



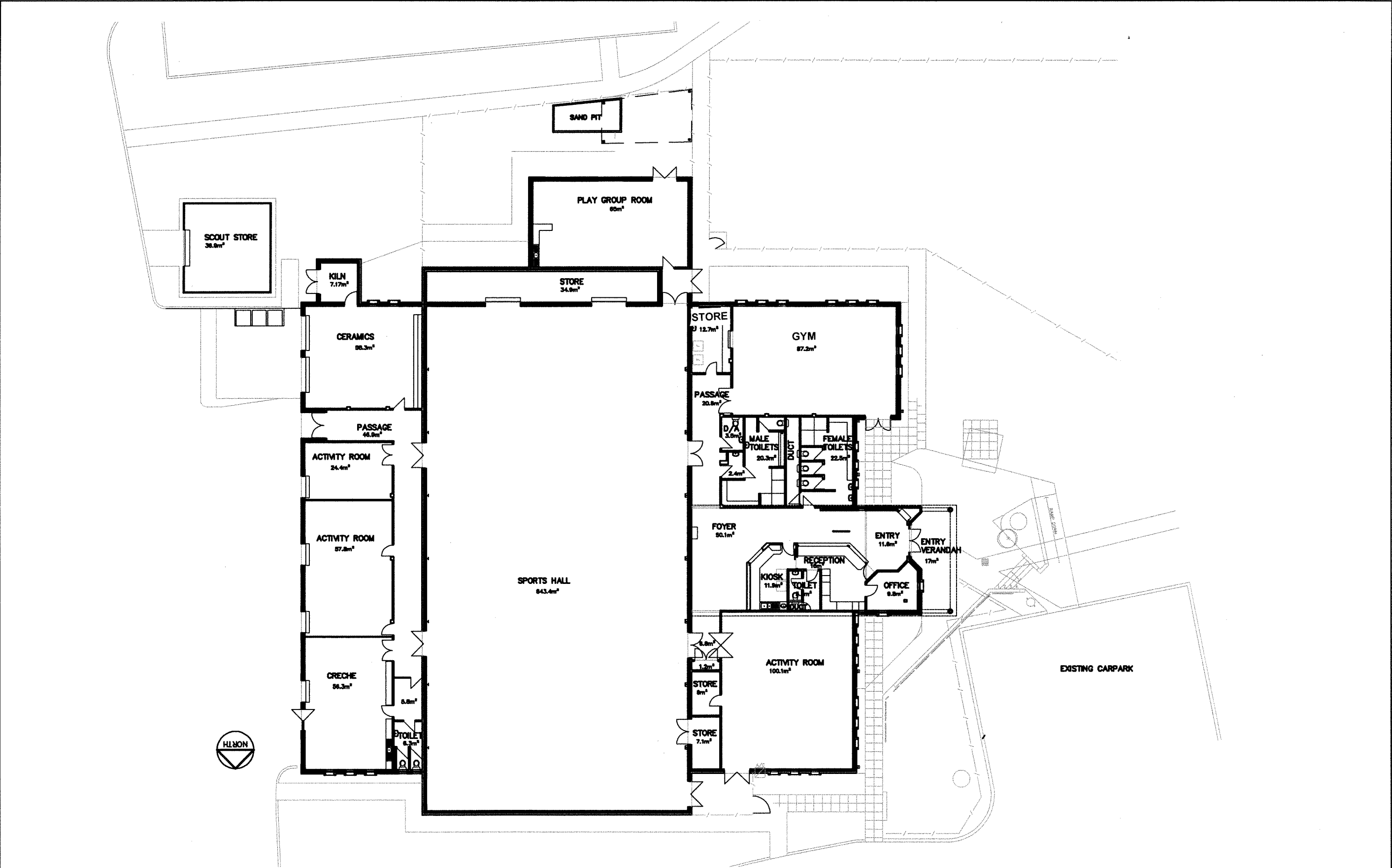
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Duncraig Leisure Centre
Duncraig Library

