training   | 42     | m2   |  | 2,600              | 109,200           | 109,200           |                  |                  |                  |  |  | 2,600   |                    |  |  |  |  |  | 109,200   |
| 65                                     | Storage   | 45     | m2   |  | 2,600              | 117,000           |                   |                  |                  | 117,000          |  |  | 1,500   |                    |  |  |  |  |  | 67,500    |
| 66                                     | RPM/Spin  | 100    | m2   |  | 2,600              | 260,000           | 260,000           |                  |                  |                  |  |  | 2,600   |                    |  |  |  |  |  | 260,000   |
| 67                                     | Appraisal Sales Office  | 70     | m2   |  | 2,600              | 182,000           | 182,000           |                  |                  |                  |  |  | 3,200   |                    |  |  |  |  |  | 224,000   |
| 68                                     | Mechanical Plant  | 910    | m2   |  | 1,800              | 1,638,000         | 1,638,000         |                  |                  |                  |  |  | 2,000   |                    |  |  |  |  |  | 1,820,000 |
|  | <b>Second Floor</b>   |        |      |  |                    |                   |                   |                  |                  |                  |  |  |         |                    |  |  |  |  |  |           |
| 69                                     | FDFC  | 1,700  | m2   |  | 2,800              | 4,760,000         |                   | 4,760,000        |                  |                  |  |  | 2,800   |                    |  |  |  |  |  | 4,760,000 |
|  | <b>External Works</b>   |        |      |  |                    |                   |                   |                  |                  |                  |  |  |         |                    |  |  |  |  |  |           |
| 70                                     | On Grade car Parking  | 12,000 | m2   |  | 120                | 4,000,000         |                   |                  |                  |                  |  |  | 150     |                    |  |  |  |  |  | 4,000,000 |
| 71                                     | Grass Parking Overflow Area   | 3,000  | m2   |  | 25                 |                   |                   |                  |                  |                  |  |  | 25      |                    |  |  |  |  |  |           |
| 72                                     | FDFC Parking and Access   | 1,500  | m2   |  | 120                |                   |                   | 180,000          |                  |                  |  |  | 150     |                    |  |  |  |  |  |           |
| 73                                     | External Forecourt Circulation  | 3,128  | m2   |  | 150                |                   |                   |                  |                  |                  |  |  | 90      |                    |  |  |  |  |  |           |
| 74                                     | Grassed Seating to Outdoor Pool   | 155    | m2   |  | 150                |                   |                   |                  |                  |                  |  |  | 90      |                    |  |  |  |  |  |           |
| 75                                     | Marshall Area   | 50     | m2   |  | 400                |                   |                   |                  |                  |                  |  |  | 550     |                    |  |  |  |  |  |           |
| 76                                     | Allow for Grass to Balance of Area  | 14,882 | m2   |  | 25                 |                   |                   |                  |                  |                  |  |  | 25      |                    |  |  |  |  |  |           |
| 77                                     | Football Oval   | 18,000 | m2   |  | 135                |                   |                   | 2,430,000        |                  |                  |  |  | 125     |                    |  |  |  |  |  |           |
| 78                                     | Lighting to Football Oval   | 1      | Item |  | 300,000            |                   |                   |                  |                  |                  |  |  | 0       |                    |  |  |  |  |  |           |
| 79                                     | Playing Fields by Others  |        | Note |  |                    | Excluded          |                   |                  |                  |                  |  |  |         |                    |  |  |  |  |  |           |
|  | <b>External Services</b>  |        |      |  |                    |                   |                   |                  |                  |                  |  |  |         |                    |  |  |  |  |  |           |
| 80                                     | Allow for power, communication, water, fire water, sewerage, gas, stormwater and the like | 1      | item |  | 500,000            | 500,000           |                   |                  |                  |                  |  |  | 500,000 | 500,000            |  |  |  |  |  | 500,000   |
| 81                                     | ESD Initiatives [3%]  | 1      | Item |  | 2,617,000          | 2,617,000         | 1,699,000         | 578,000          | 130,000          | 76,000           |  |  | 134,000 | 2,617,000          |  |  |  |  |  | 2,617,000 |
| 82                                     | Artwork Allowance [1%]  | 1      | Item |  | 899,000            | 899,000           | 583,000           | 199,000          | 45,000           | 26,000           |  |  | 46,000  | 899,000            |  |  |  |  |  | 899,000   |
| 83                                     | Planning and Design Contingency [5%]  | 1      | Item |  | 4,538,000          | 4,460,700         | 2,946,000         | 925,700          | 226,000          | 132,000          |  |  | 232,000 | 4,538,000          |  |  |  |  |  | 4,538,000 |
| 84                                     | Construction Contingency [5%]   | 1      | Item |  | 4,765,000          | 3,712,000         | 3,094,000         | OMIT             | 237,000          | 138,000          |  |  | 243,000 | 4,765,000          |  |  |  |  |  | 4,765,000 |
| 85                                     | Escalation [Say Tender November 2013]   | 1      | Item |  | 3,260,000          | 3,260,000         | 2,118,000         | 720,000          | 162,000          | 95,000           |  |  | 166,000 |                    |  |  |  |  |  | 0         |
| 86                                     | FF & E, Gym Equipment, AV and IT Allowance [5%]   | 1      | Item |  | 5,166,000          | 5,166,000         | 3,353,000         | 1,142,000        | 257,000          | 150,000          |  |  | 264,000 | 5,166,000          |  |  |  |  |  | 5,166,000 |
| 87                                     | Consultants Fees [9%]   | 1      | Item |  | 9,764,000          | 9,764,000         | 6,339,000         | 2,158,000        | 486,000          | 284,000          |  |  | 498,000 | 9,764,000          |  |  |  |  |  | 9,764,000 |
| <b>TOTAL AMOUNT [Excluding GST] \$</b> |   |        |      |  | <b>108,958,400</b> | <b>73,133,900</b> | <b>25,000,000</b> | <b>1,543,000</b> | <b>1,861,500</b> | <b>6,033,000</b> |  |  |         | <b>108,376,500</b> |  |  |  |  |  |           |

