



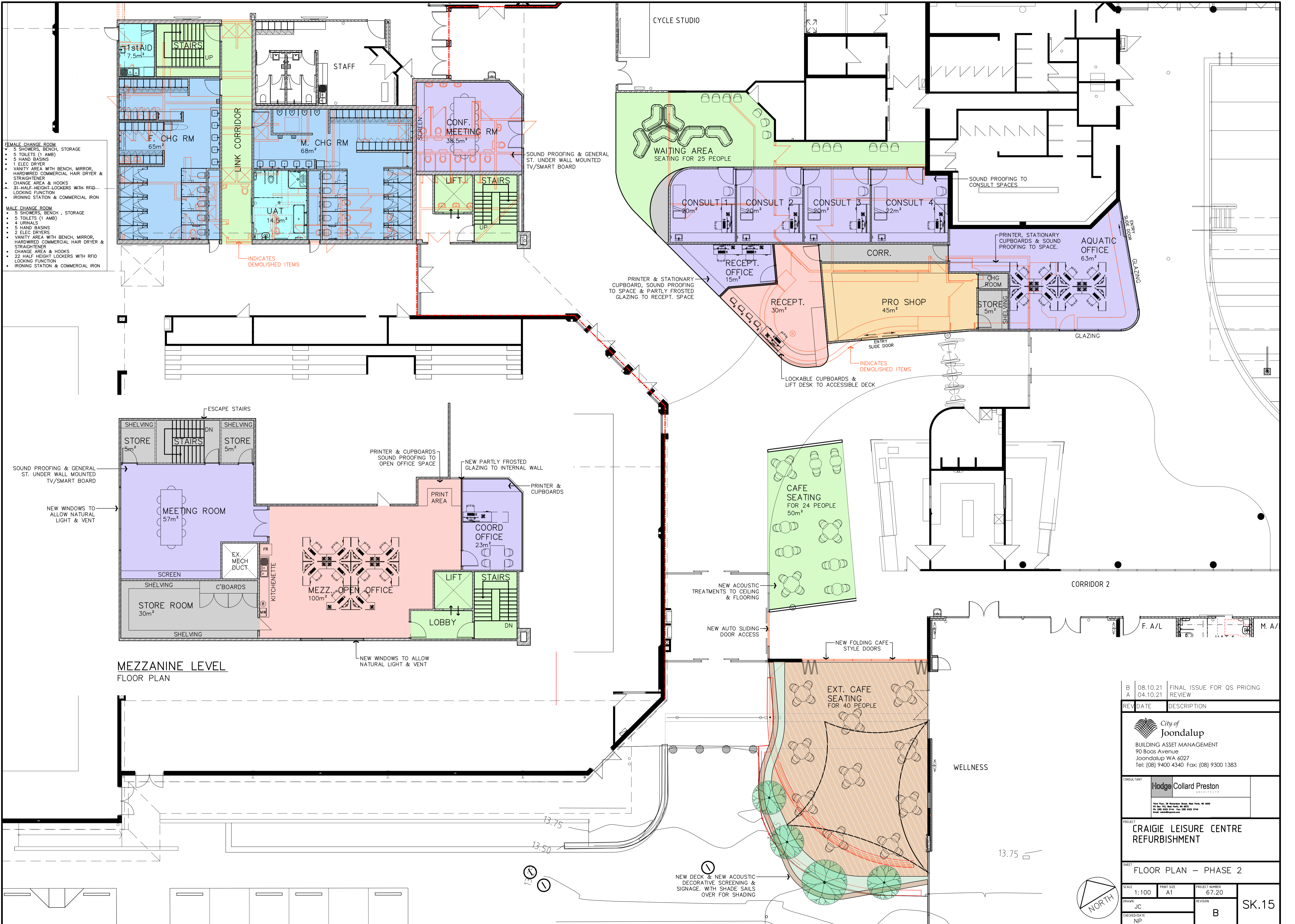
DISCLAIMER: While every care is taken to ensure the accuracy of this data, the City of Joondalup makes no representations or warranties about its accuracy, completeness or suitability for any particular purpose and disclaims all liability for all expenses, losses, damages and costs which you might incur as a result of the data being inaccurate or incomplete in any way and for any reason.

Craigie Leisure Centre

17/03/2022  
1:2257





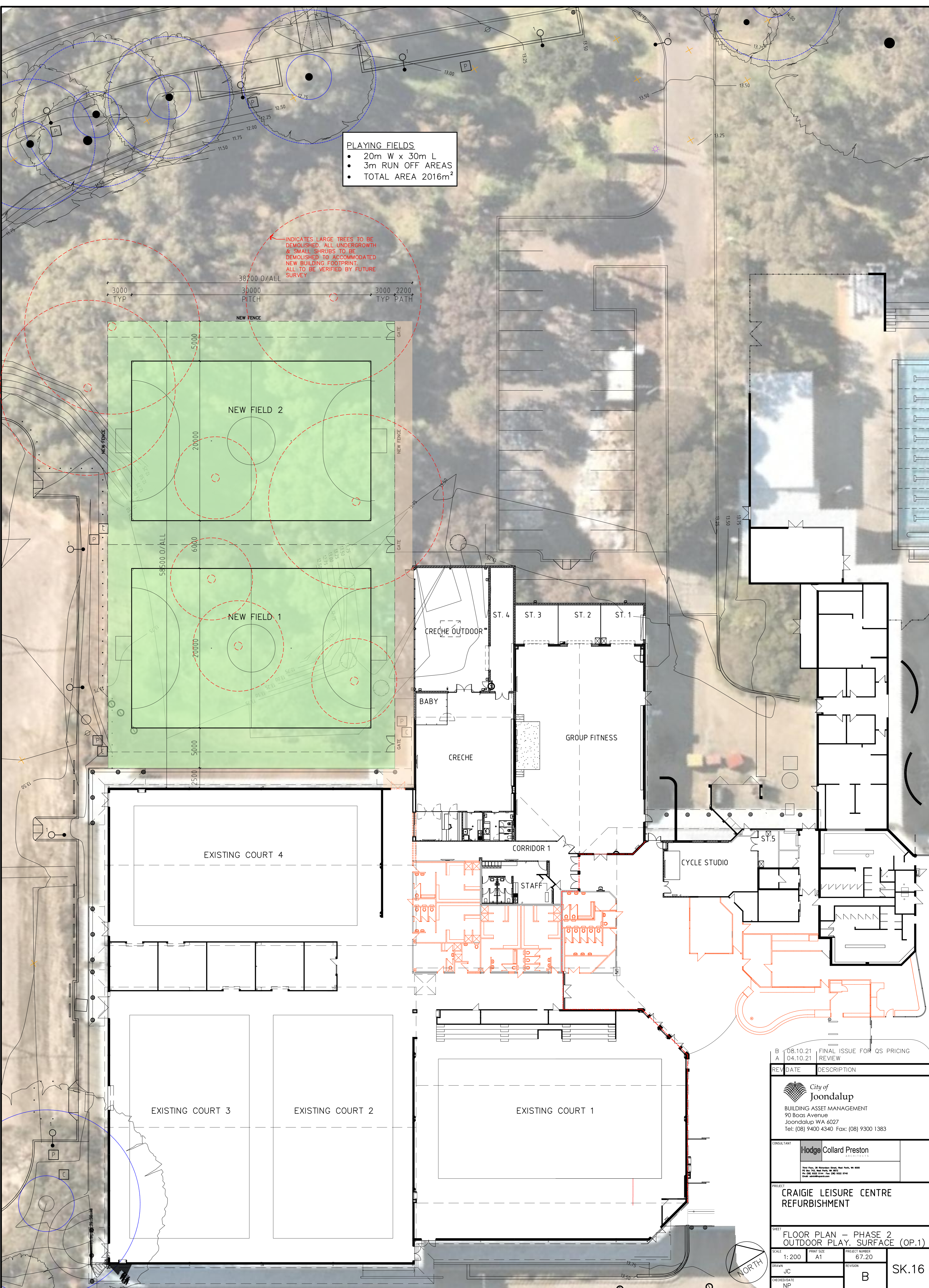


- FEMALE CHANGE ROOM**
  - 5 SHOWERS, BENCH, STORAGE
  - 5 TOILETS (1 AMB)
  - 5 HAND BASINS
  - 1 ELEC DRYER
  - VANITY AREA WITH BENCH, MIRROR, HARDWIRED COMMERCIAL HAIR DRYER & STRAIGHTENER
  - CHANGE AREA & HOOKS
  - 31-HALF-HEIGHT LOCKERS WITH RFID LOCKING FUNCTION
  - IRONING STATION & COMMERCIAL IRON
- MALE CHANGE ROOM**
  - 5 SHOWERS, BENCH, STORAGE
  - 5 TOILETS (1 AMB)
  - 4 URINALS
  - 5 HAND BASINS
  - 2 ELEC DRYERS
  - VANITY AREA WITH BENCH, MIRROR, HARDWIRED COMMERCIAL HAIR DRYER & STRAIGHTENER
  - CHANGE AREA & HOOKS
  - 22 HALF-HEIGHT LOCKERS WITH RFID LOCKING FUNCTION
  - IRONING STATION & COMMERCIAL IRON

MEZZANINE LEVEL FLOOR PLAN

REV	DATE	DESCRIPTION
B	08.10.21	FINAL ISSUE FOR QS PRICING
A	04.10.21	REVIEW
<p><b>City of Joondalup</b> BUILDING ASSET MANAGEMENT 90 Boas Avenue Joondalup WA 6027 Tel: (08) 9400 4340 Fax: (08) 9300 1383</p>		
<p><b>Hodge Collard Preston</b> CONSULTANT</p>		
<p>PROJECT: <b>CRAIGIE LEISURE CENTRE REFURBISHMENT</b></p>		
<p>SHEET: <b>FLOOR PLAN - PHASE 2</b></p>		
SCALE	PRINT SIZE	PROJECT NUMBER
1:100	A1	67.20
DRAWN	REVISION	SK.15
JC	B	
CHECKED/DRAWN		
NP		





**PLAYING FIELDS**

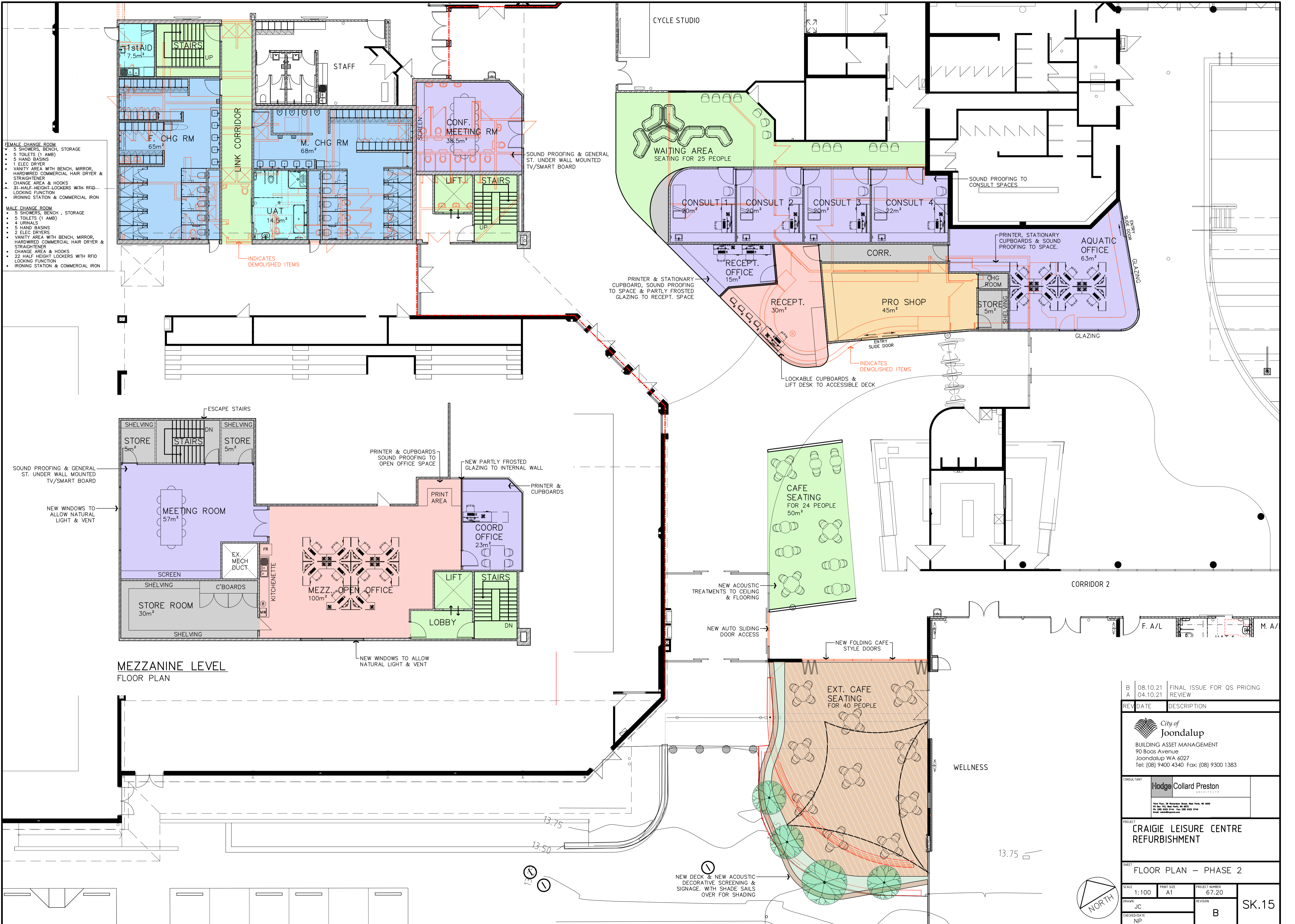
- 20m W x 30m L
- 3m RUN OFF AREAS
- TOTAL AREA 2016m<sup>2</sup>

INDICATES LARGE TREES TO BE DEMOLISHED. ALL UNDERGROWTH & SMALL SHRUBS TO BE DEMOLISHED TO ACCOMMODATE NEW BUILDING FOOTPRINT. ALL TO BE VERIFIED BY FUTURE SURVEY.