25/03/2020

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REV	DATE:	REMARKS:	REV	DATE:	REMARKS:	DRAWING TITLE:	PROJECT:	City of Joondalup Asset Management		DATE: JUNE 14	BUILDING No:	BUILDING NAME:
A			E			-	-	PO Box 21, Joondalup Western Australia, 6919		SCALE: not to scale	2028	DUNCRAIG LEISURE CENTRE
B			F					Telephone: (08) 9400 4000		DRAWN: D.S	DRAWING No:	REV No:
C			G					Facsimile: (08) 9300 1383		CHKD/APRVD:	A001	A
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Issue Raised	City Response
How and why has the proposal come about for CCSRA to take over the Duncraig Leisure Centre?	<i>The City received a formal approach from the CCSRA in July 2019. The City has been in negotiations since that time with CCSRA.</i>
How does it work at Warwick Stadium both operationally and financially? Would it be the same at Duncraig if it went ahead?	<i>The Warwick Stadium is leased by the CCSRA from the City at a nominal lease fee, CCSRA are responsible for primarily utilities and general maintenance, while the City is responsible for structural issues to the facility (please note the CCSRA has been the major capital contributor to the stadium since establishment in early 1990's. Pending a decision by the Council it is proposed for the same lease principles to be applied for DLC.</i>
What role does the City still have at Warwick Stadium? Would it be the same at Duncraig if it went ahead?	<i>The City is and would be the lessor under both arrangements</i>
What would be the benefits to the City if CCSRA took over Duncraig?	<i>The elected Council has a position statement that states "Leisure Centre operations overall should aim to be self-sufficient and meet all operating costs." Currently the DLC operates at approximately \$200,000 deficit per annum. With CCSRA leasing the DLC this will reduce the deficit and also return a minor annual lease fee.</i>
Why would the gym, crèche and fitness classes be no longer available at Duncraig?	<i>The gym will be closed, and memberships will be offered at the modern facilities at Warwick Stadium at a cheaper price. The gym at DLC currently has around 35 members. the creche will be closed as it is rarely used (on average 1 child per day) and the CCSRA proposes to change the creche to a childcare facility. Creche facility are available at the Warwick Stadium. The CCSRA proposal maintains 11 of the existing 13 group fitness classes.</i>
Is it correct that current user groups cannot be guaranteed if they will still have use of the centre past July 2021 if this goes ahead? If so, why?	<i>Facility bookings are done on yearly basis which is no different to the current process managed by the City. Conflicts may occur with bookings that need to be managed.</i>
Why has the City not sought other organisations to run the centre? Such as a tender process?	<p><i>The City had preliminary investigations into engaging a commercial operator however it is believed that there are low expectations about the potential interest amongst current commercial operators within the market. Potential operators to seek out facilities with large income generating opportunities of which the size and layout of DLC does not support the requirements of commercial ventures of this nature. Where these operators manage underperforming facilities, a general component of their management contract is for the local government to fund any shortfalls through a subsidy, so therefore still resulting in a cost to the City.</i></p> <p><i>Consideration would also need to be given to the current Management Order over the Reserve to ensure that a commercial operator would be able to lease the facility. The Reserve is currently held for the purposes of "Library and Community Centre", which may require amendment in order to proceed with this option. There is also a risk that the Department of Planning, Lands and Heritage may expect a percentage of the income generated from a commercial operator, given their recent policy stance on the use of Crown Land for commercial purposes.</i></p>

