

Mayor Greg Milner returned to the eMeeting at 7.28pm prior to Item 10.7.5.

10.7.5 Recreation and Aquatic Facility - Feasibility Business Case

Location: Collier Park Golf Course
Ward: Moresby
Applicant: Not Applicable
File Ref: D-20-89647
Meeting Date: 24 November 2020
Author(s): Mark Taylor, Director Infrastructure Services
Colin Cameron, Director Corporate Services
Danielle Cattalini, Manager Stakeholder and Customer Relations
Reporting Officer(s): Geoff Glass, Chief Executive Officer
Strategic Direction: Community: A diverse, connected, safe and engaged community
Council Strategy: 1.2 Community Infrastructure

Summary

This report documents progress made in developing the Recreation & Aquatic Facility project since Council's September 2019 resolution. It reports on the findings of the project definition phase and business case as well as demonstrates the financial feasibility of the project. In addition, it provides an overview of the largely positive outcomes from the community and stakeholder consultation.

The report recommends that the Council endorses the progress made, approves the additional work required to further develop and define the project, makes a financial commitment to the project to allow the City of South Perth ("City") to seek additional funding partners and approves the advertising of the Business Plan.

Amended Motion

Moved: Mayor Greg Milner
Seconded: Councillor Glenn Cridland

That Council:

1. Notes the "Stakeholder and Community Engagement for the Proposed Recreation and Aquatic Facility (RAF) Report" in **Attachment (a)** that informs the Business Case;
2. Endorses the Business Case for the Recreation and Aquatic Facility (RAF) consisting of:
 - the Project Definition Plan in **Confidential Attachment (b)** and
 - the Operational Feasibility Report in **Confidential Attachment (c)**,while noting that the Business Case relies on assumptions, including:
 - (1) a total funding package of \$80 million; and
 - (2) the projected financial self-sustainability of the RAF,

- and recognising that the Business Case would need to be amended for Council consideration, should either of these assumptions change;
3. Agrees to match the Federal Funding commitment with a \$20million capital expenditure commitment towards the development of the RAF, noting the required additional funding is being sought from various agencies, including the State Government;
 4. Requests the Chief Executive Officer to pursue additional funding from the State Government and other project partners in order to deliver the RAF.
 5. In accordance with section 3.59 of the *Local Government Act 1995*:
 - gives state-wide public notice of the RAF Section 3.59 Business Plan in **Attachment (d)**; and
 - notes that following the state-wide public notice period, a report considering submissions (and including an update on the progress of securing additional funding commitments from the State Government and other project partners) will be presented to the February 2021 meeting of Council, where it may be determined to proceed with implementing the Business Plan.
 6. Requests the Chief Executive Officer to engage further suitable independent and relevant industry and financial experts to review the Business Case with respect to financial modelling, key operating assumptions, operating cashflows and usage projections as further due diligence and these be reported to Council.

Reasons for Change

1. The City's stakeholder engagement has been expressly conducted on the basis that the RAF will be financially self-sustaining and will not result in an increase in Council rates.
2. To be financially self-sustaining (inclusive of cost of debt and sinking fund contributions), the RAF must incorporate a range of revenue-positive elements in order to offset the operating losses expected from other elements of the RAF (such as the outdoor swimming pool).
3. The proposal set out in the Business Case assumes a total funding package of \$80 million and has an expected annual return on investment (after cost of debt and sinking fund contributions) of \$13,406.
4. \$60 million in external capital funding is required to deliver the proposal. \$21 million in external capital funding has been committed, leaving \$39 million in external capital funding left to be secured.
5. There is a risk that the City will be unable to secure the remaining \$39 million in external capital funding. If the City is unable to secure the remaining \$39 million in external capital funding, the proposal set out in the Business Case cannot proceed as presently contemplated.
6. A "scaled-down" version of the RAF based on a reduced funding package might not be capable of being financially self-sustaining.
7. The Amended Motion recognises that Council's commitment of \$20 million is based on the proposal set out in the Business Case, and acknowledges that if the assumptions set out in paragraph 2 of the Amended Motion were

to change, the Business Case would need to be amended for Council consideration.

8. The Amended Motion also sets a timeframe by which the Chief Executive Officer will report back to Council on the progress in securing and status of the additional funding commitments being sought from the State Government and other project partners in order to deliver the RAF.
9. Finally, the Amended Motion also requests the Chief Executive Officer to have an additional independent assessment undertaken by a suitable financial industry firm of the financial modelling, projections and figures associated with the Business Case.

1120/191

COUNCIL DECISION

Moved: Mayor Greg Milner
Seconded: Councillor Mary Choy

In accordance with Clause 8.10 of the City of South Perth Standing Orders Local Law 2007 Councillor Glenn Cridland be granted an additional five minutes to speak.

CARRIED (9/0)

For: Mayor Greg Milner and Councillors Samantha Bradder, André Brender-A-Brandis, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas, Stephen Russell.

Against: Nil.

1120/192

COUNCIL DECISION

Moved: Mayor Greg Milner
Seconded: Councillor André Brender-A-Brandis

In accordance with Clause 8.10 of the City of South Perth Standing Orders Local Law 2007 Councillor Blake D'Souza be granted an additional five minutes to speak.

CARRIED (9/0)

For: Mayor Greg Milner and Councillors Samantha Bradder, André Brender-A-Brandis, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas, Stephen Russell.

Against: Nil.

During debate, Councillor Mary Choy requested that the meeting be closed to the public to allow her to ask potential confidential questions in relation to Item 10.7.5.

1120/193

COUNCIL DECISION

Moved: Mayor Greg Milner
Seconded: Councillor Carl Celedin

In accordance with s5.23(2) of the *Local Government Act 1995*, the meeting be closed to the public.

CARRIED (9/0)

For: Mayor Greg Milner and Councillors Samantha Bradder, André Brender-A-Brandis, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas, Stephen Russell.

Against: Nil.

Members of the public were disconnected from the eMeeting at 8.13pm.

1120/194

COUNCIL DECISION

Moved: Mayor Greg Milner
Seconded: Councillor Blake D'Souza

That the meeting be reopened to the public at 8.22pm.

CARRIED (9/0)

For: Mayor Greg Milner and Councillors Samantha Bradder, André Brender-A-Brandis, Carl Celedin, Mary Choy, Glenn Cridland, Blake D'Souza, Ken Manolas, Stephen Russell.

Against: Nil.

1120/195

Amended Motion COUNCIL DECISION

Moved: Mayor Greg Milner
Seconded: Councillor Glenn Cridland

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and recognising that the Business Case would need to be amended for Council consideration, should either of these assumptions change;
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 - notes that following the state-wide public notice period, a report considering submissions (and including an update on the progress of securing additional funding commitments from the State Government and other project partners) will be presented to the February 2021 meeting of Council, where it may be determined to proceed with implementing the Business Plan.
 6. Requests the Chief Executive Officer to engage further suitable independent and relevant industry and financial experts to review the Business Case with respect to financial modelling, key operating assumptions, operating cashflows and usage projections as further due diligence and these be reported to Council.

CARRIED (7/2)

For: Mayor Greg Milner and Councillors Samantha Bradder, Carl Celedin, Mary Choy, Glenn Cridland, Ken Manolas, Stephen Russell.

Against: Councillors André Brender-A-Brandis, Blake D'Souza.

Reasons for Change

1. The City's stakeholder engagement has been expressly conducted on the basis that the RAF will be financially self-sustaining and will not result in an increase in Council rates.
2. To be financially self-sustaining (inclusive of cost of debt and sinking fund contributions), the RAF must incorporate a range of revenue-positive elements in order to offset the operating losses expected from other elements of the RAF (such as the outdoor swimming pool).
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9. Finally, the Amended Motion also requests the Chief Executive Officer to have an additional independent assessment undertaken by a suitable financial industry firm of the financial modelling, projections and figures associated with the Business Case.

Officer and Committee Recommendation

That the Property Recommends to Council that it:

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 - notes that following the state-wide public notice period, a report considering submissions will be presented to the February 2021 meeting of Council, where it may be determined to proceed with implementing the Business Plan.

Background

There has been a long-standing need and desire for recreation and aquatic facilities to service the City residents and the wider community. Since 2003 the City has completed six studies and delivered nine polls/surveys incorporating sport and recreation needs. During this time, the community has indicated significant support for aquatic facilities, indoor sports and a gymnasium.

Strategic Community Plan Framework

The City's Strategic Community Plan (SCP) is a long term, overarching strategy and planning document that outlines the community's aspirations and priorities for the future, and sets out the key strategies required to achieve these.

At the June 2017 Ordinary Meeting Council, Council adopted an amendment to the Officer recommendation for the release of the draft Strategic Community Plan (SCP) 2017-2027, for community comment as follows:

That Council:

1. amend the draft Strategic Community Plan 2017- 2027 to include Strategy 3.8 under Environment: Sustainable urban neighbourhoods (p11):

Environment: Built

3.8 Plan for and promote the development of recreation and aquatic facilities to service City of South Perth needs.

Following the community comment period, the SCP 2017-2027 was adopted by Council on 26 September 2017, and in doing so, Council prioritised planning promotion of the development of recreation and aquatic facilities to service City needs. Further, the City's current SCP 2020-2030 was adopted by Council on 26 May 2020, being a minor review of the SCP 2017-2027, upholding Strategy 3.8.

Integration with Current City Facilities

In planning for and promoting the development of such a facility to service community needs the City has undertaken a strategic approach to the wider provision of community facilities and services.

As part of previous longer term financial planning by the City, provision had been made for improvements to key facilities such as the George Burnett Leisure Centre (GBLC) and Collier Park Golf Course (CPGC). To inform these improvements, preparation of masterplans for each site were programmed, prioritising George Burnett Recreational Precinct within the program of works.

A review of this planning was subsequently undertaken to re-assess the future of the GBLC, and the short to medium term requirement for a masterplan for the Collier Park Golf Course.