As specified by City of Cockburn Officers

Not reviewed

Possibly Low

OMIT - As specified by City of Cockburn Officers

Flat Line

Table 11 Comparative Cost Data Analysis

| Description  | Community  | Fremantle Football Club | Education  | Function   | Base Infrastructure |  |  | Total       | Comments   |
|--|------------|-------------------------|------------|------------|---------------------|--|--|-------------|--|
| June 2012 Masterplan   | 78,646,000 | 26,115,000              | 29,495,000 | 8,558,000  | 8,256,000           |  |  | 151,070,000 | Includes Oval and Community Training Oval Parking 17,000 m2.                   |
| Non Integrated Masterplan                                      | 81,937,000 |                         |            |            | 6,033,000           |  |  | 87,970,000  | Includes Oval, excludes playing fields. Parking 12,000 m2 + 3,000 m2 overflow. |
| Integrated Masterplan September 2012                           | 76,945,000 | 26,112,000              | 29,709,000 | 10,622,000 | 6,033,000           |  |  | 149,421,000 | Includes Oval, excludes playing fields. Parking 12,000 m2 + 3,000 m2 overflow  |
| Integrated Masterplan December 2012                            | 76,769,000 | 26,130,000              | 5,890,000  | 3,437,000  | 6,033,000           |  |  | 118,259,000 | Includes Oval, excludes playing fields. Parking 12,000 m2 + 3,000 m2 overflow  |
| <b>EXCLUSIONS</b>  |            |                         |            |            |                     |  |  |             |  |
| This Indicative Cost excludes the cost of the following items: |            |                         |            |            |                     |  |  |             |  |
| Goods and Services Tax   |            |                         |            |            |                     |  |  |             | Playing fields [refer comments above]  |
| Land costs and legal fees                                      |            |                         |            |            |                     |  |  |             | Pavilion   |
| Finance costs and interest charges                             |            |                         |            |            |                     |  |  |             | Playground   |
| Piling or other abnormal substructure                          |            |                         |            |            |                     |  |  |             | Wetlands   |
| Removal of contaminated materials                              |            |                         |            |            |                     |  |  |             | Works to existing roads  |
| Diversion of existing services                                 |            |                         |            |            |                     |  |  |             | Parking overflow area does not include grass reinforcement                     |
| Infrastructure Services to the site by Landcorp                |            |                         |            |            |                     |  |  |             |  |
| Staging or out of hours working                                |            |                         |            |            |                     |  |  |             |  |

**9.1 (MINUTE NO 4919) (SCM - 05/12/2012) - PROPOSED NEW INTEGRATED REGIONAL AQUATIC AND RECREATION COMMUNITY FACILITY AT COCKBURN CENTRAL WEST (CR/M/117) (A LACQUIERE) (ATTACH)**

**RECOMMENDATION**

That Council:

- (1) accept the Heads of Agreement between the City of Cockburn and the Fremantle Football Club; and
- (2) utilise the information contained in the Agreement as the basis for the preparation of a Business Plan, pursuant to Section 3.59 of the Local Government Act, 1995, to be presented to Council for consideration in February, 2013.

**COUNCIL DECISION**

MOVED Mayor L Howlett SECONDED Clr S Pratt that Council:

- (1) accept the Heads of Agreement between the City of Cockburn and the Fremantle Football Club subject to amendments as agreed by Council behind closed doors; and
- (2) utilise the information contained in the Agreement as the basis for the preparation of a Business Plan, pursuant to Section 3.59 of the Local Government Act, 1995, to be presented to Council for consideration in February 2013.

**CARRIED 6/3**

**Reason for Decision**

The changes reflect drafting and grammatical improvements to various sections of the Heads of Agreement, as well as greater clarity to several elements of the Agreement.

**Background**

Council's adopted *Plan for the District 2006 - 2016* identified the requirement for a new aquatic and recreation facility to replace South Lakes Leisure Centre. The location of the new facility has been planned to be within the Cockburn Central West (CCW) precinct as this would assist in the creation of a major development hub centrally located within the City.

The Fremantle Football Club (FFC), as part of a due diligence process to investigate alternative options to a Fremantle Oval

## **EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 5/12/2012**

redevelopment, identified the Cockburn Central site as an option. The Club entered discussions with the City to investigate the opportunity to integrate the Club's future facilities into the City's aquatic and recreation facility at CCW. A Memorandum of Understanding (MoU) was signed by the City with the FFC and the University of Notre Dame to explore the option of developing an integrated recreation, elite sport and education precinct on the site. The University of Notre Dame has since withdrawn its interest in proceeding with a joint development on the site.

The City has outlined a design concept for the aquatic and recreation component of the facility based on extensive community and stakeholder consultation with this concept being endorsed by the Council as the 'base build' design at the Special Council Meeting held on 20 September, 2012.

Further to the adoption of the 'base build' as part of the City's requirements, Council also resolved to;

“continue discussions and planning for the project under the Integrated Concept; combining the new Regional Aquatic and Recreation Community Facility, the Fremantle Football Club's Elite Athlete and Administration Centre and a component for a Tertiary Education Institute on the basis that each party will be responsible for its capital and operating costs for inclusion in a Heads of Agreement for consideration by Council.”

In accordance with this resolution, the City and the FFC have worked together to develop concept plans and a cost estimate for an integrated facility proposed at the Cockburn Central West site. Cox Howlett and Bailey Woodland were contracted by both parties to prepare a master plan report and concept designs for an integrated facility. (Attachment 1). The concept includes the City's 'base build' requirements for an aquatic and recreation facility as option 1 and the inclusion of the FFC's training and administration facilities, space for a tertiary education institute and a potential function centre as option 2. The concept designs and report acknowledges the CCW site and the proposed development for the precinct in reference to the draft structure plan and background studies that have been completed to date. The report outlines the key relationships between the major components of the proposed site development and how they will drive community engagement.

Development of an integrated facility of this nature would allow the City to submit a much stronger case for Federal and State government funding that otherwise may not be substantiated if presented as a stand-alone facility. The innovation and

## **EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 5/12/2012**

combination of community, elite sports and education coming together puts any submission for funding in a strong position, when compared to other stand-alone facilities seeking funding from the same pool.