Issue Raised	City Response
Concerns were raised about the financial sustainability of the CCSRA.	<i>As part of its due diligence and information gathering, the City has reviewed the financial position of the CCSRA, and more details are detailed within this report.</i>
Is the City in a position to respond to comments that suggest CCSRA owes the City nearly \$6 million?	<i>The CCSRA does not owe the City \$6 million dollars – the CCSRA is up to date with all payments to the City and has never defaulted on any of its payments.</i>
Why was the degree of consultation limited to users and customers of the DLC?	<i>In accordance with the Council's Community Consultation Policy and Protocol, the City determined that current users, hirers and members of DLC are those most likely to be affected by the matter under consideration. As such current users of the facility at the time of the community engagement, were invited to participate in the process.</i>
Why has the City made a decision without community consultation?	<i>The City has not made a decision in response to the proposal submitted by the CCSRA, it is undertaking a high level of due diligence to inform the Council via a report, with the Council being the final decision maker on how to progress the proposal.</i>
What changes will be made to the current program of activities and what changes can be anticipated to current activities if the CCSRA lease proposal is approved?	<p><i>A summary of the proposed impact to customers, members and user groups is:</i></p> <ul style="list-style-type: none"> <i>• Of the 29 short courses currently available, 28 will continue to be operated by CCSRA. Customers of the one affected short course have been offered alternative options at Craigie Leisure Centre (CLC).</i> <i>• Of the 13 group fitness classes currently available, 12 will continue to be operated by CCSRA. CLC intends to look at options to replicate the fitness classes that will no longer operate at DLC. This includes the Saturday morning BODYPUMP™ class that is cancelled as part of the proposal.</i> <i>• Under the CCSRA lease proposal, the gym will no longer be available. DLC members will be offered the option to maintain their membership at DLC which will give them access to the group fitness classes at DLC plus the gym and group fitness classes at Warwick Stadium, or transfer their membership to CLC. Members who transfer their membership to CLC will have access to the current CLC classes, plus CLC is looking at options to add up to nine Platinum classes to the 17 Platinum classes already available.</i> <i>• Of the 20 user groups, 10 are not impacted and will retain their existing hire arrangement. Hire groups that are impacted due to conflicting bookings will be offered alternative options at other centres such as CLC or Warwick Stadium, or alternative times at DLC.</i>
I am a senior and I use DLC as I enjoy the environment of small group classes as well as the variety of session days and times for classes. I don't think this offer can be replicated at CLC and I am concerned that after the 12-month commitment period expires, the CCSRA will no longer offer these classes.	<i>The CCSRA proposal seeks to minimise the impact to all users, with the current six Platinum group fitness classes that are currently operated at DLC expected to remain in place. If the proposal is accepted and approved, the City intends to add up to nine additional Platinum group fitness classes each week at CLC, in addition to the 17 Platinum classes already available. The City intends to look at options to replicate the circuit equipment and the style of the Platinum classes at CLC as much as possible, to minimise impact to the customers in these classes.</i>

Issue Raised	City Response
	<p><i>The CCSRA has no plans for these classes to be removed from DLC beyond 2021 and intends to continue to operate these classes while they remain financially viable. This is a similar philosophy to that of the City's leisure centres; to offer programs to the community that are financially viable.</i></p>
<p>What is the current cost for the City to subsidise operations at DLC?</p>	<p><i>Since construction in 1976, the operations of DLC have shifted away from that of a leisure centre to a community-based facility due to the building's limitations when compared to current benchmarked leisure industry standards. These limitations affect the income generating capacity of the centre, which is inconsistent with Council's adopted Strategic Position Statement regarding the operations of leisure centres: "Leisure centre operations overall should aim to be self-sufficient and meet all operating costs."</i></p> <p><i>Despite efforts to improve the operating result of DLC over the past four years, the net cost to the City to operate the centre currently exceeds \$200,000 per year</i></p>
<p>What has the City of Joondalup done to improve the operating result and maintain the facility operations along present lines?</p>	<p><i>The leisure centres continuously review programs and services offered to ensure they are financially sustainable. To improve the financial performance of the centre, the City must consider reducing expenditure but also increasing income. The Council's adopted Facility Hire Subsidy Policy applies to the operations of DLC, with most hirers of the facility receiving significant subsidies from the City. This limits income generation and therefore contributes to the facility operating in deficit.</i></p> <p><i>The net position has improved in the last few years due to changes made, such as removing low attendance classes and courses. Although improvements have been made to the DLC net position, it is not classed as a modern-day leisure facility and this creates difficulties in promoting the facility in a very competitive industry.</i></p> <p><i>The City has also undertaken promotional activity including biannual leisure awareness campaigns utilising social media, the community newspaper, radio and letterbox drops to promote short courses, team sports, the gym and memberships. The City has also invested in resurfacing the sports courts on an annual basis and a minor facility makeover was completed in January 2019.</i></p>
<p>What fee would CCSRA pay to the City to lease DLC?</p>	<p><i>The CCSRA would pay an annual lease fee to the City in accordance with the City's Property Management Standards and be responsible for all non-structural maintenance and 100% of utility costs (including cleaning).</i></p>
<p>Does the City of Joondalup currently subsidise the operating costs of CCSRA in running the Warwick Leisure Centre?</p>	<p><i>The City does not subsidise the CCSRA in any form. The conditions of the proposed lease will be in accordance with the Property Management Framework as adopted by the Council.</i></p>
<p>If the CCSRA lease proposal is approved, will users of DLC be required to be members of the Churches of Christ?</p>	<p><i>The CCSRA does not require employees, coaches or participants of their programs or services to be a member of the Churches of Christ. This will not change as part of the lease proposal.</i></p>