George Burnett Leisure Centre (GBLC)

The GBLC is the City's only indoor recreation facility and is below industry standard for provision of indoor sports and recreation, comprising one under-sized sports court. The minimum requirement for indoor sports such as basketball and netball is three to eight courts.

Previous planning for the GBLC had catered for a limited scale expanded indoor facility, and also explored opportunities for an aquatic facility on the site. A 2015 assessment had indicated that a conventional swimming pool, while publicly supported, would likely require ongoing financial subsidy to meet operational costs.

A requirement for investment in GBLC has been identified in previous budgets and project proposals, with the need to address the reduced functionality of the Centre. This is further articulated in the Community Recreation Facilities Plan with the City to investigate provision for a regional Recreation and Aquatic Facility and to include repurposing the existing George Burnett Leisure Centre.

Collier Park Golf (CPG)

The current CPG clubhouse buildings are nearing end of life and are no longer fit for purpose. The golf course is a valued community facility with the potential to generate significant additional revenue for the City. However, whilst golf participation is increasing in off-course options, such as driving ranges and mini-golf the traditional golf market is declining. This threatens the financial sustainability of the golf course and the golf course business model currently needs to adapt.

A number of courses in the metropolitan region have closed in recent years: Rosehill Golf Course, Glen Iris Golf Course and Burswood Golf Course. This demonstrates the pressure on golf courses to be more financially sustainable and to compete with alternative uses such as land development as the optimum land use.

Effective diversification will allow the golf course to remain financially sustainable whilst continuing to offer the traditional longer form 18-hole golf. Traditional golf remains a fundamental element of the golf course business, however more modern short-format options such as mini-golf, that provide a stronger return and broader community appeal, are now required to underpin the financial and community success of the business.

In 2017 the City commissioned a review of the golf business by golf consultants 'WellPlayed'. The consultant's brief was to research trends in golf around Australia, and the performance of CPG in that context, in order to put the Lease of Buildings and Controllers Agreement out to tender.

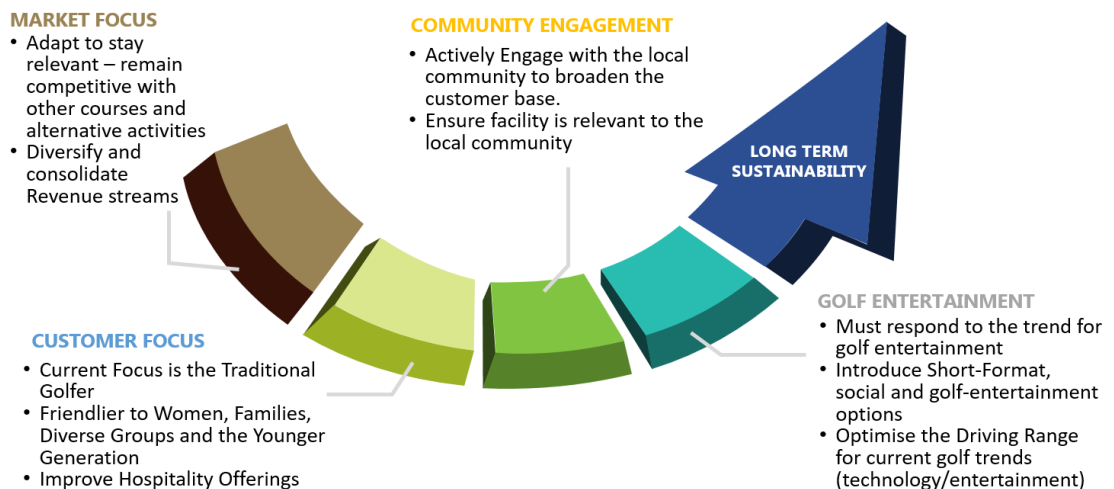


Figure 1 - Collier Park Golf Business Plan

The review identified that the business focused primarily on the traditional golf market and that this approach would not support the facility into the future. The business model needs to become more market-focused and adapt in order for the facility to remain stay relevant and financially sustainable. The golf course needs to actively engage with the local community, be more customer-focused, and broaden appeal by targeting women, families, diverse groups and younger generations in order to stay relevant and commercially viable. The introduction of short-format, social and golf entertainment participation options was recommended to support this goal.

The outcome of the assessment was as follows:

- Seek, via the market, a new improved Lease of Buildings and Controllers Agreement for five years, to enable more detailed planning to occur.
- During the next five years undertake the following work to prepare for redevelopment of facilities:
 - Consider the development of new concept plan to respond to challenges and opportunities to create a contemporary golf facility;
 - Develop a comprehensive design plan for the facilities –including arrival, car-parking, golf building precinct and any new facilities and experiences as identified; and
 - Build-on and align with the Course Masterplan.

In 2017 the City advertised a public tender (14/2017) for the Management of the CPG in accordance with section 3.57 of the *Local Government Act 1995* (Act). Following an assessment process, Council awarded the contract to Clublinks Pty Ltd for up to five years.

Clublinks commenced operations under the terms of these two agreements in March 2018. In addition, it was expected that Clublinks would work with the City to complete the master planning process, with the aim of broadening the service offering for CPG.

The Case for a Recreation and Aquatic Facility (RAF)

The strategic review of GBLC and CPG was undertaken to explore how a RAF concept could be more viable as a functioning integrated centre. To assist this analysis, the approach adopted and experience gained from the most recent integrated recreation and aquatic facility in Perth, the City of Cockburn's Aquatic and Recreation Centre (ARC) was examined.

This award-winning centre is reported to be exceeding expectations in meeting community needs, operating as a highly successful and viable mix of sporting and leisure services. Site visits to the Cockburn ARC were arranged for both Councillors and nominated staff, with the tours highlighting different delivery methods, scale of operations and partnership approaches to the provision of aquatic facilities.

Of notable success to the delivery of the Cockburn ARC was the co-location of mutually complementary multi-use facility components and the partnering approach with key stakeholders, as opposed to traditional 'single-use' service delivery models (GBLC & CPG) previously proposed within the City.

An exploration of potential partnering opportunities was therefore undertaken, using principles similar to that at the ARC. The review highlighted the potential opportunity to locate a RAF in close proximity to Curtin University (including an option within Collier Park Golf Course) to take advantage of the long term growth of the area from the development of the Bentley-Curtin Specialised Activity Centre and more specifically the Greater Curtin Master Plan.

This siting sought to leverage an existing and rapidly growing student, staff and academic demand and avail of potential partnering opportunities with the University to deliver Greater Curtin objectives. In addition, the review articulated greater catchment opportunities (and related financial returns) related to larger-scale / regional-level facilities, and reinforced a revised approach to delivery options and commercial partnerships.

The City was also conscious of the planning for the Collier Park Golf Course and also the development and success of the Wembley Golf Complex. Over a period of ten years, Wembley has grown from being of similar function to Collier Park Golf to the pre-eminent public golf complex in Australia. During that time Wembley has developed a two storey 80 bay automatic driving range, a large function centre and food & beverage operation and recently constructed a highly successful Mini-golf course.

Wembley is a highly profitable business for the Town of Cambridge and a prime example of how diversification from purely traditional golf has resulted in better outcomes for the whole community.

At the meeting held in October 2018, Council was updated on planning for the development of a potential regional multi-use recreation and aquatic facility within the City to service the community's future leisure and health needs and recent preliminary assessments reviewing possible sites and partnership opportunities. In response, Council resolved to:

1. *Reaffirm its commitment for the planning and promotion of the development of recreation and aquatic facilities to service community needs in accordance with Strategic Outcome 1.2(C) of the City of South Perth Strategic Community Plan 2017-2027;*
2. *Commence formal engagement with Federal and State Governments, adjoining local authorities, tertiary institutions, peak sporting bodies and commercial operators to gauge their interest, support and involvement in a regional scale multi-use leisure and aquatic facility to be located within the City;*
3. *Advance work on the design concepts and preferred sites to enable preparation of a detailed Business Plan to be submitted to Council by July 2019;*
4. *Commit to consultation with stakeholder groups and the public on the refinement of the concepts and preferred sites; and*
5. *Form a Project Reference Group reporting through to the Property Committee to oversee the development of the project.*

RAF Initial Feasibility Study & Design Concept

To implement the October 2018 Council resolution, project management consultancy NS Projects was engaged to coordinate the project and prepare a feasibility study. Architectural firm, Carabiner, was appointed to assist planning for the development of the RAF. Carabiner were the architects of the Cockburn Aquatic and Recreation Centre (ARC) and were engaged by the City to review site potential and provide conceptual architectural footprints. Possible core functions and their components were reviewed and conceptual floor plans were prepared.

Site Identification

Identification of a range of sites was undertaken, which involved a review of 23 sites within the City. The sites were then ranked against a number of criteria. The criteria included the following considerations:

- Available building footprint
- Integration opportunities
- Available funding partners
- Land and stakeholder impact
- Traffic congestion
- Ability to meet functional brief
- Long term planning for the area
- Environmental impact

A short list of six potential sites was selected for further investigation to inform a multi-criteria analysis. Criteria were separated into: functional requirements; delivery viability; funding potential; integration opportunities; and value for money.

Sites were subsequently ranked in order of preference, with the top three sites selected for further analysis. These were:

1. Collier Park Golf Course north of Clubhouse
2. George Burnett Leisure Centre
3. Collier Park Golf Centre south east corner



Figure 2: - Shortlisted sites for the RAF

Each site offered varying challenges and opportunities that informed the layout and components of the facility. Councillors were presented with a comparative review of the sites at a Councillor Concept Briefing session in February 2019.

Preferred Site

The assessment identified Site 1, Collier Park Golf Course north of Clubhouse, as the preferred location. It is proposed that the existing clubhouse will be demolished and integrated with the RAF. The benefits of this site are as follows:

- Co-locating the golf course with the RAF, creating a unique, recreational and community facility, while also assisting with on-going revenue generation;
- Upgrades are required to the Collier Park Golf Club in the near future and this option allows the City to meet this objective in the single development;
- Impacts the most underutilised golf holes on the course and limited impact to existing trees and the wildlife living within; and
- Access to the Curtin University market.

