

15.5 Business Plan - Aquatic Facility at the WACA

Responsible Officer	Michelle Reynolds – Chief Executive Officer
Voting Requirement	Absolute Majority
Attachments	Attachment 15.5A - WACA Aquatic Facility Business Plan Attachment 15.5B – Chronology of Stakeholder Consultation

Purpose

To present the Business Plan for the development of an Aquatic Facility as part of the WACA redevelopment for consideration.

Recommendation

That Council:

1. RECEIVES the Business Plan for the development of an Aquatic Facility as part of the WACA redevelopment as at Attachment 15.5A.
 2. DOES NOT ENTER into a major trading undertaking or major land transaction as per Section 3.59(3) of the *Local Government Act 1995*, relating to the development of an Aquatic Facility as part of the WACA redevelopment, based on the findings outlined in the Business Plan.
 3. Subject to the agreement of Point 2 above, DOES NOT PROCEED to advertise the Business Plan for the development of an Aquatic Facility as part of the WACA redevelopment as at Attachment 15.5A for public comment in accordance with Section 3.59(4) of the *Local Government Act 1995*.
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Background

1. At a Special Council Meeting held on 17 September 2020, Commissioners resolved the following:

That Council

AGREES to the City of Perth contributing \$35m towards the Perth City Deal for the WACA Aquatic Facility (\$25m) and Roe Street Upgrades (\$10m) subject to:

- a. Council's future consideration and endorsement of a business case for the WACA Aquatic Facility which would include the City of Perth and the WACA reaching a satisfactory agreement of income and expenditure, roles and responsibilities, and operating costs and ongoing capital relating to the facility*
 - b. The contributions for the WACA Aquatic Facility and Roe Street Upgrades being included in the applicable annual budget*
2. Commissioners were appointed by the State Government to oversee the City of Perth upon the suspension of its previous Council in 2018 due to its failure to provide good government. The term of the Commissioners ended in October 2020 following the election of a new City of Perth Council.
 3. At its Ordinary Council Meeting held on 30 March 2021, Council resolved the following:

That Council:

- 1. AUTHORISES the Chief Executive Officer to prepare a Business Plan for the development of an Aquatic Facility as part of the WACA redevelopment, in accordance with section 3.59(3) of the Local Government Act 1995*
 - 2. AUTHORISES an increase in budget of \$200,000 to be allocated to the WACA redevelopment project for consultancy fees*
 - 3. REQUESTS the Business Plan for the development of an Aquatic Facility as part of the WACA redevelopment, be presented to Council with a recommendation in relation to advertising the Business Plan in accordance with section 3.59(4) of the Local Government Act 1995.*
4. Following Council's decision, the City engaged ACIL Allen in April 2021 to develop a Business Plan in accordance with section 3.59 of the *Local Government Act 1995*, which states:
(3) The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of —
 - (a) its expected effect on the provision of facilities and services by the local government; and*
 - (b) its expected effect on other persons providing facilities and services in the district; and*
 - (c) its expected financial effect on the local government; and*
 - (d) its expected effect on matters referred to in the local government's current plan prepared under section 5.56; and*
 - (e) the ability of the local government to manage the undertaking or the performance of the transaction; and*
 - (f) any other matter prescribed for the purposes of this subsection.*
 5. As part of the business plan development, and to ensure that the proposed Aquatic Facility at the WACA would be financially viable, the City sought agreement from the WACA on the following terms:
 - a. That the footprint for the pool be expanded so that it could be increased from 6 lanes to 8 lanes
 - b. That the City's share of revenue from combined membership of the integrated community facility be increased to offset the running cost of the pool

6. The WACA confirmed that its Board would not consider an expansion of the footprint for the Aquatic Facility and advised the City that the business plan should progress on the basis of no revenue sharing. ACIL Allen have developed the business plan on that basis.

Discussion

7. A summary of the Business Plan prepared by ACIL Allen, which considers the requirements of section 3.59 of the *Local Government Act 1995*, is as follows:

Criteria	Findings
<p>Its expected effect on the provision of facilities and services by the local government</p> <p>Section 3.59(3)(a) of the <i>Local Government Act 1995</i></p>	<p>The projected operating subsidy associated with the WACA Aquatic Facility will reduce the capacity of the City of Perth to operate and maintain its existing community facilities. The financial subsidy will also entail either offsetting expenditure reductions or increased rates to provide the subsidy.</p>
<p>Its expected effect on other persons providing facilities and services in the district</p> <p>Section 3.59(3)(b) of the <i>Local Government Act 1995</i></p>	<p>The unmet need for an aquatic facility in the City of Perth has not been established. The proposed WACA Aquatic Facility may have a negative impact on existing operators of leisure facilities in the City boundaries, as it could duplicate the provision of certain aquatic services such as lap swimming and squad swimming programs. The provision of this facility may also result in lost opportunities for future, more appropriate aquatic facilities within the City boundaries.</p>
<p>Its expected financial effect on the local government</p> <p>Section 3.59(3)(c) of the <i>Local Government Act 1995</i></p>	<p>The WACA Aquatic Facility is projected to require an operating subsidy of \$3.01 million per annum over the 40 year operating period (\$120.8 million in total). The annual subsidy over the 40 years would require an average 3% increase in rates each year. This excludes an estimated capital contribution of \$31.2 million (of which \$25 million is provisioned).</p> <p>The above estimates are based on an average patronage of 229,000 over the first 10 years and a projected annual growth rate of 0.7 per cent per annum. If this patronage level is not achieved, the annual subsidy of \$3m will increase.</p>
<p>Its expected effect on matters referred to in the local government's current plan prepared under section 5.56</p> <p>Section 3.59(3)(d) of the <i>Local Government Act 1995</i></p>	<p>The proposal has a negative impact on the Long Term Financial Plan. The proposal has no impact on the current Strategic Community Plan as there is no identified need or investment proposal for an aquatic facility.</p>
<p>The ability of the local government to manage the undertaking or the performance of the transaction</p>	<p>As there is no agreed Heads of Agreement in place between the WACA and the City of Perth regarding the final design and operating model of the proposed WACA Aquatic Facility, no assessment is made regarding the ability of the local government to manage the undertaking. It is noted a review of facilities in the Perth Metropolitan</p>

Section 3.59(3)(e) of the <i>Local Government Act 1995</i>	Area suggests local government authorities have a central role in the management and programming of community leisure facilities.
Any other matter prescribed for the purposes of this subsection	The WACA Aquatic Facility proposal likely meets the definition of a joint venture under Regulation 10 of the <i>Local Government (Functions and General) Regulations 1996</i> which will require the WACA provide details of the benefits it receives from the City from the proposal.
Section 3.59(3)(f) of the <i>Local Government Act 1995</i>	

Stakeholder Engagement

8. The WACA and their representatives, being Paatsch Group, Cox Architecture and DLA Piper have been involved in the process of preparing concept plans, financial projections and a draft Heads of Agreement.
9. The State Government has been informed in discussions on the progression of a business plan that meets State Government legislation.
10. The following local governments have been consulted with by ACIL Allen:
 - a. Town of Cambridge (Bold Park)
 - b. City of Cockburn (ARC)
 - c. City of Joondalup (Craigie Leisure Centre)
 - d. City of South Perth (proposed leisure and aquatic facility developments)
 - e. City of Stirling (Scarborough Pool Terry Tyzack Aquatic Centre)
 - f. City of Swan
 - g. City of Vincent (Beatty Park)
 - h. City of Sydney
11. ACIL Allen also completed stakeholder consultations with two private sector organisations regarding their respective proposed developments for an aquatic facility in the Perth metropolitan area.

Decision Implications

12. If Council does not support the recommendation:
 - a. The financial implications highlighted in this report will be realised.
 - b. The Business Plan will require further development to satisfy Regulation 10 of the *Local Government (Functions and General) Regulations 1996*. This requires the agreement of the WACA to provide the necessary financial information related to the development.
 - c. A Heads of Agreement will have to be agreed by the City and the WACA.
 - d. Public consultation will be required subsequent to finalisation of the Business Plan.

Strategic, Legislative and Policy Implications

Strategic Community Plan	
Aspiration:	Place

Objective:	2.7 Safe and enjoyable experiences in the public realm enabled by smart technologies, innovative design and quality infrastructure.
Issue Specific Strategies and Plans:	Nil.

Legislation, Delegation of Authority and Policy	
Legislation:	<p>Section 3.59 of the <i>Local Government Act 1995</i> States a local government is to prepare a business plan before it enters into a major land transaction.</p> <p>Regulation 10 of the <i>Local Government (Functions and General) Regulations 1996</i> Defines content required for the preparation of a business plan for a major land transaction.</p>
Authority of Council/CEO:	The decision of Section 3.59 has not been delegated.
Policy:	Nil.

Financial Implications

13. The financial implications of not supporting the recommendation is:
- a. A total lifecycle subsidy of \$120.3 million will be provided by the City of Perth to operate the WACA Aquatic Facility, or \$3 million per annum.
 - b. Total lifecycle cost of the WACA Aquatic Facility to the City of Perth is \$151.5 million over 40 years. The City of Perth has budgeted \$25 million for the capital works associated with construction of the WACA Aquatic Facility only, meaning over the 40 year life of the facility an additional \$126.5 million will be required.
 - c. The City prepares a rolling Long Term Financial Plan in line with the requirements of the Integrated Planning and Reporting Framework set by the Western Australian Government. ACIL Allen projects the first ten years of the WACA Aquatic Facility would require a financial subsidy of \$19.6 million by the City of Perth, or an average of \$2.0 million per annum. In addition, the City will be required to contribute at least an additional \$6.1 million during the construction phase of the WACA Aquatic Facility over and above the current provision of \$25 million, taking the total Long Term Financial Plan horizon impact to \$25.8 million.
 - d. The above estimates are based on an average patronage of 229,000 over the first 10 years and a projected annual growth rate of 0.7 per cent per annum. If this patronage level is not achieved, the annual subsidy of \$3m will increase.

Relevant Documents

Nil.

Further Information

As a result of elected member questions on this item following the publication of the agenda, further information is provided below:

14. The estimated \$3m subsidy is the gap between revenue and expenditure for the aquatic facility.
 - a. 100% of the revenue from the aquatic facility is retained by the City.
 - b. 100% of the Integrated Community facility, being the gym, café/retail and creche, is retained by the WACA.
15. The labour cost rate in the Business Plan has been sourced from benchmarking data on other aquatic facilities. It is based on the hourly rate implied by the average FTE staff cost, which includes all on-costs.
16. The 3% rates increase noted in the report is not compounding. It is a simple calculation of the average of \$3m over the 40-year period. It implies that in each year over 40 years, the City's rates would be 3% higher in the given year than if there was no WACA Aquatic Facility.
17. If requested by the State Government, the City would share the financial modelling for Treasury analysis on the understanding that the financial modelling commissioned by the WACA would also be shared
18. Regarding the current Heads of Agreement drafted by the WACA:
 - a. The City must make available continued access to 700 car bays on a fee-paying basis, close or around Nelson carpark, for public members of the public utilising the WACA facility, including the aquatic facility.
 - b. It will require the City to remove all improvements comprising the aquatic facility (make good) upon the expiration of the 40-year lease unless otherwise agreed by the WACA.
 - c. The City will bear a share of the cost of overruns incurred by the WACA for any unforeseen matters outside of the WACA's reasonable control during development of the facility. The City's share is anticipated to be 25% and the WACA's is 75%.
19. A chronology of consultation with the WACA to inform the business plan will be provided at Attachment 15.5B.

June 2021

Report to City of Perth

Proposed WACA Aquatic Facility Business Plan

Assessment against Section 3.59 of the
Local Government Act 1995

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Proposed WACA Aquatic Facility Business Plan

Assessment against s3.59 of the
Local Government Act 1995

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Request for submissions

The City of Perth is a statutory entity constituted under the *Local Government Act 1995* to provide services and facilities to a broad range of stakeholders including residents, commercial and retail businesses, workers, and local, national and international visitors.

The proposed WACA Redevelopment Project formed part of a \$1.5 billion Perth City Deal announced in September 2020 as a means to support an infrastructure-led economic recovery out of the COVID-19 pandemic, with funding committed to a range of important projects in the Perth CBD. As part of the Perth City Deal, the Commonwealth and State Governments, and the City of Perth, made a funding commitment to develop community facilities at the WACA Ground.

The City of Perth's commitment - \$25 million dollars for a community aquatic facility – was endorsed and confirmed at a Special Council Meeting on 17 September and was made with the following conditions:¹

- Subject to Council's future consideration and endorsement of a business case for the WACA Aquatic Facility which would include the City of Perth and the WACA reaching a satisfactory agreement of income and expenditure, roles and responsibilities, and operating costs and ongoing capital relating to the facility, and
- The contributions for the WACA Aquatic Facility [and Roe Street Upgrades] being included in the applicable annual budget.

The City of Perth operates in accordance with the requirements of the *Local Government Act 1995* (the Act) and the associated Regulations. Section 3.59 of the Act defines a trading undertaking as an activity carried on by a local government with a view to producing profit to it. A major trading undertaking is defined as a trading undertaking that, in the last completed financial year, involved; or in the current financial year or the financial year after the current financial year, is likely to involve, expenditure by the local government of more than the amount prescribed.

In line with the commitment made by the City of Perth Council at its meeting on 30 March 2021,² ACIL Allen has worked with the City of Perth to prepare this business plan in compliance with Section 3.59 of the *Local Government Act 1995*. This plan has been prepared without final designs for the proposed WACA Aquatic Facility, and without formal agreement between the WACA and City of Perth regarding income and expenditure, roles and responsibilities, and operating costs and ongoing capital relating to the facility.

Under s3.59, a business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of:

- its expected effect on the provision of facilities and services by the local government;

¹ Minutes of City of Perth Special Council Meeting, 17 September 2020

² Minutes of City of Perth Ordinary Council Meeting, 30 March 2021

- its expected effect on other persons providing facilities and services in the district;
- its expected financial effect on the local government;
- its expected effect on matters referred to in the local government's current plan prepared under section 5.56;
- the ability of the local government to manage the undertaking or the performance of the transaction; and
- any other matter prescribed for the purposes of this subsection.

The City of Perth has now issued this draft business plan for public comment, and is seeking feedback from the residential and business community within the City of Perth to incorporate into a business plan. Further information to support the conclusions made in the summary business plan is provided in Section II of this document.

Lodging a submission

Submissions will be received from the public for a period of six weeks. All submissions must be received by the City of Perth, by 5:00pm [date to be inserted] 2021 and addressed to:

Chief Executive Officer
City of Perth
GPO Box C120
Perth WA 6839

Submissions should be clearly marked "Submission for Proposed WACA Aquatic Facility – Draft Business Plan".

All enquiries concerning this Draft Business Plan should be directed to [contact to be inserted] or email at info.city@cityofperth.wa.gov.au.

Assessment of the Proposed WACA Aquatic Facility

In accordance with Section 3.59 of the *Local Government Act 1995*, an assessment of the Proposed WACA Aquatic Facility has been undertaken. A summary of the assessment against each of the six criteria established by the Act is provided below. Supporting information and analysis used to inform this summary assessment is provided in Part II of this document.

Expected effect on the provision of facilities and services by the local government

The projected operating subsidy associated with the WACA Aquatic Facility will reduce the capacity of the City of Perth to operate and maintain its existing community facilities. The financial subsidy will also entail either offsetting expenditure reductions or increased rates to provide the subsidy.

The proposed WACA Aquatic Facility will result in the provision of a community aquatic facility within the boundaries of the City of Perth. This will provide the City's residents with a new opportunity to undertake aquatic recreation. Demand for aquatic recreation is currently met by a range of public and private facilities which operate within the City's boundaries (private only) and in adjacent local government areas (public and private facilities).

The proposed WACA Aquatic Facility will create the need for an ongoing financial subsidy throughout the operating life of the infrastructure. This is due to the costs associated with construction and operations of aquatic facilities, which are greater than the projected ability of the facility to generate revenue. ACIL Allen estimates the subsidy requirement for the WACA Aquatic Facility will average \$1.96 million per annum in the first ten years of operations. ACIL Allen estimates the subsidy requirements will increase to an average of \$3.02 million per annum on average over the full 40 year lease term. This estimate is based on annual patronage of 229,000 over the initial ten year period, and a projected annual growth rate of 0.7 per cent per annum. If this patronage level is not achieved, the annual subsidy of \$3m will increase.

The proposed WACA Aquatic Facility is estimated to have a total lifecycle cost of \$261.9 million over a 40 year lease term. It is expected the WACA Aquatic Facility will require a total subsidy from the City of Perth of \$152.0 million over this period (inclusive of capital costs).

The City of Perth has currently provisioned \$25 million for the construction of the facility only. It can be expected that the requirement for an ongoing subsidy for the facility will result in a need for the City of Perth to identify additional revenue or budget savings to ensure it is able to meet the targets in its Long Term Financial Plan under the Integrated Planning and Reporting Framework.

Supporting evidence references

Section 3.2: Examination of existing aquatic facilities (page 21)

Expected effect on other persons providing facilities and services in the district

The unmet need for an aquatic facility in the City of Perth has not been established. The proposed WACA Aquatic Facility may have a negative impact on existing operators of leisure facilities in the City boundaries, as it could duplicate the provision of certain aquatic services such as lap swimming and squad swimming programs. The provision of this facility may also result in lost opportunities for future, more appropriate aquatic facilities within the City boundaries.

This business plan represents the most comprehensive assessment of the competitive position of the proposed WACA Aquatic Facility completed to date. In a more typical process regarding a capital investment of this nature – such as under the Western Australian Government’s Strategic Asset Management Framework – work to establish community need and competitive position would be completed as part of a pre-feasibility or project definition planning phase of work.

Work undertaken to date on the Proposed WACA Aquatic Facility is yet to fully identify community needs or expectations regarding an aquatic facility within the boundaries of the City of Perth. Work undertaken as part of integrated planning for the broader WACA Redevelopment Project suggests relatively modest demand for the kind of aquatic facility which is proposed, which is in part why there is a significant requirement for ongoing financial subsidies by the City of Perth. This modest demand is driven by the location of the facility, the services offered, and the competing facilities both within the City of Perth and in adjacent local government areas.

ACIL Allen has identified a number of existing private aquatic facilities within the boundaries of the City of Perth. This includes private health clubs, private schools and pools provided in apartment buildings across the City. The owners of these facilities are City of Perth ratepayers. These facilities provide similar infrastructure and amenities to the proposed WACA Aquatic Facility – particularly the ability for users to undertake lap swimming. The provision of the WACA Aquatic Facility may therefore negatively impact on the demand for the services provided by these competing facilities.

Consultation with local government authorities in adjacent local government areas that operate aquatic facilities also expressed concerns regarding the impact of the proposed WACA Aquatic Facility on demand for their own facilities, noting most of these already operate at a loss.

Throughout the formation of the business plan ACIL Allen met with a number of parties who have expressed interest in the development of private sector-led aquatic facilities within the City of Perth. The proposed WACA Aquatic Facility may reduce the prospect of these private sector-led proposals coming to pass by fragmenting demand and eroding a first mover advantage these private sector proponents may require to make their project viable.