### **Submission**

N/A

### **Report**

The prospect of an integrated facility that includes aquatic and recreation components, an elite sporting club and a tertiary education institution would be unique in Australia and become the benchmark for modern facilities of this kind. The development concept incorporates these components into a single integrated facility over multiple levels with the objective of minimising the ground level footprint, maximising capital economies of scale and facility use across the stakeholders while minimising operation costs.

The proposed facilities to be included in the City of Cockburn base build and the FFC base build are included in Schedule 4 of the Heads of Agreement (HOA) (Attachment 2).

A principle of the integrated development is that each party will be responsible for the funding of its own facilities and not subsidise the other party. Notwithstanding this, the two parties will make their best endeavours to maximise the external funding opportunities for the total project. Similarly, neither party will subsidize the operation of the other party. There are many opportunities to have reciprocal and mutually beneficial arrangements in place such as joint use of facilities that can be identified.

### ***Heads of Agreement***

The Heads of Agreement (HOA) (Attachment 2) document outlines the agreed matters between the two parties and the principles for agreement on other matters. The HOA between the City and the FFC provides an obligation for the two parties to proceed with the project subject to a number of conditions.

This agreement is non-binding until Council has considered and endorsed a Business Plan for the integrated facility as a requirement of the Local Government Act (LGA), 1995 (Section 3.59). Proceeding with the integrated project is subject to external funding for both parties towards the entire project. The integrated facility Business Plan will be presented to Council for consideration in early 2013.

## **EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 5/12/2012**

Included in the HOA are a number of schedules that provide a framework for inclusion of matters in the Development Agreement which will be required as the formal, legally binding document to enable the project to proceed.

### ***Land***

The Cockburn Central West site is currently owned by the WA Planning Commission (WAPC) and, prior to any development on site, the land will be transferred to Landcorp for development. The City has signed a Basis for Agreement with Landcorp that outlines the requirements for recreational facilities at this site, in order to secure early settlement of a developable portion of the CCW.

The Draft Structure Plan currently being developed will be presented to the City for comment and then formally advertised for public comment before final endorsement by Council. The development of the integrated facilities would see 3 lots created and allocated to the City on the following basis:

- Lot 1 – an area of approximately 2.6 hectares that will be leased to the City for a period of 50 years by the Crown with the power for the City to sublease. This site will accommodate the building infrastructure.
- Lot 2 – an area for an oval of Australian Football League (AFL) dimensions that will be under a Management Order to the City which will allow for the City to lease to an entity such as the FFC.
- Lot 3 – an area for the community playing fields and public open space that will be under a Management Order to the City for its care, control and management.

### ***Proposed Development Financing***

The final costing of the integrated facility (City of Cockburn and FFC components only) has been estimated at \$107M; however, this could be subject to change when further detailed planning is completed. Within the integrated model, development of the facility would also include an education component and at this stage the City is progressing discussions with a Tertiary Education Institution to partner. The potential for a function centre has also been considered, however, a demand analysis and business case will determine whether such facilities are required within this development.

It is emphasised, however, that the concept of the integrated option is to provide the City with more amenity and benefits for its residents, without increasing the net cost to the City. It is



## EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 5/12/2012

anticipated that the City's portion of the project will not exceed \$82M to be comprised as follows:

- \$65M Municipal sources
- \$2M State Government (Community Sport & Recreation Facilities Fund) anticipated funding
- 15M Federal Government (Regional Development Australia Fund)

The State Government funding will be targeted separately by each party, with the City already submitting an application through the Community Sport & Recreation Facilities Fund administered by the Department of Sport and Recreation. This fund has a maximum funding allocation of \$4M and, given the regional importance of this facility, the City will be seeking the full funding allocation. The FFC will also be seeking funding through the State Government through a separate cabinet submission, with these funds being apportioned to the FFC's capital cost.

The Federal funding is being targeted against the Regional Development Australia Fund (RDAF). This fund provides for a maximum allocation of \$15M per project. With this likely to be the final funding round prior to the next Federal election, expressions of interest (EOI) have recently been called and will close on 6 December 2012. The City has a much stronger position to target a greater funding amount by partnering with the FFC and therefore a joint funding strategy has been proposed in line with the HOA.

In the event that the level of grant funding being proposed is not achieved, or this exceeds contingency provisions, the City & FFC will consider changes to the design including deferring components. Both parties will reserve the right to terminate the agreement should a significant level of funding shortfall occur.

### ***Development Timeline***

A general project milestone and estimated completion date is outlined below with a more detailed timeline outlined in Schedule 8 of the HOA.

| <b>Milestone</b>                                | <b>Estimated Completion</b> |
|---|-----------------------------|
| HOA presented to Council                        | 5 December 2012             |
| Commonwealth RDAF – EOI submission              | 6 December 2012             |
| CSRFF funding notification                      | January 2013                |
| Architectural and Design Services Tender Called | February 2013               |
| Business Plan Completed to LGA requirements     | February 2013               |
| Commonwealth RDAF - EOI Notification            | 13 February 2013            |

## **EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 5/12/2012**

|   |               |
|---|---------------|
| Development Agreement Signed              | April 2013    |
| Lease Arrangements Finalised              | April 2013    |
| RDAF – Full Application due               | 13 April 2013 |
| Council Final Design and funding approval | October 2013  |
| Council decision on Construction Tender   | December 2013 |
| Building Construction Commenced           | March 2014    |
| Building Construction Completed           | December 2015 |
| Official Opening                          | February 2016 |

In conclusion, the Heads of Agreement sets out the matters that have been agreed between the City of Cockburn and the Fremantle Football Club and for other issues, the principles on which agreements will be negotiated in the future, prior to final consideration by Council. Until such time that the outcome of the various funding applications submitted by the parties individually and collectively are known, the final terms of the Development Agreement cannot be readily determined. The HOA does provide a strong indication of the level of commitment of the parties to the project to external funding bodies.

### **Strategic Plan/Policy Implications**

#### **Growing City**

- Investment in industrial and commercial areas, provide employment, careers and increase economic capacity in the City.

#### **Infrastructure**

- Community facilities that meet the diverse needs of the community now and into the future.
- Community infrastructure that is well planned, managed, safe, functional, sustainable and aesthetically pleasing.
- Partnerships that help provide community infrastructure.