Core Functions

The core functions of the proposed RAF were selected to maximise the commercial viability of the facility and to meet identified community needs. The concept footprints prepared for the three shortlisted sites by Carabiner therefore included:

- 50 metre multi-purpose swimming pool
- 25 metre indoor swimming pool
- Program and learn-to-swim pool
- Children's aquatic play area and splash pad
- Hydrotherapy pool
- Aquatic recover pools
- Regional multi-purpose indoor sporting centre inclusive of courts
- Health club
- Program rooms
- Rehabilitation facilities
- Allied health facilities
- Community café/restaurant/bar
- Community office and meeting spaces
- Sports-house (accommodation for a peak sporting body)
- Regional playground and picnic areas
- Education, research and work integrated learning facilities
- Integrated sport merchandise store and golf pro shop
- Golf facilities including mini golf and technology driven driving range

These base facilities and optional elements informed the development of the Functional Brief and Concept Design during this Project Definition phase.

Federal Government Commitment

There has been, over a long period of time, strong advocacy from the Member for Swan, Hon Steve Irons MP for an aquatic facility within the City. Extensive engagement at the Federal Government level was completed with both local and Canberra based representatives and included two official visits by the Mayor and Chief Executive Officer (CEO) in November 2018 and January 2019.

The Federal Coalition Government subsequently made an election commitment of \$20million to the project in April 2019. Following their re-election in May 2019 the \$20million commitment was confirmed.

At the September 2019 meeting Council considered the findings of the Initial Feasibility Study & Design Concept and resolved the following in respect to the development of the RAF:

That Council:

- 1. Formally acknowledge and thank the Federal Member for Swan, Hon Steve Irons MP and accept (subject to the execution of appropriate documentation and agreements as required) the May 2019 Federal Election Coalition Commitment of \$20m for a Recreation and Aquatic Facility in the City of South Perth;*
- 2. Confirm as the preferred site the Collier Park Golf Course (north of the Clubhouse) as the selected location based on opportunities for establishing integrated facilities, enhancing commercial and operational viability, future proofing the golf course and attracting partner funding opportunities;*
- 3. That the preferred site be used for the purpose of advancing the feasibility business case with the business case to include a stakeholder and funding strategy, estimates on capital and operational costs, delivery and operational procurement models, delivery risk assessment, facility scope and accommodation plans, and any required commercial and partner agreements;*
- 4. Request the Chief Executive Officer to initiate and establish formal governance arrangements with prospective partners and to seek external funding support;*
- 5. That all decision milestones on the progress of the project be reported direct to Council for its determination.*

Comment

Project vision

The vision for the RAF is to create a world class health, wellness, fitness, recreation and education hub that supports the needs of a growing population. The RAF will be a unique and vibrant social hub where physical activity and lifestyle experiences meet and a place for community, sport and education partnerships.

The RAF is more than sports facility, it is a hub for integrated learning and the delivery and evaluation of health programs that will facilitate a shift in care from expensive hospital based to community care, thus lowering the cost for health care.

The RAF will be home to community sport and recreation across the region supporting greater participation in physical activity and providing tenants and key stakeholders with shared facilities, managed in a collaborative model.

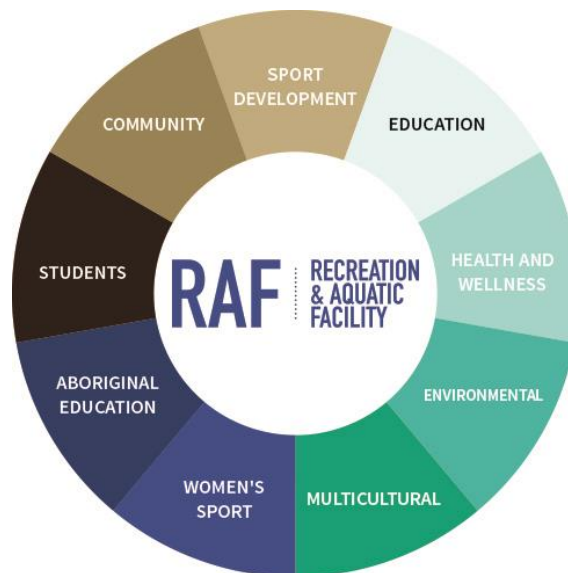


Figure 3 – Vision for RAF

Project objectives

- To set a new benchmark in wellness and leisure facility integrated into one world-class regional facility for the benefit of the community and its stakeholders.
- To deliver the project within the overall budget and provide an economically sustainable development that enhances capital and operational cost efficiencies for the City through integration of components into one facility.
- To fulfil the obligations of the Federal grant in relation to an increase in sporting facilities that provide female change rooms and amenities, increase in the number of girls and women participating in sport at all levels and increase in community swimming facilities.

RAF Feasibility Business Case

Following Council's September 2019 resolution, the project timeline was refined with the project moving into Stage 1 – 'Project Definition and Business Case'. The City's objective was to prepare a RAF Operational Feasibility Report and Project Definition Plan for Council to consider at a future meeting.

To complete Stage 1, the City engaged a project and design team including:

- Project Director (Beverly Davies);
- Project Architect (Christou Design Group);
- Project Manager, Commercial and Strategic (NS Projects);
- Strategic Advisor (Paatsch Group);
- Political Advisor (GRA Partners);
- A number of sub-consultants to assist with the development of the project to support the business case; and
- Legal firm Jackson McDonald, to formalise legal agreements and templates.

A series of funding and sports stakeholder workshops were organised to determine project definition and potential funding partners (see Consultation & Stakeholder Engagement). The project design team then completed the project design scoping to test the business case assumptions and scenarios derived from the stakeholder funding workshops.

The project team has developed two documents for the RAF to meet the requirements of Stage 1. They are:

1. Project Definition Plan - this defines the scope and sporting inputs/design, program and procurement **Confidential Attachment (b)**; and
2. Operational Feasibility Report – which models the expected operational cash flow of the facility **Confidential Attachment (c)**, derived from an Operator perspective to determine asset viability and forecast returns to the City.

Project Definition Plan

The Project Definition Plan ('PDP') has been commissioned by the City to effectively define the “why, what, when and how” in relation to the delivery of the RAF project. It builds on and refines the initial feasibility study, defines the site analysis undertaken and outlines the work undertaken to inform the functional brief prepared by the Architect.

The scope of the RAF project developed through the Project Definition phase incorporates the following key components:

Ground Floor

- Indoor Aquatic (Learn to Swim / leisure and warm water / wellness);
- Outdoor Aquatic (52 metre pool, with a boom);
- Sports Hall (6 courts minimum);
- Retail / Pro shop;
- Food & Beverage (café / restaurant and kiosk);
- Crèche;
- Climbing Centre;
- Driving Range; and
- Associated Facilities (e.g. kitchens, store rooms, amenities, office space, etc.)

First Floor

- Health Club (including program rooms);
- Function Areas;
- Associated facilities (e.g. back of house, amenities, etc.).
- Community Health Precinct
- Community House



Figure 4 – RAF ground floor concept plan



Figure 5 – RAF first floor concept plan

The RAF encompasses an estimated total building area of 17,247 square metres and has been developed through a masterplan approach to consider its location within the broader precinct and to allow for future expansion / works that may not be completed during initial construction.

Subject to Council approval, the PDP will become the central reference point to aid in decision making throughout future project phases.

Operational Feasibility Report

The key purpose of the Operational Feasibility Report (OFR) is to inform the operational viability of the design and overall facility, from the perspective of an external third-party operator, noting that there is no current consideration by the City to directly manage the operations. This in turn will guide the following:

- Market take-up for the operation of the facility (during procurement to market);
- Forecast returns to the City, through handover of management and / or lease rights to an Operator; and
- The design development and facility uses, including target commercial streams

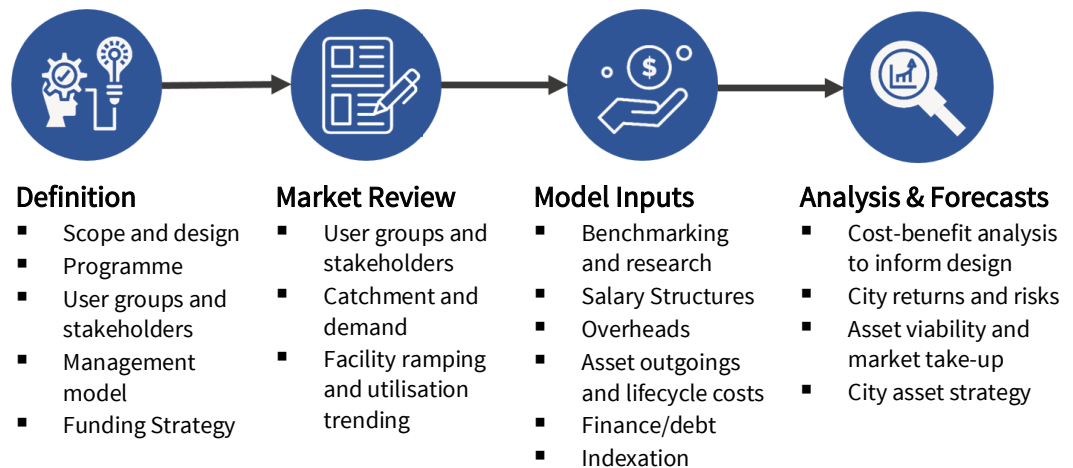


Figure 6 - Operational Feasibility Process

Detailed business and financial models have been developed for the proposed RAF based on the following:

1. Management of the facility by an experienced and qualified third-party operator, assuming lease returns to the City; and
2. 10-year operating projections via a custom model, which assumes a capital contribution (loan) by the operator.

In preparing the operational financial model, a sensitivity range has been placed across the model to inform a low, medium and high turnover scenario for the facility.