38200 O/ALL  
 30000 PITCH  
 3000 TYP  
 2200 TYP PATH

REV	DATE	DESCRIPTION
B	08.10.21	FINAL ISSUE FOR QS PRICING
A	04.10.21	REVIEW
<p><b>City of Joondalup</b>        BUILDING ASSET MANAGEMENT        90 Boas Avenue        Joondalup WA 6027        Tel: (08) 9400 4340 Fax: (08) 9300 1383</p>		
<p><b>Hodge Collard Preston</b>  <small>Head Office: 28 Richardson Street, West Perth, WA 6005        PO Box 111, West Perth, WA 6005        Ph: (08) 9332 3144 Fax: (08) 9332 3140        Email: info@hodgepreston.com.au</small></p>		
<p><b>PROJECT</b>        CRAIGIE LEISURE CENTRE        REFURBISHMENT</p>		
<p><b>SHEET</b>        FLOOR PLAN – PHASE 2        OUTDOOR PLAY SURFACE (OP.1)</p>		
SCALE	PRINT SIZE	PROJECT NUMBER
1:200	A1	67.20
DRAWN	JC	REVISION
CHECKED/GATE	NP	B
		SK.16





REV DATE	DESCRIPTION	
B 08.10.21	FINAL ISSUE FOR QS PRICING	
A 04.10.21	REVIEW	
<p><b>City of Joondalup</b>          BUILDING ASSET MANAGEMENT          90 Boas Avenue          Joondalup WA 6027          Tel: (08) 9400 4340 Fax: (08) 9300 1383</p>		
<p><b>Hodge Collard Preston</b>  <small>1001 Perth, 28 Melbourne Street, West Perth, WA 6005          PO Box 74, West Perth, WA 6002          Ph (08) 9332 5144 Fax (08) 9332 5145          Email: enquiries@hodgecollard.com.au</small></p>		
<b>PROJECT:</b> CRAIGIE LEISURE CENTRE REFURBISHMENT		
<b>SHEET:</b> FLOOR PLAN - PHASE 2		
SCALE	PRINT SIZE	PROJECT NUMBER
1:100	A1	67.20
DRAWN	REVISION	
JC	B	
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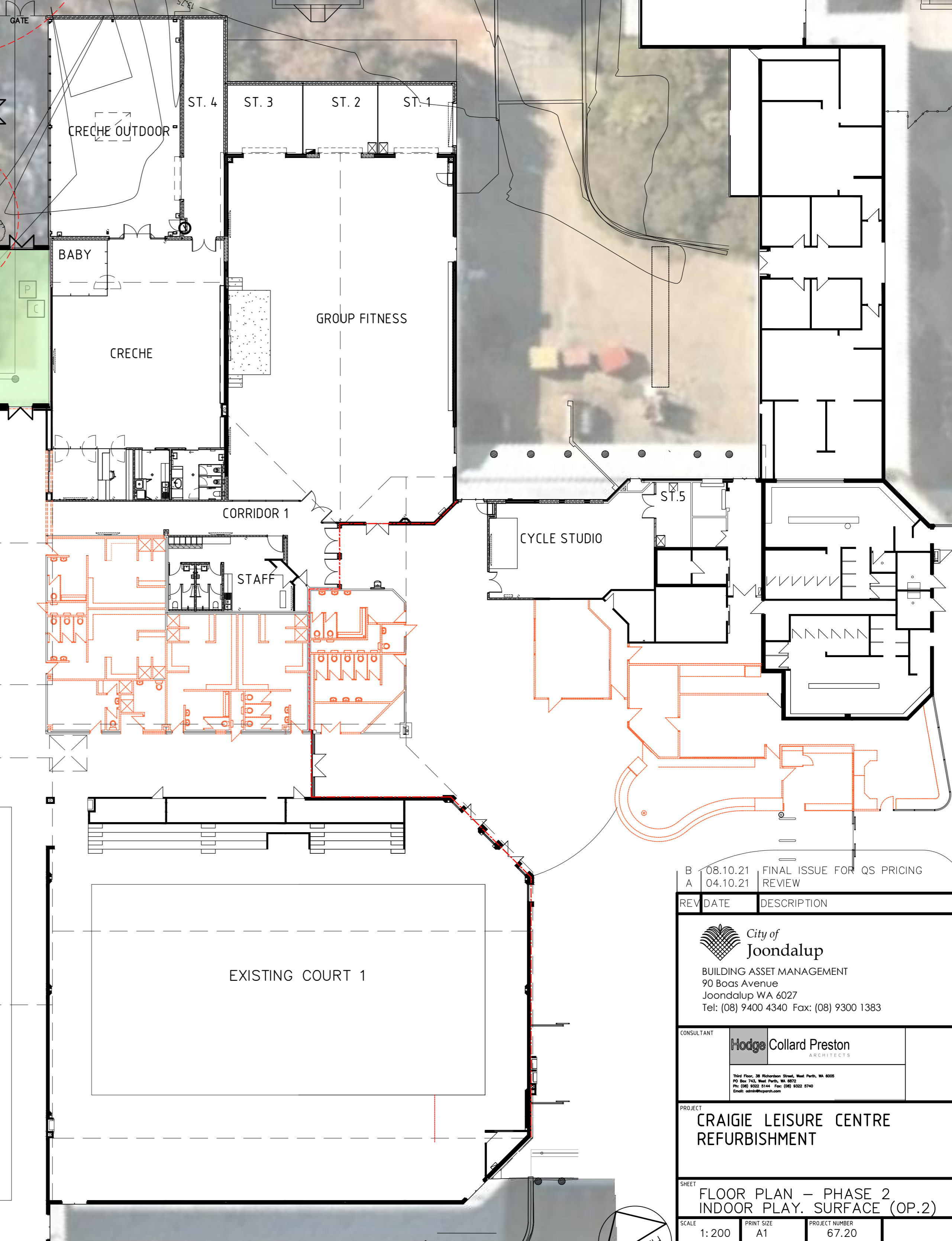
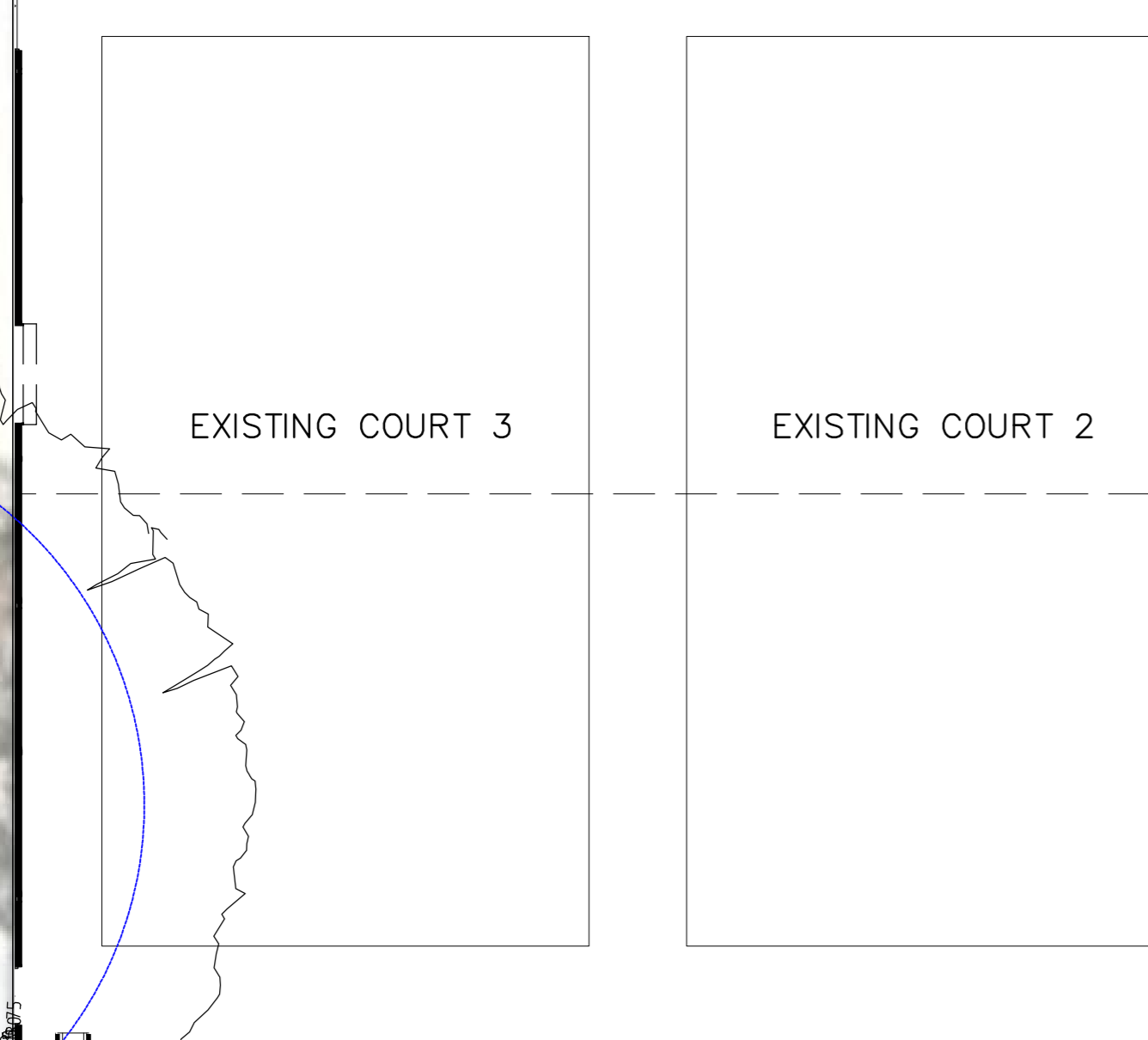
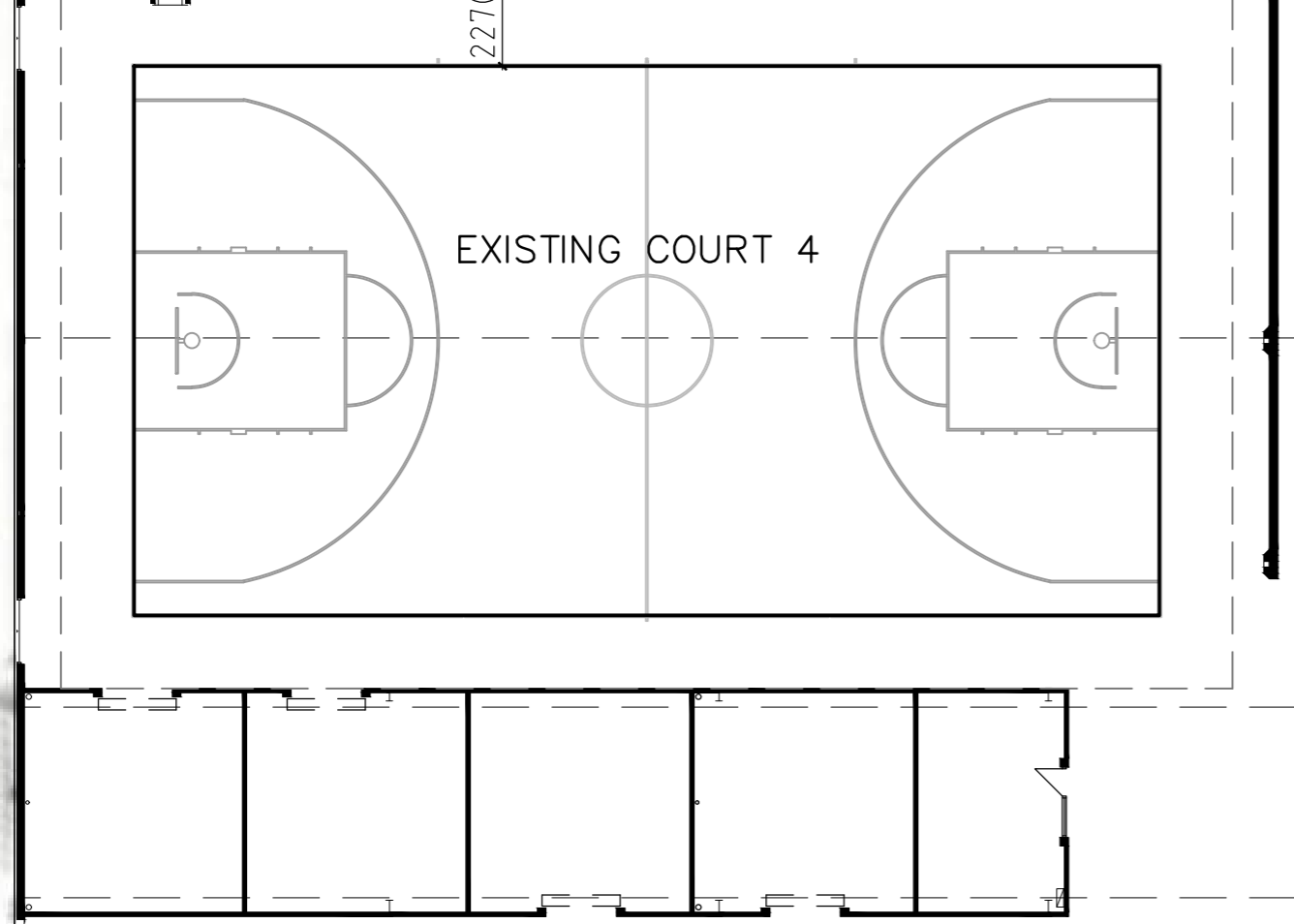
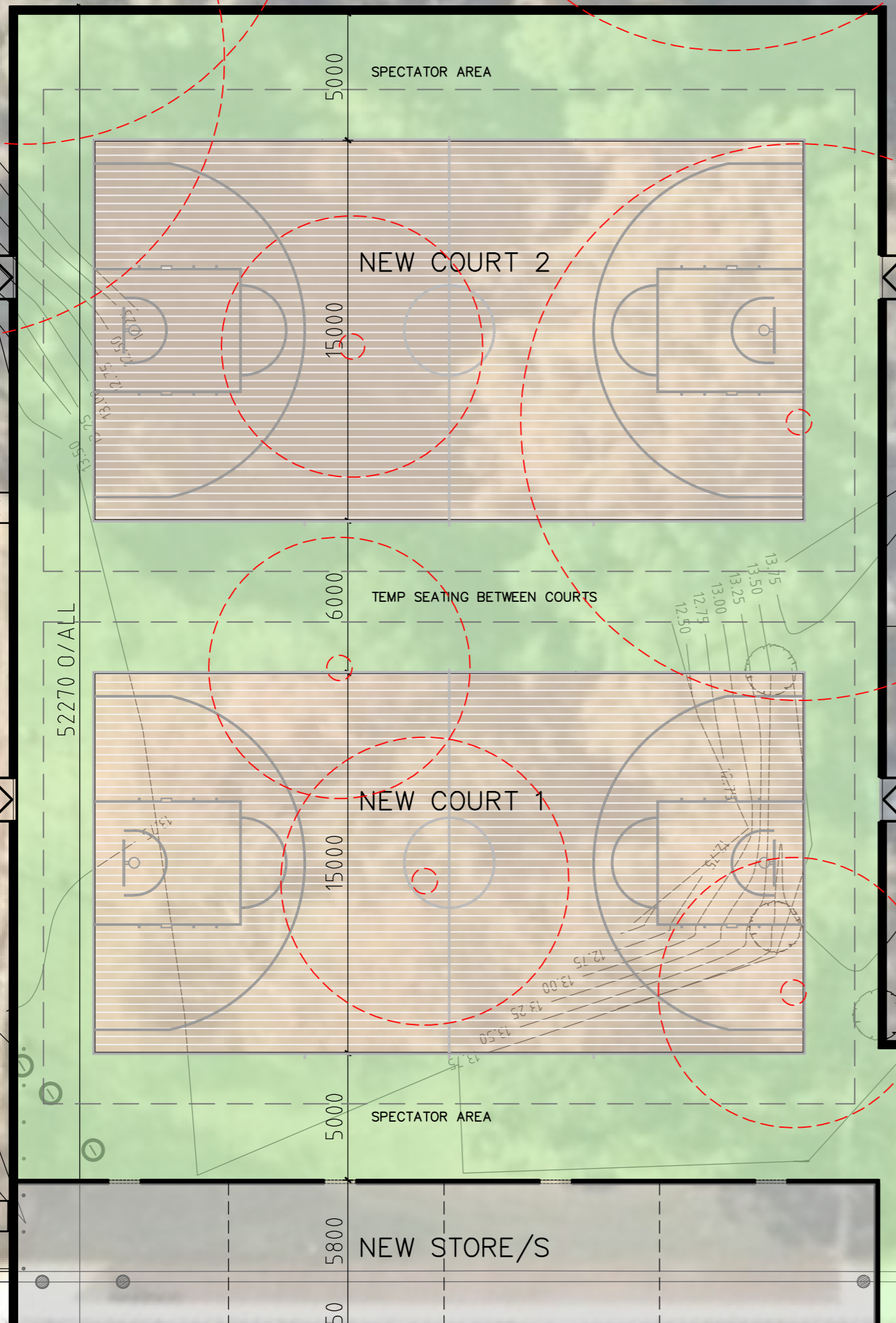
**BASKETBALL COURTS**

- 15m W x 28m L
- 2m RUN OFF AREAS
- TOTAL AREA 1800m<sup>2</sup>

**NOTE:**  
EXTENSION WILL BE A SEPARATE FIRE COMPARTMENT

INDICATES LARGE TREES TO BE DEMOLISHED. ALL UNDERGROWTH & SMALL SHRUBS TO BE DEMOLISHED TO ACCOMMODATE NEW BUILDING FOOTPRINT. ALL TO BE VERIFIED BY FUTURE SURVEY

34540 O/ALL  
3000 TYP 28000 PITCH 3000 TYP



B	08.10.21	FINAL ISSUE FOR QS PRICING
A	04.10.21	REVIEW

REV	DATE	DESCRIPTION
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**City of Joondalup**  
BUILDING ASSET MANAGEMENT  
90 Boas Avenue  
Joondalup WA 6027  
Tel: (08) 9400 4340 Fax: (08) 9300 1383

**Hodge Collard Preston**  
CONSULTANT

**PROJECT**  
CRAIGIE LEISURE CENTRE  
REFURBISHMENT

**SHEET**  
FLOOR PLAN - PHASE 2  
INDOOR PLAY SURFACE (OP.2)

SCALE	1:200	PRINT SIZE	A1	PROJECT NUMBER	67.20
DRAWN	JC	REVISION			
CHECKED/DATE	NP				

SK.17







# CRAIGIE LEISURE CENTRE: HEALTH FLOORSPACE ADVICE

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## EXECUTIVE SUMMARY

This study explored the potential opportunities to accommodate health services within new consulting rooms proposed as part of the phase two of the Craigie Leisure Centre refurbishment.