#### **Community & Lifestyle**

- People of all ages and abilities to have equal access to our facilities and services in our communities.
- Promotion of active and healthy communities.

#### **Leading & Listening**

- Manage our financial and infrastructure assets to provide a sustainable future.

#### **A Prosperous City**

## **EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 5/12/2012**

- Sustainable development that ensures Cockburn Central becomes a Strategic Regional Centre.
- Investment in the local economy to achieve a broad base of services and activities.

### **Moving Around**

- Infrastructure that supports the uptake of public transport and pedestrian movement.

### **Budget/Financial Implications**

The City has committed to the revised 'base build' of \$82M for the proposed aquatic and recreation facility. The integrated facility has only been progressed on the principal that the City would not cross subsidise any capital or future operating components for other parties involved.

All other capital projects currently proposed as part of the *Plan for the District* can still be accommodated within the life of that Plan. However, the timing and scope of each of these will be subject to review, when Council considers the development of its Community Business Plan in early 2013.

### **Legal Implications**

Subsequent to a Council resolution on this matter, section 3.59 of the Local Government Act, 1995, requires the preparation and adoption of a Business Plan prior to the further development of this proposal.

Subject to the project proceeding, the HOA would be followed by a Development Agreement that outlines the specific commercial arrangements between the City and the FFC for inclusion into a lease arrangement.

### **Community Consultation**

As reported previously, extensive consultation was undertaken as part of the development of this proposal that included community groups, sporting groups, residents, State sporting associations and the Department of Sport and Recreation. The proposed facility is consistent with the needs identified in the Department's *State Aquatic Sports Facility Strategic Plan*.

### **Attachment(s)**

1. Cockburn Regional Integrated Aquatic and Recreation Community Facility, Concept Plans and Design Report

**EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 5/12/2012**

2. Heads of Agreement – Confidential Attachment under separate cover.

**Advice to Proponent(s)/Submissioners**

FFC has been advised that this matter is to be considered by Council at a Special Council Meeting to be held on 5 December, 2012.

**Implications of Section 3.18(3) Local Government Act, 1995**

Nil

**9.1 (MINUTE NO 4871) (SCM 20/09/2012) - PROPOSED NEW REGIONAL AQUATIC AND RECREATION COMMUNITY FACILITY AT COCKBURN CENTRAL WEST (A LACQUIERE)**

**RECOMMENDATION**

That Council:

- (1) advise the WAPC that the City wishes to secure a management order over the 2.6ha of land in Attachment 1, entitled Parcel 7 along with the adjacent public open space, with this to include the power to lease;
- (2) adopt the 'base build' requirement outlined in the report as the basis for construction of a Regional Aquatic and Recreational Community Facility to be located at Cockburn Central as per the attached concept plans;
- (3) update the Developer Contribution schedule within DCA13 to reflect the revised cost of the new Regional Aquatic and Recreation Facility;
- (4) support progression of the project under the Integrated Concept; combining the City's Regional Aquatic Recreation and Community Facility, the Fremantle Football Club's Elite Athlete and Administration Centre and a component for a Tertiary Education Institution; and
- (5) support submissions to the Federal and State Governments and other funding sources for the project.

**COUNCIL DECISION**

MOVED Deputy Mayor K Allen SECONDED Clr C Reeve-Fowkes that Council adopt the recommendation with the following amendments:

- (1) to (3) as recommended;
- (4) & (5) delete.

**MOTION LOST 1/6**

MOVED Mayor L Howlett SECONDED Clr S Portelli that Council:

- (1) advise the WAPC that the City is seeking to secure a management order over the 2.6ha of land in Attachment 1, entitled Parcel 7 along with the adjacent public open space, with this to include the power to lease;

## EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 20/9/2012

- (2) adopt the 'base build' requirement outlined in the report as the basis for the construction of a Regional Aquatic and Recreation Community Facility to be located at Cockburn Central West as per the attached concept plans;
- (3) update the Developer Contribution schedule within DCA13 to reflect the revised cost of the new Regional Aquatic and Recreation Community Facility;
- (4) support submissions to the Federal and State Governments and other funding sources for the project;
- (5) continue discussions and planning for the project under the Integrated Concept; combining the new Regional Aquatic and Recreation Community Facility, the Fremantle Football Club's Elite Athlete and Administration Centre and a component for a Tertiary Education Institution on the basis that each party will be responsible for its capital and operating costs for inclusion in a draft Heads of Agreement for consideration by Council; and
- (6) following confirmation of the parties participating in the integrated concept mentioned in (5) above, arrange for the preparation of a management model to be presented to Council for consideration and determination as soon as practicable; and
- (7) prepare business plans in accordance with section 3.59 of the Local Government Act that review:
  - a. the operating income and expenditure including whole of life costs of a stand-alone Regional Aquatic and Recreation Community Facility; and
  - b. the operating income and expenditure including whole of life costs of integrated Regional Aquatic and Recreation Community Facility with the Fremantle Football Club's Elite Athlete and Administration Centre and a component included for a potential Tertiary Education Institution.

**CARRIED 6/1**

### **Reason for Decision**

Council needs to be assured that the integrated facility is being prepared on the basis of each party contributing to its respective capital and operating costs. The management model for the relevant parties contributing to the precinct development (the Integrated Concept) needs to clearly outline the rights of access,

## EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 20/9/2012

the terms of use that will be applicable and the financial considerations before making any formal commitment.

The provision of detailed business plans for both the stand-alone facility and an integrated facility will be able to demonstrate to the ratepayers of the City of Cockburn that each participant in the integrated facility will pay their own way and the ratepayers of Cockburn will not be cross-subsidising the Fremantle Football Club and a potential university participant.

### **Background**

The provision of community infrastructure for recreational, education and sporting purposes is one of the primary responsibilities of Local Government. This outcome is one of the key themes in the City's *Strategic Plan 2006 – 2016*:

***Infrastructure Development*** - *To construct and maintain community facilities that meet community needs.*

The need for community infrastructure is based on the analysis of demographic data, such as age profiles and catchment populations, transport network modelling and a comprehensive needs analysis process. At a strategic level, the City's infrastructure plan is articulated through the *Plan for the District*.

