Capital Expenditure Review

Corowa Pool

November 2019

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1. Introduction

Morrison Low has been engaged by Federation Council to undertake a Capital Expenditure Review of the Corowa Pool redevelopment. The review has been undertaken in accordance with the Capital Expenditure Review Guidelines issued by the Office of Local Government (OLG) in December 2010.

A Capital Expenditure Review is required for capital infrastructure facility projects, including renovations and extensions that are expected to cost in excess of 10% of Council's annual ordinary rate revenue or $1 million, whichever is the greater (GST exclusive). Although a project may be exempt from the submission of a Capital Expenditure Review to the OLG, it is expected, that in accordance with best practice, Council should apply the principles of these guidelines to all capital projects.

As such, in accordance with the Capital Expenditure Review Guidelines and good practice, a review of proposed expenditure on the Corowa Pool Redevelopment has been carried out.

2. Background

Federation Council is proposing the redevelopment of the Corowa Swimming Pool. The existing pool was closed in 2017 due to safety concerns, filtration issues and unsustainable leakage and maintenance. Council has been examining solutions since the mid 1990's which include community consultation, option reviews and feasibility studies with a resolution in May 2018 confirming the essential design of the replacement pool.

2.1. Project Timeline Overview

A summary of the events leading up to the current proposal are below:

1995

Council appointed consultants to assess the options for rehabilitation of the existing pool or to construct a new facility:

- Five options were put forward, from a 25-metre indoor complex to a 50-metre outdoor complex. Costing varied from $1 million to $3.75 million
- After examination of the costs with the community and comparison of alternative sites it was determined that the existing site was the preferred location for the provision of an upgraded facility – when it was financially possible. The preferred option at that time was to construct a new 50m X 15m, 6 lane swimming pool including upgrade of the plant room and toddlers pool.

1997

Amenities building / kiosk upgrade constructed to service the swimming pool complex and sporting groups.

2002

Council resolved to update the consultant's report and include the option for the enclosure / heating of the swimming pool. An indicative cost was obtained which was in excess of $1.2 million.

2005

Corowa Golf Club closes indoor heated pool due to viability of the Club and deterioration of the facility.

Public meetings held which supported the following position:

- 50-metre 8 lane outdoor pool received unanimous support
- Most favoured the existing site
- Half of those present indicated they were prepared to look at the feasibility of a new indoor/outdoor facility located at the Golf Club.

2006

Council appointed swimming pool specialist consultants who completed the swimming pool options report including a review of:

- 25-metre 8 lane outdoor pool @ $4 million
- 50-metre 8 lane outdoor pool @ $4.5 million
- 25-metre 8 lane indoor heated pool @ $6 million
- Sporting complex to a public pool facility @ $7.5 million
- 25-metre 8 lane indoor heated pool with sporting complex @ $8 million
- Upgrade of Corowa Golf Club facility. Estimated @ $7.85 million.

Further consultation and publicity was completed following the public presentation of the report and subsequently the swimming pool community steering committee was formed to work with Council to progress the initiative.

2008

Council formed a strong partnership with the schools to attract Australian Government funding through the 'Local Schools' funding initiative. A committee was formed and included all Corowa Shire schools. There was significant publicity and communication with the community as part of this and Council received many letters of support.

2009

Funding application was submitted to the Community Infrastructure Program. Significant publicity and communication with the community resulted with Council receiving many letters of support.

2010

Notification provided by Department that grant application was not successful. Feedback provided that the application was suitable for funding, but bushfire and flood-stricken regions were given priority. In response to this, Mayor Gary Poidevin and Bruce Corcoran met with the Federal Minister and his Advisor at Parliament House to express dissatisfaction with regard to the late funding outcome and again highlight the urgent need for funding.

2014

Review of IP&R Planning was completed following community consultation and revisions were made to Council's Strategic Plans including funds for a 25-metre swimming pool, subject to grant funding being obtained. Council engaged award winning company SWIMPLEX to complete a review of costings and options.

2015

Council engaged SGL to update the feasibility report and operational plan.

2017 - 2019

Council built on the 2015 feasibility study to determine that the new facility should consist of a seasonal 50-metre pool, 11x17-metre program pool and splash pad. This option was tested with a number of community groups culminating in a project proposal for the replacement of the pool.

2.2. Previous Reviews Undertaken

2.2.1. 2006 Corowa Swimming Pool Replacement Study

The Corowa Swimming Pool Replacement Study was undertaken in 2006 due to the age of the existing pool, the age and condition of the existing plant equipment and as a result of major leakage issues with the main pool tank and pipework. Various replacement options were identified, however at the time capital costs were beyond Council's financial capability and a decision was made to continue to operate the pool and to allocate additional funds to keep the pool operational and safe.

2.2.2. 2014 Corowa Swimming Pool Upgrade Options

- Initiated due to on-going issues with leakage and repairs
- Report considered options to repair pool leakage and upgrade plant
- Following the review, Council determined the need to consider long-term facility improvements options and accurate costings.