Issue Raised	City Response
<p>What would be the community's attitude towards privatising a facility that most would consider to be partly owned by them by virtue of them being ratepayers?</p>	<p><i>The lease proposal for DLC with the CCSRA is not a 'privatisation' agreement. The City will remain the 'owner' of the facilities. The CCSRA is a not for profit organisation with the objective and vision to:</i></p> <ul style="list-style-type: none"> <i>Continue to serve the local community with high quality and affordable sport, leisure and fitness facilities.</i> <i>Create a community hub for users to feel connected, accepted and have a sense of purpose.</i> <i>Utilise the DLC facility to meet its maximum potential to ensure a long term and sustainable outlook.</i> <p><i>The City considers these objectives to correlate with the purpose of a community facility such as DLC.</i></p>
<p>It is of concern that a church with a religious doctrine is being considered as a for-profit manager of DLC. Would the lease proposal exclude other church or religious groups from using DLC?</p>	<p><i>The CCSRA is a not for profit organisation. The CCSRA lease proposal does not exclude other church or religious groups from using DLC.</i></p>
<p>Will the CCSRA lease proposal see DLC used for religious services?</p>	<p><i>The CCSRA lease proposal does not seek to utilise DLC for religious services. However, the lease would not prevent this use.</i></p>
<p>Under the proposal, will users who do not conform to the Churches of Christ be excluded from using DLC?</p>	<p><i>The CCSRA welcomes all individuals and groups within the community, regardless of their economic, religious or social status.</i></p>
<p>What changes, if any, will be made to fees and charges for 2020-21? Would I still be able to make claims from my private health fund for my membership fees?</p>	<p><i>Under the CCSRA lease proposal, the 2020-21 fees and charges for members, user groups and customers will not change.</i></p> <p><i>Beyond 2020-21, fees and charges will be reviewed as part of CCSRA's annual review process. Any previous annual increases to prices implemented by CCSRA at Warwick Stadium have been in line with consumer price index. This is a similar philosophy adopted by the City when determining fee and charge structures.</i></p> <p><i>Current eligible members will continue to receive the 25% and 33.33% discount as per the current terms and conditions at DLC beyond 2020/21.</i></p> <p><i>The process to make claims from health funds will remain the same. Members would request a tax invoice from CCSRA and the member would provide the information to their health fund to make an eligible claim.</i></p>
<p>CLC can only handle so many people coming to use the facility. Why not invest in a secondary leisure centre to spread the demand across multiple centres throughout the City of Joondalup?</p>	<p><i>In 2012, the City of Joondalup invested more than \$2 million into the refurbishment of Warwick Stadium. This facility is located in Warwick and services the south ward of the City of Joondalup.</i></p> <p><i>In December 2019, the City of Joondalup Council agreed to progress the Craigie Leisure Centre Refurbishment Project to a construction / tender stage. The refurbishment will result in:</i></p>