Analysis of the site and surrounding area identified the following key considerations.

- **Established Catchment Population:** The primary catchment includes established suburban areas. The primary catchment's population is expected to increase by 4,400 residents over the 2021 to 2036 period (equivalent to 0.4% per annum). As such, the proposed health facilities will predominantly cater to current needs.
- **Strong Exposure and Access:** The subject site benefits from high exposure and accessibility (through Whitfords Avenue). In combination with the co-location with aquatic and recreation uses, the site can support a wide catchment.
- **Existing Competition:** As the total study area is an established area, it is well supplied in terms of allied health uses. Having said this, there is an opportunity to allow existing practices to deliver health services from the Craigie Leisure Centre and their existing location.
- **Population Demographics:** Catchment residents have relatively higher incomes and expenditure levels compared to Perth-wide averages. Residents are also slightly older. This supports higher levels of demand for allied health services.

A subsequent analysis of key health service types identified physiotherapy, chiropractors and other allied health such as massage therapists, clinical pilates, nutritionists, clinical psychologist and/ or occupational therapists as the most viable uses for the proposed consulting room floorspace.

Based on a review of rental comparisons and agent liaison, the proposed 82 sq.m of consulting room floorspace is expected to attract rental returns of \$375 - \$525 per sq.m plus outgoings (with base forecast of \$450 per sq.m).

There is strong economic and social merit in co-locating health uses at the Craigie Leisure Centre. Key benefits include: on-site employment; expanded health service amenities in the local area; increased visitor attraction and increased local economic activity.

### Other key considerations are noted below.

- Health professionals testing a new centre would likely prefer short term leases to commence. This could be one year with further options to allow them to gauge the market support and build a profile. To provide a greater variety of service coverage, the City could arrange tenure on a monthly basis for one or two of the consulting rooms. This would be at a higher rate given the administration costs.
- A standard fitout is recommended and with the ability to have multipurpose. This would encompass floor coverings, suspended ceilings, air-conditioning and a wash basin in each room.
- The health space proposed is considered complementary. It will allow existing services to maintain their current operations and location whilst better servicing residents with a consulting room at the leisure centre.
- The key risks include tenant attraction, market rents and reputation. These are considered low risk and this report has suggestion mitigation strategies to alleviate these risks.



# INTRODUCTION

## STUDY PURPOSE

Craigie Leisure Centre is a multi-use recreation facility within the City of Joondalup. In early 2021, the City appointed a builder for construction of the phase one refurbishment project including extension of the gym; relocation and extension of the creche, group fitness, wellness and cycle studios; relocation of the staff room; and additional car parking works.

The City has advanced planning for subsequent phase two works which are expected to include:

- Redesign of the reception and café internal eating area;
- New pro-shop area;
- New outdoor eating area for café;
- Refurbishment of existing sports court change rooms;
- New conference meeting room;
- Conversion of the second level (mezzanine) area to office space;
- Additional sports program area; and
- New complimentary health commercial services area.

Urbis was engaged to evaluate the commercial opportunity for health services that are proposed as part of phase two. In particular, this scope aims to identify:

- Potential tenants for the proposed commercial area and the expected level of interest;
- The optimal floorspace that could be viable;
- Potential rental income and operating conditions; and
- Key risks, benefits and implementation considerations.

## STUDY STRUCTURE

This study includes the following sections.

- **Catchment Analysis:** Assessment of the population growth outlook, attributes and health services demand in the wider area.
- **Tenancy Opportunities:** Assessment of the the viability of health service types and identification of key opportunities.
- **Rental and Economic Potential:** Estimates of expected rental rates and economic benefits for proposed health uses.
- **Implementation Considerations:** Identification of potential risks and mitigation measures.



# 01

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## CATCHMENT ANALYSIS





# SITE CONTEXT CONSIDERATIONS

## Key Findings

The subject site is located on Whitfords Avenue and is one of two leisure centres in the City of Joondalup.

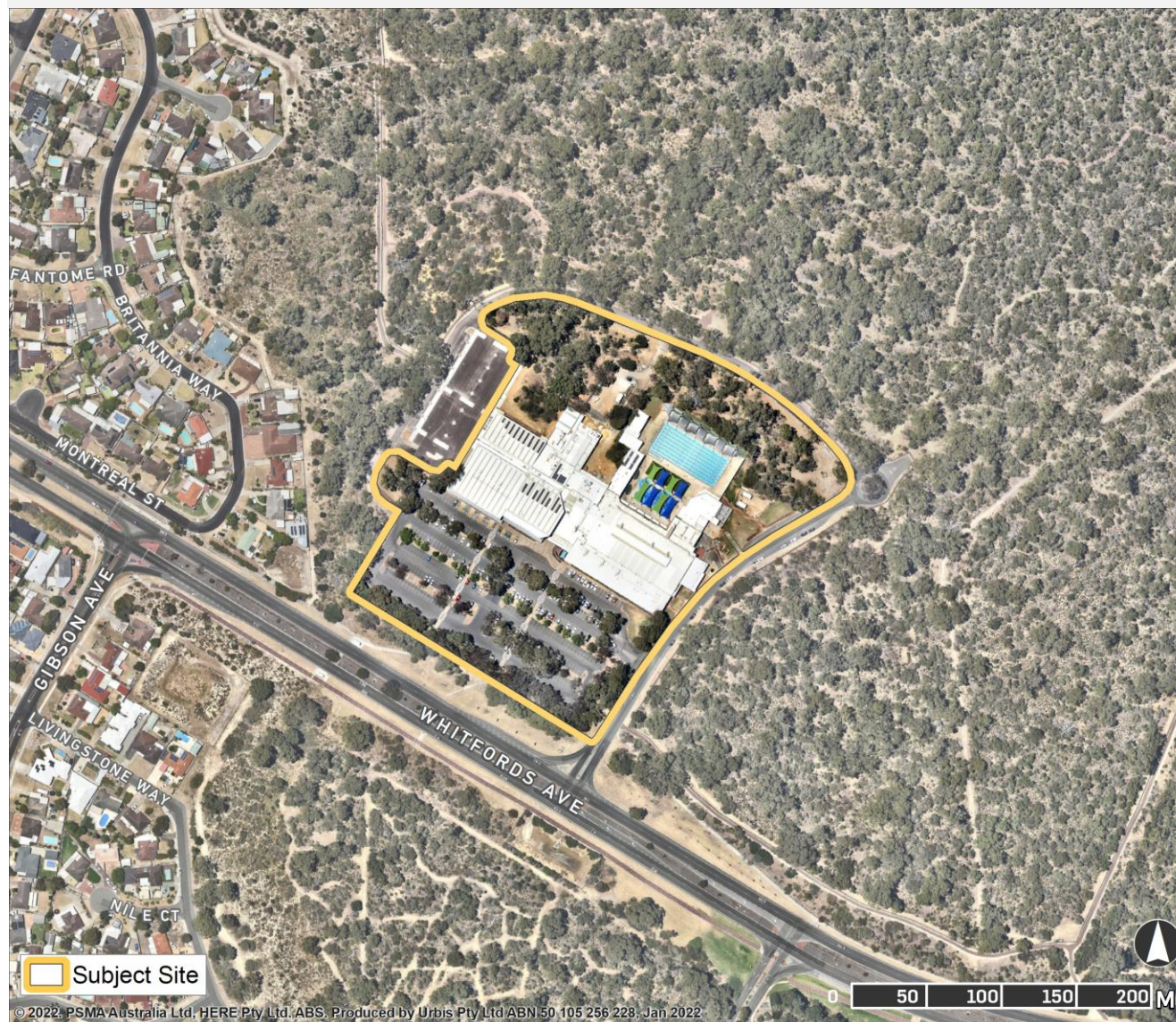
The site is conveniently accessible for many residents in the north west suburbs, from Whitfords Avenue, Mitchell Freeway in 3 minutes and Marmion Avenue in 5 minutes. Connections to these major roads improves the overall accessibility of the site.

Parking is to the front of the entrance and excess parking is available to the west of the centre.

The proposed refurbishment considers a redesign of the reception, shop and internal café area, new conference meeting rooms, conversion of the second level area to office space and a health commercial services area with approximately 4 consulting rooms which will be located behind the existing reception area.

The consulting rooms are proposed to be 20 sq.m each.

## Site Location





# REGIONAL CONTEXT

## Key Findings

A study area was defined to assist with determining the opportunities for the health space.

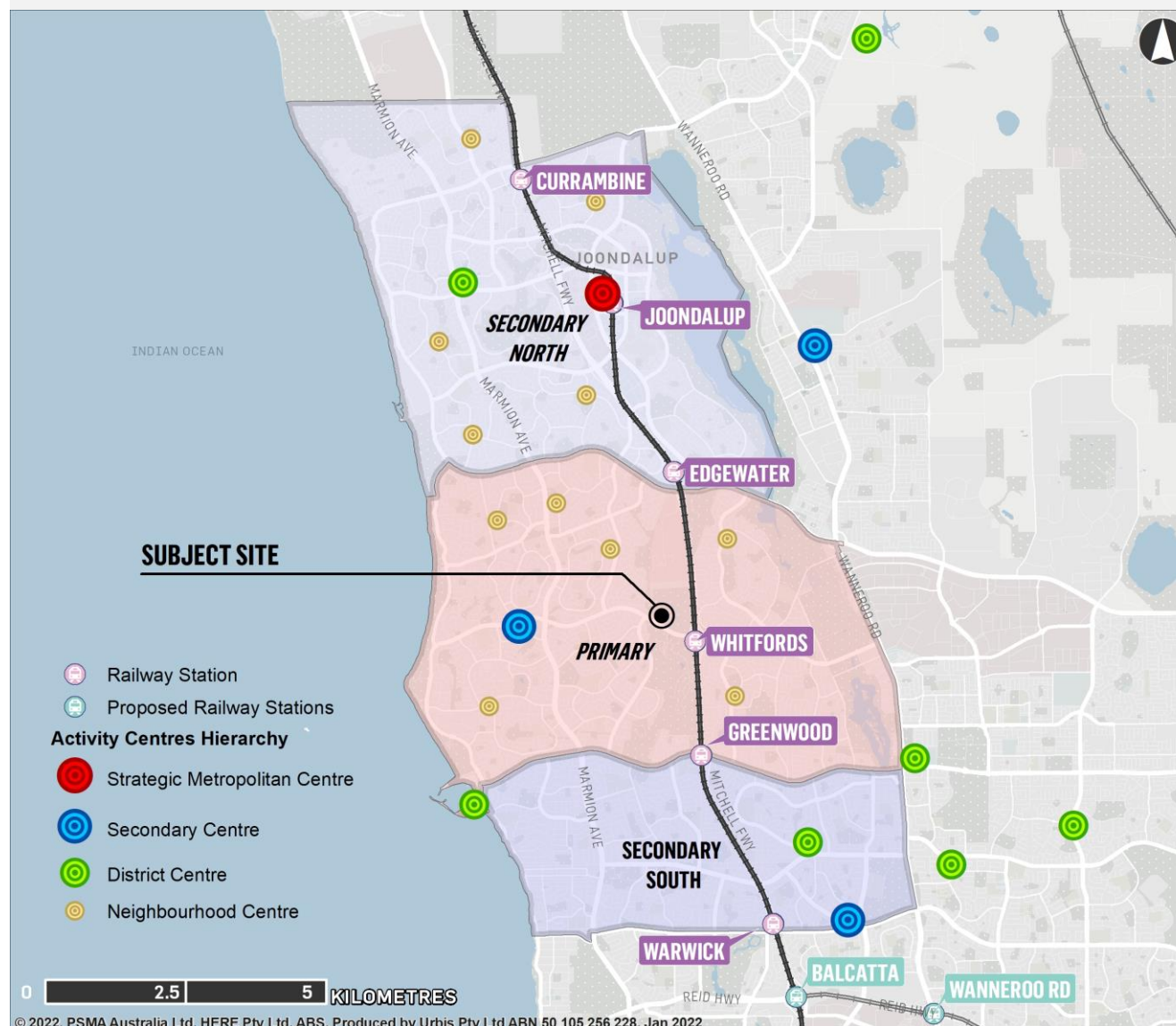
The primary study area is defined by the Statistical Area Level 2 (SA2) defined by the ABS of Craigie-Beldon, Hillarys, Mullaloo-Kallaroo, Kingsley, Padbury and Woodvale.

The secondary study area has been divided into two areas being the secondary north area which includes Currambine-Kinross, Heathridge-Connolly, Iluka-Burns Beach, Joondalup-Edgewater and Ocean Reef. The secondary south area includes Duncraig, Greenwood-Warwick and Sorrento-Marmion.

There are several health uses nearby the Craigie Leisure Centre, specifically physiotherapy and chiropractor practices that are located within neighbourhood centres. Woodvale Boulevard Shopping Centre, located 4 minute drive away from the leisure centre, has massage therapists and physiotherapists as tenants. Similarly, Craigie Medical Centre is a 5 minute drive away which already includes a range of allied health services including podiatry, nutritionist and physiotherapist.

Slightly further away, but in the trade area, is Sports Medicine Glengarry in Duncraig which specialises in managing sports injuries and has services such as physiotherapy, podiatry and occupational therapy.

## Trade Area Map





# POPULATION OUTLOOK AND RESIDENT DEMOGRAPHIC PROFILE

## Key Findings

The study area's population is estimated to have slightly decreased from approximately 161,290 to 161,191 residents over the 2016 and 2021 period. Having said this, moving forward it is expected to increase with the population in the primary study area expected to grow from 65,000 to 69,630 between 2021-2036. This growth will be complemented by growth in the secondary study area.

The need for health services will be influenced by the socio-economic profile of current and future residents. Based on data from the 2016 Census compared to Perth metropolitan averages, the following attributes were noted as relevant.