Supporting evidence references

Section 2.2: Community and market need (page 13)

Section 3: Comparative Assessment of Aquatic Facilities (page 20)

Expected financial effect on the local government

The WACA Aquatic Facility is projected to require an operating subsidy of \$3.01 million per annum over a 40 year operating period (\$120.8 million in total). The annual subsidy over the 40 year period would require an average three per cent increase in rates each year. This excludes an estimated capital contribution of \$31.2 million (of which \$25 million is provisioned).

The proposed WACA Aquatic Facility will have a negative impact on the City of Perth's overall financial position. This is due to the requirement for the City of Perth to provide ongoing annual operating subsidies, and provisions for a sinking fund to fund future capital works. Further details regarding the financial modelling undertaken to support these conclusions are provided in Section 4.2 of the Additional Information.

In addition, the City of Perth has currently provisioned \$25 million to fund the construction costs of the proposed WACA Aquatic Facility. Since the City's position on the proposed WACA Aquatic Facility was formed in September 2020 the estimated capital cost has escalated to a current estimate of \$31.2 million.

Modelling by the City of Perth suggests the proposed WACA Aquatic Facility could result in an increase in the Required Rates Yield of the City of three percentage points each year over 40 years.

Actual construction costs and a more defined level of annual subsidisation requirement remain to be confirmed due to the lack of agreement between the WACA and City of Perth regarding the final design and a Heads of Agreement for the proposed WACA Aquatic Facility.

Supporting evidence references

Section 4.2: Financial modelling (page 37)

Section 2.1: Strategic justification (page 9)

Expected effect on matters referred to in the local government's current plan prepared under section 5.56 of the Local Government Act 1995

This section refers to the effects of the proposal on the Integrated Planning and Reporting Framework. The proposal has a negative impact on the Long Term Financial Plan. The proposal has no impact on the current Strategic Community Plan as there is no identified need or investment proposal for an aquatic facility.

The City of Perth is required to adhere to the Western Australian Government's *Integrated Planning and Reporting Framework* to assist in guiding the operations and governance of the district for the benefit of all ratepayers. The Framework includes two primary documents: a Long Term Financial Plan, and a Strategic Community Plan.

As discussed in the previous assessment, the proposed WACA Aquatic Facility has a negative impact on the City's Long Term Financial Plan, necessitating an increase in the Required Rates Yield by three percentage points each year for 40 years. Alternatively, the City may choose to reduce the provision of services in other areas to offset the subsidy requirement.

The City of Perth's current *Strategic Community Plan* was released in 2019, for the period 2019 to 2029. The *Strategic Community Plan* does not identify the provision of an aquatic facility as a strategic priority. Given the constraints faced by local government in meeting community wants and needs within limited resources, progressing with the proposed WACA Aquatic Facility may result in one or more priority investment proposed under the Strategic Community Plan being deprioritised.

At a minimum, this reinforces the need for community feedback on this business plan. This also suggests the City and its ratepayers would benefit from a more comprehensive process to establish community wants and needs, and find the best available location, for an aquatic facility within the City of Perth boundaries.

Supporting evidence references

Section 2.1: Strategic justification (page 9)

Section 4.2: Financial modelling (page 37)

Ability of the local government to manage the undertaking or the performance of the transaction

As there is no agreement in place between the WACA and the City of Perth regarding the final design and operating model of the proposed WACA Aquatic Facility, no assessment is made regarding the ability of the local government to manage the undertaking. It is noted a review of facilities in the Perth Metropolitan Area suggests local government authorities have a central role in the management and programming of community leisure facilities.

Supporting evidence references

Section 1.1: Background to the WACA Redevelopment Project (page 1)

Section 4.1: Proposed WACA Aquatic Facility operations (page 35)

Any other matter prescribed for the purposes of this subsection

The City has been advised the WACA Aquatic Facility proposal meets the definition of a joint venture under Regulation 10 of the Local Government (Functions and General) Regulations 1996 which will require the WACA provide details of the benefits it receives from the City from the proposal.

The City of Perth is aware the proposed WACA Aquatic Facility meets the requirements of a business plan which is being entered into “jointly” with the WACA. This triggers additional requirements for transparency and publishing of information from the “joint” party (the WACA), under Regulation 10 of the *Local Government (Functions and General) Regulation 1996*. Regulation 10 requires the business plan to specify the following:

- details of the whole undertaking or transaction;
- the identity of each joint venturer;
- the ownership of, and any other interests in property that is involved in, or acquired in the course of the joint venture;
- any benefit to which the other party may become entitled under or as a result of the joint venture; and
- anything to which the local government may become liable under or as result of the joint venture.

The City of Perth has previously approached the WACA to seek the provision of information that would be required to ensure this business plan is compliant with Regulation 10 in mid-June, which is insufficient time for the WACA to consider the request. This is a threshold requirement, and must be addressed prior to the City of Perth entering into the transaction with the WACA to progress the proposed WACA Aquatic Facility.

Supporting Evidence

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Context and Purpose

1

This section provides the background and context to the proposed WACA Aquatic Facility and its consideration by the City of Perth.

1.1 Background to the WACA Redevelopment Project

On 17 September 2020, the City of Perth Council held a Special Council Meeting to consider a confidential item related to endorsement of the City's participation in the Perth City Deal. With the details having been made public in late 2020, the Item is now no longer confidential.

The item, presented in **Box 1.1**, was carried unanimously.

Box 1.1 City of Perth Special Council Meeting 17 September 2020 – Item 7.1

That Council:

1. ENDORSES the components of the Perth City Deal as presented in the table below (replicated below):
2. AGREES to the City of Perth contributing \$35m towards the Perth City Deal for the WACA Aquatic Facility (\$25m) and Roe Street Upgrades (\$10m) subject to:
 - 2.1 Subject to Council's future consideration and endorsement of a business case for the WACA Aquatic Facility which would include the City of Perth and the WACA reaching a satisfactory agreement of income and expenditure, roles and responsibilities, and operating costs and ongoing capital relating to the facility;
 - 2.2 The contributions for the WACA Aquatic Facility and Roe Street Upgrades being included in the applicable annual budget; and
3. DETERMINES the report and resolutions remain confidential until Federal or State Government publicly announce the details of the Perth City Deal.

Source: City of Perth Special Council Meeting Confidential Minutes, Thursday 17 September 2020

The proposed WACA Redevelopment Project formed part of a \$1.5 billion Perth City Deal announced in September 2020 as a means to support an infrastructure-led economic recovery out of the COVID-19 pandemic, with funding committed to a range of important projects in the Perth CBD, including:

- \$695 million investment by the Commonwealth Government, State Government and Edith Cowan University, to move its law and business schools, along with the world class Western Australian Academy of Performing Arts into the Perth CBD, creating the State's first inner-city university campus. More than 9,200 students and staff are anticipated on campus from day one.
- \$360 million investment from the State Government, Curtin University and Murdoch University to expand or establish new presences in the Perth CBD. Murdoch University will create a vertical campus and eSports Stadium linked with Singapore and East Asia, while Curtin University will build a CBD knowledge and innovation precinct.
- \$105 million has been allocated to the Perth Greater CBD Transport Plan to upgrade cycling and walking infrastructure, bus stop accessibility upgrades and enhance Roe Street. The centrepiece of this plan is the new Swan River Causeway Bridge.
- A \$20 million investment into the Perth Cultural Centre precinct will see immediate improvements in lighting, security, wayfinding and environment and the development of a longer-term vision for the space to become a place of destination for all visitors to the city.
- \$42 million to develop the Perth Concert Hall into a premier world class music venue.
- Up to \$100 million to redevelop the WACA and transform it into a state of the art sporting facility including an inner city swimming pool
- \$20 million for the East Perth Power Station to upgrade necessary infrastructure and improve connectivity to the site and surrounding areas while plans for redevelopment and preservation of the historic buildings and heritage progress.
- \$36 million to provide facilities, safety improvements and services for homeless people in the city.
- \$18 million for the creation of an Australian Space Robotics, Automation, and AI Command Control Complex to encourage start-ups, small businesses, and researchers supporting the development and operation of robotic and remote asset management activities in space.
- \$10 million towards a WA Indigenous Business and Employment Hub in partnership with the Wirrpanda Foundation to provide support and advice to Indigenous businesses, job seekers and entrepreneurs.
- \$4 million of funding to undertake a pre-feasibility study for an Aboriginal Cultural Centre to be located in Perth on the traditional lands of the Whadjuk Noongar people.

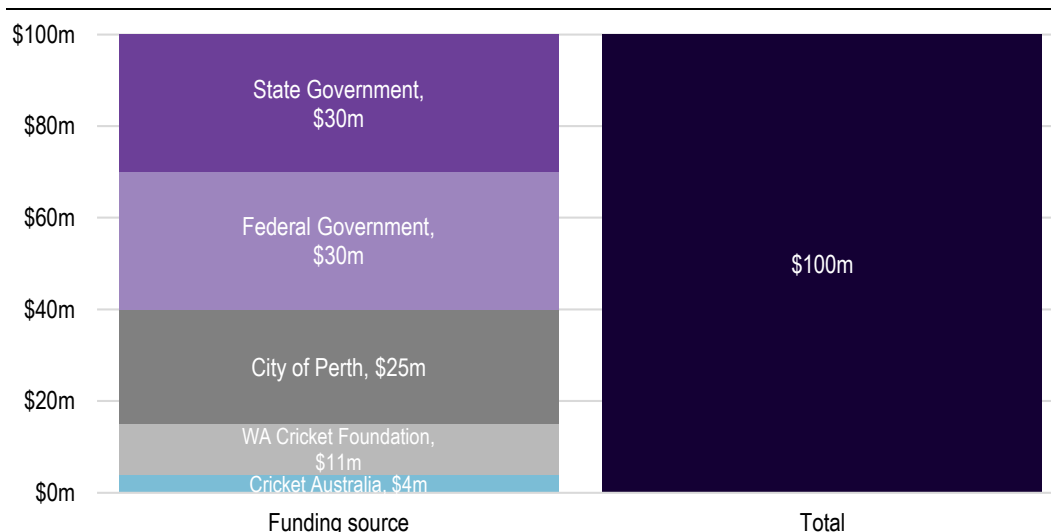
The \$100 million commitment to redevelop the WACA as part of the Perth City Deal includes a commitment of \$30 million from the Commonwealth Government, \$30 million from the WA Government, with a further \$11 million from the WACA itself, \$4 million from Cricket Australia, and \$25 million from the City of Perth to specifically fund a community aquatic facility (see **Figure 1.1**).

This funding commitment to redevelop the WACA represents a once-in-a-generation opportunity to upgrade the WACA ground to meet the broader requirements of the State in hosting professional sports.

The announcement of the Perth City Deal, (then) Chair Commissioner Andrew Hammond confirmed the City's commitment of \$25 million to funding the addition of a community aquatic facility to the WACA redevelopment, subject to the caveats as per the resolution presented in Box 1.1.

Following this decision, the City of Perth commenced negotiations with the WACA on the parameters of the possible partnership, including the design, operations, and financial commitment that will be required by both parties. A brief overview of the proposed WACA Aquatic Facility is presented in Section 1.1.1 below.

Figure 1.1 Proposed funding mix of the WACA Ground Improvement Project



Source: ACIL Allen; WACA

To progress the assessment of the proposed aquatic facility, the WACA appointed a sport and leisure consultant, the Paatsch Group, to prepare a financial model over a 10 year period, the results of which were presented to the City of Perth in September 2020. The financial modelling of the proposed WACA Aquatic Facility was based on the conditions detailed in a draft Heads of Agreement between the WACA and the City of Perth. A summary of the key provisions in the draft Heads of Agreement is presented in Section 1.1.2 below.

In order to test the financial modelling of the proposed aquatic facility undertaken by the Paatsch Group, in October 2020, the City of Perth engaged ACIL Allen to provide an independent assessment of the financial modelling (based on the design parameters of the proposed development, and the conditions in the draft Heads of Agreement) and provide advice on the financial implications for the City of Perth.

A summary of ACIL Allen’s financial assessment of the proposed Aquatic Facility on the City of Perth is presented in Section 1.1.3 below. ACIL Allen’s assessment found that the City would be exposed to significant financial costs based on the conditions set out in the draft Heads of Agreement, which are unlikely be offset by broader economic and social benefits for the City’s residents and businesses.

This assessment highlighted the importance of the City of Perth in taking a rigorous, structured and evidence-based approach to the consideration of its commitment to the development of the proposed WACA Aquatic Facility through the development of a business case.

The development of the business plan addresses the following requirements:

1. It was a key condition underpinning the City’s support for the proposed WACA Aquatic Facility, as announced by the (then) Chair Commissioner Hammond on 17 September 2020;
2. It is a legislative requirement that local governments prepare a business plan for any major trading undertakings or major land transactions (Section 3.59 of the *Local Government Act 1995*)
3. It provides a more thorough examination of the strategic justification for the proposed WACA Aquatic Facility and ensures that any decision provides the best value for money offer to addressing the potential needs for a community aquatic facility with the City’s boundaries.

Further details on ACIL Allen’s approach to the development of this business case is presented in Section 1.2 below.

1.1.1 WACA Redevelopment Project overview

The WACA Redevelopment Project aims to transform the Ground into a boutique sporting venue that maintains its status as an International Cricket Venue and complements Optus Stadium, with a permanent capacity of approximately 10,000. The Project will also allow the Ground to be utilised for multi-sport and community use.

The design will reflect and incorporate the proud heritage and history of the WACA Ground, including a reinvigorated museum to honour the rich cricket, sporting and entertainment history of the Ground and pay homage to the traditional owners of the land on which it sits.

The WACA Ground Improvement Project will see the Inverarity and Prindiville stands removed to make way for one central structure and pavilion on the northern end of the Ground. The Lillee-Marsh Stand, Players' Pavilion and South West Pavilion will be retained for its remaining useful life.

According to the WACA, the Project will deliver:

- 10-lane indoor cricket and multi-sport facility
- New, central pavilion with food and beverage outlets
- A multi-purpose function centre with outside deck and seating overlooking the WACA Ground
- Dedicated high performance facilities for elite players, including gym, change rooms and recovery facilities
- A community Health Club
- A public café
- Auditorium and multi-purpose meeting rooms that will be available for community use
- Lengthening of the oval to accommodate Australian Rules Football matches and other sports
- A Museum that honours the rich history of the Ground
- A reduced capacity Ground with new shade solutions
- Community sports medicine and rehabilitation centre
- Provision of new office amenities for WACA staff, and
- Sensory room

Additional facilities planned but not yet confirmed include an all-abilities playground and a childcare facility, as well as the WACA Aquatic Facility that is the subject of this business case. An artist's impression of the proposed Facility is presented in **Figure 1.2**. The design elements of the proposed WACA Aquatic Facility from which this business plan is based includes the following:

- A 50m, six lane lap pool
- A Learn to Swim pool
- Two water slides and associated splash pad.

Figure 1.2 WACA ground Improvement Project: Aquatic Facility



Source: WACA Ground Improvement Project, photo gallery

1.1.2 Draft Heads of Agreement – WACA and City of Perth

To progress the development of the proposed WACA Aquatic Facility as part of the broader WACA Ground Improvement Project, the WACA and the City are currently in the process of finalising a non-binding Heads of Agreement for the purpose of outlining the manner in which each party propose that Project be undertaken, and following completion, terms on which the Aquatic Centre will be leased and how the Integrated Community Facilities would be managed and operated subject to the parties agreeing to full form documentation relating to the development, leasing and operation.

As at 30 June 2021, no agreement had been reached on some of the key provisions in the draft Heads of Agreement between the WACA and the City of Perth. In broad terms, the draft Heads of Agreement set out the following general principles, terms and items:

- the **general terms of the agreement**, including the description of the Project, general principles regarding the consultation between parties over the design plans and specifications; tender processes, Project costs, and variations to Project costs, and the appointment of a third party manager.
- the **project delivery phase of the Project**, including the specification of the Project Funding by parties, the development application and approval process, the appointment of a builder, critical dates and variations.
- the **leasing arrangements** once the Project is operational, including the term of the lease of the Proposed WACA Aquatic Facility to the City (40 years), provision for reciprocal break rights, requirements on the City for maintenance and repair, and capital works and improvements to the Facility over time. Commercial rights are also detailed in this part of the draft Heads of Agreement, including naming rights, rights to supply food, beverage and retail services, and the joint procurement of a third party manager of the Facility.
- the **management and operations** of the Project once operational, including rights for the WACA to close the Facility when certain events are being held, and the revenue sharing agreement between the WACA and the City with respect to the joint memberships that provide access to both the Aquatic Centre and the WACA-run Health Club with the Integrated Community Facility.

The details of the Heads of Agreement have not been specified beyond the description provided above for confidentiality reasons. In order to assess the proposed Aquatic Facility as part of this business case, ACIL Allen has incorporated the key financial terms specified in the draft Heads of Agreement into its financial assessment of the proposed WACA Aquatic Facility.

1.1.3 Financial implications to the City of Perth – Independent assessment

Following the City of Perth's commitment to progress the development of the proposed WACA Aquatic Facility as part of the broader WACA Ground Improvement Project, in October 2020 the City of Perth engaged ACIL Allen to undertake a detailed examination of the financial implications of the proposed development on the City of Perth.

Based on a document review of the proposed development, including the financial terms set out in the draft Heads of Agreement, and a summary report of the financial modelling undertaken by the WACA's advisers, ACIL Allen developed a total lifecycle cost model of the proposed Aquatic Facility to provide an independent and objective assessment of the financial implications to the City of Perth.

ACIL Allen's financial assessment was presented to the City of Perth in November 2020. ACIL Allen found that the **proposed WACA Aquatic Facility would expose the City of Perth to significant lifecycle costs over the 40 year life of the Aquatic Facility**. These costs would be well in excess of the City of Perth's initial funding contribution. ACIL Allen's initial advice concluded:

The City should consider whether the WACA's proposed involvement of the City in the WACA Redevelopment project represents the best value for money outcome for the City's funding commitment. ACIL Allen's financial assessment suggests the City is exposed to significant financial costs under the current arrangement and assumptions, which are unlikely be offset by broader economic and social benefits for the City's residents and businesses.

If the City decides to proceed with the Aquatic Facility, it should work with the WACA to ensure the achievement of a mutually beneficial outcome where there is a more appropriate sharing of risk and reward on the Integrated Community Facility. This is particularly important in light of the City's substantially higher share of the capital funding contribution compared to the WACA itself.

To support this, the City should work with the WACA to develop and further examine options for delivery of an Aquatic Facility at a lower overall lifecycle cost.

A more detailed examination of the proposed WACA Aquatic Facility is presented in Section 3.3 of this business case.

1.2 About this business plan

The City of Perth's commitment to provide funding to support the development of an aquatic facility as part of the proposed WACA redevelopment was made at a Special Council Meeting convened by Chair Commissioner Hammond on 17 September 2020, but subject to the endorsement by Council of a business plan for the proposed WACA Aquatic Facility.