Issue Raised	City Response
	<ul style="list-style-type: none"> • Relocation and extension of the group fitness studio, wellness studio and cycle studio. • Relocation and extension of the creche. • The main gym floor area more than doubling in size, from approximately 500 sqm to 1,200 sqm. • New gym toilet and changeroom areas. • Relocation of the staff room to allow for the cycle studio extension. • Formalisation of the existing western overflow car park area, new additional car parking on the northern ring road, modifications to the southern car park and modification to the staff car park. • Minor modifications to the facility entrance <p>Construction is likely to begin in 2021-22 at an estimated project cost of \$8.7 million.</p> <p>In addition to these two facilities, HBF Arena also offers a range of fitness services. Having three large leisure centres available for the community within the City of Joondalup, is not something that is commonly found.</p>
What conditions are in place to protect current facility bookings past 2020-21?	<p>Special conditions for current bookings will be discussed with the CCSRA for consideration for inclusion in lease documentation. If the lease proposal is approved, facility bookings will have the first opportunity to maintain their booking on a yearly basis. Any future changes to current bookings will need to be made in mutual agreement between the CCSRA and the hirer.</p>
As the sport of badminton is not an important one for CCSRA (basketball seems to be their main focus), will badminton clubs be at a disadvantage when trying to negotiate reasonable future conditions?	<p>Basketball activities are the main sport provided by the CCSRA however the objectives of the CCSRA lease proposal are to maximise utilisation of the DLC facility for the benefit of the entire community. The CCSRA have expressed a strong desire to work with the existing users of the facility to facilitate reasonable future conditions for clubs.</p>

Summary of Customer Engagement

CCSRA Lease Proposal for Duncraig Leisure Centre

Thank you for providing feedback regarding the Churches of Christ Sport and Recreation Association (CCSRA) lease proposal for Duncraig Leisure Centre (DLC). The themes of the engagement process with customers, and the responses provided by the City, have been summarised below for your information.

1. What changes will be made to the current program of activities at DLC if the CCSRA lease proposal is approved?

A summary of the proposed impact to customers, members and user groups is:

- Of the 29 short courses currently available, 28 will continue to be operated by CCSRA. Customers of the one affected short course have been offered alternative options at Craigie Leisure Centre (CLC).
- Of the 13 group fitness classes currently available, 12 will continue to be operated by CCSRA. CLC intends to look at options to replicate the fitness classes that will no longer operate at DLC. This includes the Saturday morning BODYPUMP® class that would be cancelled as part of the proposal.
- Under the CCSRA lease proposal, the gym will no longer be available. DLC members will be offered the option to maintain their membership at DLC which will give them access to the group fitness classes at DLC plus the gym and group fitness classes at Warwick Stadium, or transfer their membership to CLC. Members who transfer their membership to CLC will have access to the current CLC classes, plus CLC is looking at options to add up to nine Platinum classes to the 17 Platinum classes already available.
- Of the 21 user groups, 11 are not impacted and will retain their existing hire arrangement. Hire groups that are impacted due to conflicting bookings will be offered alternative options at other centres such as CLC or Warwick Stadium, or alternative times at DLC.

2. I am a senior and I use DLC as I enjoy the environment of small group classes as well as the variety of session days and times for classes. I don't think this offer can be replicated at CLC and I am concerned that after the 12-month commitment period expires, the CCSRA will no longer offer these classes.

The CCSRA proposal seeks to minimise the impact of change to all users, with the six Platinum group fitness classes that are currently operated at DLC expected to remain in place. If the proposal is accepted and approved, the City intends to add up to nine additional Platinum group fitness classes each week at CLC, in addition to the 17 Platinum classes already available. The City intends to look at options to replicate the circuit equipment and the style of the Platinum classes at CLC as much as possible, to minimise impact to the customers in these classes.

The CCSRA has no plans for these classes to be removed from DLC beyond 2021 and intends to continue to operate these classes while they remain financially viable. This is a similar philosophy to that of the City's leisure centres; to offer programs to the community that are financially viable.

3. What is the current cost for the City to subsidise operations at DLC?

Since construction in 1976, the operations of DLC have shifted away from that of a leisure centre to a community-based facility due to the building's limitations when compared to current benchmarked leisure industry standards. These limitations affect the income generating capacity of the centre, which is inconsistent with Council's adopted Strategic Position Statement regarding the operations of leisure centres: *"Leisure centre operations overall should aim to be self-sufficient and meet all operating costs."*

Despite efforts to improve the operating result of DLC over the past four years, the net cost to the City to operate the centre currently exceeds \$200,000 per year.

4. What has the City of Joondalup done to improve the operating result and maintain the facility operations along present lines?