- **Average Incomes:** Residents recorded significantly higher per capita and household incomes compared with the Perth average.
- **Age Profile:** Residents within the trade area are slightly older and are families on average relative to the rest of Perth which has implications for the need for health services.

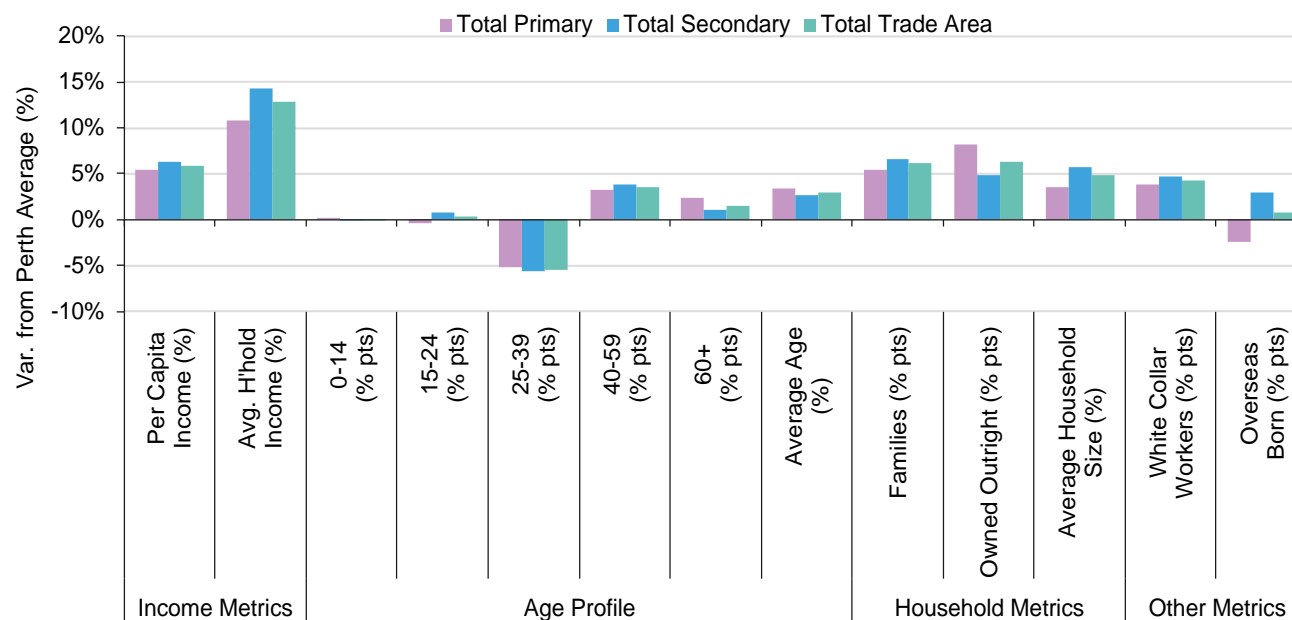
## Population Forecasts, Study Area, 2016-2036

	POPULATION (NO.) <sup>1</sup>				
	2016	2021	2026	2031	2036
<b>Total Primary</b>	<b>64,870</b>	<b>65,210</b>	<b>66,650</b>	<b>68,130</b>	<b>69,630</b>
<b>Total Secondary</b>	<b>96,420</b>	<b>96,720</b>	<b>99,350</b>	<b>102,410</b>	<b>105,930</b>
Secondary North	56,640	56,540	58,200	60,100	62,200
Secondary South	39,780	40,170	41,150	42,310	43,730
<b>Total Trade Area</b>	<b>161,290</b>	<b>161,930</b>	<b>166,000</b>	<b>170,540</b>	<b>175,560</b>

1. As at June

Source ABS; Urbis

## Key Socio-Economic Attributes, Study Area, 2016



Source: ABS Census (2016); Urbis



# HEALTH NEEDS MODELLING

## Key Findings

An assessment of health services supply versus benchmark rates revealed that there is no evidence of an undersupply in both the primary study area and the total study area. However, the proposed health space at Craigie Leisure Centre would likely attract health professionals to provide services from the leisure centre and maintain their existing location of business.

As such, the large supply of physiotherapists, for instance, demonstrates that there are existing health professionals in the area that likely service users of the Craigie Leisure Centre.

*\* Note: 'Other allied health' includes Chinese medicine practitioners, occupational therapists, osteopaths and podiatrists.*

## Forecast Demand, Total Study Area, 2021-2036

MEDICAL SERVICES DEMAND	2021	2026	2031	2036
GPs	182	192	203	209
Chiropractors	37	39	41	42
Physiotherapist	98	104	109	112
Other Allied Health	20	21	22	23

Source: Urbis, ABS

## Forecast Demand, Primary Study Area, 2021-2036

MEDICAL SERVICES DEMAND	2021	2026	2031	2036
GPs	74	78	81	83
Chiropractors	15	16	17	17
Physiotherapist	40	42	45	46
Other Allied Health	8	9	9	9

Source: Urbis, ABS

## Estimated Supply of Health Practitioners, Study Area, 2016

CATCHMENT	PRIMARY	SECONDARY NORTH	SECONDARY SOUTH	TOTAL STUDY AREA
General Practitioner	186	317	155	658
Chiropractor	42	22	15	79
Physiotherapist	73	91	74	238
Other Allied Health	121	261	116	498

Source: Urbis, ABS



# 02

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## TENANCY OPPORTUNITIES





# ASSESSMENT APPROACH

## Approach Overview

A high level assessment of potential tenants was undertaken using a multi-criteria assessment framework. The following three factors were considered.

- **Market Need** – current and future demand within the trade area.
- **Market Competition** – the extent of current and future supply of comparable land uses.
- **Subject Site Suitability** – how suitable the site is for the land use based on the site's attributes.

Scoring was undertaken for each of these land uses on a 1 (very low) to 5 (very high) point scale in order to identify preferred uses for further analysis.

## Assessment Criteria

SCORE	MARKET NEED (/5)	MARKET COMPETITION (/5)	SITE SUITABILITY (/5)
0	No market demand	Market entirely catered	Site not able to physically cater to use
1	Limited market demand	Limited market gap	Site has some limited potential to cater to use
2	Some market demand	Some market gap	Site has some potential to cater to use
3	Moderate market demand	Moderate market gap	Site could support use
4	Strong market demand	Strong market gap	Site attributes strongly aligned with use requirements
5	Very strong market demand	Very strong market gap	Site attributes very strongly aligned with use requirements

Source: Urbis



# ASSESSMENT FINDINGS

## Key Findings

Based on the assessment criteria and scoring outlined on the previous page, the following opportunities were identified:

- Physiotherapy:** This service would be ideal for this site as it will complement the centre's current offering. Whilst there are many existing physiotherapists in the catchment, there would be an opportunity to attract these existing practices that might be seeking to expand their services or reach. There may also be potential to offer Clinical Pilates that would be run by the physiotherapist which could help return customers to the centre's gym.
- Other Allied Health:** This could include services such as Chinese medical practitioners, podiatrists, osteopaths, massage therapists or remedial massage services, clinical psychologist, occupational therapists, dietician and exercise physiologists that could be suitable.
- Chiropractor:** Similar to physiotherapists, there are many competitors in the catchment however these could be approached to lease the space and would compliment the other offerings.
- GP:** There are several medical centres nearby that would compete with the site including Craigie Medical Centre, Woodvale Park Medical Centre and Kingsley Woodvale Medical Centre which also offer allied health services therefore this would not be a suitable opportunity for the centre.

## Assessment Findings (Scoring)

HEALTH SERVICE	MARKET NEED	COMPETITION	SITE SUITABILITY	TOTAL	OPPORTUNITY RANKING
Physiotherapy	4	2	4	10	1
Other Allied Health	3	2	4	9	2
Chiropractor	3	2	3	8	3
GP	1	1	1	3	4

Source: Urbis



# 03

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## **RENTAL AND ECONOMIC POTENTIAL**



# RENTAL POTENTIAL

## Key Findings

After assessing 30 medical consulting properties in the study area that are currently on the market or have been leased in the last few years, the floor area typically ranged between 32sq.m – 95 sq.m with some slightly larger between 130-190 sq.m.

The rate per sq.m typically ranged between \$330-\$400 sq.m, with some lower than \$250 sq.m. There are a few spaced higher than \$450 sq.m which are located in within the Joondalup activity centre, indicating higher rent is achievable in some circumstances.

Nearby health services that provide physiotherapy are achieving rents between \$350-\$400 sq.m with a size of approximately 70 sq.m.

A physiotherapy space in Cockburn Arc of 220 sq.m was estimated to have achieved a rate of \$450 sq.m (City of Joondalup).

Liaison with rental agents revealed that the proposed health space could attract above-average rental returns (equivalent to \$450-\$550 sq.m plus outgoings) given the scale of space proposed and high demand for space co-located with the leisure centre.

*Note: the average rate per sq.m figures exclude outgoings. Outgoings typically include council rates, water rates, land tax, strata levies, insurances, maintenance fees, pest control, air conditioning services, security, property management fees, property condition reports and inspections, gardening and common area cleaning and rubbish removal and collection.*

## Summary of Rental Comparisons (Excludes Outgoings)

	Avg. Floor Area	Avg. Rate per sq.m
On the Market	164	\$230
Leased	71	\$387

Source: Realcommercial.com



## RENTAL POTENTIAL (CONT.)

### Key Findings

The proposed health space is anticipated to achieve the following rental returns (plus outgoings).

- **Low Case:** A total rent of ~\$30,750 with an estimated rent per sq.m of \$375.
- **Base Case:** A total rent of ~\$36,900 with an estimated rent per sq.m of \$450.
- **High Case:** A total rent of ~\$43,050 with an estimated rent per sq.m of \$525.

The typical lease agreement arrangement is for the lessor to pay for outgoings in the first instance, however then recover them 100% from the lessee.

### Rental Potential (excluding outgoings), Craigie Leisure Centre Health Space

Case	Proposed Floorspace	Total Rent	Estimated \$ Rent / Sq.m
Low	82	\$30,750	\$375
Base	82	\$36,900	\$450
High	82	\$43,050	\$525

Source: Urbis

# ECONOMIC IMPACTS

## Key Findings





The proposed health space is expected to generate benefits to the local area.

A key benefit is employment generation / economic activity through the construction and operation phases.

The proposal will also increase local health amenities, enabling prospective local business to occupy new, modern, well-serviced and fit-for-purpose space.

In addition, the uses will attract new visitors to the centre.

## Key Health Use Benefits

	BENEFIT	DESCRIPTION
	<b>Employment</b>	<ul style="list-style-type: none"> <li>The new health facilities will provide increased employment opportunities to residents in the area through the construction and operation phases.</li> <li>The operation of 82 sq.m of health use floorspace could indicatively support 4 ongoing employment opportunities (based on employment to floorspace ratios for comparable uses).</li> </ul>
	<b>Health Amenity</b>	<ul style="list-style-type: none"> <li>The site will provide extended allied health amenities to surrounding areas as well as being able to leverage / support existing and new businesses.</li> </ul>
	<b>Visitor Attraction</b>	<ul style="list-style-type: none"> <li>By offering more services within the existing centre, this may help reduce the level of leakage (and associated travel times and costs). This could support increased visitors attraction.</li> </ul>
	<b>Economic Activity</b>	<ul style="list-style-type: none"> <li>Spending more on local amenity, which has a positive impact on economic and social resilience in the long term.</li> </ul>

Source: Urbis



# 04

## IMPLEMENTATION CONSIDERATIONS



# IMPLEMENTATION CONSIDERATIONS

## COMMERCIAL / MANAGEMENT ADVICE

Typically, with the proposed floorspace and use, a standard fitout is recommended and with the ability to have multipurpose. This would encompass floor coverings, suspended ceilings, air-conditioning and a wash basin in each room. There would also be shared toilets / wet areas for the tenant's use.

In order to attract tenants, high incentives would not be required however health professionals testing a new centre would likely prefer short term leases to commence. This could be one year with further options to allow them to gauge the market support and build a profile.

A tenant such as a physiotherapy practice could be a full time offering with the other allied health uses being offered 1-2 days a week.

To provide a greater variety of service coverage, the City could arrange tenure on a monthly basis for one or two of the consulting rooms. This would be at a higher rate given the administration costs.

## FLOORSPACE CONFIGURATION

The proposed floorspace configuration of 82 sq.m across 4 consulting rooms is appropriate and aligns with the needs of tenants.

Whilst a shared reception is increasingly being used in multi-service health spaces, the expectation that health services will maintain their existing location and reception functions minimises this need.

To provide flexibility for health service providers, operation hours should align with the leisure centre.

## COMPETITIVE IMPACTS

As noted in the analysis, there is a high supply of health services in the wider area and no evident market gap for new services. Furthermore, the proposed health space is of a small scale and is not well placed to attract these existing health services to re-locate.

As such, the health space proposed is considered complementary. It will allow existing services to maintain their current operations and location whilst better servicing residents with a consulting room at the leisure centre.

## RISKS

The key risks, risk rating and mitigation strategies are noted below.

- **Tenant Attraction (Low):** Early marketing of proposed health space (e.g. expression of interest campaign) and market sounding with existing providers that utilise the leisure centre.
- **Market Rents (Low):** Review of market rents through market sounding process and prior to formal leasing campaign.
- **Reputation (Low):** Decision making criteria for assessing preferred tenants will consider professional reputation of health service providers.



## COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, has and continues to cause considerable business uncertainty which in turn materially impacts market conditions and the Australian and world economies more broadly.

The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The data and information that informs and supports the Report Content is current as at the date of this report and (unless otherwise specifically stated in the Report) does not necessarily reflect the full impact of the COVID-19 Outbreak on the Australian economy,

the asset(s) and any associated business operations to which the report relates. It is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event and the various programs and initiatives governments have adopted in attempting to address its impact. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong has been, and may be further, materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a longer lasting impact than we have assumed. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Where we have sought to address the impact of the COVID-19 Outbreak in the Report, we have had to make estimates, assumptions, conclusions and judgements that (unless otherwise specifically stated in the Report) are not directly supported by available and reliable data and information. Any Report Content addressing the impact of the COVID-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

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**We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.**

Urbis has made all reasonable inquiries that it believes is necessary in preparing this report but it cannot be certain that all information material to the preparation of this report has been provided to it as there may be information that is not publicly available at the time of its inquiry.

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Report number	Version 1
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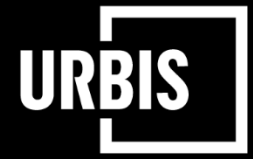
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<b>Project Name</b>	<b>Craigie Leisure Centre (CLC) refurbishments phase two</b>
<b>Report</b>	<b>Financial evaluation (2021)</b>
<b>Project Sponsor</b>	Director Corporate Services
<b>Project Manager</b>	Manager Leisure Cultural Services
<b>Joondalup 2022 Key Theme</b>	Community Wellbeing – Quality facilities.



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# INTRODUCTION

## 1. INTRODUCTION AND BACKGROUND

### 1.1 Purpose of paper

This report is prepared in support of the Business Case being prepared in 2022 for further refurbishments (phase two) at Craigie Leisure Centre (CLC). At present the phase one refurbishments are being implemented in two stages. This report and the business case will explore the financial impacts of phase two, consider the overall financial feasibility and indicate potential timescales for phase two.

### 1.2 Whole of life incremental approach

The City applies a whole-of-life approach to all projects and uses a wide number of tools to ensure it is financially sustainable both now and in the future. The ongoing operational impacts are assessed as much as the one-off costs; indeed the recurring impacts are more important than the initial establishment costs.