Section 3.59 of the *Local Government Act 1995* requires a local government to develop a business plan before it commences a major trading undertaking or a major land transaction. The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of:

- *its expected effect on the provision of facilities and services by the local government;*
- *its expected effect on other persons providing facilities and services in the district;*

- *its expected financial effect on the local government;*
- *its expected effect on matters referred to in the local government's current plan prepared under section 5.56;*
- *the ability of the local government to manage the undertaking or the performance of the transaction; and*
- *any other matter prescribed for the purposes of this subsection.*

Additionally, Regulation 10 of the *Local Government (Functions and General) Regulations 1996* requires a business plan to contain certain information if a local government jointly enters into a major land transaction with another person. Under these circumstances, the business plan is to include details of the whole transaction and is to include details of:

- *the identity of each joint venturer other than the local government; and*
- *the ownership of, and any other interests in, property that is involved in, or acquired in the course of, the joint venture; and*
- *any benefit to which a joint venturer other than the local government may become entitled under or as a result of the joint venture; and*
- *anything to which the local government may become liable under or as a result of the joint venture.*

For the purposes of the assessment of the proposed WACA Aquatic Facility, the City of Perth has engaged the services of ACIL Allen to provide an independent, objective and evidence-based assessment of the proposed WACA Aquatic Facility, as defined in the draft Heads of Agreement between the WACA and the City of Perth.

The development of a business case for the proposed WACA Aquatic Facility is based on the application of the WA Treasury's Strategic Asset Management Framework ('SAMF') that establishes the key principles and standards required for a business case. For WA Government departments and agencies, a business case is required for all investment proposals that involve significant costs (generally, a capital cost of \$1 million or more) and medium-to-high risks (financial, economic or social).

The development of a business case through the lens of this framework is critical given the initial financial assessment undertaken by ACIL Allen for the City of Perth identified significant financial risks associated with the proposed WACA Aquatic Facility based on the terms detailed in the draft Heads of Agreement.

The application of WA Treasury's SAMF in the development of this business case will ensure that there is appropriate consideration of the strategic justification of the proposed WACA Aquatic Facility, and an appropriate level of assurance is undertaken to ensure that it represents value for money for the City of Perth when compared to other comparable options.

The development of this business plan is atypical to a standard business case process, as defined through the SAMF process. The origins of the proposed WACA Aquatic Facility as part of the broader WACA Ground Improvement Project was the initial funding commitment from the Commonwealth and State Governments as part of the \$1.5 billion Perth City Deal. The proposed WACA Aquatic Facility was a means by which a community facility could be included in the overall WACA Ground Improvement Project. The strategic and community need for an aquatic facility had not been made prior to this time.

In addition, the proposed WACA Aquatic Facility was presented as a single option for the City of Perth's consideration, rather than allowing for the consideration of a range of possible options for an aquatic facility at the WACA – but potentially also in other locations within the City's boundaries – that addresses the strategic and community requirements from the perspective of the City of Perth and its residents.

Given these limitations, and the significant financial risks associated with the proposed WACA Aquatic Facility initially presented to the City of Perth, it is important that additional rigour is applied to the assessment so that an informed decision can be made as to the best value for money outcome for the City of Perth.

This level of analysis provides the evidence base to assess the proposed WACA Aquatic Facility against the six criteria set out in Section 3.59 of the *Local Government Act 1995*.

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Strategic and Market Justification

2

This section provides an analysis of the strategic justification for an aquatic facility, and an analysis of the market need for an aquatic facility in the City of Perth.

2.1 Strategic justification

When considering a major investment in an aquatic facility for the purposes of this business case, it is critical that there is a clear understanding of the strategic alignment of the proposed investment to the broader strategic objectives of the City of Perth. This section provides a summary of the key strategic documents that help to guide the City of Perth's consideration of the proposed WACA Aquatic Facility.

2.1.1 Strategic alignment to the City of Perth's priorities

Key decisions affecting the City of Perth must be aligned to its broader objectives, as set out in its **Strategic Community Plan**, and its financial plan, as detailed in its **Long Term Financial Plan**. These guiding strategies form the foundation of good governance and decision making, and is critical in an environment where the City must regain the trust of its ratepayers and other stakeholders in the aftermath of the **Inquiry into the City of Perth**.

These guiding documents are briefly discussed below.

Strategic Community Plan 2019-2029

The City of Perth's Strategic Community Plan (2019-2029) is its **principal guiding document** and has a community backed vision to be a vibrant, connected and progressive City. The City of Perth acknowledge the importance working closely with the community to create and nurture thriving neighbourhoods, develop clear and strong connections to the community's needs, create meaningful differences, connect people, and celebrate the City's diverse cultural identities.

As the City's principal guiding document, the Plan is designed to assist with decision-making processes relating to different services, projects, infrastructure and facilities for the community. The requirements of the City are then guided by the City of Perth's Corporate Business Plan (which sets the City's services, projects and activities over four years), Long Term Financial Plan and is then implemented through its annual budgeting process.

The Plan also considers its current and anticipated level of economic growth, population growth, environmental trends and social and community needs which inform the needs of the City in the future. **The City of Perth aspires for its population to triple from 30,000 to 90,000 between 2020 and 2050.** The City explain that at this growth rate, by 2035 the Perth city's population density will be on par with the City of Melbourne of today, and by 2050, the City of Sydney.

It is clear from the Plan that the Perth community wants to see the Perth City continue to improve as a place to live, work, visit, study and invest. This feedback from the community led to **six key**

aspirations being developed to guide the City of Perth's focus in line with its objectives which are designed to be achieved through contemporary projects and people management practices:

- **People** – a safe, activated and welcoming city that celebrates its diversity and sense of community, providing unique educational, cultural, sporting and lifestyle offerings.
- **Place** – a well-planned and functional built form environment, promoting world class architecture, appreciation of heritage, diversity of land use and a sustainable, affordable and accessible integrated transport system.
- **Planet** – a city that respects, protects and fosters its natural environment, embraces the principles of sustainability and acknowledges the impacts of our changing climate.
- **Prosperity** – a city with a diverse and resilient economy capitalising upon its unique competitive advantages and creative reputation, attracting sustainable investment in education, tourism, entertainment, commerce, technology and trade.
- **Performance** – a city led by a Council and supported by an administration that is committed to sound strategy and governance, excellence in customer service and effective and sincere engagement with all stakeholders.
- **Partnership** – city that has earned the respect and support of the local industry through strong partnerships with state bodies, industry and community groups and other key stakeholders.

The successful delivery of an Aquatic Facility in the Perth CBD area has the potential to complement a number of the City of Perth's aspirations and their underlying objectives. These objectives should be considered when undertaking an assessment of the proposed WACA Aquatic Facility:

- **People**
 - Objective 1.5: Infrastructure, activities and programs that stimulate and entertain youth to reduce antisocial behaviour;
 - Objective 1.8: A community that is healthy in its lifestyle and wellbeing, and generous towards helping others;
- **Place**
 - Objective 2.1: A city that is seen by all as a great place to be;
 - Objective 2.7: Safe and enjoyable experiences in the public realm enabled by smart technologies, innovative design and quality infrastructure;
- **Prosperity**
 - Objective 4.1: A sustained increase in leisure and business tourism visitation;
 - Objective 4.6: Precincts that utilise their unique sense of place, local pride and enthusiasm to encourage investment and economic activity; and
 - Objective 4.8: Iconic signature events positioned strategically to create a vibrancy that attracts intrastate, interstate and international visitors.
- **Performance**
 - Objective 5.3: Commercial operations that are transparent, profitable and compete fairly and lawfully with private enterprise;
- **Partnership**
 - Objective 6.2: Genuine collaboration between the City and State on major projects that add considerable value to the city's economic, social and environmental fabric.

The Strategic Community Plan's objectives will be a key consideration in assessing the proposed WACA Aquatic Facility's alignment to the City's long term planning framework.

Long Term Financial Plan

The 10 Year Long Term Financial Plan is a high level strategic document that assists in aligning the City of Perth's community aspirations, strategic intent and organisational capacity. It guides its approach to delivering infrastructure and services to the community in a responsible and affordable way. The plan demonstrates the City's commitment to managing its operations in a responsible and sustainable manner.

The 10 Year Long Term Financial Plan supports this objective by projecting our financial position over a 10 year time horizon using a series of realistic, conservative financial assumptions. This financial modelling provides the City with reliable, robust information to assess our capacity to maintain overall financial sustainability into the long term and, most importantly, to ensure that we have in place the necessary funding arrangements to support proposed capital replacement programs and new capital projects.

The 10 Year Long Term Financial Plan has incorporated reforms to the City's operations which has seen a reduction in the levels of operating expenditure of an estimated \$100 million over the decade. These reforms have reduced the pressure on the City in increasing rates and revenues from other sources to meet the costs of providing the range of services to the City's residents. This focus on prudent financial management of the City's finances, headlined by the control of its operating expenditure, is a key objective of the City.

The forecast net margin over the 10 year period highlight the focus on prudent financial management, but this margin is sensitive to changes in revenue and expenditure. Like the Strategic Community Plan, the Long Term Financial Plan will be a key consideration for the City of Perth in assessing the proposed WACA Aquatic Facility.

Response to the Inquiry into the City of Perth

On 2 March 2018, the Minister for Local Government announced the City of Perth Council were suspended with immediate effect and three Commissioners would perform the duties of Council. At the same time, he announced that there would be a formal Inquiry into the City of Perth Council.

The final report of the Inquiry into the City of Perth was tabled in State Parliament on 11 August 2020, with the report highlighting dysfunction, poor governance, factionalism, and fertile ground for greed, incompetence and mismanagement. The 2,000 page document contains over 250 findings and 350 recommendations, which have implications for the City and the broader local government sector.

On 15 September 2020, Commissioners adopted the City of Perth's Response to the Inquiry Report. In responding to the Inquiry, (then) Chair Commissioner, Andrew Hammond, noted:

We welcome the Report of the Inquiry into the City of Perth and acknowledge the 341 recommendations provided. Since the Inquiry was announced in 2018, the City has been on an extensive journey of transformation. While there are 248 findings that require action by the City, we have already begun to make progress. When Commissioners were appointed, our remit was to restore good governance at the City and we have been implementing various actions to achieve this. When Elected Members join in October, they can continue this work and rebuild community trust.

On 15 December 2020 the City of Perth Council endorsed the Inquiry into the City of Perth Implementation Plan, which included an action plan associated with 262 recommendations from the Inquiry.

One of the key themes arising from the Inquiry was in relation to financial management and planning. The Inquiry found that more needed to be done to ensure the proper management of the

City's finances, with a significant focus of the recommendations directed at ensuring good financial management and planning of the City.

The Inquiry recommendations, and the City's response to these recommendations is an important frame of reference for this business case. The lessons from the Inquiry and its findings and recommendations, is that it is critical the City of Perth ensure good governance practices, procurement and financial management in making decision that impact on the City of Perth's ratepayers.

The City of Perth's commitment to the Inquiry reinforces the need to undertake an objective, transparent and evidence-based assessment of the proposed WACA Aquatic Facility to ensure decisions are made that demonstrate good governance and financial management.

2.1.2 Strategic alignment to the WA Government's priorities

The WA Government is committed to ensuring that the State has a vibrant and growing capital city. This has been articulated in a number of the WA Government's strategic plans in recent years. This was most recently articulated in the **Perth City Deal** (see Section 1.1), which will see some \$1.5 billion invested in the Perth CBD by the Commonwealth and State Governments as a means to support an infrastructure-led economic recovery out of the COVID-19 pandemic, with funding committed to a range of important projects in the Perth CBD, including the redevelopment of the WACA.

Beyond this commitment, the WA Government had previously signalled its focus on realising the City's opportunity to develop its creative, cultural and recreational opportunities to strengthen Perth's identity and enhance its liveability and attractiveness as a place to live and work through its signature economic development framework document, **Diversify WA**. Diversify WA highlights the potential to leverage its strong tourism industry and the growth of income which will drive demand for cultural and leisure activities in the State. To capitalise on this, it is said that **WA needs to ensure our product offerings align with both local and tourists' interests and to leverage events and attractions that draw tourism to the City of Perth and Western Australia more broadly.**

2.1.3 The role of local government in provision of community aquatic facilities

There have been a number of studies produced in recent years which highlight the important community benefits from sporting and aquatic facilities.

According to a 2017 industry study *Economic Benefits of Australia's Public Aquatic Facilities*, Australian public aquatic facilities generate significant economic benefits for their patrons and for the Australian health care system and "the average aquatic facility creates \$2.72 million a year in value to the community".³ There are also a number of unquantified benefits listed in the 2017 study which include:

- A reduced risk and burden of disease from physical activity
- Patron enjoyment
- Water familiarisation and improved water safety skills
- Increased sense of community and social capital
- Increased local economic activity
- Improved workplace productivity
- Improvements in property values and local tax bases.

³ Bamsley, P. Peden, A. Scarr, J. (2017) *Economic Benefits of Australia's Public Aquatic Facilities*, Royal Life Saving Society – Australia

Similarly, Swimming Australia's independent community impact study "found that swimming has a total economic and community impact of over \$3.7 billion per annum on Australia, which includes a community health impact of \$135 million per year and a \$4.35 billion lifetime health contribution."⁴ In addition to the physical and mental health benefits of swimming, the study also highlighted swimming's potential in combatting broader societal challenges such as rising obesity, ageing population, therapy and rehabilitation and people living with chronic health conditions.

A third study assessing the value of community sport infrastructure found that community sport infrastructure generated significant value for the Nation including significant health and social benefits.⁵ The study's economic benefits included the construction, maintenance and operation of community sport infrastructure and the increased productivity of those who are physically active. Additionally, health benefits included a reduced likelihood of health conditions and benefits for the health system and social benefits included increased human capital resulting from social interactions that are facilitated by community sport infrastructure.

The provision of aquatic facilities is seen as an important function of local governments. While building and operating an aquatic facility can be costly, for many local governments there is a strong strategic justification in order to service the needs of growing communities, and to meet the health and recreational needs of its residents.

For the City of Perth, the key question is to what extent there is a defined need for the City to provide an aquatic facility for its community beyond the facilities which already exist within its boundaries, and in surrounding local government areas. Further discussion on this is provided in the next section.

2.2 Community and market need

This section of the Business Case presents the process of developing a Needs Assessment as well as some context on the City of Perth's community need, external demand potential and some analysis on competition and demand.

2.2.1 Needs Assessment Guide

The Department of Local Government, Sport and Cultural Industries' (DLGSC) Needs Assessment Guide⁶ describes a Needs Assessment as a vital first stage in the planning of all proposed facilities as it determines if a facility is needed in a community and if the real needs of the community are likely to be met. The Department define the Assessment as:

... a comprehensive information gathering process to identify and analyse whether a new facility is required or whether the need can be satisfied in some other way. If it is determined that a new facility is required, the Needs Assessment will provide clear direction with regard to the most appropriate scope, scale, component parts and the timing of the proposed facility. Such a concept can then be tested in a feasibility study which is the second stage in the facility planning process.

Error! Reference source not found. presents the five key stages involved in the development of a Needs Assessment and is designed to ensure that all possible factors are considered. The five stages include:

- **Step 1: Identify Key Community Values and Organisational Philosophy.** The identification of values that influence sport and recreation provision in a community.

⁴ Swimming Australia (2020). Community Impact of Swimming in Australia

⁵ KPMG (2018). The Value of Community Sport Infrastructure

⁶ DLGSC (2007). Needs Assessment Guide: Sport and recreation Facilities, 2nd Edition

- **Step 2: Review of Existing Provision.** A review of reports and material to understand previous decisions and current issues.
- **Step 3: Information Sources.** The identification of current and future trends, analysis of social indicators, existing and comparative provision reviews, community consultation and a review of State sports association strategic facility plans.
- **Step 4: Determination of basic needs.** An analysis and synthesis of the information gathered and the identification of gaps in provision.
- **Step 5: The needs assessment report.** Reporting of key findings highlighting the existing and desirable facilities and services and how these facilities will be best delivered.

Finally, a Needs Assessment should conclude if a new facility is required or not and provide clear directions and recommendations in relation to the facility's scope, scale, potential components and timing for consideration in a feasibility study.

2.2.2 Community need in the City of Perth

Underpinning a strategic justification for an aquatic facility must also be an assessment of the community need in the City of Perth. As the provision of aquatic facilities is expensive to build and costly to operate, there must be a clear understanding of the demand for such a facility – both by residents living within the City of Perth's boundaries, and those wanting to visit from outside.

In relation to the proposed WACA Aquatic Facility, the WACA engaged the Paatsch Group to prepare a financial model of the facility, with the demand projections underpinning this modelling based on a report prepared by ActiveXchange, which combines data sources from a range of different sources to provide information on market opportunities for clients.⁷

ActiveXchange's *WACA Investment Planning Report (2020)* provides a general assessment of the projected demand (including current and future facility demand within a local drive time), catchment segment profiles, optimal wet and dry programs and swimming pool scenarios (ie. the estimated number of swim users). The report found that such a facility would have access to a catchment population of around 106,000 residents, and could support a 100 station gym facility, a 50 metre outdoor pool, 25 meter Learn To Swim pool and a leisure water space, and a group exercise space.

To better understand the community appetite for the proposed development, the City of Perth also collaborated with the WACA to survey the community. The Community Aquatic and Leisure Facility Survey 2020 sought the views of respondents on the key facilities they would use if a community aquatic and leisure facility was developed in the region.

The City of Perth worked with the WACA Ground and the State Government to develop a survey to seek broad community appetite for such a development and identify future opportunities for businesses and hotels in East Perth as well as the wider City. The objectives of the survey was to gauge the level of interest and appetite for aquatic and leisure facilities and to identify the potential use of aquatic and leisure facilities.

In total, the City received 996 responses to the survey with a majority of respondents being residents who own a property in the City of Perth. Of the 973 residential respondents, more than three quarters indicated that would like to see a 50 metre outdoor swimming pool established in the East Perth area and almost half of respondents would like to see an outdoor adventure playground, fitness facility (ie. physio/yoga/pilates), multi-use courts and a Health Club (ie. gym).

In the context of the broader WACA Ground Improvement Project, respondents also indicated they would like to see the development having a high level of accessibility, a design that meets

⁷ ActivXchange (2020). WACA Investment Planning Report

community need and maintains the building’s heritage and history, is sustainable in terms of its materials and cost, and involves consultation with the Traditional Owners of the Land.

Both these reports provide an initial assessment of the potential market demand for an aquatic centre. However, they should be followed by a deeper market assessment – including of the performance of other aquatic facilities in other local government areas – when building up the business case for a project of the size of the proposed WACA Aquatic Facility.