The leisure centres continuously review programs and services offered to ensure they are financially sustainable. To improve the financial performance of the centre, the City must consider reducing expenditure but also increasing income. The Council's adopted Facility Hire Subsidy Policy applies to the operations of DLC, with most hirers of the facility receiving significant subsidies from the City. This limits income generation and therefore contributes to the facility operating in deficit.

The net position has improved in the last few years due to changes made, such as removing low attendance classes and courses. Although improvements have been made to the DLC net position, it is not classed as a modern-day leisure facility and this creates difficulties in promoting the facility in a very competitive industry.

The City has also undertaken promotional activity including biannual leisure awareness campaigns utilising social media, the community newspaper, radio and letterbox drops to promote short courses, team sports, the gym and memberships. The City has also invested in resurfacing the sports courts on an annual basis and a minor facility makeover was completed in January 2019. More recently, the City has not considered it to be a financially responsible decision to continue to invest in other marketing resources when patronage at DLC remains low, despite efforts to improve awareness.

5. Why has the consultation been confined to DLC current users, hirers and members?

In accordance with the Community Consultation Policy, the City determined that current users, hirers and members of DLC were those most likely to be affected by the matter under consideration. If determined when the matter is presented to the Council, and if the Council were to engage with the wider community on the proposal, then it may resolve to pursue that course of action.

6. Why doesn't the CCSRA hire DLC for their activities in the same way as other user groups? This would serve the dual purpose of increasing utilisation and revenue, thereby improving the financial viability of the community owned and run centre.

If the CCSRA was to hire the facility, this could increase utilisation but will not necessarily increase income as such hirers are likely to be categorised under the Council's Facility Hire Subsidy Policy. These categorised hirers attract anywhere between 50% and 100% subsidisation. The CCSRA proposal is to utilise the DLC facility to meet its maximum potential to ensure a long term and sustainable outlook. This includes accessing the facility over a greater span of hours than offered by the City, to grow their various programs and to provide additional opportunities to the community.

7. What is the annual fee that CCSRA would pay to the City to lease DLC?

The CCSRA would pay an annual lease fee to the City in accordance with the City's Property Management Standards and be responsible for all non-structural maintenance and 100% of utility costs (including cleaning).

8. There were concerns raised that the CCSRA's financial situation should be thoroughly investigated before any further discussions take place.

The report that will be presented to Council evaluating the CCSRA proposal will also include an analysis of the CCSRA financial sustainability, and the impact that such a proposal (if approved) will have on the City's long-term financial position.

9. Does the City of Joondalup currently subsidise the operating costs of CCSRA in running the Warwick Leisure Centre?

The City does not subsidise the CCSRA in any form. The conditions of the proposed lease will be in accordance with the Property Management Framework as adopted by the Council.

10. Has the City approached any other organisations to manage DLC? If not, why not?

The City has not approached other organisations to manage DLC. Whilst this option has the potential to generate higher levels of income for the City compared to leasing the facility to a not-for-profit organisation, there are low expectations with regard to the potential interest among current commercial operators within the market. There would be the expectation under these operators that any financial losses would be subsidised by the City. Potential operators could include the YMCA or Belgravia Leisure. These organisations however, tend to seek out facilities with large income generating opportunities, of which the size and layout of DLC does not support the requirements of commercial ventures of this nature. There would also be no option to maintain prices or transfer programs, with more customers and user groups likely to be displaced.

11. As I understand, the CCSRA sub leases the Warwick Stadium. Why have a 'middleman'?

The Churches of Christ Sport and Recreation Association (CCSRA) is the name of the association that directly leases Warwick Stadium from the City. There is no 'middleman'.

12. If the CCSRA lease proposal is approved, will users of DLC be required to be members of the Churches of Christ?

The CCSRA does not require employees, coaches or participants of their programs or services to be a member of the Churches of Christ. This would not change as part of the lease proposal.

13. What would be the community's attitude towards privatising a facility that most would consider to be partly owned by them by virtue of them being ratepayers?