Following upgrade works to the existing aquatic centre; the South Lakes Leisure Centre in 2005, the 2006 version of the *Plan for the District 2006 - 2016* identified the requirement for more substantive restoration of this facility. A review of the land tenure arrangements and other aspects of this location subsequently suggested that a replacement facility would be a better investment for the City. The 2008 version of the *Plan for the District 2008 - 2018* identified that a new centre should be built, preferably in Cockburn Central, as this was the most central and accessible location in the District.

The current version of this plan; *Plan for the District 2010 – 2020* endorsed this view and commenced the process for scoping of the facility. While previous estimates of need and expenditure had been based on simply replicating the facilities at South Lakes, however, feedback from users of the centre and community sporting associations was indicating that this would not be an inadequate outcome.

Whilst the planning of the new aquatic and recreation facility was due to commence in 13/14 FY, two major factors have influenced the advancement of this process. First, Landcorp on behalf of the West Australian Panning Commission (WAPC), the

## **EXTRACT OF MINUTES OF THE SPECIAL COUNCIL MEETING – 20/9/2012**

land owner, has commenced the structure planning for the area colloquially known as 'Cockburn Central West' (CCW). This is the precinct that the new recreation and aquatic centre was proposed to be located. If the City was going to secure an adequate area for its facilities there was a requirement for the scope of the facilities to be documented and justified.

Second, the Fremantle Football Club (FFC) had also commenced a review of its facility needs and was examining alternative sites for its Elite Athlete Training and Administration Centre. This work was being done in conjunction with the University of Notre Dame, with the potential to look at a joint development. These aspects were of appeal to the City for the following reason:

- An integrated facility could have the potential for providing a greater range of facilities in the complex for residents;
- Development of tertiary education facilities in the City was another of the *Strategic Plan 2006 – 2016* goals; and
- There would be a stronger case for external funding from the State and Federal Government would be possible under the integrated model.

The City has therefore pursued two approaches to this project:

1. Development of a Regional Aquatic and Recreation Facility on a stand-alone basis; and
2. Development of an Integrated Regional Aquatic and Recreation Facility with the FFC and a Tertiary Education Institute

### **Submission**

N/A

### **Report**

### ***Land Requirements***

*Cockburn Central Precinct Development.* The Cockburn Central Town Centre development is a Regional Centre to ultimately serve more than 130,000 people in the City's rapidly growing south west corridor. It is located 20km south of the Perth Central Business District and is being designed and developed as a key transport connection for the region. Cockburn Central is identified in Directions 2031 as a key Regional Centre for the City of Cockburn and is one of four State Government "priority" Activity Centres. Growth in this area has accelerated over the



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past 10 years, with further substantial growth predicted. To date, LandCorp has delivered Stage 1 of the Cockburn Central Town Centre, and construction of Stage 2 is expected to be completed mid 2013.

Cockburn Central West (CCW). The area referred to as CCW is a green field site bound by North Lake Road to the north, Midgegooroo Avenue to the east, Beeliar Drive to the south and Poletti Road to the west and is within the Cockburn Central development being undertaken by LandCorp. The land is currently owned by the WAPC and prior to any development on site; the land must be transferred to LandCorp for development. The City has signed a Memorandum of Understanding with LandCorp that outlines our requirements for recreational facilities at this site, in order to secure early settlement of a developable portion of the CCW.

The CCW area is zoned 'Development Area 23 – Cockburn Central Regional Centre' under the City of Cockburn's local Town Planning Scheme (TPS). The objective of this zone is to enable flexibility and facilitate the optimal development and use of the land. Council has indentified the CCW site as an area of strategic significance and is reflected within the Town Planning Scheme and strategic planning documents completed to date. A draft structure plan is currently being finalised by consultants working for Landcorp and will be subject to a formal assessment & public consultation. (See attachment 1)

Recent advice from Landcorp is that the WAPC require the City to formally seek a management order over the site. This would allow the City to secure access to the land and initiate the sublease of any part of its development to other parties. The management order needs to include the parcel of land shown as 'Parcel 7' in Attachment, along with the adjacent public open space.

### ***Sporting and Recreation Facility Requirements***

South Lakes Leisure Centre. The existing South Lakes Leisure Centre (SLLC) was initially opened in 1991 on land owned by the Department of Education and Training. The centre has expanded from an indoor pool, with a tiny gym and a couple of sports courts to now contain the following facilities:

- 8 lane, Indoor, 25m Lap Pool with attached Leisure Pool
- Teaching Pool Area
- Water Castle with Slide
- Spa with Disabled Hoist, Sauna, & Steam Room
- Seasonal Outdoor Leisure Pool with Lazy River
- Seasonal Outdoor Slides and Toddler Pool

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- 400m2 Gym with Weights & Cardio Equipment
- Group Fitness Studio
- Dedicated Cycling Studio
- 2x Sports Courts
- Multi-Purpose Rooms
- Crèche Facility
- Café & Boutique

The City has spent a considerable amount of capital funds over the years to meet the growing demands of the centre and to upgrade existing facilities as they have aged. These include:

- Outdoor aquatic area built on in 1995
- Gym moved into new, larger room in 1997
- Filtration upgrade for indoor pools in 1999
- Indoor Pool extended and renovated in 2003
- Gym extended in 2005
- Pool Hall Ceiling replaced in 2005
- Cycling Studio installed 2007
- Change Rooms refurbished 2011
- Sauna refurbished 2011

Annual centre attendances reached a high in excess of 421,000 visits in 2010/11, before dropping in 2011/12 due to the pools being closed for all of October to allow refurbishments to the change rooms. The centre is continuing to expand in popularity and lack of space is fast becoming an issue, along with the age and associated deterioration of the facilities.

There are a number of factors that are influencing the need to build a facility to replace South Lake Leisure Centre. Below are some issues that currently need addressing at the Centre to date:

- There is no scope for further facility extensions due to limitations of space and is constructed on Department of Education land. Additionally, should the Department chose to close the existing High School the City would have problems with its ongoing tenure at this location.
- The main outdoor pool is in need of major repairs, due to water loss as well as the general condition of concrete and plaster surfaces becoming rough and unstable. At least \$250,000 would need to be spent to get the facilities back up to scratch and therefore closing this facility will need to be considered in the near future.
- The indoor pool filters have become problematic and would need replacing if the Centre's lifespan was to be extended.