2.2.3. 2015 Facility Options and Site Opportunity Review

- Followed on from the findings of the 2014 study and reviewed different redevelopment options and locations.
- Council determined that a small indoor pool would not meet community needs and although capital funding could be met it was determined that further investigation for a larger sized pool was required.

2.2.4. 2017 Feasibility Study

- The Feasibility Study built on from the findings of the 2015 review and incorporated detailed capital and projected operating costs of four (4) facility options.
- Following the review, Council established an advisory committee from which it was determined that as a minimum the new facility should consist of a seasonal 50-metre pool, 11x17-metre program pool and splash pad.

3. Capital Expenditure Review process

The Capital Expenditure Review Guidelines have been developed to assist Council's review proposed large-scale capital expenditure projects. Capital expenditure is incurred when a council spends money to buy, construct, renovate or acquire an asset.

This review is designed to:

- encourage Council to evaluate major capital expenditure by means of a consistent methodology
- improve the quality of Council's analysis performed in supporting all forms of project funding and capital expenditure
- enable the financial impact of projects on Council to be quantified, identified and controlled.

The aim of the review is to ensure that Council's evaluation of the proposed capital expenditure is consistent and rigorous, the merits of projects can be compared, and resource allocation can be made on an informed basis. It is important that the evaluation of the project is carried out in a clear, transparent and systematic way and as such Council has engaged Morrison Low to undertake the review.