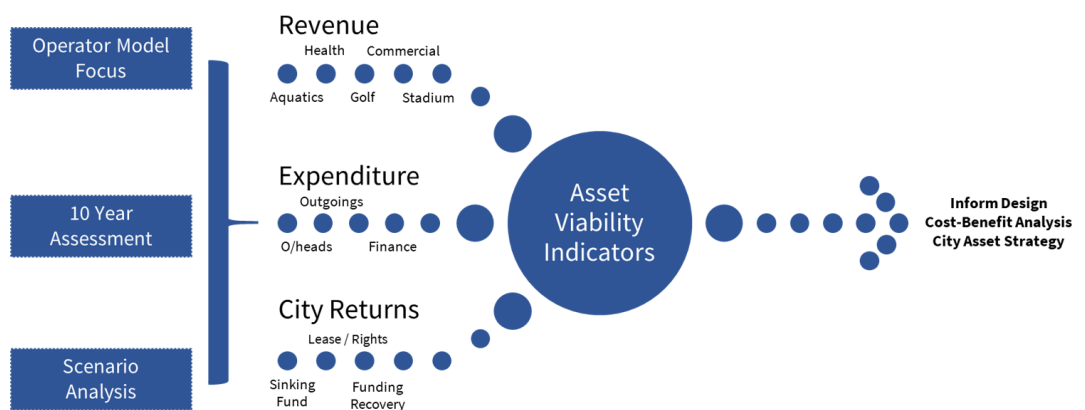


Figure 7 - Operational Model Structure

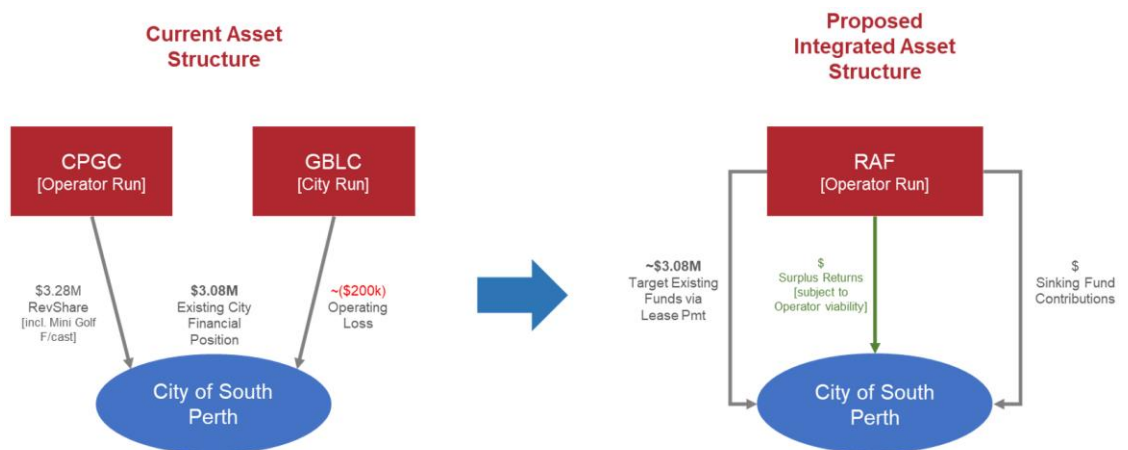
The 'Expected Forecast' (medium scenario) has been considered as the 'base scenario', with the assumptions reflective of the estimated performance of the RAF based on benchmarking and demand analysis. The low and high scenarios have had variations applied to these assumptions to illustrate a sensitivity assessment on the impact to the bottom line figures for varied performance.

The assumptions that are altered in each of the three scenarios and the percentage by which they have been adjusted by are reflected in the report.

The assumptions developed within the operational model and financials, include inputs from industry professionals, operators and via benchmarking of comparable assets. Financial forecasts have excluded any substantial impacts to current utilisation and operations from COVID-19, noting that many recreation and sporting facilities are experiencing significant increases (>30%).

Proposed City Asset Structure

Delivery of the RAF will provide a streamlined asset renewal and operating structure for the City, integrating the functionality and benefits of two key assets, GBLC and CPG. Figure 6 below shows the revised asset structure and potential commercial model with the Operator.



* Assumes the City maintain current CPG maintenance

Figure 8: Proposed City Asset Structure

The following key assumptions should be noted with regard to the above City Asset Structure and Operational Feasibility:

- The operational financials are developed from an Operator perspective to determine asset viability and forecast returns to the City.
- The facility currently proposes a Lease tenure with an Operating Agreement to provide security of rights for the Operator and enable the City to inform potential tenants and asset management.
- The existing CPG maintenance by the City will continue 'as is' and hence does not form part of the operational financials for the Operator.
- The GBLC is discontinued (via City Management) post RAF delivery however the specific asset strategy would be subject to a future business case.
- The strategy for a capital contribution by the City (\$20 million) is still to be defined, however an equivalent cost of debt finance is utilised for reference.

Operational Performance (Operator Returns)

The operational financials have been developed with a focus on business unit operations and assumptions across aquatics, stadium, golf, health club and commercial areas. Estimates are benchmarked primarily utilising the existing CPG, Cockburn ARC and Wembley Golf Complex, reflecting the most comparable assets and the unique nature of the RAF functions i.e. there is no direct industry benchmark.

The business unit forecasting after consideration of Operator finance costs, baseline lease payments to the City and sinking fund contributions, has been utilised to develop the 10-year operational cash-flow. Scenario analysis is included primarily focussed on the sensitivity of alternate visitation and membership demand to the Expected Scenario (Medium).

A *sinking fund* is to provide for the ongoing maintenance requirements of the facility to maintain it in an operable state and is supported by an annual contribution from the facility profits. The inclusion of an annual sinking fund allowance thus ensures that the facility is self-sustaining into the future.

A summary of the RAF financial performance to the Operator (Year 1, 5 and 10) after City and asset management costs is listed in Table 1 (shaded green). As a reference, an additional payment to the City, equivalent to the cost of debt finance by the City, is included below the line (in grey).

	Low	Expected	High
Item	Year 1 (Maturity)		
Net Operating Profit [after SF* & Lease]	\$1,134,913	\$2,306,607	\$3,477,648
NOP [% of Turnover]	7.85%	13.93%	18.64%
NOP [after pmt to City – debt cost]	-\$165,057	\$1,006,637	\$2,177,677
	-1.14%	6.08%	11.67%
	Year 5		
Net Operating Profit [after SF* & Lease]	\$1,110,051	\$2,392,072	\$3,673,382
NOP [% of Turnover]	7.04%	13.25%	18.07%
NOP [after pmt to City – debt cost]	-\$189,919	\$1,092,102	\$2,373,412
	-1.20%	6.05%	11.68%
	Year 10		
Net Operating Profit [after SF* & Lease]	\$1,195,028	\$2,595,112	\$3,994,407
NOP [% of Turnover]	6.81%	12.92%	17.67%
NOP [after pmt to City – debt cost]	-\$104,942	\$1,295,142	\$2,694,436
	-0.60%	6.45%	11.92%

* SF = Sinking Fund.

Table 1 – Summary of RAF Financial Performance

Based on the facility performance indicators and residual returns to the Operator, the forecast Expected Scenario indicates a 10 Year average Net Operating Profit (NOP) of approximately 13.0%. After allowance for additional payments for City debt funding costs the 10 Year average NOP is approximately 6.0%.

The detailed operational assumptions can be found within Section 11.0 of the OFR (**Attachment (c)**).

City Returns

As noted above, the City returns would be achieved either via lease payments, profit-share and / or management rights.

The consultants have assumed a minimum NOP for Operators (noting the scale of the facility would be in the order of 5.0% to 8.0%) after allowance for operator finance and asset management costs (sinking fund contributions). Adopting 6.0% as an Operator NOP Threshold, the following impacts to City financials is forecast.

Scenario Summary (Y1)	Low	Expected	High
Target City Returns:			
Existing Funds [CPGC & GBLC]	\$3,080,000	\$3,080,000	\$3,080,000
<i>Additional debt funding costs [reference]</i>	<i>\$1,299,970</i>	<i>\$1,299,970</i>	<i>\$1,299,970</i>
Total Target City Returns:	\$4,379,970	\$4,379,970	\$4,379,970
<i>Plus</i>			
Variance to Operator NOP Threshold @ 6%	-\$1,032,128	\$13,406	\$1,058,326
Residual City Returns [after Variance]	\$3,347,843	\$4,393,376	\$5,438,296

Table 2 - Comparison table of the operational scenario modelling against forecast returns

The above analysis indicates the ability for the following annual City Returns under the Expected forecast.

- Sinking fund contributions are covered within the operational financials (Year 1 is ~\$1.1 million and the figure is then indexed for inflation).
- Funds equivalent to existing asset returns [GBLC and CPGC] of \$3.08 million (indexed for inflation).
- Funds of ~\$1.3 million annually that are sufficient to meet the City's cost of debt finance for the \$20million capital contribution for the 20 year repayment period, and thereafter as City revenue.
- Funds as the City share of the additional returns of \$4,393,376 (City portion to be determined during operator procurement)

The ability for the asset to maintain the forecast City Returns will be dictated by the catchment demand and membership performance plus the required operating thresholds by Operators.

Whilst the performance indicators under the Expected Scenario show sound financial capability to provide returns to the City equivalent to existing funds and cost of debt, plus sinking fund contribution, the sensitivity of Operator return thresholds may vary the ability for the asset to cover the full annualised sinking fund requirement [Year 1 is ~\$1.1M]. Likewise, the initial ramping phase for operations may require a reduced contribution to the sinking fund to enable fair returns to the Operator and City.

Further Operator threshold sensitivity analysis is included within Section 11.12 of the OFR **Confidential Attachment (c)**.

It is noted that whilst all scenarios and financials assume the sinking fund contributions are covered by the RAF within the NOP forecasts, it is industry standard that the asset management (maintenance and capital replacement) is covered by the asset owner (City) hence the equivalent funds may also be transferred to the City or holding entity subject to legal structure.