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- The centre's roof is reaching the stage of needing replacement, as the sheet metal has become very thin, with many leaks due to corrosion.
- There are many limitations to the current design that are holding the centre back from moving forward with new technology, such as entry barriers and self-serve kiosks, which would stream line customer service operations and reduce the overhead costs for the centre.
- A significant increase in utility costs are a financial burden on the centre and due to its current design there is little capacity to build in efficiency that is available with new technology.

*New Facility - Feasibility and Business Case.* In April 2012 the City engaged Coffey Sport and Leisure to undertake a feasibility and business case for the proposed new aquatic and recreation centre (See attachment 2). The aim of this study was to investigate how the aquatic and highball facility should be developed on the identified land to cater for the current and future population of the City of Cockburn. Specific objectives include the need to develop a report that:

- Reviews previous studies and examines the current and future facility needs through targeted consultation
- Review industry benchmarks and trends
- Determine the needs of relevant stakeholder groups consulted
- Investigate and determine the appropriate layout and conceptual design of the Aquatic and Highball Facility in accordance with the identified needs
- Investigate and recommend possible funding arrangements or partnerships (including public/private) that will contribute to the development of the facility
- Investigate and provide advice to Council on the most appropriate development and management model for this facility in consideration of local users
- Determine projections for use and operating costs of a aquatic and recreation complex
- Explore and review environmentally sustainable design options

The feasibility report confirms that the City's existing strategic planning for a new aquatic and recreation facility at CCW can be done with a high level of confidence given that this facility will be servicing Cockburn and the broader region. The feasibility study outlines a proposed facility design scope that is based on the current needs and demand and comprehensive benchmarking

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from the industry. The key components of the facility proposed were:

- Outdoor 52m heated lap and competition pool, capable of accommodating Water polo
- Indoor 25m lap pool
- Learn to Swim space
- Leisure Pool
- Water Slide and Splash Pad
- Water Playground
- Hydrotherapy
- Spa, Steam and Sauna
- Café
- Crèche
- Kids Party and Indoor Playground
- Group Fitness and Spin Studios
- Health Club style Gym and Cardio space
- 4 indoor high ball courts including show court and retractable seating with option to expand to 6 courts.
- Community Office space
- Universal Access
- Requisite change and toilet facilities

The facility scope is consistent with the needs and wants from the existing SLLC users, sporting associations, sporting clubs, community groups and the general public as outlined in the consultation process to date. It is clear that the design needs to aim to maximise the financial performance of facilities with increasing space being allocated to health/wellness/fitness areas and swim school through a greater provision of shallow water. Benchmarking has shown that at major aquatic and leisure facilities these spaces account for 60% to 70% of the revenue generated.

The initial Business Case prepared as part of the feasibility study was based on the outcomes of the demand and needs assessment outlined in the study. It includes a 10 year financial plan based on a 5km primary catchment area. However, the catchment was much lower than is drawn by the SLLC. A more realistic catchment is for a radius of 10km, which has a population of 210,000 within this area. The initial Business Case assigned 576,000 visits. Comparable facilities in the east coast are attracting between 800,000 – 1,000,000 visits per annum. Further detailed financial planning will be prepared using different catchment scenarios.

***Investigation and Consultation***

Aquatic Tours. In August 2012 elected members and senior staff were invited to visit some aquatic and recreation facilities to gain a better understanding of the core facilities that make up a modern designed aquatic and recreation centre. In particular a number of recent aquatic and recreation facilities had recently been opened in Melbourne that attracted Federal and State funding and these sites were visited in August 2012. Site visits were conducted at the following venues:

1. Arena Joondalup - Joondalup, WA
2. Leisure Link – Geelong, Vic
3. Melbourne Sports and Aquatic – Albert Park, Vic
4. Glen Eria Sports & Aquatic Centre – East Bentleigh, Vic
5. Casey RACE – Cranbourne, Vic

The research conducted on these tours was presented to the CCW Reference Group on the 16<sup>th</sup> August 2012. One of the key findings from the tours that has influenced a change in the original facility scope was the need for an outdoor 50m pool rather than an indoor 50m pool as originally planned. As a result the updated concept design reflects an outdoor 52m pool capable of accommodating water polo and now an additional 25m indoor heated lap pool. Some very important lessons in regards to design and specification were learnt and proved valuable for the group to see in a live environment.

Community Consultation. The City subsequently consulted to a variety of groups and organisations throughout the feasibility process. The results in general reflected strong support for the new regional aquatic and recreation facility. A full analysis of the consultation is included in the attached documents with summary of consultation provided below.

Initial consultation was conducted by Coffey Sport and Leisure as part of the feasibility study that sought feedback from the following groups:

- SLLC Staff
- SLLC User Groups (Swim Clubs and Court Users)
- State Sporting Associations
- City Administration Staff

The City also conducted some consultation with sporting clubs and residents associations through a workshop held on the 30<sup>th</sup> August 2012. The general comments provided at the workshop in regards to the facility scope was consistent with what has

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been designed to date and most comments relate to detailed design considerations for the project. (See attachment 3)

The City has also engaged with a number of State Sporting Associations who have indicated they would support the City in seeking funding submissions through the State Government and Federal Government. Those that attended the information session included:

- Swimming WA
- Master Swimming WA
- WA Water Polo
- Basketball WA
- West Australian Rugby League
- Netball WA

The City will be receiving letters of support from these State sporting bodies by the end of September 2012.

The City also engaged *A Balanced View* Leisure Consultation Services to conduct an online survey of residents. There was an overwhelming response (615) from the survey that again reflected strong support for the proposed development and 77% were likely to be weekly users of the new facility. The findings are outlined in attachment 4 with the following top ten most important components outlined below;

1. Free Form Leisure / Free Swim Pool
2. Gymnasium Weights / Cardio Equipment
3. Kiosk / Cafe
4. Learn to Swim Pool
5. Outdoor Grassed / Picnic Area
6. Indoor Water Playground
7. Indoor 50m Pool
8. Group Fitness Studio
9. Indoor Sports Courts
10. Shallow Water / Toddlers' Pool

These top ten items listed have been included in the design work for the proposed facility with the exception of the indoor 50m pool as this is planned to be located outdoors.