For the purposes of this business plan, ACIL Allen has undertaken a **high-level review of the resident demand potential and external demand potential for an aquatic facility in the City of Perth, as well as a detailed assessment of the performance of aquatic centres that are proximal to the City.**

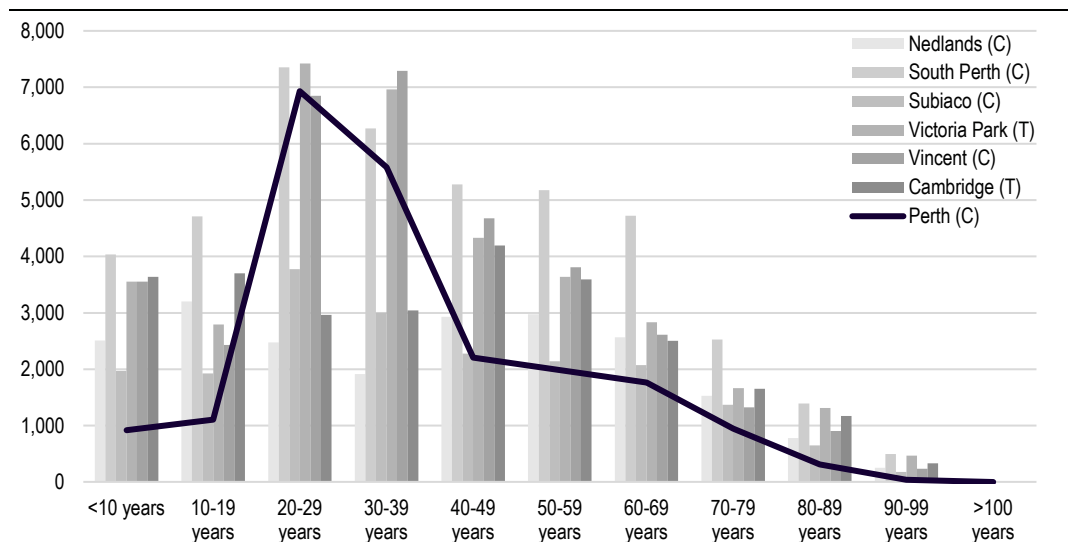
2.2.3 Resident demand potential

When compared to other LGAs, the City of Perth has a below average estimated residential population of around 30,971 people. This is less than half of a selection of 18 surrounding LGAs which have an average residential population of over 87,000 residents. The City of Perth is bound by the Town of Cambridge, Town of Vincent, City of Nedlands and City of Subiaco which collectively capture a larger catchment population (around 137,932 residents).

The City of Perth has the advantage of a large commuting workforce that enters the CBD (from surrounding LGAs) during the working week as well as weekend travellers who visit the CBD. The City of Perth’s unique infrastructure and attractions including its retail outlets and shopping centre, RAC Arena, Elizabeth Quay, the WACA Ground and Kings Park, attract leisure, recreation and business commuters into the CBD area which is an advantage over other LGAs.

The age profile of the City of Perth (and neighbouring LGAs) provides some insight into the various demand for services and facilities (such as childcare or aged care) and reflects the City’s role in accommodating the needs of its residents. According to the 2016 Census, the median age bracket for the City of Perth and the surrounding LGAs is 30-39 years of age. Proportionately, the City of Perth has more people aged in the 20 to 39 years of age brackets and a smaller share of younger residents (i.e. aged under 19 years) (Figure 2.1).

Figure 2.1 City of Perth and surrounding Local Government Areas age profile, number of residents, 2016



Source: ABS Census 2016; ACIL Allen

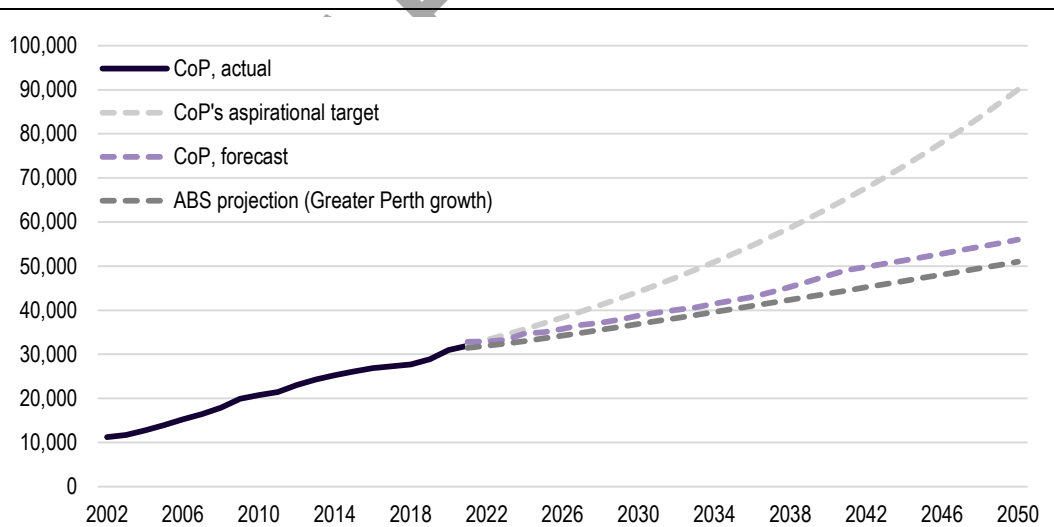
The age profile of the Perth City likely reflects its residential professional workforce that live within the Perth CBD area, which includes a large share of households categorised as ‘lone person’ (32.1 per cent) and ‘couples without children’ (27.1 per cent) compared to the Greater Perth region. The City has a relatively smaller share of household categorised as ‘couples with children’ (8.5 per cent).⁸

While the City of Perth has a small residential population when compared to other LGAs across Metropolitan Perth, there are aspirational targets for the population to triple over the next 30 years to 90,000 people by 2050. The rate of growth for this target to be reached is significantly higher than what has been forecast by the Australian Bureau of Statistics, which has projected the City’s population to reach 51,000 by 2050 – a third of the rate of growth that is being targeted by the City of Perth (see **Figure 2.2**).

To bridge this gap between the City’s aspirational target, and the ‘business as usual’ projections forecast by the ABS, this will require a strategic focus on supporting residential developments in the City. Independent forecasts by property consultants, id, suggest that while there is likely to be a number of significant residential developments in the City over the next 20 years, it is likely that the City will fall well short of its aspirational target by 2050.

While it is important to drive the City’s longer term strategic planning towards its aspirational target of 90,000 residents by 2050, to inform the business case on the resident need for an aquatic centre in the City of Perth, demand projections should be based on what is “bankable” rather than “aspirational”.

Figure 2.2 City of Perth population forecasts, number of residents



Note: The ABS projection for Perth’s population is under a High fertility, High life expectancy, High NOM, Large interstate flows scenario.
Source: ABS; ACIL Allen; City of Perth; City of Perth via id (informed decisions)

2.2.4 External demand potential

The City of Perth may have access to a larger residential population base than what is implied by its strict LGA boundary. As presented in the above section (see **Error! Reference source not found.**), the City of Perth is bound by the Town of Cambridge, Town of Vincent, City of Nedlands and City of Subiaco which collectively have a catchment population of around 137,932 residents (compared to its defined LGA boundary which accounts for 30,971). This catchment residential

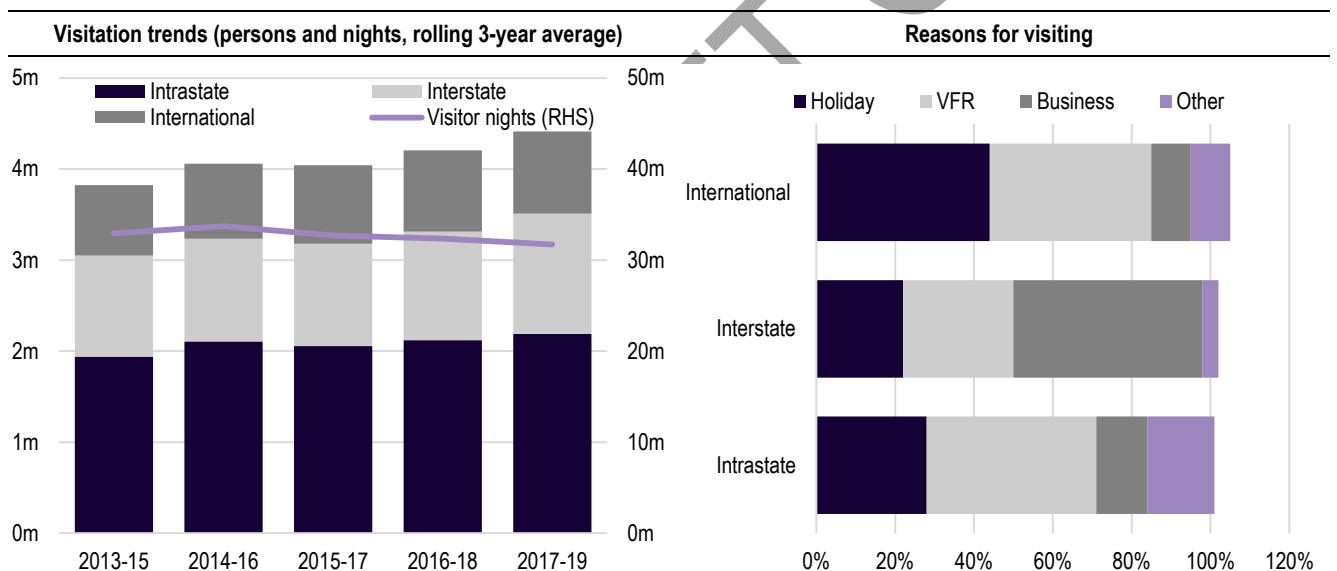
⁸ .idcommunity. City of Perth by household type sourced from ABS Census 2016

base increases to 230,828 people if you include the neighbouring LGAs of City of South Perth, Town of Claremont and Town of Victoria Park.

At a broad level (ie. Greater Perth), the number of visitors to the Perth Metropolitan Area has been trending upwards since 2013. In three year rolling average terms, visitation has increased from 3.8 million to 4.4 million people per annum between the 2013-15 and 2017-19 assessment periods. All three visitor types have grown, with interstate visitors increasing by the most (19.1 per cent) followed by international (17.1 per cent) and intrastate visitors (12.8 per cent). Although the number of visitors has increased, the number of visitor nights has plateaued at around 32.7 million nights per annum.

Visitation to the Perth Metropolitan Development Commission area is (by far) the largest in the State, accounting for around almost half of total intrastate, interstate and international visitor nights and around 70 per cent of total international and interstate visitors nights in 2017-19. This reflects the Perth Metro region’s substantial base of infrastructure (including a major International airport), attractions and business opportunities amongst other drawcards. This is reflected in why people visit the Perth Metropolitan area, with most international visitors arriving for holiday purposes (44 per cent), most interstate visitors coming for business purposes (48 per cent) and most intrastate visitors coming to visit friends and family (43 per cent).

Figure 2.3 Perth Metropolitan Development Commission Area visitation



Source: ACIL Allen; Tourism WA [Note: sum of reasons for visiting can sum to more than 100 per cent as overnight visitors can visit the LGA for more than one reason. VFR = Visiting friends and relatives].

According to the City of Perth⁹, around “205,750 people visit the city each day for work, study, services, shopping and leisure” and “34,000 people visit the Inner Perth Tourism Region each day”. Contributing to this visitation is the City’s three universities, two TAFE campuses and other education and training businesses that are estimated to attract around 13,800 students to the Perth CBD each day.

It is uncertain as to whether this level of visitation can afford and sustain a community aquatic facility, however, according to the latest PLAWA Community Infrastructure Guidelines (2020), aquatic facilities (indoor/outdoor) have a population guideline of one per 75,000 people at a district level (ie. five to 10 kilometre population catchment zone).

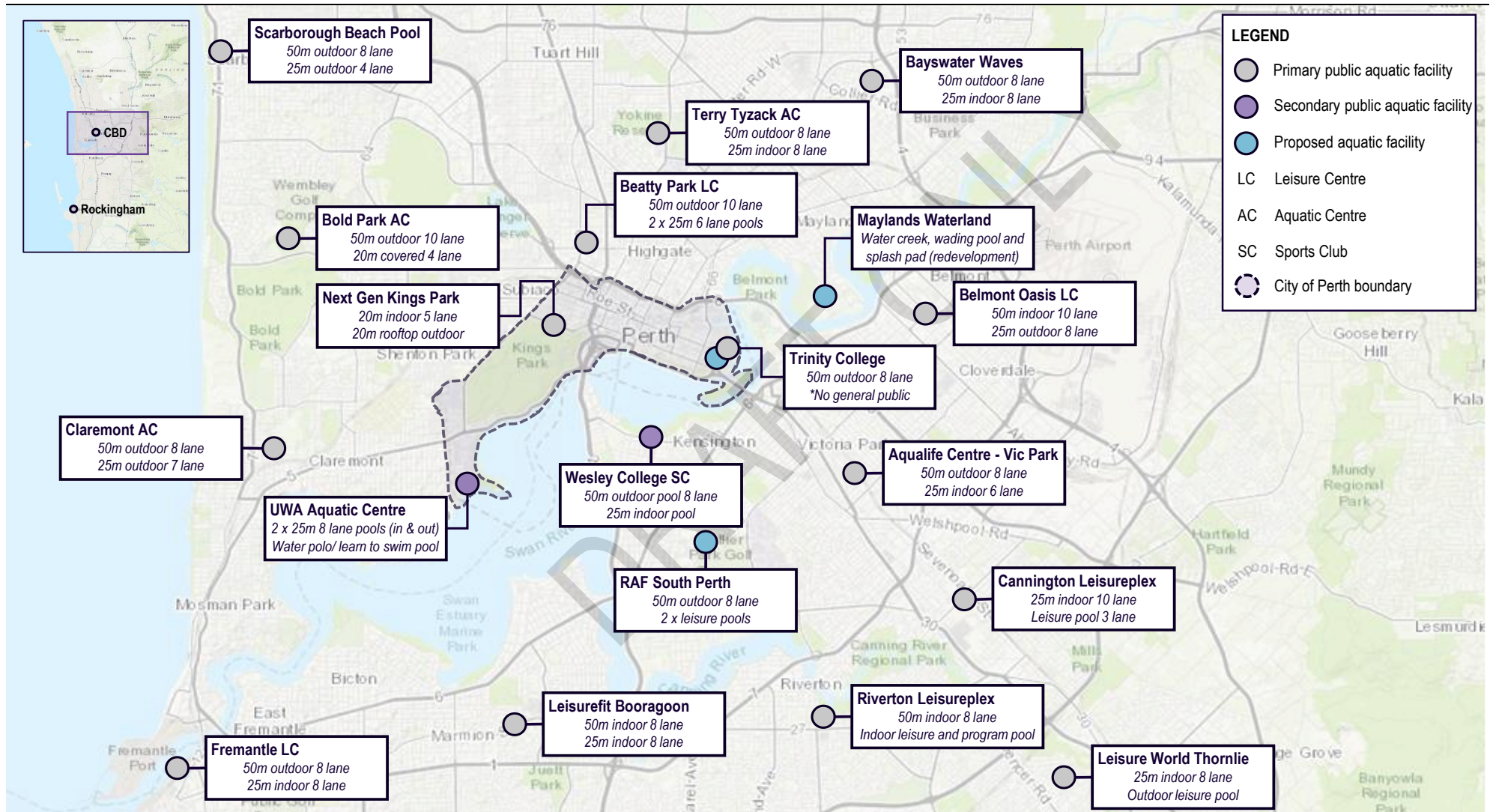
⁹ City of Perth. Economic profile: Visitor facts. Available from: <https://perth.wa.gov.au/future-perth/community-snapshot/economic-profile> (Accessed 26 May 2021).

While this analysis suggests there is a large catchment area that could support an aquatic centre in the City of Perth, an assessment of existing or proposed aquatic facilities in these catchment areas must also be considered. Currently there are 10 aquatic facilities within 10 kilometres of the Perth CBD, the details of which are presented in **Figure 2.4** on the following page.

As part of the development of the evidence base to assess the proposed WACA Aquatic Facility against Section 3.59 of the *Local Government Act 1995*, ACIL Allen has undertaken a comparative assessment of the performance of a selection of these facilities presented in **Figure 2.4**, as well as other comparable facilities in other Western Australian local government areas, as well as the City of Sydney. ACIL Allen has also presented a private sector proposal for a proposed aquatic facility on the Swan River as part of this assessment. The comparative assessment is presented in Section 3.

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Figure 2.4 Community aquatic facilities in the Greater Perth region



Source: ACIL Allen

Comparative Assessment of Aquatic Facilities

3

This section presents an overview of number of existing and proposed aquatic facilities in order to provide a comparative assessment against the proposed WACA Aquatic Facility. The overview of each of the aquatic facilities has been informed by ACIL Allen's research and through consultation with the respective local government authorities responsible for such facilities. In the absence of an options assessment to inform the development of the proposed WACA Aquatic Facility, ACIL Allen has used this comparative assessment to provide an additional evidence base to inform the assessment of the Facility against the criteria detailed in Section 3.59 of the Local Government Act 1995.

3.1 Approach

In order to assess the proposed WACA Aquatic Facility, ACIL Allen undertook an extensive phase of stakeholder consultation with the administration from a number of local councils that operate aquatic facilities, or are currently proposing to develop new aquatic facilities. The stakeholder consultation process also included a meeting with the WACA to gain additional insights into the benefits, costs and risks associated with the proposed development, as well as private sector developers that have presented development proposals to the City of Perth.

Through this process, stakeholders provided a perspective on their experience in operating an aquatic facility, or in the case of some local councils the processes that they took to progress the development of an aquatic facility. ACIL Allen was able to gain valuable insights through this process as to the critical success factors to the successful operation of an aquatic facility. The critical success factors are revealed through the assessment of the aquatic facilities presented in this section.

Table 3.1 presents a list of the stakeholders who participated in ACIL Allen's consultation process. Over a two week consultation period, ACIL Allen undertook consultations with 11 stakeholders, which included representatives from local governments around Australia, the WACA, and two private companies regarding their respective proposed developments for an aquatic facility in the Perth Metro area. At their request, these private sector organisations have not been identified in the stakeholder list below.

Through the stakeholder consultation process, ACIL Allen was able to source a detailed financial benchmarking report for all the aquatic facilities in Perth which, together with the feedback gained through the stakeholder consultation process, helped to refine ACIL Allen's financial assessment of the proposed WACA Aquatic Facility. ACIL Allen's financial assessment of the proposed WACA Aquatic Facility is presented in the next section.

Table 3.1 Stakeholder list

Stakeholder	Aquatic facility	Existing, planned, potential	Stakeholder category
City of Cockburn	Cockburn ARC	Existing	Local Government
City of Joondalup	Craigie Leisure Centre	Existing	Local Government
City of South Perth	Recreation and Aquatic Facility (RAF) South Perth	Planned	Local Government
City of Stirling	Scarborough Beach Pool Terry Tyzack Aquatic Centre	Existing	Local Government
City of Swan	Ellenbrook Aquatic Centre and Swan Active (3 facilities)	Proposed and existing (Swan Active)	Local Government
City of Sydney	Andrew (Boy) Charlton Pool Gunyama Park Aquatic and Recreation Centre	Existing	Local Government
City of Vincent	Beatty Park Aquatic Centre	Existing	Local Government
Town of Cambridge	Bold Park Aquatic Centre	Existing	Local Government
WACA	WACA Aquatic Facility	Proposed	Private/ Association

Source: ACIL Allen

ACIL Allen has used the feedback gained through the stakeholder consultation process to provide detailed insights into what makes some facilities more successful than others. This allows for a comparative assessment to be undertaken of the proposed WACA Aquatic Facility against existing and proposed aquatic facilities in other local government areas – both in Western Australia and in other capital city local governments.