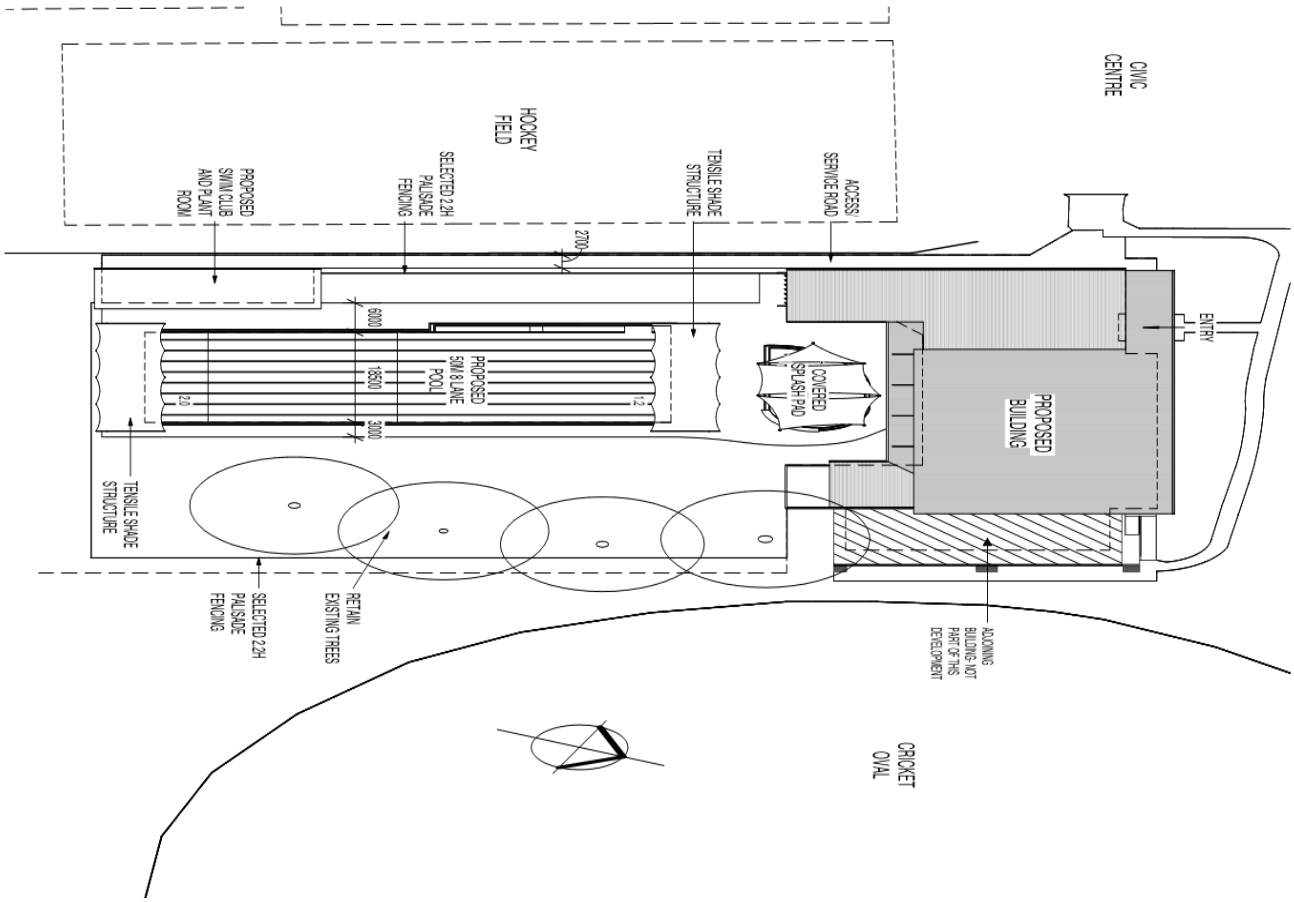
4. Project Outline

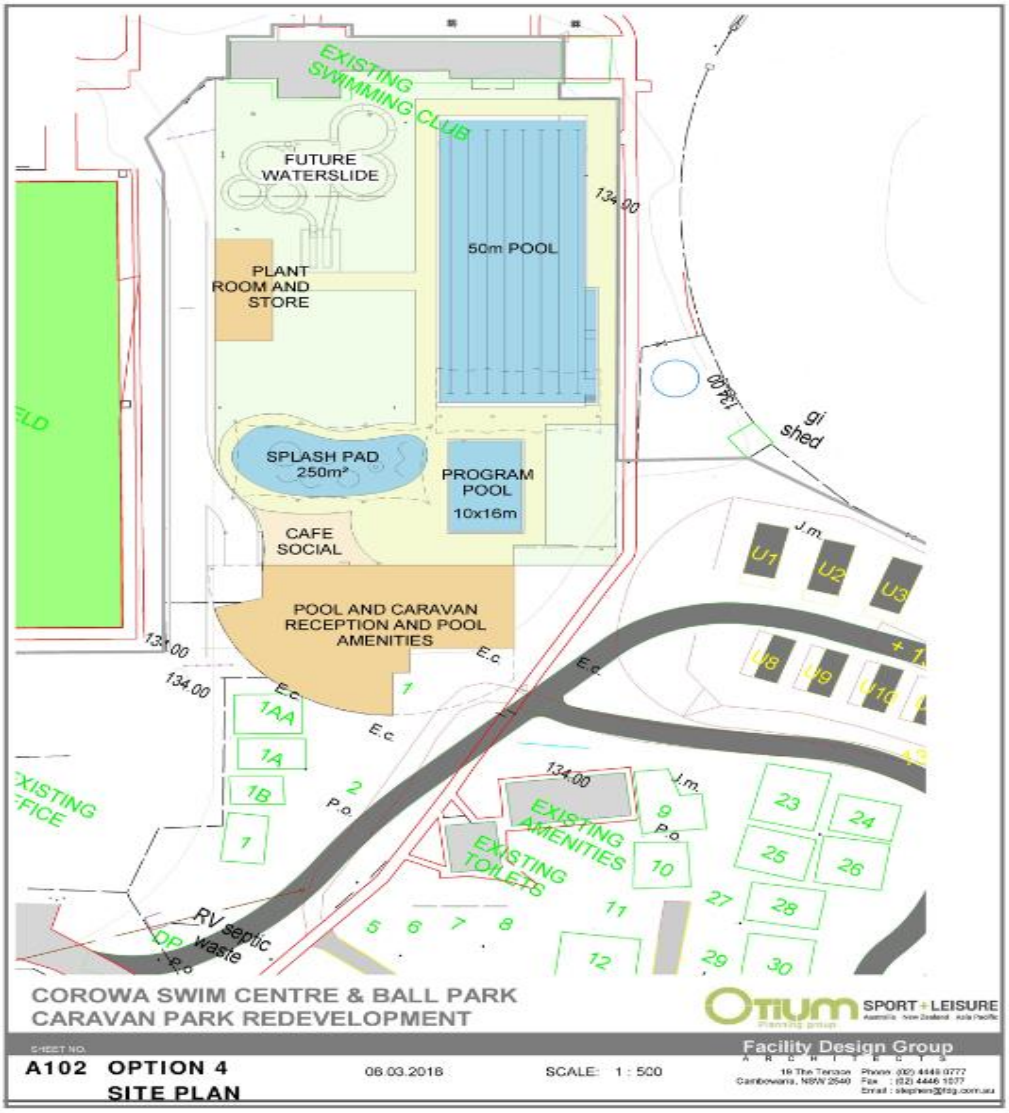
The redevelopment of Corowa Pool has been in consideration since the mid 1990's when an engineering report identified a clear failure in the structural integrity of the existing pool and issues with the plant treatment facilities. Since that time, despite Council's best efforts, the condition of the pool has continued to degrade and has become unsustainable to operate, permanently closing in 2017. During that time work on the redevelopment project has varied in intensity, accelerating under the current Council, culminating in 2018 in a number of recommendations being presented to Council on the way forward prepared by recognised aquatic consultants, Otium Planning – Sport & Leisure.