A number of other factors were also subsequently considered:

- *Health and Wellness* – across the southern suburbs there are limited facilities for people requiring specialised rehabilitation facilities. The proposed centre would have hydrotherapy, but it could be modified to include an Allied Health practice. The advantages of this would be that

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specialist services would be provided and a commercial tenancy added, enhancing the finances of the facility.

- *Universal Access* – while the City has been a leader in providing facilities that provide universal access, this facility has the potential to go well beyond that provided in comparable centres. Concept designs have included this requirement, but have also looked at the opportunity to attract disabled sports. Liaison with the Wheel Chair Sports Association has confirmed this and will be further undertaken if the proposed concept is endorsed by Council.

The combination of the consultation has further reinforced the need to provide a regional level aquatic and recreation facility. Based on the needs analysis and consultation undertaken for this project, the following is recommended as the proposed 'base build' for the aquatic and recreation facility development:

- Outdoor 52m heated lap and competition pool, capable of accommodating Water polo
- Indoor 25m lap pool
- Learn to Swim space
- Leisure Pool
- Water Slide and Splash Pad
- Water Playground
- Hydrotherapy
- Spa, Steam and Sauna
- Café
- Crèche
- Kids Party and Indoor Playground
- Group Fitness and Spin Studios
- Health Club style Gym and Cardio space
- 6 indoor high ball courts including show court and retractable.
- Community Office space
- Allied Health
- Universal Access
- Requisite change and toilet facilities

### ***Integrated Facility Proposal***

*Fremantle Football Club.* The Fremantle Football Club (FFC) is an elite professional sporting club that compete in the Australian Football League (AFL) and entered the national competition in 1995. Following a review of its needs for training and administration facilities, the FFC has determined that its current facilities are well below the benchmark set by rival AFL clubs. To ensure that the club continues to grow and develop,

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the FFC has recently completed a strategic plan which has four key areas of focus. These four key areas of focus include:

- Football.
- Fans.
- Fundamentals.
- Community

As part of the FFC's strategic planning process the club identified the need to invest in significant infrastructure to bring the standard of facilities to a higher level. FFC's aim is to establish a new state of the art administration, training and community facility and to achieve this; the club has explored a number of potential locations for this to be developed. The Club were made aware of the CCW site and this quickly became a leading alternative option to the proposed redevelopment of Fremantle Oval. The clubs decision to further investigate the Cockburn Central West location is a result of key factors that include;

1. The ability to integrate with a regional aquatic and recreation centre that would include more opportunities for the club to share facilities
2. The ability to expand their membership in a regional area that is booming with a mix of residential and commercial growth for the next 10yrs
3. The ability to have access to a dedicated training oval that is not shared by another semi professional football club and therefore better training conditions and standards could be met
4. The ability to design future growth for its administration as the club expands
5. The ability to integrate better with the community on a regional level due to the centralised location south of the river

Tertiary Education. The integration of tertiary education into the complex is something that has been considered by the FFC and City. In the City's case this objective is consistent with our *Strategic Plan*, while for FFC it would provide for connection to elite athlete training and development. The University of Notre Dame (Australia) was involved in concept planning for its Health Sciences faculty, but has not yet advised if it will progress this further. The City has had an approach from another tertiary institution in the event that the UNDA doesn't proceed.



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*Advantages of an Integrated Facility.* The prospect of an Integrated Facility that included aquatic and recreation, an elite sporting club and a tertiary education institution would be unique in Australia. While some of the east coast AFL clubs have moved to integrate their facilities with community facilities, nothing has been done on the scale being considered.

There would be potential for the CCW site to be a world class facility that would become the benchmark for modern facilities of its kind. The development concept is to incorporate these components into a single integrated facility over multiple levels with the objective of minimising the ground level footprint, maximising capital economies of scale and facility use across the stakeholders while minimising operation costs.

From the City's perspective the key benefits of integration are the opportunity to share infrastructure as well as improve the case for external grant funding. While the FFC would aim to use the aquatic facilities for sports recovery purposes and on some occasions the recreation centre for indoor training, the FFC facilities that would be provided on a reciprocal basis to the City and the community to use include;

- Meeting rooms
- Lecture theatre

There would also be a case for an expanded function centre. While the City's 'base build' proposes to include a small function centre (300m<sup>2</sup>), the FFC has indicated support for a facility of around 900m<sup>2</sup>. Within the City there is no comparable function centre of this size. Established in an iconic location overlooking the public open space and wetlands, it would also be possible to construct such a function centre so that it integrated with the indoor sports facility, along the lines of the Joondalup Arena.

From a community perspective, FFC would also draw a considerable number of additional visitors into the facility. FFC junior sports development days bring 13,600 students from the metropolitan area and country to the Fremantle Oval, with this figure likely to increase to 16,000 at a new location.

Under the Integrated facility model, some of the elite training and recovery facilities provided by the FFC would also be available for our local elite athletes. Currently these local athletes have no access to elite training facilities south of the river and the provision of these facilities would further enhance opportunities for our local athletes to advance their progress at the elite level.

Within the City of Cockburn since 2006 we have supported over 440 local up-and-coming elite sporting athletes that have

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represented our State or Australia within their chosen sport through the junior travel assistance program. Some of these athletes have gone on to compete at the highest level for their sports and have been successful in achieving major accolades.

Development of an Integrated Facility would allow the City to submit a much stronger case for Federal and State government funding that otherwise may not be substantial if presented as a standalone facility. The innovation and combination of community, elite sports and education coming together puts any submission for funding in a strong position when compared to other stand alone facilities seeking funding from the same pool.

### ***Concept Plans***

The concept plans to date have been designed to allow the City to cost construction of the Regional Aquatic and Recreation Facility on a stand-alone basis and integrated model. The City and the FFC administration have worked together to advance this integrated development and while the FFC is yet to announce its preferred development location, the City is confident the CCW site would be the preferred location if developed on the integrated basis. Attachments 5 and 6 depict these designs.