### 1.3 Disclaimer

This report does not contend that the financial projections will come to pass exactly as stated but are merely intended to give an early indication. The projections are best estimates at this point in time but there is a level of risk and uncertainty in all the projections. The actual costs and income will vary, due to the following:

- Detailed design and specification (only concept design have been prepared so far);
- Capital replacement estimates;
- Tender;
- Economic factors and escalation
- Operating income and expenses

The financial projections will be updated at each key stage of the project so that the confidence of the assumptions improves. At this early stage in the project, the financial estimates have a great deal of uncertainty.

### 1.4 Data

There is a wide range of financial data referred to in this document. Data will either be shown in Dollars (\$), thousands ('\$000s') or where necessary in millions (\$m), depending on the size of the values being referred to. All financial tables will be clearly labelled to designate the format.

### 1.5 Values

Each section will initially review all the assumptions in today's dollars. However, all values will then be escalated to take account of inflation so that the overall costs over a 20-year period can be assessed.

### 1.6 Model

The financials are summarised using the City's Project Financial Evaluation Model (Detailed), (01 July 2021).

## 2 OPTIONS, SOURCE OF DATA AND KEY ASSUMPTIONS

### 2.1 Options scope

The origin of the options for phase two derives initially from the feasibility study completed in 2015. Since then the project has evolved and proposed splitting up the refurbishments into phase one and phase two. Phase one was approved by Council in December 2019. The various options for phase two were already well defined and mostly relate to items that were deemed best left out of phase one:

- Reception area improved and extension of pro-shop
- Complimentary health services
- Café area improved and outdoor area
- Mezzanine area utilised for CLC leaders / coordinators
- Changerooms improved
- Additional indoor sports courts or outdoor synthetic playing fields

### 2.2 Options evaluated

The items in scope are already well defined so there are only three options that need to be assessed for phase two:

- Do nothing (i.e. no further change after phase one)
- Option 1 – Outdoor synthetic playing fields
- Option 2 – Two new indoor sports courts

### 2.3 Out of scope

This report will focus on the financial evaluation only. The non-financial issues will be covered in the business case. However it should be noted that inside courts will have much higher usage than outdoor courts, although there is a higher cost for indoor courts.

### 2.4 Source of data

The key source documents/data in the financial evaluation are:

- Concept design – which has been used to prepare indicative cost estimates by QS
- Building expenses based on the current expenses at CLC
- Depreciation based the capital costs and estimated useful life
- New operating income and operating
- External consultancy to evaluate the income opportunities for complimentary health services

All values used in the model will be explained in this report.

### 2.5 Financial objectives

The project has evaluated the overall objectives and includes a financial objective as follows:

	Objective	Success Criteria	Measurement
1	<u>Financial Sustainability</u> CLC will provide an operating surplus after the impacts of phase 2 refurbishments are included.	Operating Surplus, after Depreciation is the primary financial measure.  The phase 2 refurbishments by themselves may have a negative impact but should not result in an overall operating deficit for CLC.	Business case will include financial evaluation based on all incremental income and expenses arising from phase 2 of the refurbishments. The overall impacts on the CLC operating results will be calculated.  The objective will be monitored ongoing as part of business-as-usual financial budgeting processes.

So this report will firstly evaluate the financial impacts of phase two by themselves but then separately assess the overall surplus/(deficit) of CLC taking account of phase one. This objective is consistent with the City's positioning statement for CLC.

## 2.6 Key financial assumptions

The table below lists some of the other key assumptions within the financial model:

	Assumption	Value	Comments
1	Construction	2025-26 to 2027-28 Ready by 2028-29	<ul style="list-style-type: none"> <li>○ These timescales are first of all merely modelling assumptions.</li> <li>○ However, the timescales also take account of the financial objective listed above because by 2028-29 the growth of phase one is projected to have matured</li> </ul>
2	Term of evaluation	20 Years	<ul style="list-style-type: none"> <li>○ The analysis evaluates the cash flows over a 20-year operating period.</li> <li>○ The long timeframe is necessary to ensure that the long-term implications are fully considered, and ensures that capital renewal expenditure can be included in the evaluation</li> </ul>
3	Escalation– Assumptions	Draft SFP 2021	The 2021 SFP, as presented to Council in July 2021, includes the most up-to-date escalation assumptions. These have been incorporated into the Projects Financial Evaluation Model and applied to future recurring costs.



## ESTABLISHMENT PHASE

### 3 ONE-OFF COSTS

#### 3.1 Capital costs excluding escalation

The table below summarise the total one-off capital costs to establish each option. These are based on concept designs and QS costings.

The key issues to note are:

- Items 1 to 5 are the same for both options
- Option 2 is much higher than Option 1 because indoor sports courts relate to a building whereas outside courts in Option 2 would be cheaper.
- All items include relevant design fees and building contingency.

One-off Costs Total excluding inflation		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
1 QS Costs - Reception area	\$000s	(\$622)	(\$622)
2 QS Costs - Health services	\$000s	(\$505)	(\$505)
3 QS Costs - Entry, Café and Outdoor café seating	\$000s	(\$1,003)	(\$1,003)
4 QS Costs - Changerooms, first aid and conference	\$000s	(\$1,417)	(\$1,417)
5 QS Costs - Second level mezzanine office	\$000s	(\$875)	(\$875)
6 QS Costs - Outdoor synthetic playing fields	\$000s	(\$962)	
7 QS Costs - Indoor additional courts	\$000s		(\$3,796)
<b>One-off Costs</b>	<b>\$000s</b>	<b>(\$5,434)</b>	<b>(\$8,295)</b>
<b>Difference</b>	<b>\$000s</b>		<b>(\$2,861)</b>

#### 3.2 Project management costs

It is assumed that internal staff would be used to oversee the project. However it should be noted that phase two could not be undertaken until after phase one is completed.

#### 3.3 Phasing of costs

As mentioned earlier the financial model has assumed completion by June 2028. It should be noted that the spread of these within a 20-year financial model is largely irrelevant. These are merely assumptions at this point in time and not fixed.

Phasing of Project Costs	2025-26	2026-27	2027-28	Total
	10%	45%	45%	100%

#### 3.4 Costs including escalation

The table below summarises the eventual costs including escalation:

One-off Costs Overall Totals		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
Excluding Escalation	\$000s	(\$5,434)	(\$8,295)
% Escalation Factor	%	112%	112%
<b>Including Escalation</b>	<b>\$000s</b>	<b>(\$6,062)</b>	<b>(\$9,253)</b>

## 4 FUNDING

### 4.1 Grants

At this early stage in the project no approach has been made to any external grant body, and no assumption has been included yet for any grant funding even though phase one was successful in receiving \$2.9m of grants.

### 4.2 Remaining funding by the City using reserves

Where a major project requires some funding from the City, this should ideally be sourced from Reserves, which could be one of or more of the following:

- Specific project reserve – there isn't one for this project
- Tamala Park Reserve – this is currently limited in its use for “income producing facilities”. This project could potentially qualify for that reserve due to the commercial income being generated.
- Strategic Asset Reserve – this is a default reserve used for major projects.

Reference has been made to the current and projected balances of both the Tamala Park Reserve and the Strategic Asset Reserve within the Strategic Financial Plan – there is sufficient funding to afford the net establishment cost for this project, although this would deplete those reserves to some extent and provide less capacity for other projects such as Boas Place development.

The use of reserves will incur a loss of earnings on the reserve fund so this expense is included in the financial evaluation – this has been calculated by applying the cost of borrowings that the City would otherwise have to pay WA Treasury for a fixed interest loan. This is factored into the model over a five-year period, and also assumes that the principal is repaid over that time back to the reserve

Establishment Cost (including inflation)		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
1 One-off Costs	\$000s	(\$6,062)	(\$9,253)
2 Grants, Proceeds, Reserves	\$000s		
<b>3 Net Funding Required</b>	<b>\$000s</b>	<b>(\$6,062)</b>	<b>(\$9,253)</b>
4 Interest on Borrowings	\$000s	(\$402)	(\$614)
<b>5 Establishment Cost</b>	<b>\$000s</b>	<b>(\$6,464)</b>	<b>(\$9,867)</b>

## RECURRING IMPACTS

### 5 OPERATING INCOME AND EXPENSES

#### 5.1 Assessment by CLC of new income and expenses

Some of the areas in scope for phase two are not direct income generating items, but a couple of the areas are:

- Pro-shop extension
- Outdoor synthetic playing fields or Additional indoor sports courts

#### 5.2 Option 1 assessment

The additional operating income and expenses for option estimated by CLC are listed below. These are deemed to be prudent conservative estimates.

#### Phase 2 - Financial Projections (2 x Additional Outdoor Pitches)

##### Facility Bookings- 4030

##### Phase 2 Projection (2 x Additional Outdoor Pitches)

Income	-\$80,000
Expenditure	\$25,000
Operating Result	-\$55,000

\*Income is an assumption only (20% less in income the indoor courts due to weather)

\*Expenditure relates to surface maintenance / soccer goals / sports equipment

\*No staff wages required - already got resources.

##### Soccer

##### Phase 2 Projection (2 x Additional Outdoor Pitches)

Income	-\$138,000
Staff Wages	\$66,000
Materials & Contracts	\$25,000
Operating Result	-\$47,000

\*Income/staff wages/materials is based off running a soccer program Mon-Fri Night at 60% capacity

\*Materials & Contracts includes catering, trophies, equipment purchase & maintenance

##### Retail - 4042 (Pro Shop)

##### Phase 2 Projection (Additional income/expenditure)

Income	-\$25,000
Expenditure	\$10,000
Operating Result	-\$15,000

\*Market up price on pro shop items is 120%

\*Pro Shop increasing from 20sqm to 40sqm

<b>TOTAL INCOME</b>	<b>-\$243,000</b>
<b>TOTAL EXPENDITURE</b>	<b>\$126,000</b>
<b>OPERATING RESULT</b>	<b>-\$117,000</b>



### 5.3 Option 2 assessment

The tables below indicate the incremental impacts for option 2, a lot more usage would be enjoyed with indoor courts because more sports can be played, and they are all season.

#### Phase 2 - Financial Projections (2 x Additional Indoor Courts)

##### Facility Bookings- 4030

##### Phase 2 Projection (2 x Additional Indoor Courts)

Income	-\$100,000
Expenditure	\$25,000
Operating Result	-\$75,000

\*Income projection is based on average of the current 4 courts

\*Income includes bookings and casual use (\$90k for bookings and \$10k for casual use)

\*Expenditure relates to court maintenance & additional equipment that would be required - soccer goals/ netball poles etc.... An assumption has been that the basketball rings/backboards would be part of the project cost

\*No staff wages required - already got resources.

##### Team Sports- 4029/4037/4043

##### Phase 2 Projection (2 x Additional Indoor Courts)

Income	-\$230,000
Staff Wages	\$110,000
Materials & Contracts	\$25,000
Operating Result	-\$95,000

\*Income/staff wages/materials is based off the current basketball/netball/soccer program & expanding that from 4 to 6 courts

\*Materials & Contracts includes catering, trophies, equipment purchase & maintenance)

##### Retail - 4042 (Pro Shop)

##### Phase 2 Projection (Additional income/expenditure)

Income	-\$25,000
Expenditure	\$10,000
Operating Result	-\$15,000

\*Market up price on pro shop items is 120%

\*Pro Shop increasing from 20sqm to 40sqm

<b>TOTAL INCOME</b>	<b>-\$355,000</b>
<b>TOTAL EXPENDITURE</b>	<b>\$170,000</b>
<b>OPERATING RESULT</b>	<b>-\$185,000</b>

### 5.4 Income from Health Services

. Urbis were engaged by the City to evaluate the income opportunity of providing complimentary health services, their report is a separate attachment to the business case. The key financial outcomes of their analysis are:

- 82 square metres of space to rent out is appropriate, broken into four spaces
- Market – there is sufficient demand in the catchment areas to rent out the areas
- Rental income per m2 may be in the range of \$375 to \$525 a mid-point of \$450

The financial evaluation has used the mid-point of \$450 as a starting point. However it is worth building in some contingency to this because it is highly unlikely that all four spaces would be rented out 100% of the time, there could be frequent turnover and it could also be necessary to offer some incentives such as the opening month as rent-free. So the \$450 has been reduced to \$400 to take account of these factors.

The annual rent that is therefore included is  $\$400 \times 82$  square metres = \$32,800.

## 6 BUILDING MAINTENANCE AND CLEANING

### 6.1 Existing maintenance costs and cleaning

The starting point in assessing the potential new costs for phase two is to evaluate the existing costs and calculate an appropriate rate per m2 that can be applied to the new areas in phase two. An extract from the finance system of the actual costs of the last eight years was obtained and listed by cause (otherwise referred to as the “operations code”). Each item was separately tagged as either:

- Building maintenance and cleaning
- Utilities
- Out of scope. This includes various lines which are fixed costs and would not be incrementally affected by phase two refurbishments or relate to items completely unrelated to internal refurbishments.

An assessment was then made on the most appropriate time period, the average of the last two years, four years or eight years so as to take account of any one-off issues. The averages were all within a reasonable value so that the highest value was taken.

The table below summarises the split of the costs and the resultant cost per m2 for overall CLC. This shows that \$154,986 considered out of scope and then \$569,080 on variable building maintenance/cleaning costs with \$529,788 on utilities.

<b>Baseline Costs for overall centre</b>	<b>Building Mtce &amp; Cleaning</b>	<b>Utilities</b>	<b>Out of scope</b>	<b>Total</b>
1 Existing annual costs	\$569,080	\$529,788	\$154,986	<b>\$1,253,854</b>
2 m2	9,834	9,834	9,834	<b>9,834</b>
3 Average cost per m2	\$57.87	\$53.87	\$15.76	<b>\$127.50</b>

### 6.2 Building maintenance and cleaning for new areas

The values in table above are applied to the new building areas, except the sports courts which are calculated separately. Table below summarises the estimated incremental building maintenance and cleaning costs for each area and option. Key issues to note are:

- Areas 1 (Reception area), area 3 (Entry, Café and outdoor café) and area 4 (Changerooms) are already existing areas and will already have existing costs so no incremental cost is assumed.
- Areas 2 and 5 are mostly new areas so a new cost is calculated by multiplying the m2 with the rates shown in earlier sections.

<b>Building Operating Expenses excluding Sports Courts</b>		<b>Building Mtce &amp; Cleaning</b>	<b>Utilities</b>	<b>Total</b>
<b>Area</b>	<b>Size m2</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
1 Reception area	168			
2 Health services	154	\$9	\$8	<b>\$17</b>
3 Entry, Café and Outdoor café seating	378			
4 Changerooms, first aid and conference	266			
5 Second level mezzanine office	266	\$15	\$14	<b>\$30</b>



### 6.3 Outdoor synthetic pitches

The two synthetic pitches would require energy for the floodlights and the synthetic surface would require specialist cleaning. Reference has been made to the costings used for the Whitfords Hockey Club project and an estimate of \$20,000 is deemed reasonable to cover both the floodlighting (\$10,000) and the cleaning (\$10,000). Further detailed analysis of this could be prepared but it would have very little impact on the overall financial analysis.

### 6.4 Indoor sports courts building maintenance and cleaning

The costs for the indoor sports courts have been made with reference to the existing indoor sports courts. The City undertook an Energy and Water Audit in 2018 which evaluated the usage for each individual area, and this indicated a cost per year of \$5,200 for utilities. In addition an extra cost of \$1,000 for cleaning/scoreboards has been estimated so a cost per year of \$6,200 is included.