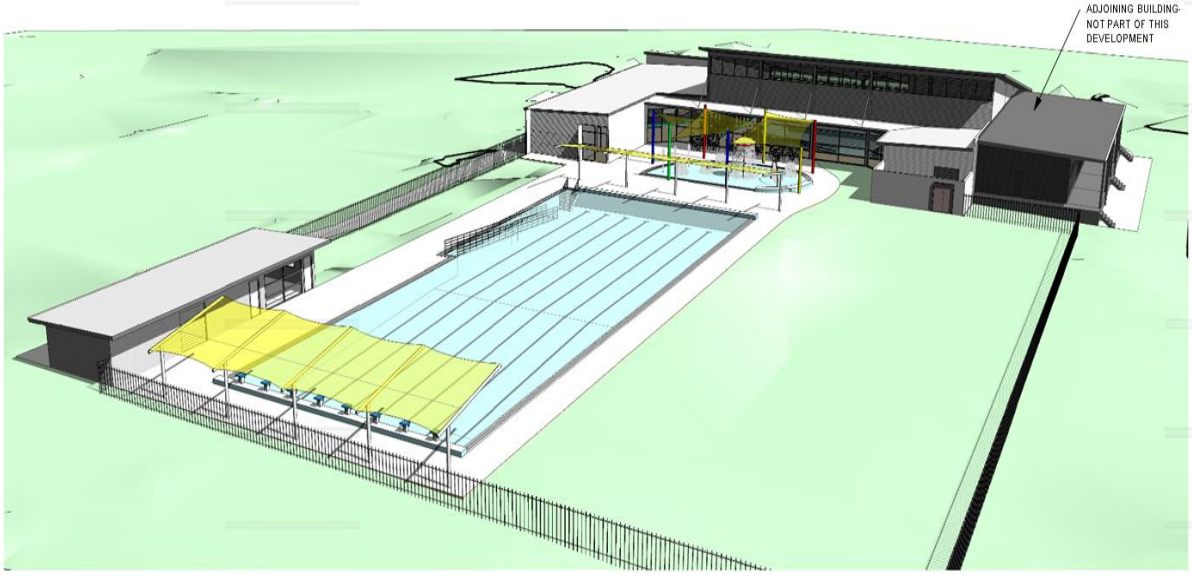
Council passed a resolution in April 2108 and reconfirmed that in May of 2018, on the essential components of the redevelopment. Late in 2018 a Pool Advisory Committee was formed consisting of Council staff, pool users, stakeholders and other community groups. It was determined that at a minimum the new facility should consist of a seasonal 50-metre pool, 11x17-metre program pool and splash pad with costs expected to be around $8.7 million.

The proposed Concept Plan is detailed below.

Figure 1: Proposed Concept Plan




EXISTING SWIMMING CLUB
FUTURE WATERSLIDE
50m POOL
PLANT ROOM AND STORE
SPLASH PAD 250m²
PROGRAM POOL 10x16m
CAFE SOCIAL
POOL AND CARAVAN RECEPTION AND POOL AMENITIES
EXISTING AMENITIES
EXISTING TOILETS
RV septic waste
gi shed
COROWA SWIM CENTRE & BALL PARK
CARAVAN PARK REDEVELOPMENT
A102 OPTION 4
SITE PLAN
08.03.2018
SCALE: 1 : 500
Facility Design Group
SPORT + LEISURE


ADJOINING BUILDING- NOT PART OF THIS DEVELOPMENT

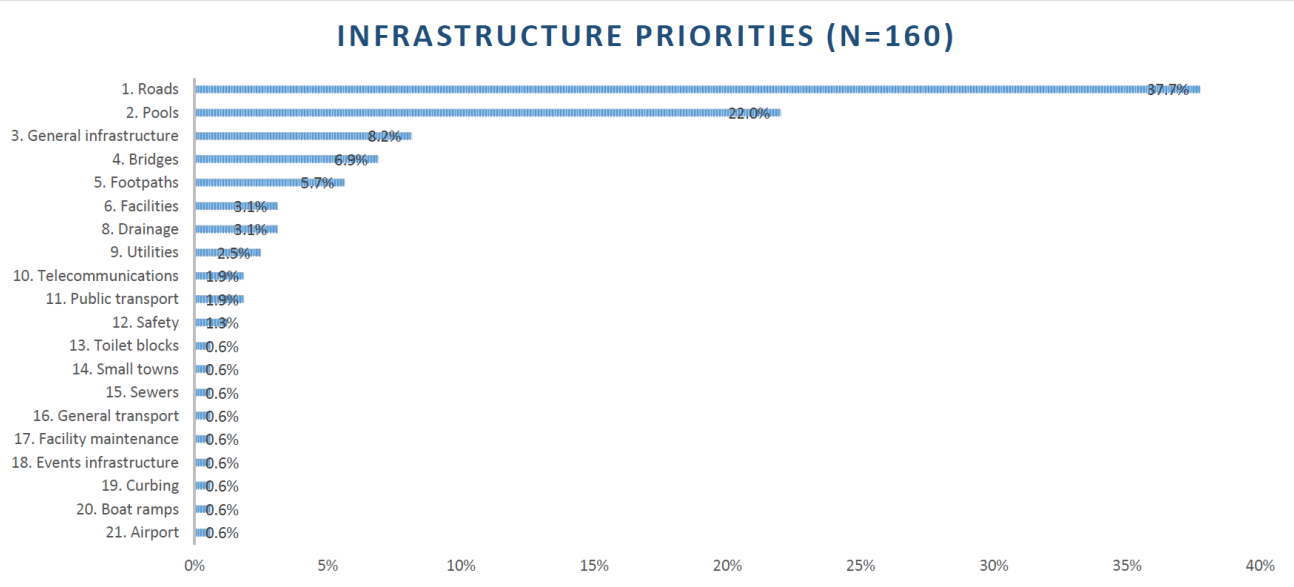
5. Project Justification

5.1. Demonstration of a clear relationship between the proposal and Council's Community Strategic Plan, delivery program and operational plan

5.1.1. The Community Strategic Plan 2018-2028

The Community Strategic Plan (CSP) was prepared under the Integrated Planning and Reporting (IP&R) framework and developed in collaboration with the community. The following figure highlights the key community infrastructure priorities identified during the consultation process.