In the absence of an options assessment having been undertaken to inform the development of the proposed WACA Aquatic Facility, ACIL Allen has used this comparative assessment to provide an additional evidence base to inform the assessment of the Facility against the criteria detailed in Section 3.59 of the *Local Government Act 1995*.

3.2 Examination of existing aquatic facilities

This section presents an overview of eight existing aquatic facilities that share a number of common traits to the proposed WACA Aquatic Facility, and the critical success factors that drive the performance of these facilities. Facilities are presented in alphabetical order.

3.2.1 Andrew (Boy) Charlton Pool and the Gunyama Park Aquatic and Recreation Centre (City of Sydney, NSW)

The Andrew (Boy) Charlton Pool is located in Woolloomooloo Bay and offers its patrons views of the Sydney Harbour. The facility offers some world class aquatic facilities that caters for lap swimmers, families, learn to swim, leisure patrons. The facility also offers health and fitness activities including aquatic fitness, group exercise studio and training programs.

The unique aspect of being a member of one of the City of Sydney’s aquatic centres is the reciprocal access to swimming pools and fitness centres across Sydney. Because the Pool is outdoor, it is only open between months of September and April.

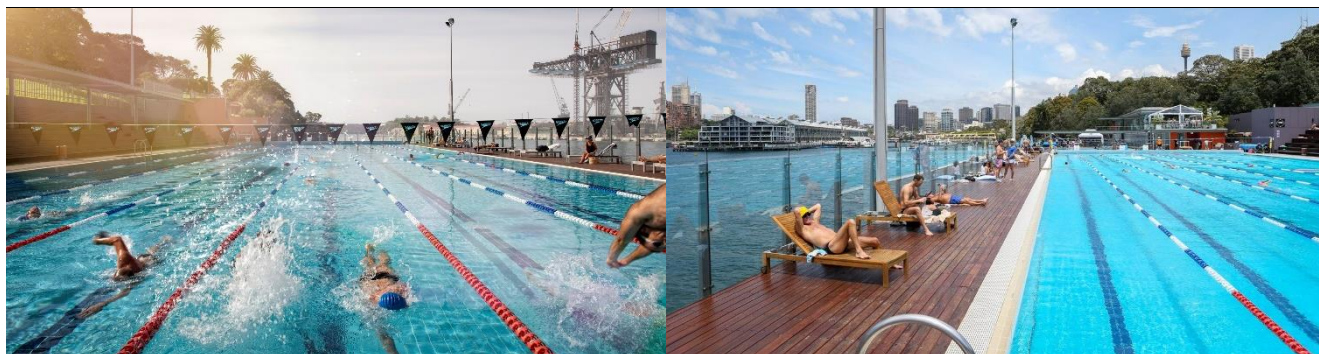
Table 3.2 presents the aquatic and other facilities at the Andrew (Boy) Charlton Pool.

Table 3.2 Andrew Boy Charlton Pool facilities

Aquatic facilities	Other facilities
50 meter outdoor pool (8 lane)	Café
Shallow, 20 meter leisure pool	Multi-purpose room for functions or group exercise

Source: abcpool.org

Figure 3.1 Andrew (Boy) Charlton Pool, Sydney NWS



Source: City of Sydney (left); good2grand.com.au (right)

Gunyama Park Aquatic and Recreation Centre

Established in February 2021, Gunyama Park Aquatic and Recreation Centre is located in Sydney’s Green Square around 10 minutes from the Sydney CBD. It is the largest pool complex built since the 2000 Olympic Games. The Centre has a strong connection to the First Nations culture and the name “Gunyama” which means “wind from the southwest” in the local Dharug language. The Centre also has two bronze sculptures of ‘bangala’, traditional water carriers used by communities along Australia’s east coast.¹⁰

The Centre is highly integrated and offers its patrons a place to “connect, relax, exercise” and engage in exercise (ie. weights or yoga), learn to swim programs as well as wellness activities.

Table 3.3 presents the aquatic and other facilities at the Gunyama Park Aquatic and Recreation Centre.

Table 3.3 Gunyama Park Aquatic and Recreation Centre features

Aquatic features	Other features
50 meter outdoor pool	Health and fitness centre (spin studio, group exercise room)
25 meter indoor pool	Outdoor training gym
Hydrotherapy pool,	Synthetic sports paying field
Leisure ‘beach’ pool	Creche and café
Water playground (slides, fountains)	

Source: gunyamapark.com.au

¹⁰ Broadsheet (2021). Gunyama Park, Sydney’s Largest New Pool Complex Since the 2000 Olympics, Has Opened

Figure 3.2 Gunyama Park Aquatic and Recreation Centre, Sydney NWS



Source: The Sydney Sentinel (left); Fredon (right)

Some of the critical success factors highlighted in consultation are presented below.

- Following process. The City of Sydney advised the Gunyama Park Aquatic and Recreation Centre was seven years in the planning and part of a masterplanned development of the region surrounding the facility.
- Programming of facilities. The City of Sydney advised the facility manager actively programmed the facilities, to ensure utilisation across wet and dry activities for most of the hours of operation. In the case of the Andrew (Boy) Charlton facility, the City closes the pool during winter months to reflect a desire to ensure it is able to recover operating costs (as demand falls for this outdoor facility during winter).
- Destination facilities. Across its suite of aquatic facilities, the City of Sydney ensures it is providing a point of difference to drive utilisation. The Gunyama Park Aquatic and Recreation Centre was deliberately designed to ensure it catered to a broad range of inner city residents, capturing demand from residents outside of the City of Sydney where aquatic facilities were either not provided or ageing. The Andrew (Boy) Charlton facility is designed to capture sweeping views of Sydney Harbour, at both the pool level and the associated dry side facilities (including a café).

3.2.2 Beatty Park Leisure Centre

Originally built in 1962, Beatty Park Leisure Centre is now used by the immediate community residing within the City of Vincent and surrounding areas as a leading integrated recreational and leisure facility. Following recent capital upgrades of the facility, the City aims to retain it as a state-of-the-art recreation facility and manage it as a profitable asset for its ratepayers.¹¹

The Beatty Park Leisure Centre has received several capital upgrades in the recent past, including a \$17.5 million redevelopment (two level building extension and pool upgrades) in 2013 and a \$2.9 million upgrade in 2021. The facility is one of the busiest leisure facilities in the State with around 3,600 members, 800,000 patrons per annum, annual turnover of around \$5.5 million and an employee base of around 120 people.¹²

Table 3.4 presents the aquatic and dry facilities at Beatty Park Leisure Centre.

¹¹ City of Vincent (2021). Discover Beatty Park, available at: <https://www.beattypark.com.au/discover-beatty-park.aspx>

¹² City of Vincent (2021). History and Background, available at: <https://www.vincent.wa.gov.au/develop-build/future-vincent/corporate-projects/beatty-park-leisure-centre-redevelopment/history-background.aspx>

Table 3.4 Beatty Park Leisure Centre facilities

Aquatic facilities	Other facilities
25 meter indoor and outdoor pool (8 lanes)	Gymnasium
50 meter outdoor pool (10 lane)	Creche
Leisure pool	Café
Waterslide	Sports courts and group fitness
	Function rooms

Source: City of Vincent

Some of the critical success factors highlighted in consultation are presented below.

- Location, size of catchment and accessibility (ie. access to a transport network and parking) to the facility are critical drivers of success;
- Integrating all of the facilities is the model for the future. Gyms, group fitness, retail and other leases are needed to offset aquatic losses;
- Offering a wide range of services that considers all user groups can diversify income streams (for example hydrotherapy pools for the elderly, disabled and rehabilitation uses);
- In catchment areas where there are existing aquatic facilities, new developments need to have a point of difference to be able to build up its demand.
- It is important that a detailed market assessment is undertaken to ensure that any proposed development does not simply cannibalise the market of existing facilities.

Figure 3.3 Beatty Park Leisure Centre, North Perth, WA



Source: beattypark.com.au

3.2.3 Bold Park Aquatic Centre (Town of Cambridge)

Bold Park Aquatic is a modern aquatic centre that offers a range of lap swimming, learn to swim, squad training and group fitness activities for residents in the Town of Cambridge. In 2015, the facility had a \$12.3 million redevelopment and new design to complement the surrounding native bushland with timber structures.

Table 3.5 presents the aquatic and dry facilities at Bold Park Aquatic Centre.

Table 3.5 Bold Park Aquatic Centre facilities

Aquatic facilities	Other facilities
50 metre outdoor pool (10 lane)	Adventure playground
Covered 20 meter pool (4 lane)	Half-court basketball area
Interactive water features	Shaded seating and grandstand

Aquatic facilities	Other facilities
	Café
	Multi purpose room (function centre, group fitness)

Source: Town of Cambridge

In the 2020-21 period, Bold Park Aquatic had patronage of around 251,000 although this was impacted by COVID-19 restrictions for a period of the year. Attendances have been trending upwards over the last three years due to an increase in swim school (1,249 enrolments currently), membership and facility hire admissions. The facility is predominantly outdoors which results in large seasonality impacts in patronage which is more evident between months of June and September.

The Town of Cambridge highlighted the typically high operational costs associated with aquatic facilities and note the financial importance of having an integrated facility that offers other recreational and leisure facilities to cross-subsidise the operational costs of 'wet facilities'. In 2019-20, Bold Park Aquatic generated \$1.8 million in revenue however, operational expenditures of \$3.1 million resulting in a \$1.3 million net operating loss and a \$2.8 million net loss after accounting for Advantages and Disadvantages.¹³

Some of the critical success factors highlighted in consultation are presented below.

- Successful aquatic facilities are typically integrated community facilities which have access to a gymnasium and group fitness facilities (plus cafes, sauna and spa, spin class, childcare centre, courts) which can subsidise "wet" facilities;
- There is a rigorous and detailed planning process due to the high and often unaffordable costs of decommission an aquatic facility, meaning that aquatic facilities are typically retained and therefore sustain ongoing operating losses;
- Pool heating (energy) is typically the largest cost for an aquatic facility – geothermal heating needs to be a consideration;
- Learn to Swim are critical to the economics of aquatic facilities, but need to be indoors, as outdoor facilities need to close during the colder months of the year.
- Ensuring there is a sufficient catchment size and a high level of accessibility to the facility.

Figure 3.4 Bold Park Aquatic, City Beach WA



Source: Facebook (left); Insight Electrical Technology (right)

¹³ Town of Cambridge Annual Reports (2021). Advantages are the estimated charges applicable if the Town of Cambridge were commercial and incurred council rates and payroll tax and a commercial rate of return on equity (opportunity cost). Disadvantages include public service employment conditions and estimated regulatory and governance issues costs.

3.2.4 Cockburn Aquatic and Recreation Centre (ARC)

The \$80 million Cockburn ARC Centre was established in mid-2017 following funding from the Federal and State governments, the City of Cockburn, Fremantle Football Club and Curtin University. The vision behind the development was to establish a high quality centre to service the growing community needs and upgrade existing leisure facilities which were approaching the end of their useful life.¹⁴ The \$80 million Centre caters for the recreation activities of thousands of residents from across Perth’s southern metropolitan corridor.

Table 3.6 presents the aquatic and dry facilities at Cockburn ARC.

Table 3.6 Cockburn ARC facilities

Aquatic facilities	Other facilities
50 meter outdoor pool (9 lane)	Health club (gym, fitness studio, mind and body group fitness studio, spin room, members lounge)
25 meter indoor pool (8 lane)	Function rooms
Learn to swim pool	Six court stadium
Waterplay pool	Creche
Warm water pool	Café
Recovery pools (no public access)	
Waterslides (3)	
Spa, sauna, steam room	

Source: City of Cockburn

The Cockburn ARC has an annual patronage of around 1.4 million people, and has around 7,500 gymnasium members. The Centre offer its patrons a wide range of facilities and ancillary benefits which drives the level of patronage as well as memberships. The most successful facilities in terms of revenue for the Cockburn ARC include their health and fitness spaces, swim school, dry programs and leases on other spaces.

Some of the critical success factors highlighted in consultation are presented below.

- New developments typically follow a rigorous feasibility process (including a Needs Assessment and community engagement) and business case development before partnership models are established;
- Developing an integrated community facility with a comprehensive offering is key. Facilities that fail to offer one particular ‘area’ of service, the facility foregoes a particular cohort (or revenue stream);
- Gymnasiums typically generate a significant share of total revenue;
- There is a need for an experienced operator with a well calibrated model to run aquatic and recreational facilities; new equipment and facilities won’t work on their own;
- Learn to Swim facilities must be indoors; outdoor pools are exposed in the winter months which limits membership and patronage. Facilities that limit their target market for six months of the year (ex. ‘serious’ swimmers) are unlikely to be successful;
- Enticing memberships through simple prices can be beneficial for members and drive the use of integrated facilities (ie. similar prices for ‘wet only’ and ‘access all areas’ memberships);
- Water slides can provide a point of difference for patrons (ie. brings in young patrons especially during school holidays).

¹⁴ City of Cockburn (2021). Background, available at: <https://www.cockburnarc.com.au/About/Background>

Figure 3.5 Cockburn Aquatic and Recreation Centre (ARC), Cockburn, WA



Source: Cockburn ARC

3.2.5 Craigie Leisure Centre

Originally opened in 1988, the Craigie Leisure Centre is an integrated community leisure centre comprising of aquatic facilities, and recreation and sports facilities. In 2005, the Centre had a redevelopment which established a gym and dry areas and subsequently, saw the establishment of a 50 meter outdoor pool.

Approximately, the Centre has around 3,300 Learn to Swim enrolments, 2,500 multi access members, 800 gym only members and 800 group fitness members with most of its members coming from Duncraig, Craigie, Padbury, Hillarys and some areas to the south of Joondalup. Some of the Centre’s comparative advantages include its location, accessibility (ie. car parking) and freeway access.

Table 3.7 presents the aquatic and dry facilities at the Craigie Leisure Centre.

Table 3.7 Craigie Leisure Centre facilities

Aquatic facilities	Other facilities
25 meter indoor pool (8 lane)	Gymnasium, group fitness and wellness studios, spin room
50 meter outdoor pool (8 lane)	Sports courts and stadium
Indoor leisure pool	Creche
Outdoor children’s water playground	Café
Spa, sauna, steam room	Poolside barbeque

Source: City of Joondalup

Some of the critical success factors highlighted in consultation are presented below.

- Facilities are typically less reliant on how they ‘look and feel’ but more reliant on how they operate. Operational costs are recoverable if facilities operate efficiently;
- Facilities need to consider their catchment population with a radius of around 5-10 kilometers (this is where people move around in);
- Geothermal energy sources can reduce operational costs significantly although there is a large upfront cost;
- The demographic profile of the catchment area is a critical consideration to the initial design and infrastructure provided at the facility, and then the programming and services offered at the facility. The “family” demographic is an important part of the design and programming at Craigie and is a key consideration;

- Offering a wide range of services and a range of memberships (ie. multi-access, gym membership, group fitness) is important to sustain a facility’s membership base. Creche is also a vital offering for gym and learn to swim revenue streams;
- Learn to Swim facilities typically make significant contributions to revenue, these are better suited as indoor facilities to capture the market all year round;
- Hydrotherapy is becoming a big growth area and something that should be invested in to cater for elderly groups or those in rehabilitation;
- 50 meter pools should have a minimum of 8 lanes and cater for shallow and deep area and aquarobics.

Figure 3.6 Craigie leisure Centre, Craigie, WA



Source: City of Joondalup (right), Perkins Builders (left)

3.2.6 Scarborough Beach Pool

The \$26 million Scarborough Beach Pool overlooks the Indian Ocean and has been described as a facility that meets “the health and recreational needs of its residents within the coastal and western suburbs, as well as the broader population that are attracted to Perth’s premier beachfront destination” and has the potential to become a “jewel in the crown”.¹⁵ The Beach Pool caters for all ages and provides a place to exercise, recreate and eat.

Unlike most other aquatic facilities, the Scarborough Beach Pool doesn’t have a creche or gym facility as there are many private providers in close proximity to the pool. **Table 3.8** presents the aquatic and dry facilities at the Scarborough Beach Pool.

Table 3.8 Scarborough Beach Pool facilities

Aquatic facilities	Other facilities
Outdoor 50 meter lap pool (8 lane)	Grandstand
Outdoor 25 meter pool (4 lane)	Cafe
Splash pool	Amenities and lockers
	Parents room

Source: City of Stirling

¹⁵ Australian Leisure Management (2016). Plans move forward for ocean front pool at Scarborough Beach

Figure 3.7 Scarborough Beach Pool, Scarborough, WA



Source: Commercial Aquatics Australia (right); PerthNow (left)

Some of the critical success factors highlighted in consultation with the City of Stirling regarding the Scarborough Beach Pool are presented below.

- The design of the Scarborough Beach Pool was emphasised throughout the planning process, with a strategic decision made to ensure the pool was a destination development for the broader Scarborough precinct. This was in part due to the relatively low residential catchment in the immediate area;
- Parking availability and accessibility is an important driver of patronage and is a key driver for family user groups in particular;
- Learn to Swim facilities are better suited to indoor settings and will drive repeat business. The Learn to Swim program at Scarborough Beach Pool is only open in full for six months of the year, with reduced numbers (older children) for three months and complete closure for three months;
- Construction cost risks are important, particularly on the civil works side in challenging side locations. These can add significant up front capital costs and contribute to ongoing maintenance cost escalation at the facility.

3.2.7 Terry Tyzack Aquatic Centre

Formerly known as the Ingelwood Swimming Pool (and also located within the City of Stirling’s boundary), the centre reopened under the name Terry Tyzack Aquatic Centre in 2001. The Centre is strategically located within the highly populated City of Stirling LGA and is also only a 15 minute drive from the Perth CBD.

Table 3.9 presents the aquatic and dry facilities at the Terry Tyzack Aquatic Centre.

Table 3.9 Terry Tyzack Aquatic Centre facilities

Aquatic facilities	Other facilities
25 meter indoor pool (8 lane)	Gymnasium
50 meter outdoor pool (8 lane)	Creche
Outdoor leisure pool and toddlers pool	Multi-purpose function centre (ie. group fitness)
Spa, sauna and steam room	

Source: City of Stirling

Figure 3.8 Terry Tyzack Aquatic Centre, Inglewood, WA



Source: City of Stirling

Some of the critical success factors highlighted in consultation with the City of Stirling are presented below.

- Learn to swim facilities are better suited to indoor settings and will drive repeat business;
- Location, visibility, service offering and an understanding of your catchment area are key planning considerations;
- A facility’s ability to generate ancillary revenue from dry facilities is important;
- Parking availability and accessibility is an important driver of patronage and will be attractive for families;
- The selection of a site needs to be investigated to enable the establishment of an integrated facility that has the potential to cross-subsidise operational expenditure with commercial operators (ie. commercial rent payers).