### ***Proposed Development Financing***

At an estimated construction cost of \$81M, a stand-alone facility based on the 'base build' is more substantive than in the current *Plan for the District*, however, so too is the identified community requirement now more significant.

Increasing the scale of the facility has also required the City to consider how it would be funded. The current *Plan for the District* identified a facility build of \$64.6M with the following funding sources:

- Municipal funds                   \$45.5M
- Developer contributions       \$19.1M

While the concept plan is completed, the final costing of the Integrated Facility has been estimated at \$113M, however this may be subject to change once further detailed planning is completed. It is stressed however, that the concept of the integrated option is to provide the City with more amenity and benefits for its residents, as outlined in the report, without increasing the net cost to the City. Based on this the City will be capping its contribution at \$82M and proposes the following funding mix for this project:

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- Municipal funds \$38.7M
- Developer contributions \$24.3M (see note below)
- State funding \$4M
- Federal funding \$15M
- Contingency provision \$7M

The Developer Contribution requirement increases due to the change in the scope of the project. Having identified this need the City can move to amend the provisions of the Developer Contribution Plan (DCP). While the cost will go up, since the City introduced DCA 13 *Developer Contributions for Community Infrastructure*, the number of proposed residents in the City has also increased. The DCP will also be amended to reflect this so the overall contribution is unlikely to significantly increase from current levels.

The sources of State funding that will be sought are from the Community Sports and Recreation Facilities Fund (CSRRF) and Lotterywest. CSRRF applications are required by the end of September and will be linked to those aspects of the project that provide for sports facilities; eg swimming, water polo and indoor courts. Lotterywest funding will be tied to the community spaces; eg meeting spaces and clubrooms.

The Federal funding is being targeted against the Regional Development Australia Fund (RDAF). This fund provides for a maximum allocation of \$15M per project and two rounds have been concluded to date. The City has deliberately not targeted this funding for any of its previous projects, so as to maximise the opportunity for what is likely to be a final round prior to the next election.

It should be noted that the Municipal Fund contribution has been reduced, with a separate allocation for a contingency amount. This will provide for potential variation in grant funds or costs associated with land acquisition. The City's current *Long Term Financial Plan* can readily accommodate these provisions.

The development proposal would require the City to use debt funding for the project. Cash flow forecasting has identified that up to \$25M in debt would be required, with this secured against the future DCP contributions. Neither the debt obligation nor municipal contributions would have a marked impact on future annual budgets or property rates.

In the event that the level of grant funding being proposed is not achieved the City, or this exceeds the contingency provision, the City will consider changes to the design including deferring components.

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### ***Development Timeline***

Should the project proceed, a general project milestone and estimated completion date is outlined below:

| <b>Milestone</b>  | <b>Estimated Completion</b> |
|---|-----------------------------|
| CSRFF Submission  | September 2012              |
| Tenders called for Architectural & Specialist Design Services | October 2012                |
| Federal Government Submission                                 | TBA                         |
| Architectural Tender Awarded                                  | November 2012               |
| Detailed Design Completed                                     | October 2013                |
| Tenders called for Building Construction                      | November 2013               |
| Site mobilisation   | February 2014               |
| Work 50% complete   | January 2015                |
| Works 75% complete  | June 2015                   |
| Work 100% complete  | November 2015               |
| Official Opening  | February 2016               |

The critical aspects for the City are resolution of the concept so that funding submissions can be commenced before the cut off at the end of September.

### **Strategic Plan/Policy Implications**

#### ***Demographic Planning***

- To ensure development will enhance the levels of amenity currently enjoyed by the community.

#### ***Infrastructure Development***

- To construct and maintain community facilities that meet community needs.
- To provide an appropriate range of recreation areas that meets the needs of all age groups within the community.

#### ***Lifestyle and Aspiration Achievement***

- To facilitate and provide an optimum range of community services and events.
- To identify community needs, aspirations, expectations and priorities for services that are required to meet the changing demographics of the district.

#### ***Governance Excellence***

- To develop and maintain a financially sustainable City.

***Employment and Economic Development***

- To plan and promote economic development that encourages business opportunities within the City.
- To encourage development of educational institutions that provides a range of learning opportunities for the community.

***Transport Optimisation***

- To achieve provision of an effective public transport system that provides maximum amenity, connectivity and integration for the community.

**Budget/Financial Implications**

The report and the attachments contain a considerable amount of data on potential capital and operating costs from this proposal. Subsequent to a Council resolution the City will seek to amend its *Long Term Financial Plan* to incorporate these, including amendments to the proposed sources and uses of Reserve funds. The City will also progress the submissions for State and Federal Funding, as have been outlined in the report.

The development of this proposal is not intended to cause a significant impact on the City's current strategies for rating. Debt funding will be required to progress the development, but this has always been the City's intention with such funds secured against future Developer Contributions.

All other capital projects current proposed as part of the *Plan for the District* can still be accommodated within the life of that plan. However, the timing and scope of each of these will be subject to review, just as with previous iterations of that document.

**Legal Implications**

Subsequent to a Council resolution on this matter, the section 3.59 of the Local Government Act requirements for a Business Plan will need to be complied with for the further development of this proposal. The City would also look to enter into a Heads of Agreement with the FFC to cover joint requirements for progression of the project. Amendments to DCA 13 *Developer Contributions for Community Infrastructure* will also be progressed.

**Community Consultation**

As noted in the report, extensive consultation was undertaken as part of the development of this proposal that included; the

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community groups, sporting groups; residents; State sporting associations and with the Department of Sports and Recreation. The proposed facility is consistent with the needs identified in the Department's *State Aquatic Sports Facility Strategic Plan*.

### **Attachment(s)**

1. Draft Structure Plan
2. Aquatic Highball Facility Feasibility Study - Final Draft Report
3. Community Workshop Key Findings
4. Public Consultation Results from the Aquatic & Recreation Centre Survey
5. Regional Aquatic and Recreation Concept Floor Plans and artist impressions
6. Integrated Facility Concept Floor Plans

### **Advice to Proponent(s)/Submissioners**

N/A

### **Implications of Section 3.18(3) Local Government Act, 1995**

N/A