Figure 2: Infrastructure Priorities



Pertinent to this project the consultation process ranks the Pool 2nd against all infrastructure priorities with 22% of the community identifying Council's Pool as a top 3 priority.

The Community Strategic Plan directly references the redevelopment of the swimming pool as a community priority and the redevelopment of Corowa Pool aligns with the following objectives.

- Objective 1.2.1 *Progressing the development of a new swimming pool in Corowa in the near term*.
- Objective 4.3.1 *Encouraging young people to participate in and contribute to all aspects of community life, including through sport and recreation, arts and culture, volunteering, and involvement in decision making.*
- Objective 4.6.1 *Align sport and recreational opportunities to meet community expectations.*
- Objective 4.1.1 *Provision of ageing well initiatives.*

The following extracts clearly demonstrate that the swimming pool redevelopment is a priority strategic outcome that the community needs.

Figure 3: Extract of the Federation Council Community Strategic Plan 2018-2028

8. Built Federation

Outcome: Maintained and improved infrastructure that meets the needs of residents and industry

Objective	Areas of community importance	Council's Role
1.1 Maintain and improve roads, bridges and footpaths to meet the needs of residents and industry	Aligning roads service levels to residents' and industry's needs for each class of road of each area	Control
	Investigating opportunities to develop additional heavy traffic volume alternate routes	Control
	Investigating opportunities to develop a new bridge over Lake Mulwala	Influence
	Strategic focus in the facilitation of the maintenance and development of roads, bridges and footpaths	Control
1.2 Maintain and improve aquatic, recreational and other community facilities to meet the needs of residents	Progressing the development of a new swimming pool in Corowa in the near term	Control
	Strategic focus in the maintenance and development of recreation and community infrastructure	Control

11. Social Federation

Outcome: Close-knit and welcoming communities where people come together and support each other

Objective	Areas of community importance	Council's Role
4.1 Encourage an age-friendly environment	Provision of ageing well initiatives	Control
	Enabling the autonomy of older people	Influence
	Strategic focus in addressing the needs of ageing communities	Influence
4.2 Improve healthcare	Facilitate general practitioners in rural communities	Influence
	Improved health facilities and services across the Council area	Influence
	Improved public transport to assist residents with mobility limitations to access healthcare	Influence
4.3 Support young people	Encouraging young people to participate in and contribute to all aspects of community life, including through sport and recreation, arts and culture, volunteering, and involvement in decision making	Influence
	Advocacy for increased opportunities for young people to learn, find jobs and develop life skills	Influence
	Strategic focus in youth development	Control
4.4 Support access to quality education	Opportunities for collaboration between students at different schools	Influence
	Preservation of schools in rural communities	Influence
4.5 Work to prevent and reduce the harmful effects of alcohol and other drugs	Support a Local Drug Action Team for the entire Council area	Influence
	Support programs aimed to reduce addictive behaviours	Influence
4.6 Provide sport and recreational opportunities	Align sport and recreational opportunities to meet community expectation	Control
	Strategic focus in the development of sport and recreational facilities	Control
4.7 Support childcare and family services	Increased provision of child and family services	Influence
	Investigating the viability of providing childcare in areas with unmet need	Control
4.8 Encourage community pride and spirit	Support diverse range of community activities and events to foster community pride and spirit	Influence

Council undertook a number of community consultations as part of the IP&R process that culminated in the re-endorsement of the CSP, by the community, with the inclusion of the redeveloped swimming pool.

5.1.2. Aging Well Strategy

Federation Council developed The Ageing Well Strategy which links with existing plans and informs the development of new plans across the Council. The strategy is aligned with Community Strategic Plan 2018-2028 that includes the following priorities.

Table 1: Community Strategic Plan

Community Strategic Plan 2018 – 2028	
Built Federation	Maintained and improved infrastructure that meets the needs of residents and industry
Economic Federation	Growing, progressive and prosperous communities that build on agriculture and tourism, proximity to other centres, and affordability
Natural Federation	Sustainable rural landscapes and waterways offering tranquillity and attractive recreational spaces
Social Federation	Close-knit and welcoming communities where people come together and support each other
Well-Governed Federation	Strong civic leadership supporting equity across communities and effective communication with residents

A literature review on Local Government and Ageing by the University of Western Sydney[1] identified a number of main impacts of the ageing population on local government, in particular, impact on Infrastructure and Services:

- Increased demand for age friendly infrastructure (building, outdoor spaces and amenities) that provides for accessibility, personal mobility, independence, safety, security from crime, health promoting behaviour, social participation and quality of life
- Increased demand for aged friendly community facilities and programs, information services, library services, and sport and recreation facilities and programs

The Strategy addresses the eight (8) themes of the Global Age Friendly - 1. Outdoor Spaces and Buildings; 2. Transport; 3. Housing; 4. Social Participation; 5. Respect and Social Inclusion; 6. Civic Participations and Employment; 7. Communication and Information; 8. Community and Health Services.