The lease proposal for DLC with the CCSRA is not a 'privatisation' agreement. The City will remain the 'owner' of the facilities. The CCSRA is a not for profit organisation with the objective and vision to:

- Continue to serve the local community with high quality and affordable sport, leisure and fitness facilities.
- Create a community hub for users to feel connected, accepted and have a sense of purpose.
- Utilise the DLC facility to meet its maximum potential to ensure a long term and sustainable outlook.

The City considers these objectives to correlate with the purpose of a community facility such as DLC.

14. It is of concern that a church with a particular religious doctrine is being considered as a for-profit manager of DLC. Would the lease proposal exclude other church or religious groups from using DLC?

The CCSRA is a not for profit organisation. The CCSRA lease proposal does not exclude other church or religious groups from using DLC.

15. Will the CCSRA lease proposal see DLC used for religious services?

The CCSRA lease proposal does not seek to utilise DLC for religious services.

16. Under the proposal, will users who do not conform to the Churches of Christ be excluded from using DLC?

The CCSRA welcomes all individuals and groups within the community, regardless of their economic, religious or social status.

17. What changes, if any, will be made to fees and charges for 2020/21? Would I still be able to make claims from my private health fund for my membership fees?

Under the CCSRA lease proposal, the 2020/21 fees and charges for members, user groups and customers will not change.

Beyond 2020/21, fees and charges will be reviewed as part of CCSRA's annual review process. Any previous annual increases to prices implemented by CCSRA at Warwick Stadium have been in line with consumer price index. This is a similar philosophy adopted by the City when determining fee and charge structures.

Current eligible members will continue to receive the 25% and 33.33% discount as per the current terms and conditions at DLC beyond 2020/21.

The process to make claims from health funds will remain the same. Members would request a tax invoice from CCSRA and the member would provide the information to their health fund to make an eligible claim.

18. CLC can only handle so many people coming to use the facility. Why not invest in a secondary leisure centre to spread the demand across multiple centres throughout the City of Joondalup?

In 2012, the City of Joondalup invested more than \$2 million into the refurbishment of Warwick Stadium. This facility is located in Warwick and services the south ward of the City of Joondalup.

In December 2019, the City of Joondalup Council agreed to progress the Craigie Leisure Centre Refurbishment Project to a construction/tender stage. The refurbishment will result in:

- Relocation and extension of the group fitness studio, wellness studio and cycle studio.
- Relocation and extension of the creche.
- The main gym floor area more than doubling in size, from approximately 500 sqm to 1,200 sqm.
- New gym toilet and changeroom areas.
- Relocation of the staff room to allow for the cycle studio extension.
- Formalisation of the existing western overflow car park area, new additional car parking on the northern ring road, modifications to the southern car park and modification to the staff car park.
- Minor modifications to the facility entrance

Construction is likely to begin in 2021/22 at an estimated project cost of \$8.7 million.

In addition to these two facilities, HBF Arena also offers a range of fitness services in Joondalup. It is uncommon for a local government area to have three large leisure centres available within the municipality and the City does not consider it to be a financially sustainable decision to invest further in a fourth leisure centre.

19. What conditions are in place to protect current facility bookings past 2020/21?

Special conditions for current bookings will be discussed with the CCSRA for consideration for inclusion in lease documentation. If the lease proposal is approved, facility bookings will have the first opportunity to maintain their booking on a yearly basis. Any future changes to current bookings will need to be made in mutual agreement between the CCSRA and the hirer.

20. As the sport of badminton is not an important one for CCSRA (basketball seems to be their main focus), will badminton clubs be at a disadvantage when trying to negotiate reasonable future conditions?

Basketball activities are the main sport provided by the CCSRA however the objectives of the CCSRA lease proposal are to maximise utilisation of the DLC facility for the benefit of the entire community. The CCSRA have expressed a strong desire to work with the existing users of the facility to facilitate reasonable future conditions for clubs.

21. When will a final decision on the CCSRA lease proposal for DLC be made?

It is important to understand that the City has not yet made a decision regarding the lease proposal and the DLC facility currently remains closed until further notice due to the ongoing COVID-19 situation. The outcomes of the engagement process with current users will be summarised in a report for consideration by the Council who will ultimately decide to approve or reject the lease proposal. A lease will not commence until the proposal has been considered by the Council.