3.3 Examination of planned and potential aquatic facilities

This section presents an overview of three proposed aquatic facilities (plus the WACA Aquatic Facility) that share a number of common traits to the proposed WACA Aquatic Facility, and the critical success factors that may drive the performance of these facilities. Facilities are presented in alphabetical order.

3.3.1 Ellenbrook Recreation and Aquatic Centre (City of Swan, WA)

The proposed Ellenbrook Recreation and Aquatic Centre is designed to be an integration of recreation, aquatic, health and wellbeing community facility elements in one venue. This development is based on the establishment of a state of the art indoor recreation and aquatic facilities.

Table 3.10 presents the proposed aquatic and dry facilities for the Ellenbrook Recreation and Aquatic Centre.

Table 3.10 Ellenbrook Recreation and Aquatic Centre, proposed facilities

Aquatic facilities	Other facilities
25 meter indoor pool	Indoor multi-purpose sports courts, gym or health club
Warm water pool	Group fitness rooms
Leisure pool	Café
Spa, sauna, steam room	Crèche
	Changing places

Aquatic facilities	Other facilities
	Family change areas

Source: City of Swan

Some of the critical success factors highlighted in consultation are presented below.

- Ensuring the aquatic facility is part of an integrated community facility including access to a gymnasium and group fitness facilities. This can help to cross-subsidise the costly nature of operating community aquatic centres.
- A detailed feasibility study for these types of developments is important. Decisions regarding a proposed pool development must follow a comprehensive process, from an initial feasibility study, to developing a project definition plan, to an operational feasibility study, and finally a business plan which collectively, can take several years to complete;
- Popular aquatic facilities typically include hydrotherapy pools, kids pools and walking pools whereas 50 metre outdoor pools don't provide as much value to families. Dry facilities such as creche and cafes are also important to cater for as many needs as possible;
- Gymnasiums typically generate significant revenue whereas aquatic facilities lose money on average. It is therefore critical these facilities are integrated;
- Swimming pools typically have at least eight lanes to cater for swimming carnivals and events.

Figure 3.9 Ellenbrook Recreation and Aquatic Centre rendering, Ellenbrook, WA



Source: Australian Leisure Management (left), City of Swan (right)

3.3.2 Recreation and Aquatic Facility - South Perth

This development comprises of a regional recreation, aquatic, health and educational facility established that serves the City of Perth and its residents. This option will go beyond providing a standalone swimming pool, but rather integrate a number of leisure, sporting and recreation facilities in a single location to provide economies of scale in service provision and ongoing operational costs.

Table 3.11 presents the proposed aquatic and dry facilities for the Recreation and Aquatic Facility South Perth.

Table 3.11 RAF South Perth, proposed features

Aquatic features	Other features
Outdoor 50 meter pool (8 lane)	Gymnasium
Learn to swim pool (2)	Café and restaurant,
Spa, sauna, steam room	Playground
	Walking and cycling trails

Aquatic features	Other features
	Picnic spaces,
	Meeting, function and treatment rooms
	Indoor sports courts and a feature climbing wall

Source: City of South Perth

Some of the critical success factors highlighted in consultation are presented below.

- Decisions regarding a proposed pool development must follow a comprehensive process, from an initial feasibility study, to developing a project definition plan, to an operational feasibility study, and finally a business plan. This process can take up to 2 years to complete.
- There needs to be broad engagement with the community, stakeholders, and the Council, to ensure there is alignment to the needs.

Figure 3.10 Recreation and Aquatic Facility rendering, South Perth, WA



Source: City of South Perth

3.3.3 Swan River Deck (plus consortium members)

This Swan River Deck is a proposed development which would create a place to connect, swim freely and safely in filtered, clear river water without chemicals, mud, jellyfish and algal blooms all year round and set in the amphitheatre of the Perth City. The vision of the Swan River Deck is to “deliver a world-class interactive well-being, cultural, education and entertainment destination located at Elizabeth Quay”.

The design focus of the Swan River Deck is to create an iconic place that will not only attract people from the Greater Perth area, but also intrastate, interstate and international visitors.

Table 3.12 presents the proposed aquatic and dry facilities for the Swan River Deck.

Table 3.12 Swan River Deck, proposed facilities

Aquatic facilities	Other facilities
100 meter outdoor swimming lap pool	River deck cinema,
Natural pools/ learn to swim pools	Terraces
	Gallery
	Function areas
	Boat moorings

Source: Swan River Deck

Figure 3.11 Swan River Deck rendering, Perth, WA



Source: Swan River Deck

3.3.4 WACA Aquatic Facility

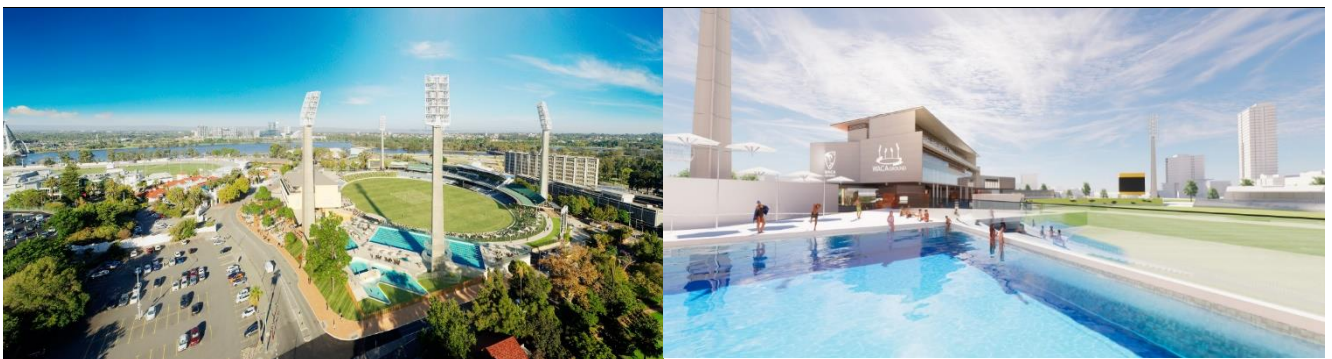
The vision behind the \$100 million WACA Ground Improvement Project is to create a “sustainable community and sporting hub with cricket at its heart including the inclusion of a community aquatic centre to reflect and incorporate the proud heritage and history of the WACA Ground”.¹⁶ The proposed aquatic facility is estimated to cost around \$25 million.

Table 3.13 WACA Aquatic Facility, proposed facilities

Aquatic features	Other features
Outdoor 50 meter pool (6-8 lane)	Cricket and multi-storey facility and central pavilion
Leisure pool	Multi-purpose function centre
Waterslide	Café and community health club
	Auditorium,
	High performance facilities, community sports medicine centre and sensory room
	Office spaces
	Museum

Source: WACA

Figure 3.12 WACA Aquatic Facility rendering, Perth, WA



Source: WACA

¹⁶ WACA (2021). WACA Ground Improvement Project

3.4 Critical Success Factors

Through consultation ACIL Allen has developed six critical success factors which exist across a number of benchmark operating and planned facilities in the Perth Metropolitan Area. The current status of the WACA Aquatic Facility does not address these factors (Table 3.14).

Table 3.14 Defining critical success factors for community aquatic / leisure facilities

Stakeholders	Factor	Description	Why it matters
 	Following process	Clear guidelines for facility planning exist. These take up to two years from a decision to assess feasibility.	The development of large community leisure facilities represents one of the most significant investments a local government authority can undertake. There are established processes for planning and assessment which ensure the best value for money outcome for ratepayers.
	Catchment size	There is an average catchment size of ~80,000 for facilities in Perth Metro Area. The proposed WACA Aquatic Facility has a catchment of 110,000 but with multiple competing facilities in scope.	The location of an aquatic facility is critical to its overall prospects. This reinforces the need to undertake a comprehensive planning and assessment process regarding basis of design, functionality and site selection to ensure value for money.
	Competition	The best performing facilities are in isolated catchments without significant competing facilities, which is particularly true for public aquatic facilities.	The number of competing facilities within a catchment area is a critical consideration for planning and development of new leisure facilities. This reinforces the need to undertake a comprehensive planning and assessment process regarding site selection to ensure value for money.
	Programming & management	Stakeholders emphasised the need for the facility to be highly utilised. The surest approach is active management and provision of programs for users.	Leisure facilities are high fixed cost assets, meaning utilisation of the facilities is critical to driving cost recovery and progress towards generating a financial return. The most successful facilities in Western Australia are highly programmed and have high volumes of patronage as a result.
	Integration	Aquatic facility managers generally target operating cost recovery as the primary financial target. Provision of a number of integrated and complementary “dry” services is critical to drive overall financial performance.	The overall success or failure of a leisure centre development is based on the structural and financial integration of “wet” and “dry” areas. This is due to the high cost per user of aquatic facilities, which typically requires cross-subsidisation of higher volume, lower cost “dry” facilities to ensure viability.
	Design	Stakeholders emphasised the importance of design and integration, to ensure facilities are tailored to the needs of users and services provided.	The design and services offered by leisure centres can make or break the overall viability of the infrastructure. The best performing aquatic facilities are indoors and provide a range of experiences that cater to all user groups.
	Point of difference	It is evident there are two kinds of facility: community-focussed and iconic facilities. Each can drive outcomes, but it is hard to do both.	There has been insufficient work undertaken to establish the strategic justification for either a community facility or an iconic facility in the City of Perth.

Source: ACIL Allen

Financial and Operations Analysis

4

This section of the Business Plan provides an overview of the expected operations of the WACA Aquatic Facility over the term of the current proposed Heads of Agreement between the City and the WACA. This includes the presentation of summary financial modelling conducted by ACIL Allen using inputs from various work completed on the facility to date, desktop research, and benchmarking information and advice received from stakeholders throughout the preparation of this Business Plan.

4.1 Proposed WACA Aquatic Facility operations

The proposed basis of design for the WACA Aquatic Facility includes the provision of the following “wet” infrastructure to support the provision of services.

- An outdoor six lane 50m pool
- An outdoor Learn to Swim pool, enclosed in a shade structure
- Leisure water facilities including a shallow (~0.5m maximum depth) splash pad, and potentially two waterslides with associated landing areas.

The pools are proposed to be heated using a geothermal heating system, which will allow water to be heated to appropriate temperatures to allow for the best possible swimming experience given the constraints associated with outdoor pools. In particular, the Learn to Swim pool is expected to be heated to a higher temperature than the six lane 50m pool to reflect consumer preferences.

4.1.1 Facility operating model

While there is yet to be an agreement regarding the Heads of Agreement, there is sufficient progress with the WACA regarding the proposal that a number of assumptions can be made regarding the operating model for the WACA Aquatic Facility.

It is proposed that the WACA Aquatic Facility and WACA community facilities will be operated by a single, third party service provider under a joint facility management model. This would be different to the majority of community leisure facilities in Western Australia, which are operated by local government authority employees.

As discussed in previous sections, the current draft Heads of Agreement proposes that the WACA Aquatic Facility (owned by the City of Perth) and the broader WACA Ground facilities (owned by the WACA) will be structurally separated from a financial perspective. This means the City and WACA will be responsible for meeting the respective costs associated with each facility, and receive the revenue associated with each facility.

There may be opportunities to explore concepts around joint facility memberships, where users would receive access to both the WACA Ground facilities and the WACA Aquatic Facilities for a

single price. However, this matter is not resolved as of the time of business plan drafting and so it is assumed each party will operate its respective facility separately.

Under the proposed Heads of Agreement the WACA Aquatic Facility will have the following operating hours:

- Monday to Friday: 5:30am to 8:30pm
- Saturday and Sunday: 6:30am to 8:00pm

Parking facilities will be provided by the City of Perth, with 700 bays to be made available for use of the users of the facilities. It is anticipated these bays would be provided on a short stay, fee-paying basis at a suitable existing location in close proximity to the WACA Ground.

4.1.2 Provision of services at the WACA Aquatic Facility

The infrastructure and operating model will support the provision of the following aquatic services and programs at the WACA Aquatic Facility.

Access to pool and splash pad

The proposed WACA Aquatic Facility will offer lap swimming to individuals who reside in both the City of Perth and outside of the City of Perth. Individuals can purchase casual passes to access both the six lane 50m outdoor pool and splash pad. It is also proposed there will be an ability for individuals to purchase memberships to the WACA Aquatic Facility which may entitle them to use of the outdoor six lane 50m pool and splash pad at their convenience, however there is currently no agreement on this matter.

Access to the WACA Aquatic Facility on this basis will also allow individuals to utilise the Learn to Swim pool at times where it is not in use for the provision of this program.

In line with other facilities in the Perth Metropolitan Area, users will have the ability to hire individual lanes of the six lane 50m pool for exclusive use for periods of time.

This level of access will not entitle the individual to access the proposed water slides, with a separate pass required to reflect the higher cost and higher amenity of the slides. This is discussed on the next page.

Learn to Swim program

The proposed WACA Aquatic Facility will offer a Learn to Swim program. This program will involve the use of the Learn to Swim pool to teach children how to swim, and swim and survive skills.

It is proposed this program will run for six months of the year full time, be closed in winter months, and be run on a reduced basis around winter months. This is due to the provision of the service in an outdoor pool, with evidence provided by stakeholders who operate outdoor Learn to Swim programs around Perth suggesting either enrolment numbers drop during cold weather to the point where the service runs at a significant loss or the service is not offered at all for this reason.

Further details regarding the Learn to Swim program remain to be confirmed as it is expected this program would be managed and operated by a third party service provider appointed to run both the Aquatic Facility and the other leisure facilities at the WACA. Details of this arrangement remain to be agreed between the WACA and the City.

Aquarobics and other programs

It is expected the WACA Aquatic Facility will offer structured exercise programs for individuals and groups in the six lane 50m pool, such as aquarobics and programs for older Western Australians. These programs would be offered on either a casual basis or as part of memberships. Facility

programming and the kinds of programs offered remain to be confirmed as it is expected this program would be managed and operated by a third party service provider appointed to run both the Aquatic Facility and the other leisure facilities at the WACA. Details of this arrangement remain to be agreed between the WACA and the City.

Waterslide passes

In the event the provision of one or more waterslides at the WACA Aquatic Facility is deemed feasible, it is proposed users will have the ability to purchase casual entrance passes which entitle them to access both pool and waterslide infrastructure. This would be a higher priced pass than a general facility to reflect the higher cost of services provided, and the improved visitor experience associated with the slides.

There may be opportunities for individuals to purchase multiple waterslide passes on a discounted basis (ie a “five passes for the price of four” arrangement), however it is expected this would be managed and operated by a third party service provider appointed to run both the Aquatic Facility and the other leisure facilities at the WACA. Details of this arrangement remain to be agreed between the WACA and the City.

4.2 Financial modelling

In order to present an independent perspective on the financial outlook for the proposed WACA Aquatic Facility, ACIL Allen has undertaken a review and benchmarking of financial information provided by the WACA in support of the proposed WACA Aquatic Facility and built its own operating financial profile of the project. The inputs and assumptions, and outputs of the financial modelling itself, are discussed in this section.

4.2.1 Capital and operating expenditure

This section provides a summary of the capital and operating cost projections for the proposed WACA Aquatic Facility.

Capital expenditure

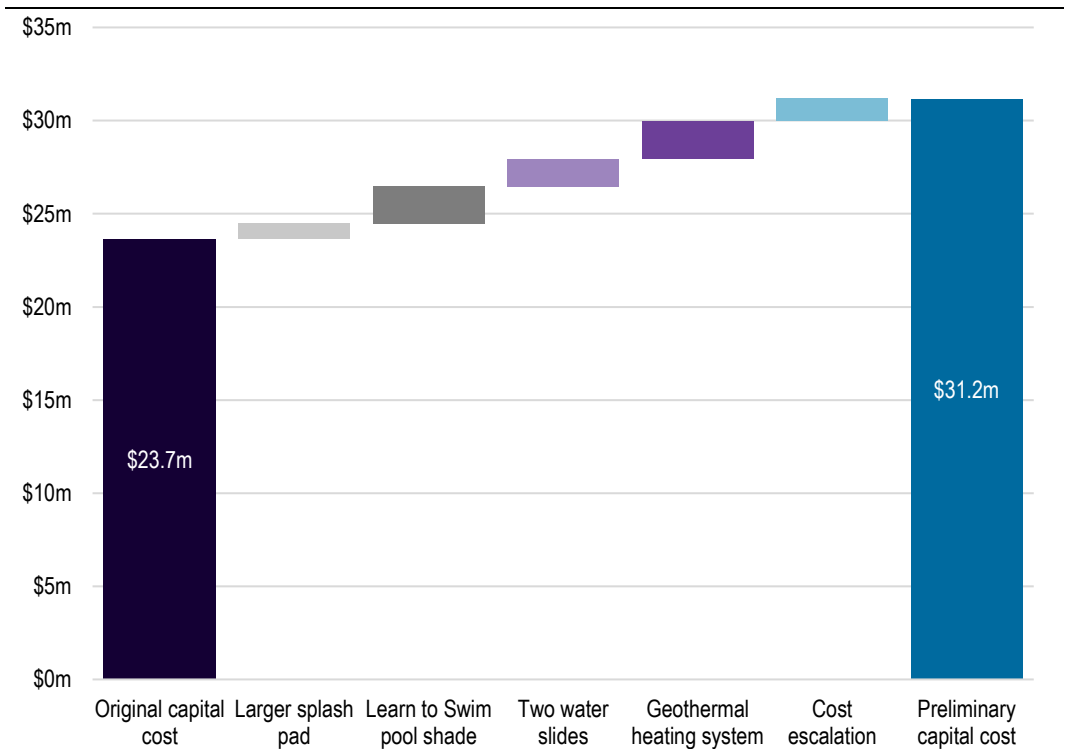
The current estimated capital cost of the WACA Aquatic Facility is \$31.2 million. This exceeds the provision the City of Perth has made in its Long Term Financial Plan for the WACA Aquatic Facility of \$25 million.

The capital costs to develop the proposed WACA Aquatic Facility are subject to change in the event the design of the facility progresses to Stage 2. At this stage of the development, the proposed WACA Aquatic Facility has been costed at a quantity surveyor level, meaning they are based on an estimate of the cost per square metre of installed infrastructure. These estimates were produced as part of the Stage 1 design phase of the overall WACA Redevelopment Project, with a summary costing report made available to the City of Perth.

Over time the capital cost estimate of the WACA Aquatic Facility has been revised higher to reflect buoyant economic conditions in the building and construction industry, and changes to the scope of works to provide infrastructure which is thought to best meet community needs. A breakdown of the cost escalation to date is provided below (**Figure 4.1**).

The extent of cost escalation from the original capital cost contemplated in the quantity surveyor report reinforces the need for the City of Perth to undertake further due diligence on the proposed WACA Aquatic Facility during a design phase to ensure ratepayers are able to achieve value for money and a facility which best meets the City’s strategic priorities and community needs.