### 6.5 Insurance costs

An estimate of additional insurance costs for each option has been included, with reference to the existing rate of insurance and estimating the incremental capital costs of the phase two refurbishments.

<b>Insurance</b>		<b><u>Total</u></b> <b>\$000s</b>
1 Reception area		\$661
2 Health services		\$996
3 Entry, Café and Outdoor café seating		\$632
4 Changerooms, first aid and conference		\$1,908
5 Second level mezzanine office		\$1,733
6 Outdoor synthetic playing fields	Option 1	\$1,904
7 Indoor additional courts	Option 2	\$7,535
<b>Option 1 Total</b>		<b>\$7,834</b>
<b>Option 2 Total</b>		<b>\$13,465</b>

## 7 DEPRECIATION / CAPITAL REPLACEMENT

### 7.1 Depreciation overview

The assessment of new depreciation arising from phase two involved several steps:

- Existing versus new. As per section above consideration has to be given to areas 1, 3 and 4 which will already incur existing depreciation. So an estimated current value for those areas was calculated and compared to the new depreciation to provide the incremental value
- All other areas are deemed new areas, so a new cost of depreciation only was calculated
- The new cost of depreciation for each area was calculated on a detailed component by component basis

The next paragraphs will explain more of these steps in detail

### 7.2 Existing depreciation – cost per m2 relevant for areas 1,3 and 4

The City's asset register has depreciation at CLC split into 294 separate items, a total cost per year of \$668,707. To calculate the existing depreciation for the works covered in areas 1, 3 and 4 first of all required an average cost of depreciation to be calculated. Each of the 294 items was separately tagged to consider whether the items included areas 1,3 and 4 or out of scope or in scope. So for example all of the aquatic areas are completely out of scope, whilst overall building items such as the structure, the air conditioning units are not directly part of areas 1, 3 and 4 and out of scope as well. The items deemed in scope are the items related to the works proposed and include internal walls, floors and electrical services.

In total there is \$412,971 deemed out of scope for areas 1, 3 and 4 leaving \$255,735 in scope as shown on the table below. The cost of \$255,735 was then divided by 9,834 m2 to derive an average depreciation cost per m2 that could be applied to the existing areas 1, 3

Out of Scope	\$412,971
In Scope	\$255,735
Total Depn	\$668,707
m2	9834
Depn per m2	\$26.01

### 7.3 Existing depreciation – annual cost for areas 1,3 and4

The table below has then applied the average Depn rate of \$26.01 with the estimated areas for area 1, 3 and 4. This indicates an existing depreciation cost of \$29k that should be excluded from the incremental evaluation.

Existing Depreciation	Area	Depn rate	Existing
	m2	\$ per m2	\$000s
1 Reception area	300	(\$26)	(\$8)
2 Health services		(\$26)	
3 Entry, Café and Outdoor café seating	400	(\$26)	(\$10)
4 Changerooms, first aid and conference	400	(\$26)	(\$10)
5 Second level mezzanine office		(\$26)	
6 Outdoor synthetic playing fields	Option 1	(\$26)	
7 Indoor additional courts	Option 2	(\$26)	
<b>Option 1 Total</b>	<b>1,100</b>		<b>(\$29)</b>

#### 7.4 Component analysis

For all areas of phase two the individual components of each area were listed, and the estimated useful life was applied to determine an annual depreciation rate. An illustration of this is shown for area 1 below. Note that the cost lines relate to the direct items for each area, but the depreciation rate is a fully inclusive rate that includes the design costs, contingency, etc.

The other item worth noting is the useful lives used in the analysis are consistent with the useful lives applied in the asset register for the existing building, but in reality, the useful life for some of these items are CLC (with such high usage) may eventually be lower.

<b>1</b>	<b>Reception area</b>	<b>Cost \$s</b>	<b>Life Yrs</b>	<b>Depn p.a. \$</b>
1.1	Alterations and Demolitions	\$35,280		
1.2	Internal walls	\$29,240	40	\$1,111
1.3	Internal screen and borrowed lights	\$25,800	40	\$980
1.4	Internal doors	\$21,780	40	\$827
1.5	Wall finishes	\$40,140	40	\$1,525
1.6	Floor finishes	\$14,310	40	\$544
1.7	Ceiling finishes	\$36,080	40	\$1,371
1.8	Fitments	\$121,500	20	\$9,231
1.9	Mechanical services	\$44,000	100	\$669
1.10	Fire protection	\$3,530	100	\$54
1.11	Electrical services	\$38,810	100	\$590
	<b>Reception area - Total</b>	<b>\$410,470</b>		<b>\$16,900</b>

#### 7.5 Depreciation included in the model

The table below summarises the depreciation used in the model for each area. This comprises of the new depreciation calculated on a component basis (as per section 6.4) and then the existing depreciation (as per section 6.3) is deducted for areas 1, 3 and 4. So this shows new depreciation for Option 1 of \$86k per year and for Option 2 \$126k per year. As is the normal practice for financial evaluations within the City, the model applies these figures on a straight line basis for depreciation and for cash that would be required for replacement.

<b>Incremental Depreciation</b>		<b>New Depn</b>	<b>Existing</b>	<b>Net</b>
		<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
1	Reception area	(\$17)	(\$8)	(\$9)
2	Health services	(\$12)		(\$12)
3	Entry, Café and Outdoor café seating	(\$15)	(\$10)	(\$5)
4	Changerooms, first aid and conference	(\$32)	(\$10)	(\$22)
5	Second level mezzanine office	(\$18)		(\$18)
6	Outdoor synthetic playing fields	(\$40)		(\$40)
7	Indoor additional courts	(\$60)		(\$60)
	<b>Option 1 Total</b>	<b>(\$135)</b>	<b>(\$29)</b>	<b>(\$107)</b>
	<b>Option 2 Total</b>	<b>(\$154)</b>	<b>(\$29)</b>	<b>(\$126)</b>



## SUMMARY IMPACTS

### 8 SUMMARY FINANCIALS

#### 8.1 Operating impacts steady state

The table below summarises the operating impacts in today's dollars at steady state. This indicates that Option 2 would generate an operating surplus both before and after depreciation, but Option 1 would have an operating deficit after depreciation. The difference between the options is \$57k per year, this is predominately due to the higher income estimated for Option 2. The operating results for both options are relatively small in terms of the investment costs and will not pay back the net establishment within a short timeframe.

Operating Impacts 2034-35 excluding inflation		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
Operating Income	\$000s	\$276	\$388
<u>Operating Expenses, incl. Depreciation</u>			
Operating Cash Expenses	\$000s	(\$201)	(\$237)
Depreciation	\$000s	(\$107)	(\$126)
Operating Expenses, incl. Depreciation Total	\$000s	(\$307)	(\$362)
Operating Surplus / (Deficit)	\$000s	(\$32)	\$25

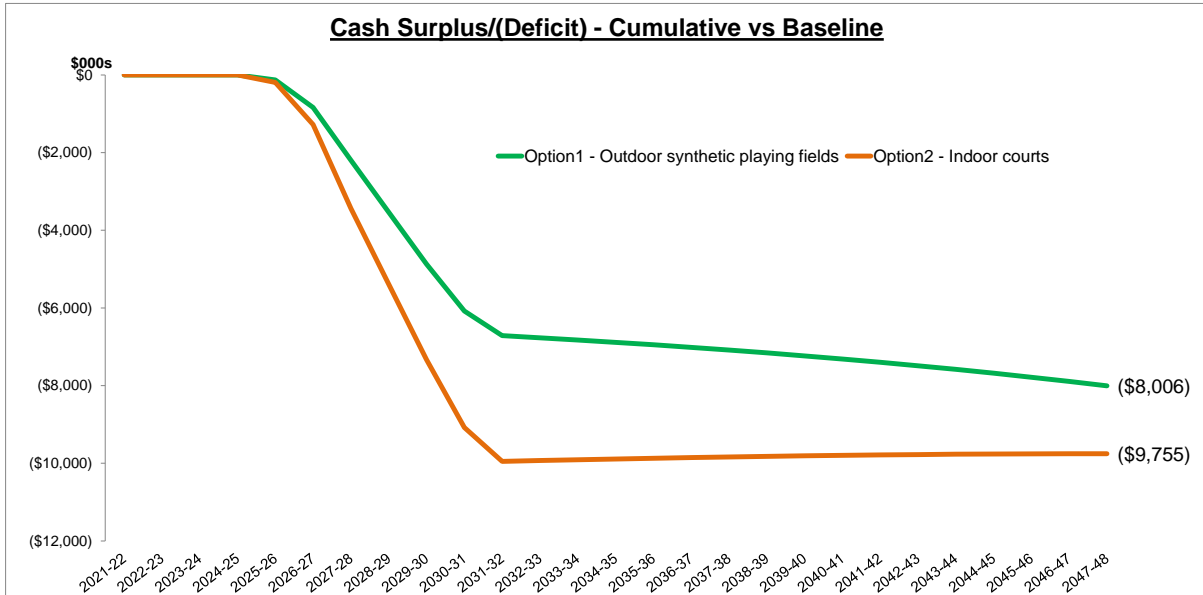
#### 8.2 Total 20-year cash flows

The table below is the overall 20 year cashflow, by evaluating over such a long period ensures that the long-term impacts including capital renewals can be evaluated. The table below includes all of the impacts described in in the previous sections (capital costs, funding, capital renewals, operating assumptions and escalation). The table shows that the overall 20 year cost is over \$8m deficit for Option 1 and almost \$10m for Option 2. As indicated above the operating results do very little to pay back the net establishment costs.

Cashflow Summary Total including inflation		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
<u>Establishment</u>			
One-off Costs	\$000s	(\$6,062)	(\$9,253)
Grants, Proceeds, Reserves	\$000s		
Net Funding Required	\$000s	(\$6,062)	(\$9,253)
Borrowings	\$000s	\$6,062	\$9,254
Repayments	\$000s	(\$6,062)	(\$9,254)
Interest earnings lost using reserve	\$000s	(\$402)	(\$614)
Establishment Cost	\$000s	(\$6,464)	(\$9,867)
<u>Recurring Impacts</u>			
Operating Cash Expenses	\$000s	(\$6,500)	(\$7,481)
Operating Income	\$000s	\$8,116	\$11,321
Asset Replacement / Depreciation	\$000s	(\$3,158)	(\$3,728)
Recurring Impacts Total	\$000s	(\$1,543)	\$113
Cash Surplus/(Deficit) - Cumulative vs Baseline	\$000s	(\$8,006)	(\$9,755)
	\$000s	(\$8,006)	(\$9,755)

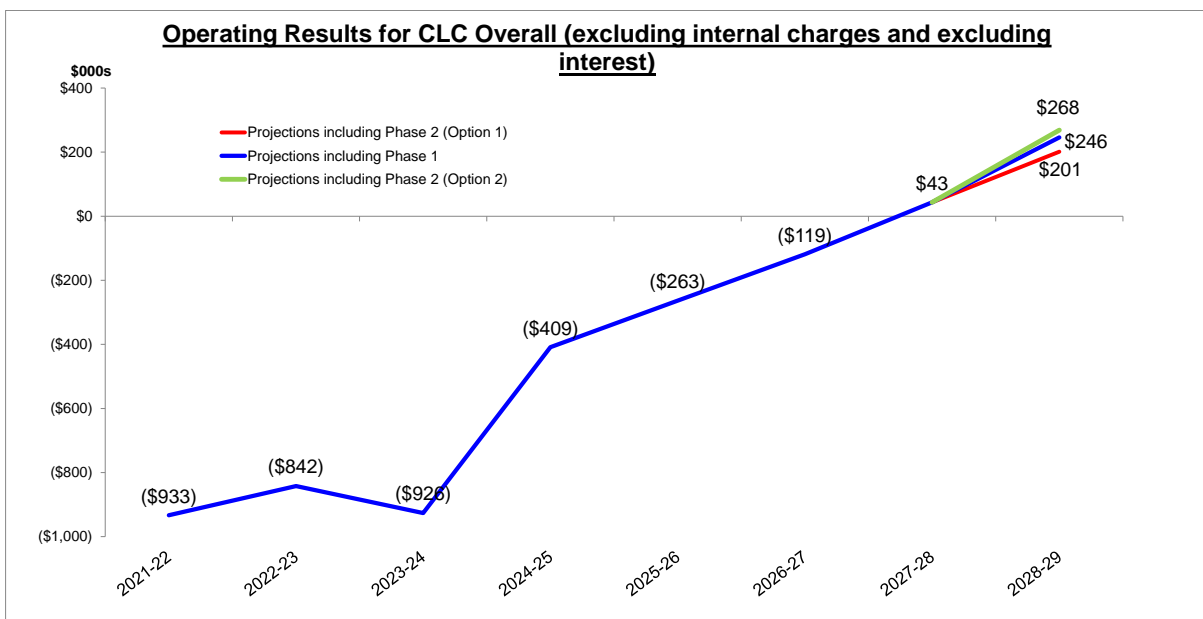
### 8.3 Cumulative cash flows

The graph below shows the cash flows on a cumulative basis for each of the options. The cash flows for the early years include the net establishment cost and repayment to the reserve fund. As Option 2 has a small operating surplus the cumulative cash impacts improve after the establishment phase, but Option 1 continues to decline because it has an operating deficit.



### 8.4 CLC total impacts

As indicated in section 2 it is vital to consider the overall financial position at CLC, including both phase one and phase two. The operating/surplus for CLC taking account of the most recent baseline (2021/22 with Leisure Casual potential workforce agreement) have been projected including the expected growth from phase one. The graph shows the steady improvements after phase one is completed, and then at 2028/29 shows the overall position including phase two – this shows that for both options there would be an operating surplus at CLC.



## 8.5 Risks and opportunities list

The key financial risks and opportunities are:

- Phase one improvements do not fully materialise as expected
- Tender and detailed design
- Café income could be higher
- Building expenses are higher than projected
- Grant opportunities

## 9 SUMMARY

### 9.1 Assessment of financial evaluation

There are various financial factors to consider in evaluating each option. The table below summarises four financial criteria and scores each option from 1 to 10. A weighting is applied to the four criteria to generate an overall weighted score. The explanation of the scoring and weighting is as follows:

- Financial capacity is the ability of the City to afford the net establishment costs. Both options would score relatively low in this area because of the capital costs required which would deplete reserves that could otherwise be used for other projects and the operating results are insufficient to pay back to the reserve. The Do Nothing option would score highly as the City overall would have improved financial capacity if this project did not proceed.
- Operating results. Option 2 scores highest because it is estimated to provide a minor operating surplus after depreciation of \$25k but as this is relatively low it does not deserve a score of 10 out of 10. Option 1 generates a deficit after depreciation although it would generate a surplus before depreciation so does at least deserve a score of 5 out of 10. The Do Nothing option is not as good as Option 2 but better than Option 1 so has a score of 6.
- Cashflow /payback within 20 years. Both options score very low here because the operating impacts have very little impact on repaying the net establishment costs and therefore financial capacity ranks 10 out of 10 for the Do Nothing option.
- Risks/opportunities - option 2 (indoor courts) is much more likely to achieve the income target due to current demand/waiting list plus more opportunity to increase the income. Option 1 (outdoor fields) financials have been done on an assumption and is less likely to achieve the income.

The Do Nothing option ranks number 1 with a score of 9 out of 10. Both option 1 and 2 would score less than five out of 10, both options have some merits and financially credible to some extent but would deplete reserves without paying back in a reasonable timeframe. Option 2 scores higher than Option 1 because it has a better operating result and more certainty with the income.