Delivery of works at CPG will also impact operations with a total potential reduction of the revenue share to the City in the order of \$2.8 million during construction (estimated over 2022 and 2023, subject to the delivery programme). The primary impact to revenue is the potential impact on the Lake 9 during construction.

There is the opportunity to mitigate some of these impacts through completion of the Lake-9 modification prior to the RAF construction commencing, not currently considered within the above. The capital costs for the Lake-9 redevelopment and Mini-golf construction are not included in RAF project costs however these elements are considered within the operational feasibility post RAF completion. The construction staging plan and options will be value engineered with the operator and contractor to mitigate/ minimise risk and aid in revenue returns pre and during construction.

Asset Options

Noting the existing and proposed asset structure via delivery of the RAF, a high-level asset strategy comparator has been undertaken to define the comparative capital position between asset strategies. The asset options are:

1. Standalone renewal of existing assets – redevelopment of the GBLC and CPG to maintain current service provision.
2. Delivery of the RAF – integration of the CPG and GBLC renewal requirements. This assumes the GBLC is discontinued as a City asset (subject to a separate business case).

The capital and operating assumptions relevant to the existing assets are as follows:

Asset	Estimated Capital Upgrades*	Operating Performance [p.a.]
Collier Park Golf Course	\$7.5M	\$3.28M
George Burnett Leisure Centre	\$7.5M	-\$200,000
Total	\$15.0M	\$3.08M

* The GBLC and CPGC capital forecasts are based on prior industry review of the facilities and assume no material change to service provision.

Table 3 – Capital and operating assumptions – GBLC & CPG

Utilising the above capital and operational assumptions for the asset options, the following 10 Year cash flow assessment has been developed for comparative purposes. Note figures in the table below are current day and adopt a consistent operating deficit for the GBLC on renewal. Debt finance for both asset scenarios and capital requirements are excluded.

City Asset Options Analysis	Yr 0	Yr 1-10	Net Total
<i>Current Day Figures & Excl. Debt Finance for Capital Funding</i>			
Scenario 1 - Standalone Renewal of Assets:	Delivery	Operational	
GBLC - Upgrades	-\$7,500,000	\$0	-\$7,500,000
GBLC - Sinking Fund/Maint.		-\$1,500,000	-\$1,500,000
GBLC - Op. Financials		-\$2,000,000	-\$2,000,000
CPGC - Upgrades	-\$7,500,000	\$0	-\$7,500,000
CPGC - Sinking Fund/Maint.		-\$1,500,000	-\$1,500,000
CPGC - City RevShare [incl. Mini-golf]		\$32,800,000	\$32,800,000
Total	-\$15,000,000	\$27,800,000	\$12,800,000
Scenario 2 - RAF Delivery & Discontinue GBLC:			
GBLC - Discontinue		\$0	\$0
RAF - City Capital Funding	-\$20,000,000	\$0	-\$20,000,000
RAF - City Lease Returns [Payments]		\$42,820,386	\$42,820,386
RAF - Sinking Fund/Maint.	\$0	\$0	\$0
Total	-\$20,000,000	\$42,820,386	\$22,820,386
Variance 2v1:	-\$5,000,000	\$15,020,386	\$10,020,386

Table 4 - Summary financial comparator for the City asset scenarios

The comparative review indicates a strong financial benefit to delivery of the RAF against a standalone asset strategy, with a net comparative benefit in the order of \$10 million. In addition, the RAF asset model provides:

- Activity centre and commercial integration to support economic multipliers;
- Ability to streamline asset renewal in line with asset and market demand;
- Delivery against the City's strategic and community needs;
- Asset operational sustainability and
- Ability to leverage the City's capital funding with project partners.

Note the figures presented are all current day and are not discounted for Net Present Value (NPV) analysis. The cost of finance is also excluded from both asset and funding options. The relevant financial assumptions associated with each option are detailed within Section 12.2 of the OFR **Confidential Attachment (c)**.

Impacts and Benefits of RAF on Collier Park Golf

The ongoing review of the CPG business identified the need for it to be more customer focused and friendlier to women, families, diverse groups and younger generations. In order to achieve this, it was recommended to Council that CPG needed to introduce short-format, social and / or golf entertainment participation options, of which the driving range upgrades and the mini-golf are key components.



Figure 9 – Participation business offerings proposed for Collier Park Golf

The RAF proposal presents the opportunity for CPG to be upgraded in line with the diversification aims of the business plan. The retention of traditional 18-hole course is a core element of the golf course business. Focussing on technology and entertainment options the facility will appeal to all abilities of golfer as well as non-golfers.

The technology driving range will provide options for entertainment, tuition and practice. In the conceptual design the driving range is proposed to be a two-tier facility of between 56 and 80 bays providing a 100m x 100m netted environment. The bays would be set up using one of the proprietary technology systems providing launch monitor and gaming options. The use of range technology replaces visual observation of the full ball flight with digital and virtual feedback via individual screens in each bay. Whilst longer length driving ranges are more usual and would be considered superior the proposal for the netted shorter length driving range has provided sufficient space to allow the Lake-9 to be retained and remodelled into a short course. It is therefore considered to be an appropriate compromise.

The remaining 6 holes on the Lake-9 provide sufficient length for a short 9-hole course to be developed. A business case would be undertaken to confirm that the short course will provide improved returns over retaining the 6 existing holes in their current configuration. A concept design details a 1955m course par 31 course. This consists of four par 4 holes and five par 3 holes. This is approximately 70% of the length of the current Lake-9, that is a par 36 and 2849m in length.

The short course will focus on accuracy over length and will provide options for established golfers looking to focus on their “scoring game” or requiring an option for play with a shorter time demand, whilst also providing a less daunting teaching and game familiarisation environment for those newer to the game.



Figure 10 – Initial concept design for the short course

The development of Mini-golf has been confirmed by the City to be an essential element in maintaining the long-term financial viability of the Collier Park Golf and ensuring an ongoing contribution to the City's non-rate income. It also aligns strongly with the Strategic Community Plan under a number of strategies, and provides a strong point of difference from other local competing golf courses.



Figure 11 – artist's impression of the proposed mini-golf facility

In March 2020 Council considered state-wide submissions on the City's advertised business plan for a Mini-golf facility at Collier Park Golf and approved its construction. The Mini-golf facility is scheduled to be completed during the first quarter of 2021 and has been designed to complement the RAF project. The Mini-golf facility will provide an attraction that will assist the course in navigating the lower returns expected due to disruption during the RAF construction phase, as well as being a key attraction in the facility business model.

The golf proposals for the integration of the RAF facility have been developed in consultation with the City's operator Clublinks. The proposals will be further refined with more detailed consultations and reviews across the golf industry as the project progresses to the detailed design stage.

Consultation & Stakeholder Engagement

Key Project Partners

Key project partners have been identified to assist with developing the concept design for the RAF as well as for the contributions and support they will bring to the project. This will be subject to the overall project funding which will determine the plan configuration, spatial requirements and partner inclusions. There are a number of interested partners with discussion most advanced with the following:

Curtin University

The RAF, in conjunction with Curtin University will provide a "Proactive Approach to Health". In line with the first enduring strategy of the Sustainable Health Review adopted by the WA Government in 2019, the RAF will assist in addressing one of the challenges facing the WA health system and deliver a range of preventive health programs focussed on chronic disease.

Curtin University has long been a supporter of the provision of aquatic facilities by the City, as the current RAF proposal contributes to their Greater Curtin aspirations. It is anticipated that many Curtin students and staff will become active users supporting the viability of the facility. The City and Curtin University will work together to effectively utilise facilities and create scale to maximise the recreation and sporting opportunities available to the student and local communities.

SportWest

The West Australian Sports Federation (SportWest) is the peak industry body for sport in Western Australia and exists to promote, strengthen and advocate for sport in Western Australia. The organisation is currently without a permanent home, due to a fire destroying their base several years ago.

It is proposed that SportWest would be the governing body of the Community House. Under this scenario, the head lease agreement would be with SportWest, they would then issue sub lease agreements at their own discretion to the individual sporting entities.

Clontarf Aboriginal College

As a Catholic school in the Edmund Rice tradition Clontarf Aboriginal College is a place of learning and understanding that respects Aboriginal culture and spirituality and encourages students to reach their dreams. The potential partnership will focus on high quality alternative education for young Aboriginal students with a bespoke curriculum to be tailored to their individual needs and interests.

Council on the Ageing WA (COTA)

COTA commenced in 1959 on the founding principle of valuing the contribution and lived experience of older people and the advance the rights, needs and interests of older Western Australians. Consultation was held with COTA to discuss potential co-location opportunities in the Community House.

SEDA Group

SEDA is a leading provider of industry based hands-on education. They provide an individual approach to learning and focus on developing real skills to prepare students for a successful future. Through their partnerships with peak sporting organisations and elite clubs, students in Year 11 and 12 are provided with industry opportunities they will not find anywhere else. The project team consulted with SEDA to discuss their interest in co-locating the SEDA College within the RAF.

Summit Climbing Group

Summit is a complete and holistic provider of all products and services relating to the climbing industry and presents a unique position within the marketplace. Its focus in the RAF would be to fund and operate the Climbing Wall.

Template legal agreements have been drafted in order to facilitate formalisation of funding / commercial agreements during the next stage of the project. These comprise a non-binding Heads of Agreement suitable for those entities who have expressed an interest in securing tenure within the RAF (and contributing funding as applicable).

User / Tenant / Stakeholder Engagement

An extensive number of potential user / tenant stakeholders were engaged with throughout the Project Definition Phase, largely comprising state sporting entities or other related peak bodies.