Of particular relevance to this project is the Outdoor Spaces and Buildings theme where the objective is to provide age-friendly outdoor spaces and buildings that are pleasant, safe and easy to use and that encourage older people to maintain an independent and active lifestyle.

From community consultation on this strategy the community would like to see:

- Improved access to a heated pool for hydrotherapy
- All year around access to swimming pools
- Improve all ability access to swimming pools
- The installation of outdoor exercise equipment for free access.

The key actions identified in the strategy are:

- Investigate options for improved access to swimming pool facilities across the Council area including opening hours, season times, transport, physical access and so on.
- Further investigate the demand for outside exercise equipment and the viability of installation.

[1] Ageing Well Strategy 2018-2022, Federation Council page 16

5.1.3. Federation Council's Delivery Program

The Corowa Pool is also referenced in the current Delivery Program 2018-21 on page 22 under the Capital Works section. The delivery program details the commencement of the project and following is an extract from the Program.

Table 2: Extract of the Federation Council Delivery Program 2018-21

DELIVERY PROGRAM 3 year Goal **1.2: Maintain and improve aquatic, recreational and other community facilities to meet the needs of residents.**			
Operational Plan Action Code	**Operational Plan Action 2019/2020**	**Operational Plan Action 2020/2021**	**Responsible Department**
1.2.3	Construct Owens Bridge Reserve and Boat Ramp upgrades **COMPLETED 2018-2019**		
1.2.4	Construct new Corowa Swimming Pool complex.	Ensure implementation of effective management model and schedule of programs and activities at the pool complex.	Engineering / Development and Environmental Services
1.2.5	Develop a Recreation Strategy for the Federation Council area with a prioritised set of actions.	Implement recreation Strategy	Corporate and Community Services
1.2.6	Commence construction of Corowa Skate Park.	Maintain Skate Parks across Federation Council area.	Engineering / Development and Environmental Services
1.2.7	Ensure Swimming Pool Management Services are delivered.	Ensure Swimming Pool Management Services are delivered.	Development and Environmental Services

The project is further progressed in the current operational plan, which is detailed in the next section.

5.1.4. Federation Council's Long-Term Financial Plan

The Corowa Pool Redevelopment has been budgeted for and included in Council's Long-Term financial Plan and has been included as part of the 2019/20 Capital Works Program.

Table 3: Extract of the Federation Council Long-Term Financial Plan 2019-29

Capital Works for 2019-2020

Description	**Amount $**
SALEYARDS	**500,000**
Saleyards Upgrade Works	500,000
SWIMMING POOL	**7,577,980**
Swimming Pool - Corowa	7,467,980
Swimming Pool - Howlong	20,000
Swimming Pool - Oaklands	50,000
Swimming Pool - Urana	40,000
Grand Total	**37,021,593**

5.1.5. Corowa Riverfront Masterplan

The Corowa Pool is also referenced in the 2010 Corowa Riverfront Masterplan on page 41 section 5.7.5. Recommendations include:

- Provide Swimming Pool facilities of a high standard which meet appropriate safety and sporting requirements.
- Consider waterplay area and possible water slide in swimming pool design to provide additional community play space.

5.2. Completion of a business case / feasibility study

In October 2019 Council commissioned Morrison Low to conduct a preliminary business case for Corowa Swimming pool.

The business case consists of economic assessment based on a generalised Cost Benefit Analysis (CBA) framework which quantifies and compares the direct infrastructure cost (capital and recurrent) of a project with the change in economic value (benefits / cost savings) generated with the project.

The assessment has been undertaken in accordance with the relevant guidelines for CBA, specifically, the New South Wales Treasury Guidelines for Economic Appraisal. Where these guidelines do not cover specific methodologies required to estimate benefits of the project (e.g. estimating wider impacts), other benefit guidance has been sought from domestic and international literature and guidelines.

The summary of the business case options are as follows:

- Base Case – Status quo scenario, where no redevelopment of the swimming pool occurs.
- 2017 Option - This option built on the 2015 Option to redevelop the swimming pool that as a minimum, should consist of a seasonal 50-metre pool, 11x17-metre program pool and splash pad.

The results of the CBA for the proposed Corowa Pool Redevelopment Project are summarised in the following table, including the total (discounted) present value incremental costs and benefits and resulting NPV and BCR. Also included are sensitivity results for lower and upper range discount rates (3% and 10%).