<u>Financial criteria</u>		<u>Do Nothing</u>	<u>Option1</u> Outdoor synthetic playing fields	<u>Option2</u> Indoor courts	Weighting
1	Financial capacity	10	5	3	25%
2	Operating results	6	5	8	25%
3	Cashflow / payback within 20 years	10	3	1	30%
4	Risks/opportunities	10	1	5	20%
<b>Total score before weighting</b>		<b>36</b>	<b>14</b>	<b>17</b>	<b>100%</b>
<b>Weighted score</b>		<b>9.0</b>	<b>3.6</b>	<b>4.1</b>	

### 9.2 Overall recommendation

This report does not make an overall recommendation, but just assesses the financials and carries the results into the overall business case. The business case will evaluate both options against all of the project objectives.



### 9.3 Strategic Financial Plan (SFP)

The CLC refurbishments phase two is not yet included in the SFP. It is one of a number of major projects that is being evaluated and subject to a business case. If the business case is endorsed by Council this is the appropriate gateway to include in the SFP.

## **Business Case**

Craigie Leisure Centre Refurbishments Phase 2



### **Project Name**

**Craigie Leisure Centre (CLC)  
Refurbishments Phase 2**

### **Project Sponsor**

Director Corporate Services

### **Project Manager**

Manager Leisure Cultural Services

### **Joondalup 2022 Key Theme**

Community Wellbeing, Financial sustainability and  
Economic Prosperity, Vibrancy & Growth

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



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### Craigie Leisure Centre Refurbishments Phase 2



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## Business Case

Craigie Leisure Centre Refurbishments Phase 2



## INTRODUCTION / PROJECT RATIONALE

### 1 INTRODUCTION / BACKGROUND

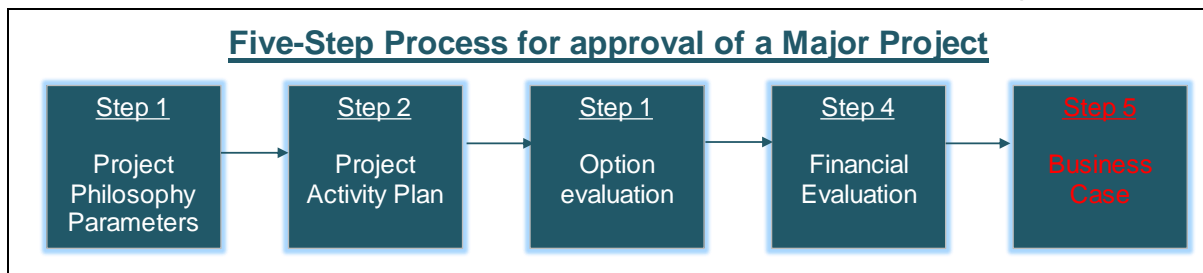
#### 1.1 Purpose of paper

This report is a business case is intended to provide detailed information for the City to give consideration for:

- I. Phase 2 of CLC refurbishments
- II. Budget for the project
- III. Proceed to implementation (community consultation, detailed design, tender and construction).

#### 1.2 Project Management Framework.

The City uses a standard project methodology for managing major projects, the Project Management Framework. This requires the following five steps to be completed as part of the first phase of a project, the approval/business case. All five steps have been completed in accordance with the framework and this business case is the fifth and final step.



#### 1.3 About this project

At present the phase one refurbishments are being implemented in two stages. This report and the business case will explore the options for completing phase two of the refurbishments.

#### 1.4 Disclaimer

This report does not contend that the financial projections will come to pass exactly as stated but are based on the most up-to-date information available at this point in time. The projections are best estimates at this point in time but there is a level of risk and uncertainty in all the projections. The actual costs and income will vary, due to the following:

- Detailed design and specification (only concept design have been prepared so far);
- Capital replacement estimates;
- Proponents for commercial operation;
- Tender;
- Economic factors.

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



## 2 PROJECT RATIONALE & OBJECTIVES

### 2.1 Project Rationale

Craigie Leisure Centre is located on Whitford Avenue, Craigie and was constructed in 1988. The indoor stadium facilities and fitness components were added to the aquatic areas in 1992. Additional improvements and extensions to the health and fitness areas were undertaken in 1995-96. In 2006, the facility was redeveloped with an indoor 25 metre lap pool; indoor leisure pool; spa, sauna, steam room; gym; group fitness room; crèche; cycling room; function room; offices; toilets and change rooms; cafe; merchandise shop and four sports courts. In February 2010, a second phase of the redevelopment was opened which included an outdoor 50 metre lap pool; zero depth water playground and meeting room. The centre has approximately 4,000 members and approximately 1,500,000 visitors in 2020-21.

In February 2015, the City engaged a consultant to undertake an operational review of the health and fitness operations at the City's leisure centres in response to a shortfall of projected income during the 2014-15 budget review process. One of the outcomes of the review included considering a facility redevelopment to capitalise on industry trends and maximise income opportunities as the existing facility does not meet the growing needs of the local community and the significant changes within the health and fitness industry.

Following the operational review, an action plan was developed, and a number of the recommendations were agreed to be implemented, one of which was to undertake a needs and feasibility study including consideration of a long-term masterplan for Craigie Leisure Centre.

In August 2015, the City engaged a consultant to undertake a needs and feasibility study that would then be used to develop concept plans and capital cost estimates for the project. The needs and feasibility study considered redevelopment works that could be undertaken and provided staging options for the project.

The City then engaged a consultant to develop preliminary concept plans for the proposed refurbishment works based on the outcomes and recommendations of the needs and feasibility study. The recommend works were divided into potential construction staging options and these were presented to Council at its meeting held on 20 March 2018 (CJ051-03/18 refers). Council approved phase one of the refurbishment project to proceed to the detailed design stage.

At its meeting held on 10 December 2019 (CJ177-12/19 refers), Council considered the detailed designs and estimated capital costs for the project and approved phase one works to proceed to construction tender stage. Council also noted that the remaining proposed refurbishment phases would be re-estimated and considered as part of a future review of the Strategic Financial Plan (SFP).

In early 2021, the City went out to tender for the construction of the phase one refurbishment project including extension of the gym; relocation and extension of the creche, group fitness, wellness and cycle studios; relocation of the staff room; and additional car parking works.

## Business Case

### Craigie Leisure Centre Refurbishments Phase 2



Construction for phase one refurbishment works commenced in August 2021 and is expected to be completed in early 2023.

For the remaining proposed refurbishment works to be considered as part of a future review of the City's SFP, concept plans, capital cost estimates, financial evaluation and this business case have been prepared.

The design objectives of the phase two refurbishment works include:

- Create a more welcoming facility reception and café to resolve noise / acoustic issues.
- Create additional office space.
- Improve / provide additional facilities and services available to members and customers of the centre.

Two concept plan options have been developed with alternatives to expand the sports program offered to centre member and customers.

## 2.2 Customer experience

The CLC enjoys high levels of customer satisfaction and there is no doubt that this will be further enhanced after phase one is completed. However there are still significant shortcomings for customers after phase one:

- Noise – main reception area, including café area, is extremely noisy. Customers struggle to hear when being served at front desk, and the noise in the foyer area is detrimental to those wanting to sit and enjoy the café service.
- Pro – shop size and visibility
- Minimal hireable space for short term or sub-leasing opportunities (i.e. Allied Health)
- Minimal suitable meeting locations for staff/stakeholders
- Aging court toilet facilities, the court toilet facilities are the original from the 1992 refurbishment and are dated. Many of the fitting and services are not water wise and do not meet industry best practice.
- Café – indoor areas only

## 2.3 Employee satisfaction

The team at CLC are pivotal in achieving the high income and high customer satisfaction but the shortcomings in the current layout are far from ideal, because of:

- Noise – main reception area, including café area, is extremely noisy. Customer Service employees have to lean to hear customers and raise their voices to converse in person and on the phone, all of which are OSH issues. This noise flows into the back-office staffing areas.
- Flow of office areas - location of offices results in the management team being interrupted daily with casuals walking in and out all day.
- Size of office areas – a lot of workstations are crammed in, which results in a noisy and cramped environment to work. Difficulties in conversing in person and on the phone, no areas to meet outside of office areas. Limited opportunity to expand team and workstations.

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



- Minimal suitable meeting locations for staff/stakeholders.

### 2.4 Outcomes

The outcomes of the project are summarised as

- Reception / Café area enhanced area - resolve the noise/acoustic issues which will enhance staff and member satisfaction, potentially increase membership sales and retention
- Outdoor eating area – enhance member satisfaction, attract new members
- Pro – shop size/visibility - improved quality of facilities will enhance member satisfaction and potentially increase membership sales and retention and pro-shop sales.
- Changeroom facilities – improve the changeroom facilities for members and customers.
- Staff areas enhanced - enhanced office and meeting space will ensure all staff have adequate workspace and may improve staff satisfaction.
- New complimentary health services (e.g., physiotherapy) – attract/retain members, improve satisfaction and a new income stream
- Sports program expanded – increase capacity of sports, either through new indoor courts or outdoor courts.



## Business Case

Craigie Leisure Centre Refurbishments Phase 2



### 3 PROJECT OBJECTIVES & OPTIONS

#### 3.1 Quantified project objectives

The outcomes and vision have been refined to develop smart objectives that are quantifiable where possible that will allow the options to be evaluated:

	Objective	Success Criteria	Measurement
1	<p><u>Financial Sustainability</u> CLC will provide an operating surplus after the impacts of phase 2 refurbishments are included. Ideally the operating results of phase 2 will be sufficient to pay back the investment costs.</p>	<p>Operating Surplus, after Depreciation is the primary financial measure.</p> <p>The phase 2 refurbishments by themselves are highly likely to have a negative impact but should not result in an overall operating deficit for CLC.</p>	<p>Business case will include financial evaluation based on all incremental income and expenses arising from phase 2 of the refurbishments. The overall impacts on the CLC operating results will be calculated. The objective will be monitored ongoing as part of business-as-usual financial budgeting processes.</p>
2	<p><u>Social &amp; Economic Return on Investment (SROI)</u> The provision of additional amenities will provide additional economic, social and community benefits.</p>	<p>The success criteria for SROI are the evaluation of the Benefits Cost Ratio (BCR). The BCR includes the core financial impacts of the project and an estimated monetary impact of the incremental SROI.</p> <p>The City has established a threshold of between 1.5 and 3.0 for the BCR, the higher the better. This project would be expected to be within that range.</p>	<p>The City may engage an external consultant to estimate the BCR for options within this project.</p>

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



	Objective	Success Criteria	Measurement
3	<p><u>Enhanced customer experience</u></p> <p>The enhancements and new facilities will provide a greater level of choice, enhanced customer service and an overall better provision of services.</p>	<p>Customer satisfaction will improve, and the new/enhanced services are used.</p>	<p>This can be measured in several ways:</p> <ul style="list-style-type: none"> <li>○ Utilisation of outdoor synthetic playing surface / additional sports courts and new leased health area is adequate</li> <li>○ Customer satisfaction is formally measured</li> <li>○ Membership numbers improve</li> </ul>
4	<p><u>Employee satisfaction</u></p> <p>The project will improve the employee satisfaction with working at CLC.</p>	<p>Confirmation from employees that the refurbishments has improved their satisfaction.</p>	<p>This may be measured formally using an Employee Satisfaction Survey (before and after) or could just be measured with informal reviews with each team.</p>

The objectives above will be used for the assessment of the options and the recommendation later in this report.

### 3.2 Options evaluated within business case

The project includes the following:

- redesign of the reception and café internal eating area;
- new pro-shop area;
- new outdoor eating area for café;
- refurbishment of existing sports court change rooms;
- new conference meeting room;
- conversion of the second level (mezzanine) area to office space;
- new complimentary health commercial services area (e.g. physiotherapy, massage, chiropractic and nutrition); and
- additional sports program area: option 1 - new outdoor synthetic playing surface with floodlighting for night use; option 2 - two new indoor sports courts.

Note that the Do Nothing option will also be evaluated.

## **Business Case**

Craigie Leisure Centre Refurbishments Phase 2



## **SUPPORTING INFORMATION AND ENGAGEMENTS**

### **4 CONCEPT DESIGNS AND QS COSTINGS**

#### **4.1 Concept Designs**

The City's Leisure Planning Team prepared a design schedule and engaged Hodge Collard Preston Architects to prepare concept designs for both options. These were reviewed in detail with the Leisure Centre team

#### **4.2 QS Costings**

Once the concept designs were finalised the QS costings were prepared by Borrel Rafferty Associates. The details of this will be summarised in the financial section

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



## 5 HEALTH SERVICES ASSESSMENT

### 5.1 Purpose of Health Services Assessment

The review of CLC has indicated the potential for complimentary health services to be provided as an added value service to users and an extra income stream. Urbis were engaged to evaluate the commercial opportunity for the City that is proposed as part of the project, and to recommend what is a suitable size retail area that would be viable.

### 5.2 Details of engagement

The key elements of the engagement were:

- Catchment analysis - primary and secondary catchment areas for health services were evaluated, including a demographic profile
- Health services were categorised for the analysis as GPs, Chiropractors, Physiotherapists and other allied health
- Demand – health needs were modelled based on benchmark rates
- Tenancy opportunities – these were assessed with reference to market need, competition and site suitability
- Rental potential – assessed with reference to other sites
- Other implementation considerations were listed.

### 5.3 Outcomes of assessment

The key outcomes were:

- Size – 82 square metres is a reasonable size for the sizes
- Rental income per m<sup>2</sup> – could be between \$375 to \$525
- Opportunity ranking is summarised in the table below, with physiotherapy being the highest ranked

Assessment Findings (Scoring)					
HEALTH SERVICE	MARKET NEED	COMPETITION	SITE SUITABILITY	TOTAL	OPPORTUNITY RANKING
Physiotherapy	4	2	4	10	1
Other Allied Health	3	2	4	9	2
Chiropractor	3	2	3	8	3
GP	1	1	1	3	4

Source: Urbis



## Business Case

Craigie Leisure Centre Refurbishments Phase 2



## 6 SOCIAL & ECONOMIC RETURN ON INVESTMENTS

### 6.1 Purpose of SROI engagement

Pracsys were engaged in 2018 to identify the various social and economic impacts of both Phase one and Phase two refurbishments. It was not deemed necessary to engage a new report only for phase two because the outcomes of the analysis in 2018 were still relevant and provided strong indication of the social and economic benefits.

### 6.2 Details of the engagement

Key aspects of the engagement are:

- SROI Framework - the SROI analysis was completed in line with the framework prescribed by the SROI Network International. The framework refers to a theory of change model, which evaluates Input, Output, Outcome, Impacts and Value.
- Financial – the core financial impacts to the City, as estimated at that time, are included in the calculation.
- Social/health – these are cashed up using proxy values, for example:
  - Increased physical exercise has financial benefits with less reliance on the health system for example.
  - Productivity benefits from increased participation
  - Sense of community
  - Personal satisfaction from being part of a sports team
- Economic – cashed up using standard input/output models i.e. larger or upgraded facility has more employment, more expenditure which has economic benefits. Meanwhile the construction provides one-off employment which is also factored in.
- Incremental – the BCR calculates the difference between the proposed options and the existing facility, which already enjoys high social/economic benefits.

Note that the proxy values used to cash up the social and economic impacts relate to benefits not necessarily enjoyed by the City but to the wider economy.

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



### 6.3 Outcomes of SROI assessment

For a project to be successful it must have a positive BCR, i.e. for every \$1 of cost there is at least \$1 of income, ideally a BCR of at least 1.5 is required. The table below summarises the categorisation that the City has identified for the BCR, so ideally a new project should achieve a BCR over 3 to be recognised as providing a high or very high social and economic benefit. The overall CLC refurbishments have an estimated BCR of 3.47 and therefore based on the table below both options would rank as a HIGH benefit.