The following sporting entities were engaged:

- Achper Australia (WA Branch)
- Austswim
- Badminton WA
- Basketball WA
- Diving Western Australia
- Golf WA
- Hockey WA
- Masters Swimming Western Australia
- Netball WA
- Parks & Leisure Australia
- PGA Australia
- Redbacks (Perth Basketball Association)
- Royal Life Saving Western Australia
- Swimming WA
- Synchro WA
- Triathlon Western Australia
- Unisport
- Volleyball WA
- Water Polo WA

The primary outcomes of this engagement included:

- Definition of the likely occupants of the Community House and their spatial requirements to inform the design, which included both the sporting entities and community organisations;
- An understanding of the facility usage requirements of the sporting users (i.e. aquatics, courts, etc.);

- Details of their specific sports technical requirements to consider as part of the concept design and to further detail during the next stages of design;
- Any potential funding opportunities to inform the funding strategy; and
- General support for the RAF facility, as evidenced by several letters of support and presentations made to Council by a number of the key partners / stakeholders.

Stakeholder and Community Engagement

The City conducted extensive engagement with key stakeholders and the wider community from 26 August to 23 September 2020 to give them the opportunity to provide feedback and assist in shaping the proposed RAF.

As part of the engagement program, the City contracted consultants Research Solutions to analyse all engagement data and Elton Consulting to facilitate the workshops (both in person and online).

Research Solutions were engaged to conduct an independent stakeholder and community engagement exercise to gauge the need for and acceptability of the proposal to construct the RAF on the grounds of Collier Park Golf Course. A report detailing the outcomes of the engagement has been prepared **Attachment (a)**.

The engagement process was divided into two parts:

1. An online survey hosted on the City's online engagement platform and distributed widely in the community.
2. In-depth research comprising a series of seven face-to-face engagement activities, as follows:
 - Community Survey - Online and hardcopy survey (1,641 responses - 1,407 being City of South Perth residents).
 - Disability and Access Workshop - Attended by 24 participants including members of the City's Inclusive Community Advisory Group (ICAG), a range of service providers, people living with disabilities and the carers of people living with disabilities. The purpose of the session was to inform them about the project and its background and encourage them to circulate that information to their contacts and to capture their advice, needs and requirements to make the RAF a welcoming and inclusive place to visit.
 - Community and Action Groups Workshop - Attended by 11 attendees representing the South Perth Historical Society, Karawara Action Group, Manning Community Association, Salter Point Community Group and the City of South Perth Residents Association. The purpose of the session was to inform them about the project background with a focus on financial sustainability, to capture their needs and requirements for the RAF and to encourage them to circulate information to their contacts.
 - Aboriginal Key Stakeholder and Community Workshop - Attended by 9 participants including members of the City's Aboriginal Reference Group, the community, Traditional Owners, the Curtin University community and South West Land and Sea Council (SWLSC) family representatives. The purpose of the session was to inform attendees about the project and to capture their advice, needs and requirements to make the RAF a welcoming, accessible place for Aboriginal people.

Attendees were also encouraged to circulate information about the project to their contacts.

- Community Information Day - The community was invited with the intention of informing them about the project, providing them with an opportunity to ask questions of the City and the architects, gauging their level of interest in and support for the RAF and capturing their needs and requirements. Approximately 100 participants attended this face-to-face event.
- Collier Park Golf Key User Groups – Attended by 12 participants as representatives from Collier Park Golf key user groups. The purpose of the workshop was to inform them about the project, hear their concerns and answer any questions they had.
- Online Community Workshop - Attended by community members. The purpose of the workshop was to inform the community about the project as well as to provide another opportunity capture their advice, needs and requirements for the RAF.
- South Perth Youth Network (SPYN) Workshop – Attended by five members of SPYN aged between 16 and 19 years. The purpose of the workshop was to inform and capture their advice, needs and requirements to make the RAF a welcoming and accessible place for young people.



Figure 12 - Stakeholder Feedback Mechanisms

Marketing and Communications

The engagement process was widely promoted by a far-reaching marketing campaign using all of the City's communications channels plus additional innovative methods, including social media, displays, videos, City's website, City's online engagement portal 'Your Say South Perth', targeted emails, eNewsletters, hard copy publications and brand ambassadors.

The City also made use of its extensive networks to promote the project and survey by using multiple contact lists and requesting that community groups forward the information to their members and contacts.

Key findings

Key findings overall from the stakeholder and community engagement identified a high level of support for the concept of the RAF with 87.2% of total respondents (87.8% City respondents) to the survey indicating they would use the proposed facility. Compelling reasons for developing the RAF are:

- Its location in the City of South Perth is more convenient than many of the current venues used (70.3% of respondents used facilities outside of the City)
- That it met the need for a swimming pool in the City of South Perth (79.4% of respondents had used an aquatic or indoor recreation facilities in the last 12 months)
- That it provides the opportunity to create a unique facility which meets the needs of the more marginalised members of the community.

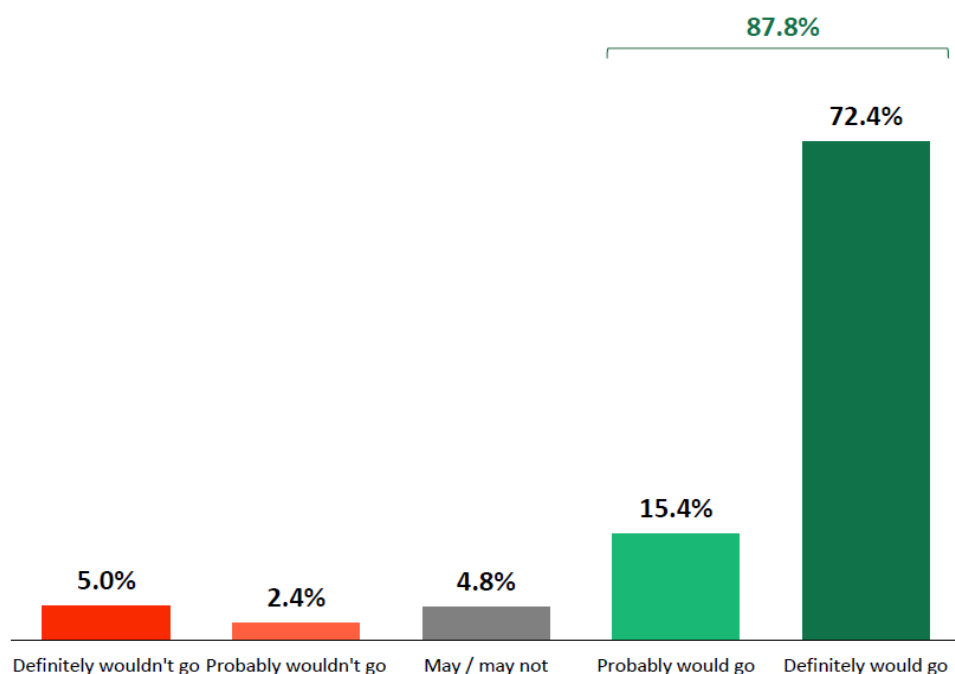


Table 5 – Likelihood of use of the RAF, City of South Perth residents (n=1,407)

The results of the RAF survey

The stakeholder and community engagement was undertaken using a structured survey to obtain an understanding of the needs and expectations of the community in relation to the RAF. A total of 1,641 people participated in the online survey.

Based on all of the responses to the survey, the majority (87.2%) say that they would be likely to use / visit the RAF should it be built (probably or definitely would use). Overall, 70.7% people who participated in the survey stated they would definitely use / visit the facility.

The main reasons community members gave for being likely to use the RAF themselves or take their children or grandchildren to the facility include:

- It's closer to home/work than the current facility used
- To use the pool
- Promotes fitness and wellbeing

- Good for kids/would take children or grandchildren there
- All the family would use it, it's family friendly
- Provides a place to socialise with family and friends

Of those who are unlikely to use the facility, their main reasons for not using it include:

- There are similar facilities already available close by
- Don't want facility to be built on the golf course
- Perceive it's a waste of ratepayers' money
- Believe it's the wrong location and should be built elsewhere

Those who would definitely use the proposed RAF tend to fit the following demographic profile:

- Have used a public or private aquatic centre in past 12 months
- Have children at school (pre-school, primary and secondary)
- Under 55 years of age
- Female
- Live in the City of South Perth or directly surrounding local government areas (LGAs)

Those likely to use the facility expect to do so because they or their children currently participate in indoor and pool-based activities and the proposed facility is closer to their home or work compared to the facilities they currently use. Furthermore, the proposed venue has aquatic facilities, which the community believes is needed in the area. They also perceive the facility as being a family friendly environment which is good for children and a good place to socialise.

The main indoor and pool-based sports and activity facilities currently used by the community members are:

- Aqualife, East Victoria Park
- Wesley Sports Club, South Perth
- Beatty Park Leisure Centre, North Perth
- Riverton Leisureplex, Riverton
- LeisureFit, Booragoon
- ARC, Cockburn
- Belmont Oasis Leisure Centre, Belmont

On average, those likely to use the proposed RAF travel for 15 minutes to get to the facilities they currently use and there was a high incidence of travel by private vehicle among this group of people, regardless of the facility they currently use. Among those likely to use the proposed facility, the 12 most popular indoor and pool-based sports and activities which this group would like to be offered at the RAF include:

- Swimming
- Pilates/yoga
- Gym workout
- Swimming/walking in water
- Group fitness classes
- Swimming lessons
- Hydrotherapy pool
- Circuit training
- Water play area/pool

10.7.5 Recreation and Aquatic Facility - Feasibility Business Case

- Indoor climbing
- Indoor basketball
- Aquatic group classes

The research indicated that the RAF was unique compared to the surrounding facilities used, including gym / health club activities as part of the RAF offering. Among those likely to use the facility, the most preferred health and wellbeing services which have been proposed for the RAF include:

- Massage
- Physiotherapy
- Sauna/spa/steam room
- Hydrotherapy

The most popular food and beverage facilities with the highest probable usage among those who are likely to use the facility include:

- Café
- Kiosk/take-away
- General seating and tables

In terms of outdoor facilities to be offered, those likely to use the RAF have greatest preference for the inclusion of:

- Shaded areas
- Picnic area
- Seating
- Children's playground
- Mini golf

Travel by private vehicle will remain by far the most popular mode of transport in getting to the RAF among those likely to use it. Those living in the City of South Perth and surrounding LGAs may modify their mode of transport if there are safe cycling routes to the proposed facility and there is secure bike parking at the facility.