Figure 4.1 Breakdown of current preliminary capital cost estimate for WACA Aquatic Facility, \$m by base cost, variations and additions, and preliminary costing



Source: ACIL Allen

As is contemporary practice with local government infrastructure, the City will be required to establish a sinking fund to ensure it is setting aside appropriate reserves to fund the ongoing maintenance capital expenditure requirements of the WACA Aquatic Facility. As per the Western Australian Government’s *Community Sport and Recreation Facility* guidelines, the sinking fund is established using a straight line depreciation approach where 100 per cent of the value of the asset is to be set aside to fund capital replacement during its useful life. In the case of the WACA Aquatic Facility this useful life is assumed to be the term of the proposed lease (40 years), meaning the sinking fund is set at 2.5 per cent of the capital cost per annum – or an initial value of \$780,000 rising by 2.5 per cent per annum.

It is assumed there will be a need to undertake two major capital works programs throughout the 40 year life of the WACA Aquatic Facility (at year 15 and year 30 respectively). Under the proposed Heads of Agreement, funding must be made available to return the WACA Aquatic Facility site to its pre-construction state at the end of the proposed leased with the WACA. These three items add an additional \$29.3 million of capital expenditure to the project, the vast majority of which is funded by the sinking fund.

Operating expenditure

The operating expenditure of the WACA Aquatic Facility represents the estimated operating costs which the City of Perth will be required to meet in order to operate, maintain and provide services at the infrastructure. The majority of assumptions have been sourced from the Paatsch Group WACA Aquatic Facility financial model report, with adjustments made in line with the findings and directions provided by stakeholders during engagement as well as ACIL Allen’s own desktop research.

Operating costs are broken into specific costs associated with the day to day operations of the pool, concourse hardstand area, and various aquatic-only amenities such as heating and changerooms.

Labour costs are the most significant component of the operating costs provided by the Paatsch Group, with an assumed \$1.6 million in staffing expenditure in the first year of operations. Using a benchmark rate of \$37.40 per hour¹⁷, and applying this to the proposed hours of operations, suggests an overall staff complement of 22.9 FTE (37.5 hour week) for the Aquatic Facility specifically.

Specific programming related costs have been estimated for Learn to Swim and water slides owing to their unique requirements which change in line with demand and the level of service provided. To model these ACIL Allen has developed estimates of the assumed labour input hours required to deliver services in the first year of the modelling period, and net the cost of these off the overall labour cost estimate provided by the Paatsch Group.

Calculation of specific staffing costs is particularly important for the provision of water slides. Stakeholder engagement revealed the labour costs associated with the operations of water slides are significant, in that lifeguards are required to be in place at a number of points on slide infrastructure. This includes:

- One staff member at the bottom of each slide, in the splash pad/s
- One staff member at the entry point of each slide
- One staff member in place at the entrance to any stairs or supporting infrastructure where users can access the entry point of the slides
- Depending on demand, a staff member at the top of the stairs or supporting infrastructure to manage queuing and reduce the risk of safety incidents.

This means in a two slide model such as that which is proposed at the WACA Aquatic Facility there is a need for between five and six lifeguards to be in place on this infrastructure alone at all times.

With respect to the proposed Learn to Swim program, it is likely teaching staff will be employed on a casual basis and only required to be engaged where there are programs running. This however reinforces the need to ensure programs meet the needs and are well patronised, as the labour costs for delivering a class to one user are the same for delivering a class to ten users in a single class.

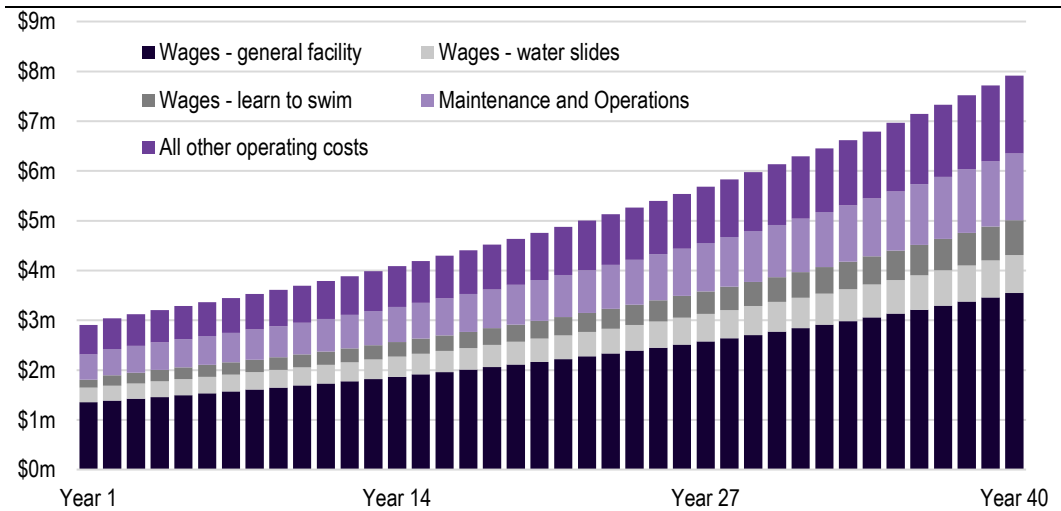
Other operating costs for the WACA Aquatic Facility have been carried forward from the Paatsch Group financial model report as ACIL Allen has no basis to change these. In addition, it is likely the estimates will change following agreement on an operating model for the WACA Aquatic Facility in conjunction with the WACA. A third party operator may take on certain operating costs in return for the ability to generate revenue from the facility. However, as no agreement is in place, it is assumed the City will be liable for all operating expenditure.

Overall ACIL Allen projects the operating expenditure of the WACA Aquatic Facility will average \$3.3 million over the first ten years of the modelling period, with the average rising to \$5.0 million over the course of the 40 year lease term. Operating cost growth averages a steady 2.6 per cent per annum, reflecting indexation of costs in line with inflation (two per cent per annum, except maintenance costs which are assumed to grow at 2.5 per cent) as well as growth in labour-related programming costs as demand increases.

¹⁷ Data obtained from Parks and Leisure Australia Western Australia 2019-20 benchmarking report (average per FTE staff cost across benchmarked facilities used).

The profile of operating expenditure by wages, maintenance costs, and other operating expenses, is provided below (Figure 4.2).

Figure 4.2 WACA Aquatic Facility Operating Expenditure, \$m nominal dollars per annum



Source: ACIL Allen

It is important to note that the cost per patron for the WACA Aquatic Facility under the assumptions developed principally from the Paatsch Group financial model report is \$13.20 per user on average in the first ten years of the modelling period (in inflation-adjusted terms). This would place the WACA Aquatic Facility within a reasonable range of the average operating cost per user in Perth Metropolitan leisure facilities in 2019-20 (\$12.77 per user), noting these figures are:

- for combined “wet” and “dry” facilities, as well as for aquatic-only facilities (which tend to be costlier, both in absolute terms and per head),
- are generalised values which do not take into account differences in amenity, installed infrastructure age and standards, and delivery of programs at each facility, and
- are likely to have been impacted by lower patronage due to restrictions associated with COVID-19, without the ability for many operators to reduce costs in line with declining attendances.

4.2.2 Revenue and demand

This section provides a summary of revenue and demand projections for the proposed WACA Aquatic Facility.

Facility demand and patronage

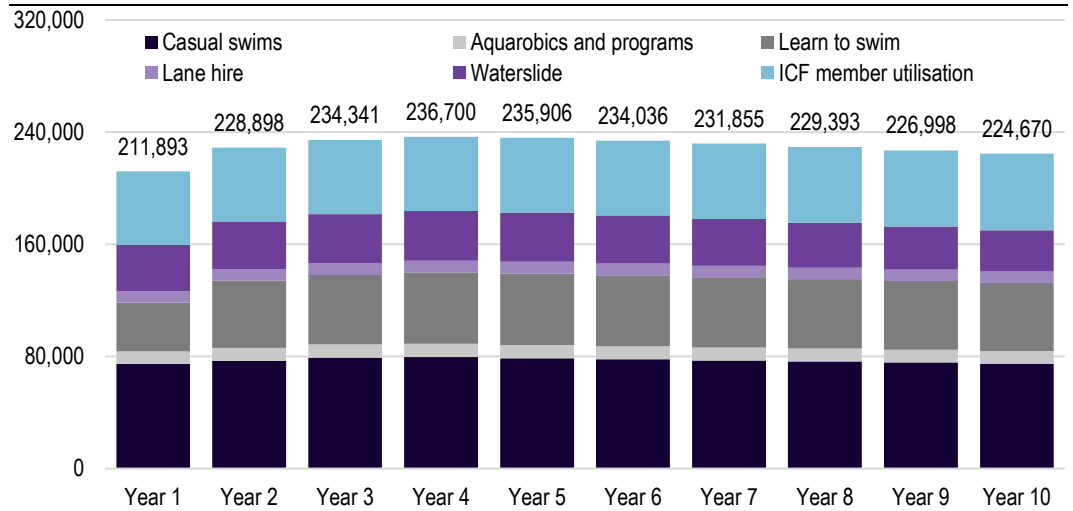
ACIL Allen has developed a demand profile for the WACA Aquatic Facility using the inputs and assumptions various sources, including the WACA Aquatic Facility financial model report prepared by the Paatsch Group, the ActiveXchange demand analysis report, and benchmarking reports of facility performance in Western Australia. The demand profile, by individual program for the first ten years of the facility’s operations, is presented below (Figure 4.3). Overall ACIL Allen projects the WACA Aquatic Facility patronage will average 229,500 visitors per annum over the first ten years of operations, with visitation peaking in Year 4 at 236,700 before steadily declining to 224,670 in Year 10.

At an average of 2.08 visits per 10,000 persons within the catchment area, the overall demand profile for the WACA Aquatic Facility is similar to a small, outer suburban community aquatic facility according to confidential benchmark reports provided to ACIL Allen. It is important to note many

facilities provide both “wet” and “dry” activities for patrons and so are likely to achieve higher demand as they cater to more community needs.

The projected patronage at the WACA Aquatic Facility is based on the values produced by the Paatsch Group initial pre-feasibility study, prepared in April 2020, with a series of adjustments to reflect feedback provided by stakeholders on the provision of services at the facility based on their own experiences and critical success factors.

Figure 4.3 Total WACA Aquatic Facility projected patronage, by program per annum, Year 1 to Year 10



Source: ACIL Allen

These adjustments include:

- Reduced Learn to Swim patronage to reflect closure of the program for three months of the year, and operations at 50 per cent capacity for three additional months of the year.
- Reduced water slide patronage to reflect the potential provision of two water slides, rather than three water slides.
- Reduced demand for aquarobics and other programs, to reflect ACIL Allen’s review of benchmarking data and other reports from stakeholders.

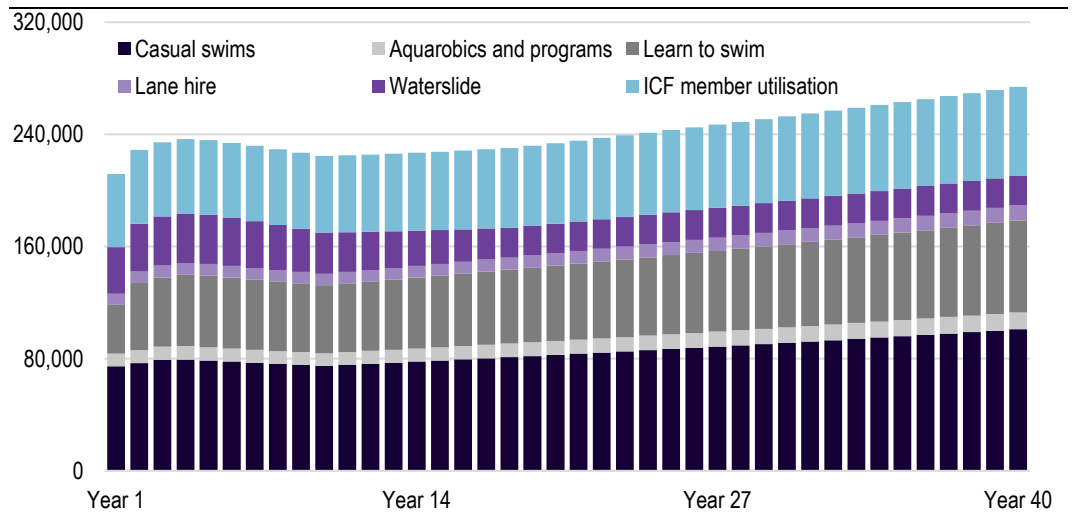
ACIL Allen has also introduced utilisation of the facility by users who are members of the WACA’s facilities, which was not contemplated in the Paatsch Group modelling. ACIL Allen has made no adjustments to the Paatsch Group’s assumptions regarding casual swims and lane hire, as these are informed by modelling undertaken by a third party leisure centre analyst.

In the long run, ACIL Allen projects patronage of the WACA Aquatic Facility will rise steadily in line with the growth and development of the City of Perth’s population. Demand for the WACA Aquatic Facility rises by an average of 0.7 per cent per annum, with patronage reaching 273,864 in the final year of the study (Figure 4.4).

The majority of this growth is driven by the utilisation of the WACA Aquatic Facility for casual swims and the Learn to Swim program, in line with growth in the size of the local population. A review of other facilities in the Perth Metropolitan Area suggests this rate of long run growth is unusual, with facilities typically achieving growth in their early years before utilisation stabilises or declines as the facility ages. However, in the case of the WACA Aquatic Facility, some growth may be expected in the long run to the extent the City’s population increases in line with the ambitions of the City of Perth. There is also some growth in use of the facility by joint facility membership holders, which is

derived from an extrapolation of the Paatsch Group’s overall assumptions regarding the trajectory of this service.¹⁸

Figure 4.4 Total WACA Aquatic Facility projected patronage, by program per annum, Year 1 to Year 40



Source: ACIL Allen

ACIL Allen has also applied a conservative assumption regarding the patronage of water slides at the WACA Aquatic Facility. Modelling provided by the Paatsch Group suggests user demand for water slides will initially increase within the first four years of opening, before declining thereafter. This is consistent with stakeholder feedback received by ACIL Allen. Demand for use of the water slides at the WACA Aquatic Facility is assumed to decline by four per cent per annum every year post Year 10, before bottoming out at 60 per cent of peak demand. Demand is held constant thereafter.

Facility operating revenue

The operating revenue of the WACA Aquatic Facility is critical to the overall financial impact assessment, as it represents the ability of the infrastructure to cover operating costs, ongoing capital replacements, and deliver a financial return to City of Perth ratepayers.

ACIL Allen has developed a revenue profile for the WACA Aquatic Facility based on the outputs of the demand modelling and the application of benchmark prices for access to aquatic facilities in the Perth Metropolitan Area. Further details with regard to pricing for access to the WACA Aquatic Facility remain to be confirmed as it is expected this would be subject to agreement between the City of Perth and a third party service provider appointed to run both the Aquatic Facility and the other leisure facilities at the WACA. Details of this arrangement remain to be agreed between the WACA and the City.

Assumed facility access prices are provided below. Prices have been benchmarked to other facilities in the Perth Metropolitan Area, except for the water slide pass which is based on assumptions provided by the Paatsch Group.

- Casual swim: \$5.50 per patron (average price between adult, child and concession)
- Learn to Swim lesson: \$15.00 per lesson
- Aquarobics and programs: \$15.00 per user per lesson

¹⁸ The City of Perth receives no revenue from the use of the WACA Aquatic Facility by joint facility members under the proposal which is yet to be agreed between the WACA and City of Perth.

- Lane hire: \$23.75 per lane per hour
- Water slide pass: \$14.77 per session

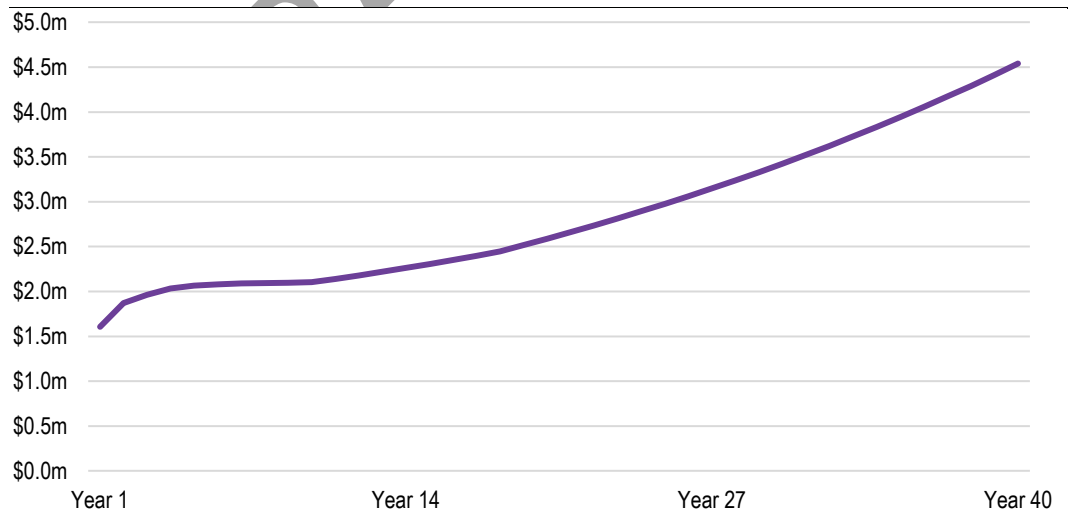
There is no revenue associated with the use of the WACA Aquatic Facility by members of the WACA community facilities in line with the current direction provided from discussions between the WACA and the City of Perth. There is also no contemplation of an Aquatic Facility only membership within the current financial model, however it is likely that if one were available this would come at the partial expense of casual swim revenue rather than being wholly additive to the overall revenue profile.

The application of these prices to the demand and patronage profile discussed in the previous section provides the overall revenue base for the WACA Aquatic Facility over its operating life. Prices are indexed to a conservative rate of growth in the Perth Consumer Price Index, set at two per cent per annum (bottom of the Reserve Bank of Australia’s inflation target band). The revenue profile is presented below (Figure 4.5).

Overall, ACIL Allen projects operating revenue at the WACA Aquatic Facility will average \$2.0 million per annum in the first ten years of the modelling period, and \$2.9 million per annum over the full 40 year term of the facility.

Over the full life of the facility ACIL Allen’s modelling suggests revenue will grow by an average of 2.7 per cent per annum. The revenue profile reflects the compound effects of long term growth in patronage (0.7 per cent per annum on average) combined with growth in prices (two per cent per annum). In line with the demand profile, revenue growth averages 3.2 per cent in the first ten years of the facility, before falling to 2.5 per cent per annum thereafter.

Figure 4.5 Total WACA Aquatic Facility projected revenue, millions of nominal dollars per annum, Year 1 to Year 40



Source: ACIL Allen

The operating revenue does not include any revenue associated with memberships which may be offered to users on a joint basis, providing access to both the WACA Aquatic Facility and WACA community facilities. This revenue would be additive to the values presented above, as the demand profile assumes utilisation of the facility by these members without revenue attached.