Social & Economic Benefits scoring table		<< <i>Categorisation of Benefit</i> >>				
		Very Low	Low	Medium	High	Very High
1	<p><b>Benefits cost ratio</b></p> <p>This is a standard ratio which compares each dollar of benefits versus the dollar of investment. The threshold for the City is to achieve a BCR of between 1.5 and 3.0, the higher the better A BCR could be calculated using external consultancy OR there may just be an indicative view It is the INCREMENTAL benefit that must be considered</p>	1.5 or less	1.5 to 3.0	1.5 to 3.0	>3.0	>3.0
2	<p><b>Size of Investment</b></p> <p>It is also important to attach a weighting to those projects that have much larger investment (e.g. over \$10m) compared to projects that have minimal investment (e.g. \$1m). Some smaller projects may have a high BCR, so the BCR by itself cannot be used to assess the overall Social and Economic score</p>	n/a	<\$5m	>\$5m	\$5m to \$10m	>\$10m

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



## OPTION EVALUATION

### 7 FINANCIAL EVALUATION

#### 7.1 Financial evaluation report

The financial evaluation was prepared by the City and provides a detailed audit trail for all of the financial data, key financial parameters, etc. The financial evaluation was prepared using the City's financial evaluation model. This section of the business case will only include a summary of the key financials, otherwise refer to separate attachment for more details.

#### 7.2 Financial evaluation key parameters

Some of the key parameters of the financial evaluation are:

- Escalation factors – the default for most income and expense items are the escalation factors included in the Strategic Financial Plan.
- Phasing – capital costs spread between 2025/26 to 2027/28, ready by 2028/29.
- Term – the evaluation is completed over a 20 year period; this ensures a suitable period of whole of life costs can be considered.

#### 7.3 One-off cost

The estimated capital costs are provided by the QS in today's dollars and then assumed to increase further in next few years with escalation as shown in the table below:

One-off Costs Overall Totals		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
Excluding Escalation	\$000s	(\$5,434)	(\$8,295)
% Escalation Factor	%	112%	112%
<b>Including Escalation</b>	<b>\$000s</b>	<b>(\$6,062)</b>	<b>(\$9,253)</b>

#### 7.4 External funding and net establishment cost.

The project has no external funding so the full funding is assumed to be reserves, this would include an expense with lost interest earnings. The table below summarises the overall one-off costs (including escalation), the external funding and the remaining funding by the City.

Establishment Cost (including inflation)		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
1 One-off Costs	\$000s	(\$6,062)	(\$9,253)
2 Grants, Proceeds, Reserves	\$000s		
<b>3 Net Funding Required</b>	<b>\$000s</b>	<b>(\$6,062)</b>	<b>(\$9,253)</b>
4 Interest on Borrowings	\$000s	(\$402)	(\$614)
<b>5 Establishment Cost</b>	<b>\$000s</b>	<b>(\$6,464)</b>	<b>(\$9,867)</b>

## Business Case

Craigie Leisure Centre Refurbishments Phase 2



### 7.5 Recurring impacts

The key recurring impacts of the options are summarised in the table below. Option 2 is estimated to have greater income potential with indoor courts but would have greater expenses and higher depreciation as it has higher capital costs. This indicates that Option 2 would generate an operating surplus both before and after depreciation, but Option 1 would have an operating deficit after depreciation. The operating results for both options are relatively small in terms of the investment costs and will not pay back the net establishment within a short timeframe.

Operating Impacts 2034-35 excluding inflation		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
Operating Income	\$000s	\$276	\$388
<u>Operating Expenses, incl. Depreciation</u>			
Operating Cash Expenses	\$000s	(\$201)	(\$237)
Depreciation	\$000s	(\$107)	(\$126)
Operating Expenses, incl. Depreciation Total	\$000s	(\$307)	(\$362)
Operating Surplus / (Deficit)	\$000s	(\$32)	\$25

### 7.6 20-year Cashflows

The table below is the overall 20 year cashflow and shows that the overall 20 year cost is over \$8m deficit for Option 1 and almost \$10m for Option 2. As indicated above the operating results do very little to pay back the net establishment costs.

Cashflow Summary Total including inflation		Option1	Option2
		Outdoor synthetic playing fields	Indoor courts
<u>Establishment</u>			
One-off Costs	\$000s	(\$6,062)	(\$9,253)
Grants, Proceeds, Reserves	\$000s		
Net Funding Required	\$000s	(\$6,062)	(\$9,253)
Borrowings	\$000s	\$6,062	\$9,254
Repayments	\$000s	(\$6,062)	(\$9,254)
Interest earnings lost using reserve	\$000s	(\$402)	(\$614)
Establishment Cost	\$000s	(\$6,464)	(\$9,867)
<u>Recurring Impacts</u>			
Operating Cash Expenses	\$000s	(\$6,500)	(\$7,481)
Operating Income	\$000s	\$8,116	\$11,321
Asset Replacement / Depreciation	\$000s	(\$3,158)	(\$3,728)
Recurring Impacts Total	\$000s	(\$1,543)	\$113
Cash Surplus/(Deficit) - Cumulative vs Baseline	\$000s	(\$8,006)	(\$9,755)
	\$000s	(\$8,006)	(\$9,755)



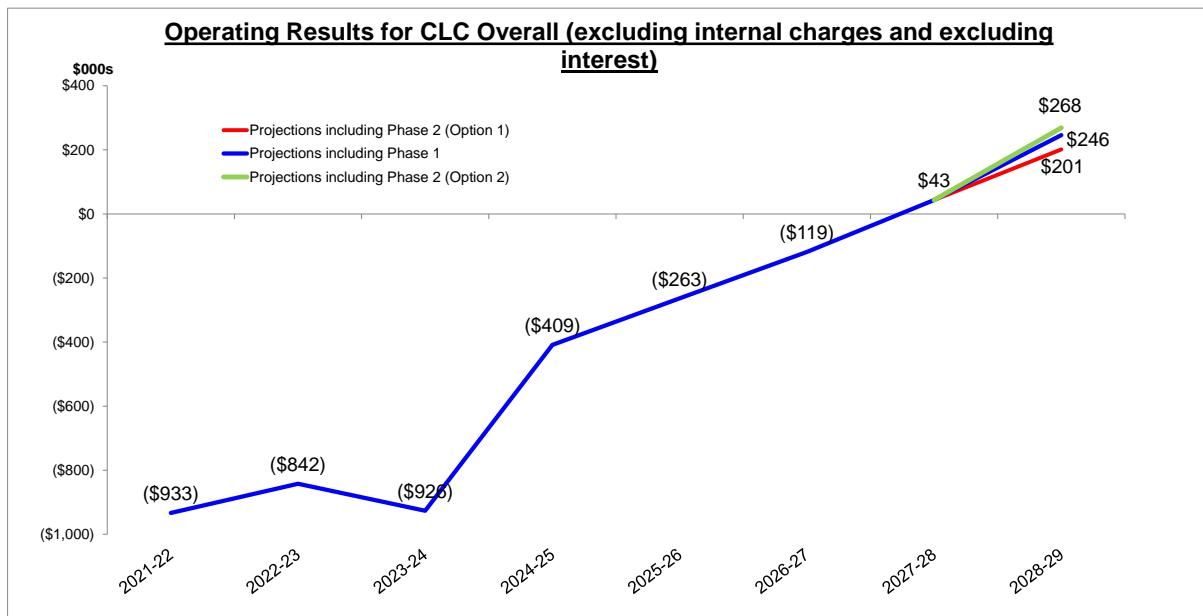
## Business Case

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#### 7.7 CLC total impacts

As indicated in section 3 it is vital to consider the overall financial position at CLC, including both phase one and phase two. The operating/surplus for CLC taking account of the most recent baseline have been projected including the expected growth from phase one. The graph shows the steady improvements after phase one is completed, and then at 2028/29 shows the overall position including phase two – this shows that for both options there would be an operating surplus at CLC.



#### 7.8 Financial assessment of each option

There are various financial factors to consider in evaluating each option. The table below summarises four financial criteria and scores each option from 1 to 10. A weighting is applied to the four criteria to generate an overall weighted score. The explanation of the scoring and weighting is as follows:

- Financial capacity is the ability of the City to afford the net establishment costs. Both options would score relatively low in this area because of the capital costs required which would deplete reserves that could otherwise be used for other projects and the operating results are insufficient to pay back to the reserve. The Do Nothing option would score highly as the City overall would have improved financial capacity if this project did not proceed.
- Operating results. Option 2 scores highest because it is estimated to provide a minor operating surplus after depreciation of \$25k but as this is relatively low it does not deserve a score of 10 out of 10. Option 1 generates a deficit after depreciation although it would generate a surplus before depreciation so does at least deserve a score of 5 out of 10. The Do Nothing option is not as good as Option 2 but better than Option 1 so has a score of 6.
- Cashflow /payback within 20 years. Both options score very low here because the operating impacts have very little impact on repaying the net establishment costs and therefore financial capacity ranks 10 out of 10 for the Do Nothing option.
- Risks/opportunities - option 2 (indoor courts) is much more likely to achieve the income target due to current demand/waiting list plus more opportunity to increase the income.

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Option 1 (outdoor fields) financials have been done on an assumption and is less likely to achieve the income.

The Do Nothing option ranks number 1 with a score of 9 out of 10. Both option 1 and 2 would score less than five out of 10, both options have some merits and financially credible to some extent but would deplete reserves without paying back in a reasonable timeframe. Option 2 scores higher than Option 1 because it has better operating result and more certainty with the income.

<b>Financial criteria</b>		<b>Do Nothing</b>	<b>Option1</b> Outdoor synthetic playing fields	<b>Option2</b> Indoor courts	<b>Weighting</b>
1	Financial capacity	10	5	3	25%
2	Operating results	6	5	8	25%
3	Cashflow / payback within 20 years	10	3	1	30%
4	Risks/opportunities	10	1	5	20%
<b>Total score before weighting</b>		<b>36</b>	<b>14</b>	<b>17</b>	<b>100%</b>
<b>Weighted score</b>		<b>9.0</b>	<b>3.6</b>	<b>4.1</b>	

### 7.9 Strategic Financial Plan (SFP)

The CLC refurbishments phase two is not yet included in the SFP. It is one of a number of major projects that is being evaluated and subject to a business case. If the business case is endorsed by Council, this is the appropriate gateway to include in the SFP.

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## 8 OPTION EVALUATION & RECOMMENDATION

### 8.1 Multi-criteria evaluation and weighting

A project needs to be assessed against the objectives (as explained in earlier section), both financial and non-financial, so that the option that provides the overall best outcome can be recommended. A scoring from 1 to 10 of how each option meets the project objectives has been completed, and a weighting has also been applied to the objectives. An equal weighting of 25% has been applied to all four factors.

### 8.2 Scoring of each option and explanation

The table below summarises the scores for each option against each objective and then calculates a weighted score out of 10. The reason for the scoring and difference between the options is:

1. Financial sustainability – the scores are carried forward from the separate assessment explained earlier.
2. Social and economic return on investment – both options 1 and 2 would score highly as explained earlier whilst the do nothing option would achieve just a 1 score. Option 2 scores slightly higher than option 1 because it is estimated to have higher utilisation and therefore greater social/health benefits.
3. Enhanced customer experience – the demand for indoor courts over outdoor fields is much higher based on the current waiting list and customers survey feedback so option 2 scores higher than option 1.
4. Employee satisfaction – both options score the same as they both include the same proposals for improved staff areas.

<b>OBJECTIVES</b>		<b>Do Nothing</b>	<b>Option1</b> Outdoor synthetic playing fields	<b>Option2</b> Indoor courts	<b>Weighting</b>
1	Financial sustainability	9.0	3.6	4.1	25%
2	Social & Economic return on Investment	1	7	8	25%
3	Enhanced customer experience	1	5	9	25%
4	Employee satisfaction	1	10	10	25%
<b>Total score before weighting</b>		<b>22</b>	<b>36</b>	<b>41</b>	
<b>Weighted score</b>		<b>3.0</b>	<b>6.4</b>	<b>7.8</b>	
<b>Rank</b>		<b>3</b>	<b>2</b>	<b>1</b>	

### 8.3 Recommendation – Option 2

The analysis above has indicated that Option 2 ranks number 1, with a score of 7.8 out of 10, and is 1.4 more than option 1 and 4.8 more than the do nothing option. The multi criteria

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analysis shows the significant differences between the options, with the Do Nothing option ranking much higher in financial terms but scoring very low in the other project objectives. So the project demonstrates a high achievement against the objectives for both option 1 and option 2 but the City needs to consider whether the financial impacts are acceptable as the project will not pay back the initial investment.



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## 9 NEXT STAGES

### 9.1 Project plan

If Council endorse the project, a detailed project plan will be prepared. It must be emphasised that until a detailed project plan is prepared the estimated completion date cannot be confirmed.

### 9.2 The following key risks and opportunities have been identified

- Phase 1 – increase in membership and financial benefits do not materialise. This would jeopardise the goal of CLC providing an operating surplus after depreciation.
- Grants are an opportunity. However, it must be emphasised that grants are a one-off windfall, and the City still has the burden of long-term replacement / depreciation and based on the financial analysis the provision of grants is unlikely to provide a different outcome to the overall cashflow analysis.

### 9.3 Next steps

The next stage for the project is for the business case to be reviewed with Council. If approved the project will be assigned to an internal project manager for implementation. Any community / stakeholder consultation for the project would be conducted in accordance with the City's approved Community Consultation and Engagement Policy and Protocol.

Craigie Leisure Centre refurbishment indoor sports courts competitor analysis

Facility	No. of courts	Peak hour hirers	Sport competitions	Court markings
City of Joondalup - Craigie Leisure Centre*	4	4.00pm – 6.00pm basketball bookings	140 teams winter 200 teams summer Offer netball; basketball; soccer and junior soccer	Basketball Netball Soccer Badminton Volleyball
City of Joondalup – Heathridge Community Centre*	1	-	NA	Basketball Netball Badminton
HBF Arena*	8	-	Netball 2 days week Futsal 2 days week. 73 teams in total	Basketball Netball Soccer Badminton Volleyball
Churches of Christ Sport and Recreation Association - Warwick Stadium*	8	Basketball bookings after school and weekends.	Basketball 5 days week - 592 teams. Netball 2 days week - 18 teams.	Basketball Netball Volleyball Badminton
Churches of Christ Sport and Recreation Association - Duncraig Recreation Centre*	1	-	NA	Basketball Badminton
City of Wanneroo - Kingsway Indoor Stadium	4	4.00pm – 6.00pm (competitions) 6.00pm – 8.00pm (no competitions)	Summer (4 nights) Winter (2 nights) less than 50 teams.	Basketball Soccer Netball Volleyball Tennis
City of Stirling - Herb Graham	4	3.30pm – 6.00pm basketball bookings	Mondays and Wednesdays. 47 teams.	Basketball Netball Soccer Volleyball Badminton
City of Stirling - Hamersley	1	-	Netball Monday and Tuesday -15 teams. Futsal Wednesday - 6 teams.	Basketball Soccer Netball Volleyball Badminton
City of Stirling - Scarborough	1	-	Junior soccer Friday - 4 teams.	Basketball Soccer Netball Badminton
City of Cockburn – Aquatic and Recreation Centre	6	4.00pm-6.00pm basketball bookings	Peak season in spring (Netball, Basketball, Soccer and Junior Soccer). 240 – 280 teams.	AFL 9's Basketball Netball Futsal Badminton Volleyball

\* located within the City of Joondalup