Expectations about the RAF from those likely to use the facility and consider extremely important include it:

- Being a welcoming and safe environment
- Providing opportunities to stay active
- Providing a positive experience
- Improving general health and wellbeing

Generally, there is wide support for the development of the RAF among those who participated in the stakeholder and community engagement survey.

Outcomes of the face-to-face engagement activities

The following paragraphs summarise the outcomes of seven face-to-face engagement activities.

Key messages from the face-to-face engagement activities suggest:

- The community sees a need for the RAF in the City of South Perth, although there are some whose support is likely contingent upon the RAF being financially sustainable in the long term
- An aspiration for the RAF to offer 'something for everyone', irrespective of age, financial position, cultural background or level of ability

- There are widely held beliefs that creating a welcoming and inclusive space will be contingent upon both good design and great management, and that structural inclusion is key to creating comfortable spaces for Aboriginal people and other groups
- The community is looking for an exceptional public realm that will become part of the daily life of local residents
- Many view the RAF as an opportunity for the City of South Perth to recognise and celebrate Whadjuk history and culture through art, design and naming
- There appears to be some opposition to locating the RAF at Collier Park Golf from golfers, concerned about its impacts on the course and their experience of it.

The community is broadly supportive of the concept, perceiving a need for a RAF in the City of South Perth.

The engagement activities confirm that residents currently leave the City of South Perth for most aquatic pursuits: whether exercise, leisure or swimming lessons.

The lack of a swimming pool is a gap in the City's offering and many perceive the RAF is long overdue.

Support may be contingent on the financial viability of the project, and the likely impost on ratepayers.

In many of the engagement activities, a number of residents voiced their concerns about the financial viability of an aquatic centre, perceiving swimming pools to be 'money pits' for local governments and ratepayers. These participants would like to see more in the way of 'hard numbers' and the business case before putting their support behind it.

Regular users of Collier Park Golf may support the concept of the RAF but be more likely than others to oppose its location at Collier Park Golf

Golfers want the 27-hole course to remain and perceive there are other sites within the City more suitable to the RAF. The main issue appears to be concern over access to the course: they feel that encouraging more golfers to the game and reducing the number of holes is likely to have a negative impact on their ability to play on the course. The introduction of a new driving range and new technologies is unlikely to offset reduced access to the course.

Multi-cultural, multi-functional and multi-generational: consistent values and aspirations emerged across all groups

Common themes emerged from the majority of face-to-face engagement activities, namely that the RAF should be a place where everyone feels comfortable and that can accommodate the needs of people of all ages, all cultures and all levels of ability. The RAF should be a place for more than just swimming. The RAF should offer opportunities for casual daily use (like walking the dog or taking the children to the playground), for meeting up with friends or family for picnics or breakfast at a café, for individual or group exercise, for physical therapy, community events and cultural experiences.

For vulnerable and other groups, structural inclusion is key

Attendees at both the Disability and Access and the Aboriginal Key Stakeholder and Community Workshops stressed the need for structural inclusion in the RAF to foster a sense of welcome and ownership. They felt that inclusion needs to begin at the concept phase and follow through to design, procurement, construction, management and employment at the RAF. Employing Aboriginal people and people with disabilities in all positions – including public facing ones – will cement community faith in the RAF as a welcoming space.

It is felt that many errors are still being made in designing inclusive built environments – even in flagship public spaces. Minimum standards for disability access are not felt to go far enough and good ideas are felt often to be ruined by a lack of follow-through. An example given was the change rooms for people with disabilities at Yagan Square that are ‘above code’, however the entry doors are too narrow, the stalls are a tight fit and wayfinding is poor. At Optus Stadium, there are too few ACROD bays and those that exist are a long walk from the stadium. Elizabeth Quay has cobblestones which are not suitable for people in wheelchairs.

Aboriginal people felt that the traditional Euro-centric design of buildings and amenities (such as purely functional, square designs, a lack of access to nature, cold and unwelcoming reception areas, the lack of family change rooms) can serve to exclude.

Attendees at the Aboriginal Key Stakeholder and Community Workshop articulated the need for the architects to believe in the concept of inclusion and really ‘sell it’ to the Elected Members.

In creating a welcoming and inclusive environment, management will be as important as design

The need for high-quality, friendly and well-trained staff emerged as a consistent theme in most engagement activities, trained in cultural awareness and inclusive practices.

Aboriginal people and people with disabilities felt that they are likely to be disproportionately affected by policies they felt suit the needs of management rather than users. For example, one workshop attendee who is vision-impaired reported needing to seek permission from pool staff to swim unaccompanied. At some swimming pools, Aboriginal girls are told they cannot swim in shorts and t-shirts; as they often have a different sense of modesty to their non-Aboriginal counterparts, this policy effectively excludes them from accessing the pool.

The ‘economics of access’ warrants consideration

The cost of access is a further consideration. The need to pay for parking, for entry and food can effectively exclude large sections of the community on lower incomes, frequently excluding people living with a disability, seniors, Aboriginal people, new migrants and people with large families.

Catering to all needs requires that the RAF offers both paid and no-cost activities that the whole family can enjoy. Attendees of the Aboriginal Key Stakeholder and Community Workshop identified a water park like the ‘old one at Ascot’ would be a very welcome inclusion; a place where families are able to spend the day at no cost. The inclusion of a water playground or fountains ‘like at Forrest Place’ appealed to all community groups.

Opportunities for cultural experiences

The Aboriginal Key Stakeholder and Community Workshop had a number of considerations they wish included: places to meet, 'mia mias' (a temporary shelter or hut), access to the water and indigenous art. It is worth noting that the attendees from both the Disability and Access Workshop and the Community Action Group Workshop also felt the RAF would benefit from embedding Aboriginal art and stories of the Whadjuk people into the design of the RAF, including plant names and their uses and the story of the Noongar Six Seasons. They perceive that opportunities for cultural experiences will be one factor that sets the RAF apart and helps make it a regional destination.

An exceptional public realm

A strong desire for the RAF to provide an exceptional public realm emerged in all groups. To encourage daily use by local residents, it should offer a safe, secure and comfortable environment that includes protection from winter rain and summer heat. Access to the natural environment, protection of the wetlands, and retention of trees are all important, as is the provision of sufficient open space for the RAF to host festivals and community events. An all-abilities, enclosed adventure playground is a key inclusion, and one for which people say they will travel.

Councillor Concept Briefings

A series of concept briefings have been held with Councillors to inform them of progress of the RAF since the September 2019 Council resolution as follows:

- 10 February 2020 – Project architect tender and project update
- 3 August – Project background and update
- 1 September – Curtin University, plus project design and draft inclusions
- 14 September – Project partner presentations, plus Business Case outline
- 5 October – Business Case presentation
- 19 October – Stakeholder Engagement, plus Architect Presentation and Business Case discussion

The stakeholder and community feedback, along with a range of other stakeholder input and information, will help inform Council and assist in the decision making process for the next steps of the proposed facility.

Policy and Legislative Implications*Local Government Act 1995*

- Section 3.18 of the Act prescribes that a local government may provide services and facilities; and in doing so should satisfy itself that they are integrated and coordinated with services and facilities provided by the Commonwealth, the State and other entities
- Section 3.59 of the Act prescribes the requirements for preparation of a business plan detailing what this may include.

Local Government (Functions & General) Regulations 1996.

- Regulations 8A & 8 describe the amount prescribed for major trading undertakings; exempt trading undertakings prescribed (Act s. 3.59)

Policy 106 Use of City Reserves and Facilities

Policy 609 Management of City Property

Complying with Department of Planning, Lands and Heritage (DPLH) requirements with respect to necessary amendments to the management orders for the reserves. The requirements will be confirmed in consultation with DPLH as the project progresses.

City of South Perth Community Recreation Facilities Plan

At the September 2020 meeting Council adopted a Public Health Plan, a broad community wide plan which endeavours to work towards better health outcomes for the City. The Public Health Plan is a guide for the City to integrate a public health focus into existing services and facilities, such as the proposed RAF and future public health initiatives. The strategies adopted in the Public Health Plan align with the WA Government's Sustainable Health Review (2017) to develop a more sustainable health system for Western Australia and reduce the burden of chronic disease.

The proposed RAF is integral to Priority area 2 – Chronic Disease Prevention and Management of the Public Health Plan and improving the health outcomes of South Perth residents. Strategy 2.1 of the Public Health Plan details the role of the proposed RAF.

2.1 Increasing physical activity and program management

2.1.1 Planning for and building the Recreation and Aquatic Facility (RAF)

- A multi-purpose facility with an explicit focus on improving health outcomes and encouraging preventative health activities
- Collaboration with key stakeholders to deliver a range of exercise and health related programs to the community
- Provision of a wide range of sporting and recreational activities such as swimming, golf and playing courts
- Encourage social cohesion through participation in health related programs and sporting activities

Financial Implications

The funding target for delivery of the RAF is \$80 million. The current Project Definition Phase cost estimate is \$79,871,845 (excl. GST), which was provided by the project cost consultant.

This exceeds the project budget (target) of \$73 million adopted at feasibility stage, primarily due to the following changes or inclusions:

- Inclusion of a climbing centre;
- Increased size of the Community House to meet requirements (including by COTA and SEDA College);
- Provision of space for occupation by Curtin;
- Increased size of the health club to meet forecast demand;
- Increased size of food and beverage facilities;
- Increased infrastructure and servicing requirements; and
- Increased number of car bays.