4.2.3 Overall financial outlook

The overall financial outlook for the WACA Aquatic Facility is a product of the capital and operating costs to build, manage and maintain the infrastructure, less the operating revenue which is earned by the infrastructure. To the extent that revenues are insufficient to cover the costs of the

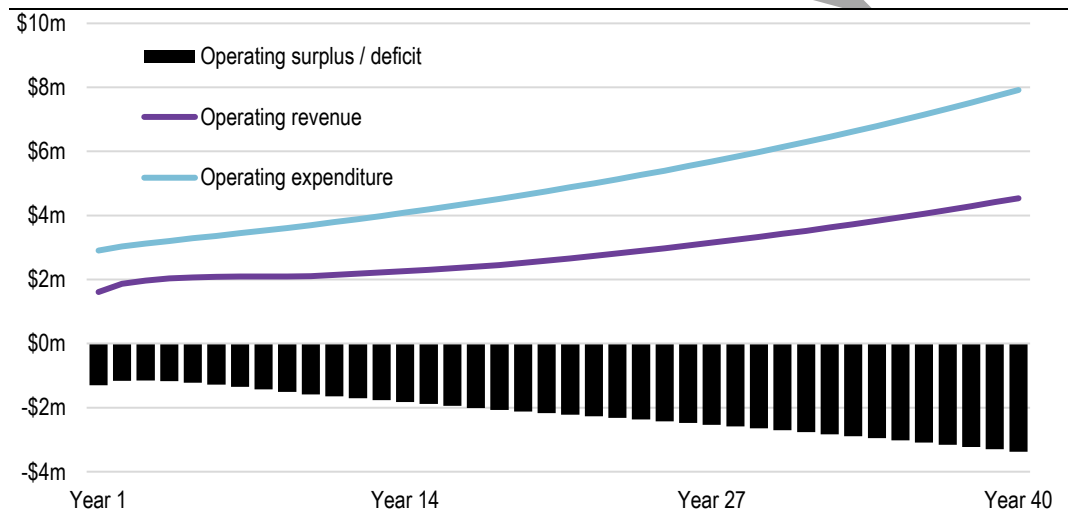
infrastructure, the City will be required to provide an operating subsidy to offset the loss and ensure the operating expenditure is paid.

Operating position

The operating position reflects the WACA Aquatic Facility’s recovery of operating costs only. Operating costs include wages and salaries, general facility maintenance, marketing and advertising, utilities and facility heating costs.

The overall operating financial outlook for the WACA Aquatic Facility under the financial modelling prepared by ACIL Allen is summarised below (Figure 4.6).

Figure 4.6 WACA Aquatic Facility Financial Outlook Summary, Total Revenue, Operating Expenditure, and Operating Surplus / Deficit, \$m nominal dollars



Source: ACIL Allen

The financial modelling suggests the WACA Aquatic Facility will operate in a deficit position on operating costs throughout the term of the facility’s operating life, with an initial deficit of \$1.3 million closing to \$1.2 million in Year 3 as the initial lift in facility patronage provides an increase in revenue. From Year 4 onwards, the operating position progressively deteriorates, reaching a peak of \$3.4 million in Year 40 of the projection.

Over the first ten years – the City’s Long Term Financial Plan horizon – ACIL Allen projects a total operating deficit of \$13.2 million, or \$1.3 million per annum on average. Over the 40 year life of the asset, the total operating deficit is projected to total \$87.5 million, or \$2.2 million per annum.

Under the projected level of revenue and costs, the WACA Aquatic Facility achieves an operating cost recovery ratio of 60 per cent per annum on average in the first ten years of facility operations. This would place the WACA Aquatic Facility below the average rate of operating cost recovery for leisure facilities in Western Australia (67 per cent in 2019-20, or 80 per cent in 2018-19).

Total position (including capital costs)

The cost of the WACA Aquatic Facility also includes the initial capital expenditure associated with construction of the infrastructure, and a series of large, lumpy capital expenditures projected to be incurred throughout the life of the asset. These costs are over and above the day-to-day operations of the infrastructure and are to be added to these costs.

Additional capital expenditure to be included in the financial outlook totals \$29.3 million over 40 years, comprising two major capital upgrades (\$9.8 million in Year 15 and \$14.2 million in Year 30),

and spending required to return the WACA Aquatic Facility to its initial state in Year 40 (\$5.3 million).

In addition to these ongoing capital costs the City must fund 100 per cent of the construction cost of the WACA Aquatic Facility as well as an agreed proportion of any common works (such as utilities connections) and variations to the construction cost – the details of which remain to be agreed. ACIL Allen estimates the capital cost of the WACA Aquatic Facility is \$31.2 million. This means the total lifecycle capital costs associated with establishing and operating the WACA Aquatic Facility total \$60.5 million.

When these capital costs are added to the operating expenditure of the facility, it yields the total anticipated lifecycle cost of the construction and operations of the WACA Aquatic Facility. Overall, ACIL Allen projects the total lifecycle costs total \$271.8 million over 40 years. Of this \$271.8 million, \$113.8 million will be funded by revenue generated at the WACA Aquatic Facility, leaving the remainder to be funded by the City of Perth. Further details on the timing and nature of funding in the context of the City of Perth's financial planning and financial framework are provided below.

It is important to note the City of Perth's Long Term Financial Plan presently provisions \$25 million for the construction of the WACA Aquatic Facility, against a current estimated total cost of \$31.2 million. This will require the City of Perth to identify a funding source for the additional \$6.2 million in its Long Term Financial Plan.

4.2.4 City of Perth funding plan for WACA Aquatic Facility

The City of Perth is required to ensure the capital and operating expenditure of the WACA Aquatic Facility is fully funded on an annual basis. This means that any identified deficits are filled with the provision of a subsidy, which is paid by the City of Perth's ratepayers.

In addition to the annual operational expenditure, the City of Perth is required to provide for ongoing capital works in the form of an annual sinking fund equivalent to 2.5 per cent of the initial construction cost for the WACA Aquatic Facility. This ensures there is adequate funding to undertake major capital works, such as upgrades to keep the infrastructure safe and offering modern amenity to users. This funding is made available as required to undertake capital works.

Under the financial framework developed by ACIL Allen and rigorously tested with the City of Perth, the WACA Aquatic Facility's finances are reconciled annually. This means any operating deficits are reduced to zero, the annual estimated provision for the sinking fund is provided in full, and any additional capital works which are not able to be funded by the balance of the sinking fund at the time they are incurred are paid as they are due.

This framework provides a perspective of the total lifecycle financial position of the WACA Aquatic Facility from the perspective of its status as an individual piece of infrastructure operated by the City of Perth, identifying the subsidy required to be paid by City ratepayers to fund the development.

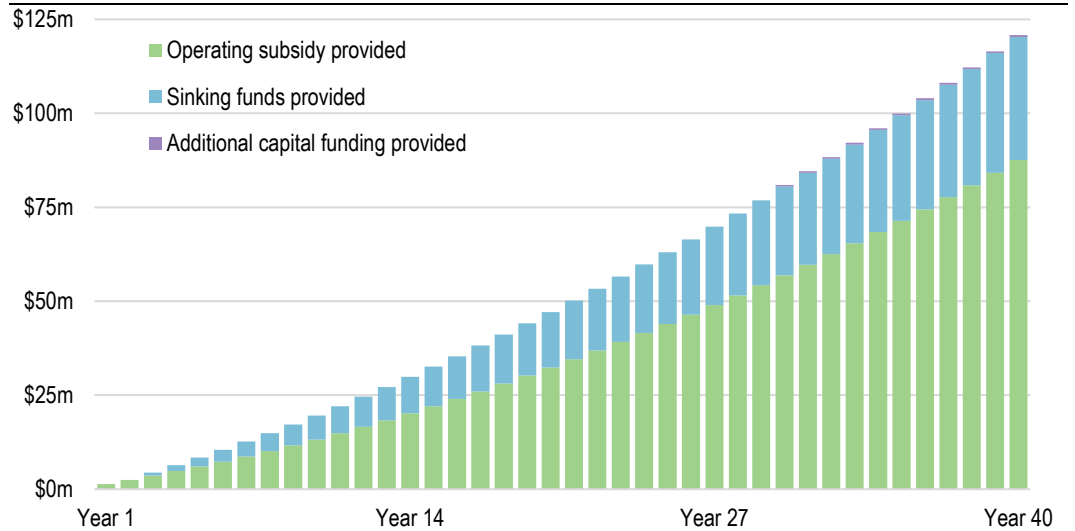
The annual position of the WACA Aquatic Facility under this framework is presented below (Figure 4.7).

Overall, ACIL Allen identifies a total lifecycle subsidy of \$120.3 million will be provided by the City of Perth to operate the WACA Aquatic Facility, or \$3.1 million per annum. The lifecycle subsidy comprises the following:¹⁹

¹⁹ Under the financial framework developed by ACIL Allen and assumptions presented in this section, there is a credit balance of \$3.4 million remaining in the sinking fund in Year 40. This may present an opportunity for the City to tailor its provision of sinking funds once capital costs are confirmed and a capital works improvement plan is developed for the WACA Aquatic Facility.

- Operating subsidy (covering the shortfall in annual operating costs): \$87.6 million
- Sinking fund (covering the sinking fund): \$32.8 million
- Provision of additional capital funding (to cover a sinking fund shortfall in Year 30): \$0.5 million.

Figure 4.7 Total WACA Aquatic Facility lifecycle subsidy requirements, \$m cumulative value



Source: ACIL Allen

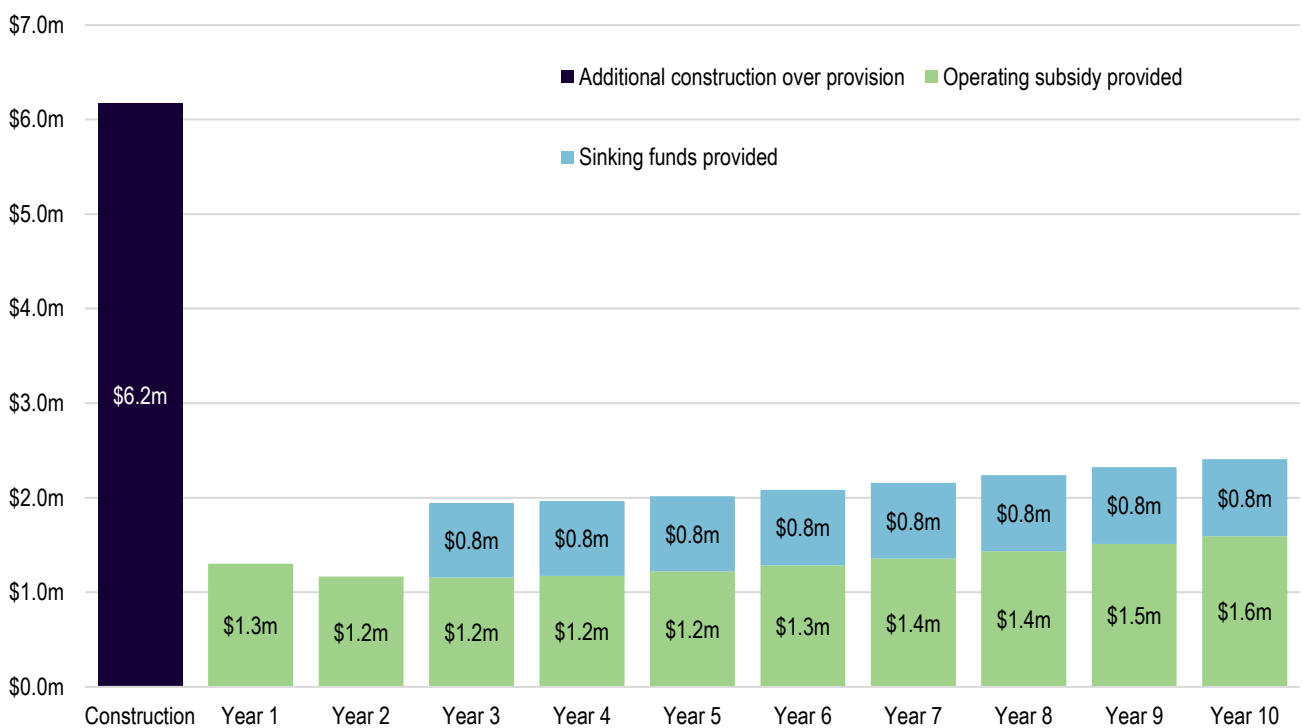
These total lifecycle subsidy values are over and above the initial capital cost of the WACA Aquatic Facility, which is currently estimated to be \$31.2 million. Adding this to the overall assessment suggests the total lifecycle cost of the WACA Aquatic Facility to the City of Perth is \$151.5 million over 40 years. As it stands, the City of Perth has budgeted \$25 million for the capital works associated with construction of the WACA Aquatic Facility only, meaning over the 40 year life of the facility some \$126.5 million of additional funding will be required.

4.2.5 Ten year financial plan horizon impacts

The City of Perth prepares a rolling Long Term Financial Plan in line with the requirements of the Integrated Planning and Reporting Framework set by the Western Australian Government. This is a consistent, ten year view of the City’s financial outlook, built up using a model of the City’s total financial position (including its balance sheet).

ACIL Allen projects the first ten years of the WACA Aquatic Facility would require a financial subsidy of \$19.6 million by the City of Perth, or an average of \$2.0 million per annum. In addition, the City will be required to contribute at least an additional \$6.1 million during the construction phase of the WACA Aquatic Facility over and above the current provision of \$25 million, taking the total Long Term Financial Plan horizon impact to \$25.8 million. The profile of the impact over this period is presented below (Figure 4.8).

Figure 4.8 WACA Aquatic Facility Long Term Financial Plan Horizon Impacts, \$m nominal dollars of additional provisions in Long Term Financial Plan required



Source: ACIL Allen

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Attachment 15.5B - Chronology of Stakeholder Consultation

1. The State Government appointed Commissioners endorsed the City's 4 Year Corporate Business Plan at its 30th June Ordinary Council Meeting, which allocated funding for the WACA Redevelopment to undertake the due diligence investigations/feasibility for the proposed WACA aquatic facilities.
2. A consultant proposal arranged by the WACA to undertake the WACA Ground Improvement Project and further Aquatic Facility Assessment (Stage 1) commenced August 2020. The scope included:
 - 1) *Prepare pre-schematic designs for the WACA Improvement Project (with and without aquatic facilities)*
 - 2) *Refine capital costs, operating costs and replacement costs of the aquatic facilities based on pre-schematic designs*
 - 3) *Identify land tenure options/recommendation based on co-location of the aquatic facilities*
 - 4) *Undertake a needs analysis and public consultation for the proposed aquatic facilities*
 - 5) *Identify the Governance Structure and Commercial Principles associated with the co- location and operation of the aquatic facilities*
 - 6) *Undertake detailed Project Feasibility and Business Plan for the proposed aquatic facilities*
3. At a Special Council Meeting on 17 September 2020 the following was resolved:
 2. *AGREES to the City of Perth contributing \$35m towards the Perth City Deal for the WACA Aquatic Facility (\$25m) and Roe Street Upgrades (\$10m) subject to:*
 - 2.1 *Council's future consideration and endorsement of a business case for the WACA Aquatic Facility which would include the City of Perth and the WACA reaching a satisfactory agreement of income and expenditure, roles and responsibilities, and operating costs and ongoing capital relating to the facility;*
 - 2.2 *The contributions for the WACA Aquatic Facility and Roe Street Upgrades being included in the applicable annual budget; and*
 3. *DETERMINES the report and resolutions remain confidential until Federal or State Government publicly announce the details of the Perth City Deal.*
4. The City Deal was announced on the 20th September 2020.
5. Since October 2020, the City have either corresponded with or met with WACA representatives on an almost weekly basis with regards:
 - a. The terms of a draft Heads of Agreement including:
 - i. Initial capital investment and share of cost overruns
 - ii. Location and design of the aquatic facility, including the City's preference to for an eight lane pool which requires an expanded footprint
 - iii. Share of revenue from the Integrated Community Facility (including the gym, café, creche and retail concessions in addition to the Aquatic Facility)
 - iv. Access to / availability of a minimum of 700 carparks in the Nelson Street Carpark for members of the public who are using the WACA facilities (including the Aquatic Facility)
 - v. Term of the agreement being 40 years and associated break rights and make good conditions
 - b. Engagement by the City of an independent consultant to undertake a review of the Stage 1 financial modelling prepared by the WACA

6. The independent consultant's review of the Stage 1 financial modelling was presented to Council at the Ordinary Council Meeting on the 30th March 2021. Based on the draft Heads of Agreement, this showed that the average annual subsidy would be \$2.1m in addition to the initial capital contribution.
7. At the Ordinary Council Meeting held 30th March 2021 the following was resolved:
 1. *AUTHORISES the Chief Executive Officer to prepare a Business Plan for the development of an Aquatic Facility as part of the WACA redevelopment, in accordance with section 3.59(3) of the Local Government Act 1995*
 2. *AUTHORISES an increase in budget of \$200,000 to be allocated to the WACA redevelopment project for consultancy fees*
 3. *REQUESTS the Business Plan for the development of an Aquatic Facility as part of the WACA redevelopment, be presented to Council with a recommendation in relation to advertising the Business Plan in accordance with section 3.59(4) of the Local Government Act 1995.*
8. After a procurement process consistent with the City's Purchasing Policy, ACIL Allen was awarded the contract on the 8th April 2021 to develop the Business Plan on behalf of the CEO in accordance with section 3.59 of the *Local Government Act 1995* which states:
 - (3) *The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of —*
 - (a) *its expected effect on the provision of facilities and services by the local government; and*
 - (b) *its expected effect on other persons providing facilities and services in the district; and*
 - (c) *its expected financial effect on the local government; and*
 - (d) *its expected effect on matters referred to in the local government's current plan prepared under section 5.56; and*
 - (e) *the ability of the local government to manage the undertaking or the performance of the transaction; and*
 - (f) *any other matter prescribed for the purposes of this subsection.*
9. Regulation 10 of the *Local Government (Functions and General) Regulations 1996* applies where "a local government is required to prepare a business plan because of a major trading undertaking or major land transaction that it is to carry on or enter into jointly with another person". This states:
 - (a) *the business plan is to include details of the whole undertaking or transaction, even though the local government is not the only joint venturer; and*
 - (b) *the business plan is to include details of —*
 - (i) *the identity of each joint venturer other than the local government; and*
 - (ii) *the ownership of, and any other interests in, property that is involved in, or acquired in the course of, the joint venture; and*
 - (iii) *any benefit to which a joint venturer other than the local government may become entitled under or as a result of the joint venture; and*
 - (iv) *anything to which the local government may become liable under or as a result of the joint venture.*
10. At a meeting held between the City and WACA on the 21st May 2021, the WACA's CEO:
 - a. Confirmed the WACA Board would not consider an expansion of the footprint for the Aquatic Facility.
 - b. Advised the business plan should progress on the basis of no revenue sharing.