Table 4: Cost Benefit Analysis

Total Value ($ million)	
Direct Infrastructure Costs	
Capital	8.66
Maintenance (excl. depreciation)	10.41
Operating expenditure	30.47
Total Infrastructure Costs	49.55
Cost Savings and External Benefits	
Increased value added from construction	3.02
Operating revenue	21.60
Consumer surplus	12.90
Wellbeing impacts	42.93
Residual value	2.20
Total Benefits	82.65
Net Present Value ($ million)	
Discounted (PV) costs	22.84
Discounted (PV) benefits	32.35
NPV	**9.50**
IRR	**22%**
BCR	**1.42**
Scenario analysis	
Discount rate (3%)	
NPV ($ million)	18.93
BCR	1.56
Discount rate (10%)	
NPV ($ million)	5.76
BCR	1.31

In summary, the NPV analysis suggests a significant net benefit of approximately $9.5 million for the proposed Corowa Pool Redevelopment, with a BCR of 1.42 and positive internal rate of return (IRR) of 22%. Given the large volume of upfront costs and the (in general) stream of ongoing benefits, the CBA moves as expected insofar as the lower discount rate (3%) increases the NPV and BCR for the project, whilst the higher rate (10%) decreases the NPV and BCR relative to the base case, although all BCR's recorded are higher than break-even.

A copy of Preliminary Business Case is contained in Appendix A.

5.3. Analysis of community needs and expectations based on community consultation, which should identify how the project will address specific community needs and any issues with public access and equity

Council has undertaken a number of community consultations to assist with the development of the following long-term planning documents; Corowa Shire Community Strategic Plan, Delivery Program & Operational Plan, Corowa Riverfront Master Plan and Corowa Swimming Pool Feasibility Studies. These have been important documents in guiding the future direction of the Council and ensuring the priorities and needs of the community are being achieved.

With respect to the pool development, a large range of other consultation initiatives have been undertaken over the last decade including numerous public meetings held to discuss the swimming pool and the formation of two swimming pool development committees at different times. Through this consultation it was clear that there was a strong demand for a modern and accessible aquatic facility for the Corowa community.

Corowa Shire is a retirement destination but one of few regional areas with positive population growth. The median age in Corowa Shire is 47.9 years old with the NSW median at 38. There is a genuine need for water-based therapy activities to support the wellbeing of the aged population. The Council's aged population also means there is strong demand for facilities that can service the needs of the disabled and less mobile.

The median equivalised household weekly income in Corowa Shire is just $677 compared to the NSW median of $891. This signals the importance of the provision of cost-effective community facilities locally. Corowa township is located 40 minutes from the Regional Centres of Albury or Wangaratta and many families cannot afford to access swimming pools in these locations.

Furthermore, there are eight Schools in the surrounding area who have reported that their students are below average in respect to their ability to swim. This is a vital concern given Corowa's location on the idyllic but dangerous Murray River. Due to Corowa's close proximity to the weir, river currents near Corowa are rapid and not suited to recreational swimming. A safe swimming alternative is essential.

This project delivers the social benefits of inclusion and access by providing a safe and welcoming recreational area for young families and families with disabled children.

Evidence suggests that health and wellbeing outcomes can be influenced by social capital. (Bryson, 2005). In many disadvantaged communities' cost is a major barrier preventing participation in family activities. Provision of low cost forms of recreation is important for communities to thrive in these areas. This project is centred on affordable and accessible recreational activities for families extending to residents in outlying smaller rural communities. An ageing demographic threatens the Council's long-term sustainability and any services designed to attract young families to the region is necessary to reverse this trend.

This project is also expected to stimulate spending in the retail precinct with retailers able to leverage from visitors and local families to the swimming pool.

Online Community Survey

Council undertook an online survey throughout August and September of 2016[2] to determine the community's needs with respect to the redevelopment of the pool. A total of 729 respondents were contacted to complete the survey and a summary of the findings is as follows:

- A total of 74.9% of people had used or visited one of the 10 most popular pools in the region over the past 12 months,
- Of the 74.9% respondents who had used or visited a pool in the past 12 months, 89.2% had visited the Corowa Swimming Centre and 75.5% of respondents said that Corowa Swimming Centre was their most used Pool Facility.
- The main constraints identified by the 25.1% of respondents who had not visited a pool in the past 12 months included:
  - Have and use own pool (24.7%)
  - No Indoor pool close by (21.1%)
  - Too Old (17.4%)
- The survey indicated that there was community support for maintaining an outdoor pool as well as adding an indoor recreation/leisure pool and a water slide. Desired improved services included the

[2] Stronger Communities Grant Application 2017 – New Corowa Swimming Pool

addition of health and fitness classes, membership packages/discount offers, cleaner/more hygienic facilities and longer opening hours.

- Furthermore, 76% of respondents were supportive of the idea to develop a new 50-metre outdoor facility instead of a 25-metre facility even though it would result in an increase in Council rates.

5.4. An outline of the projected costs in Council's long-term financial plan and asset management plans

The Corowa Pool redevelopment proposal was modelled in the Long- Term Financial Plan 2019-29 and is expected to be funded in accordance with the table below.