Item	Cost (Excl. GST)
Demolition & Site Preparation	\$3,204,600
Building Works	
- Community House (Incl. Curtin University)	\$6,185,150
- Aquatic	\$15,935,400
- Sports Hall	\$15,293,750
- Health Club	\$3,956,000
- Common Facilities	\$3,773,000
- Food & Beverage	\$4,200,250
- Driving Range	\$2,479,000
- Plant	\$369,000
External Works & Services	\$9,363,695
Construction Sub-total	\$64,759,845
Design Contingency	\$2,591,000
Construction Contingency	\$3,368,000
Statutory Fees & Charges	\$354,000
Professional Fees	\$6,000,000
Headworks Fees & Charges	\$350,000
Public Art	\$500,000
Escalation	\$1,949,000
ESTIMATED TOTAL COST	\$79,871,845

Table 6 – RAF Project Definition Phase cost estimate

These costs are still preliminary and are expected to be refined to remain within the \$80 million target through the use of value management processes as the project matures.

Key Funding Partners

Federal Government

The Federal Coalition Government has committed \$20million to the project to construct the aquatic facilities.

State Government

Engagement at a state and local level has taken the form of a number of meetings with key representatives of the Department of Local Government, Sport & Cultural Industries and Department of Planning, Lands & Heritage. A financial commitment of \$20 million from the State Government will be sought as a priority.

SportWest

SportWest has provided a commitment to the project via an exchange of letters with the City, which includes a funding contribution of \$1 million, of which \$50,000 is a contribution towards the Project Definition and Business Case phase, with the balance a contribution towards the Community House fit-out.

Curtin University

The University has agreed to representation in project governance in line with an initial commitment of \$150,000 to fund the Stage 1 Project Definition and Business Case. Discussions with the University on capital funding will continue.

RAF Operator

The City has not yet determined how the RAF will be governed and managed, however the project team consider that management by a single external management agency is the preferred option.

If this option is chosen, the City will seek tenders (with initial Expressions of Interest (EOI) to test the market appetite) for an Operator. Subject to an agreement being established it is likely that the preferred operator will contribute capital funding through a contribution to fit-out costs in exchange for the establishment of a long-term management lease.

Other potential funding partners

These include state sporting associations, neighbouring municipalities, commercial tenants and a 'Naming Rights' partner.

City of South Perth Recommended Funding Commitment

It is important to note that a financial commitment to the project from the City of South Perth Council demonstrating its full commitment to the RAF development is a fundamental expectation of State Government and 'other partners'. This commitment is now required in order for the CEO to successfully progress requests for additional funding.

A recommendation of this report is for Council to make a clear funding commitment to the project of \$20 million, matching the existing Federal Government commitment, and being 25% of the estimated total cost.

The RAF will replace and improve the service level of two existing City assets (GBLC and CPGC buildings), and the \$20 million commitment sought is comparable to what would be required to upgrade those facilities were the RAF not to progress. In that sense, the \$20 million is already accounted for in the Long Term Financial Plan (LTFP) and therefore not considered a new funding request, but is primarily a reallocation of existing asset liabilities.

It is important to note that the LTFP informs the Annual Budget, however the Council has absolute discretion each year to determine in the Annual Budget the means to fund the Capital works program; the options being grants, reserves, loans, municipal funds or a combination.

The RAF project will straddle several Annual Budgets. Council will adopt the amount of annual capital payments and the required funding mix each year. By way of example, Council may choose to fund the capital payments entirely by Municipal funds, or entirely by Reserve funds, or entirely by loan funds, or a combination of two or three funding sources each year. A Council commitment to fund \$20 million (City contribution) of the RAF project does not lock in any particular funding mechanism.

For illustrative purposes, the OFR modelled the City's funding contribution as a \$20 million loan, this is as a conservative approach. The City may borrow at historically very low interest rates. Alternatively, the City may fund the project via Municipal funds and/or Reserves. In choosing one of these options the City would forgo interest revenue from investments, these too are also at historical low levels. For comparison, the interest expense for loan funds is currently 2.64% (fixed, for 20 years), in comparison to the 0.6% revenue interest that would be forgone should Council resolve to use Municipal or Reserve funds.

In summary, a \$20 million City contribution commitment to fund the RAF does not require the Council to determine how this commitment will be funded and the amounts described in the OFR have been prepared on a conservative basis, for illustrative purposes.

Summary Assessment

The RAF project has the ability to:

- Return existing revenue
- Cover Sinking fund
- Cover Loan requirements for 20 year loan (assuming full City funding by loan)

Progression of the RAF Project

There are a number of recommendations for the Council to consider and approve to enable the City to progress the RAF project. They are as follows:

1. Approve the Project Definition Plan and Operational Feasibility Report;
2. Endorse the outcomes of the stakeholder and community engagement to date;
3. Confirm a \$20 million capital expenditure commitment to the project;
4. Direct the Chief Executive Officer to continue to pursue the required funding for the \$80 million project proposal; and
5. Approve a Section 3.59 Business Plan for the project for state-wide public notice.

Section 3.59 Business Plan

Section 3.59 of the Local Government Act 1995 (Act) and Regulations 8 and 8A of the Local Government (Functions and General) Regulations 1996 (Regulations), require the City to prepare a business plan before it considers entering into a major land transaction and/or major trading undertaking. The City has received legal advice that signing of the Federal Grant Agreement and acceptance of payments would constitute “entering in a major trading undertaking”.

It is therefore now necessary for the City to advertise a Section 3.59 Business Plan prior to the execution of the Federal Grant Agreement, and to allow the City to take receipt of the first financial draw down of \$5.5million, due by the end of the 20/21 financial year.

Regulation 8A of the Regulations describes a major land transaction as the amount that is the lesser of \$10 million or 10% of the operating expenditure. For the City of South Perth, 10% of the total operating expenditure represents \$6,169,297 (Annual Budget 2020/2021).

Regulation 8 provides an exemption to produce a section 3.59 business plan if the local government enters into the transaction without intending to produce a profit. Given the mixed nature of the project, with a total estimated cost of \$80m, it is prudent for Council to comply with the requirements of a section 3.59 business plan.

A business plan, in accordance with section 3.59 of the Act requires consideration of public comments, prior to its commencement / implementation. The public comment period, advertised state-wide, is to be open for a period of not less than six weeks. During this advertising period, submissions are invited from members of the public. Council must consider any submission received during the advertised period before it decides to proceed (or not) with the business plan.

The adoption to advertise a business plan is not an approval to proceed. Approval to proceed may only occur once Council has considered any public comments received during the public comment period. Therefore, the earliest possible time for Council to adopt to proceed with the RAF project is February 2021.

A business plan for the RAF **Attachment (d)** has been developed to comply with the Act and the Regulations.

Subsequent to the Council's approval of the recommendations of this report, an indicative task list and timeline to progress the RAF project to completion is tabled below. It is important to recognise that there are a number of tasks to be undertaken before the RAF project is to progress to construction and that Council approval is required for several of these.

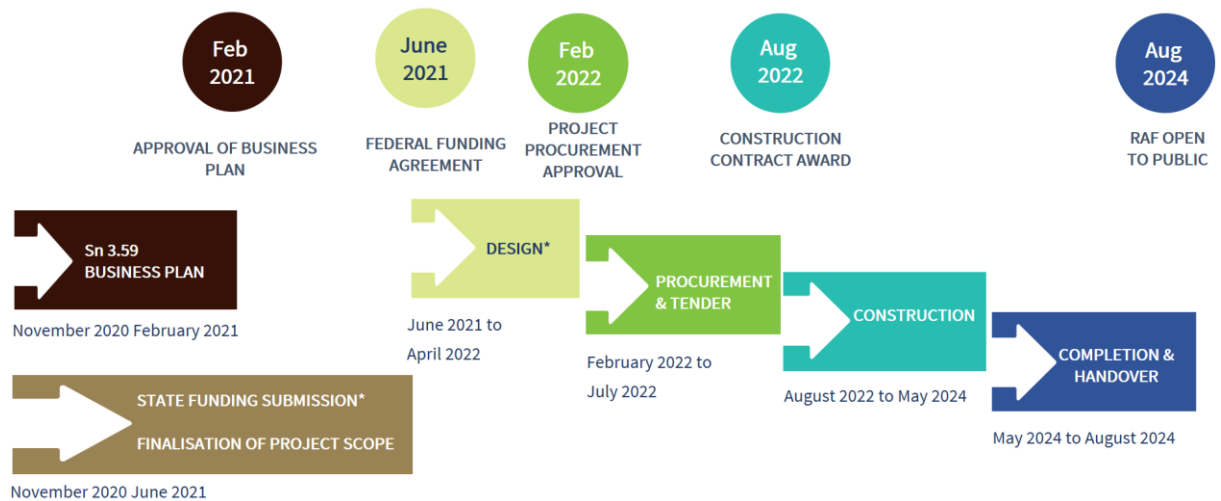


Table 7 – Project Timeline

Note:

* This programme assumes that design activities do not commence until June 2021, allowing for the project scope to be finalised based on final funding commitments (State funding). Design activities can commence earlier should the funding and therefore scope, be finalised prior to that date, which would result in an earlier RAF opening date. Conversely, should the project scope not be finalised by June 2021, any delays will have a consequent impact on the overall project programme.

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2020-2030](#):

Strategic Direction: Community
 Aspiration: A diverse, connected, safe and engaged community
 Outcome: Community Infrastructure
 Strategy: Plan for and promote the development of recreation and aquatic facilities to service City of South Perth needs

Attachments

- 10.7.5 (a):** Stakeholder and Community Engagement Report for the Proposed Recreation and Aquatic Facility *(Under Separate Cover)*
- 10.7.5 (b):** Project Definition Plan *(Confidential)* *(Under Separate Cover)*
A [redacted version](#) of the above **Attachment (b)** has been made publically available on the City's website.
- 10.7.5 (c):** Operational Feasibility Report *(Confidential)* *(Under Separate Cover)*
- 10.7.5 (d):** Section 3.59 Business Plan *(Under Separate Cover)*