Table 5: Corowa Pool Redevelopment Funding Sources

Funding Source	Funding Amount ($)
NSW Gov Club Grants	1,000,000
SCF Major Projects – Untied Fund	1,500,000
SCF Major Projects – Tied Fund	3,483,746
Stronger Country Communities	750,000
Council Cash Reserves	1,930,000

Table 6: Summary of the Long-Term financial plan 2019-29

Activity / Expense in Year ($)	2019/2020	2020/2021
Corowa Swimming Pool	4,783,746	1,300,000
Corowa Swimming Pool Splash Park	750,000	
Corowa Swimming Pool Building	1,934,234	

The revised current estimated for the Redevelopment of Corowa Pool is $8.7 million.

6. Capacity of Council

6.1. Capacity of Council's management and skill base to undertake the project

Council's Community Strategic Plan details a number of projects and programs which will be delivered during the life of the plan to provide a range of recreational, leisure and learning opportunities to the community.

The Council staff has successfully delivered on the following projects that evidence their ability to deliver complete projects:

- Construct Corowa Lions Park Boat Ramp and car parks upgrades
- Howlong Tennis Club Pavilion Upgrade
- John Foord Oval – Sporting Facilities Upgrade, Corowa
- Corowa Skate Park Upgrade
- New Digger Loughnan Park Fishing Jetty in Mulwala

Council has a comprehensive internal skill base and where it lacks the skill base to directly undertake the elements required to complete the project, it commissions consultants and specialist project management staff. Following is the project management structure that is being utilised for the Corowa Pool project.

6.1.1. Project Sponsor

The project Sponsor for this project is Federation Council's General Manager.

6.1.2. Project Steering Committee

A project steering committee comprised of Council representatives has been established for this project consisting of the Director of Engineering Services, Manager of Projects and the Manager of Infrastructure.

6.1.3. Project Manager

The project will be led by Jason Schneider-Fuller with the support of a Council Project Officer. He will be responsible for the delivery and execution of the project plan as agreed to by the key project stakeholders.

Key accountabilities include:

- The engagement of contractors to carry out the day to day planning and implementation of the project.
- Formulation and communication of project goals.
- Ensuring plans for Quality and WHS related activities are set up and carried out.
- Ensuring all tendering and procurement activities are completed as per Council standards.
- Ensuring the overall project budgets and timelines are being met.
- Setting up and signing agreements.
- Setting up a project organisation and defining reporting and communication paths, including document handling etc.
- Preparing and communicating security matters in the project, for instance, how to handle confidential information.
- Investigation of relevant rules and regulations within all fields having impact on the project and arranging necessary permits and approvals.

6.1.4. Project Advisory Committee

A Pool Advisory Committee was established and endorsed by Council in 2018 and comprises the following Members:

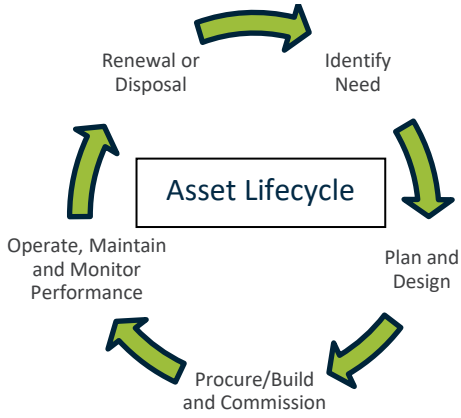
- Cr Shaun Whitechurch (Deputy Mayor), Chair
- Cr Gail Law
- Cr David Longley

- Cr Dylan Forge
- Cr Caitlin Moir
- A.Dir. Infrastructure & Engineering Steve Carmichael
- Rebecca Ross (Swim Club Representative)
- Paul Schnelle (Swim Club Representative)
- Ida Mensforth (Ageing Well Ambassador)
- Nicole Forge (Aquatic Program Operator)
- Maryann Herbert (Recreational User)
- Ken Walkinshaw (Recreational User).

6.2. Identifying the responsibilities of Council to the project on a year-by-year basis throughout the project's lifetime

The development of the project, like other projects will have a lifecycle process, which is displayed in the figure below. The Council's responsibility to the project will vary depending on the phase each asset is in during its life cycle. The responsibilities and financial implications associated with the various phases are summarised below.

Figure 4: Asset lifecycle process



Identify Need

The key driver for this project is the broad range of community demand for a swimming facility for the community of Corowa and immediate surrounds as the existing pool has been closed for the past two years. There is significant local demand for a swimming pool facility that will meet the requirements of the diverse community for the various uses and needs that include:

- Children learn to swim – the eight Schools in the surrounding area have reported that their students are below average in respect to their ability to swim. The default option is the Murray River where children will be exposed to the river currents and snags.
- Senior citizens – The Aging Well Strategy objectives and actions support the need for a multi-functional swimming pool facility to meet the requirements of an aging population.
- Community Users – able to recreate over an extended period with the inclusion of an indoor facility.

- Community Organisations and Groups – Schools swimming carnivals, sporting teams training and social events.

The 2016 online community survey found that the majority of respondents confirmed that the Corowa Swimming Centre was their most used Pool Facility. The survey concluded that there was community support for maintaining an outdoor pool as well as adding an indoor recreation/leisure pool and a water slide.

Plan and Design

The Corowa Pool project plan and design cost estimates are $151,206 and represents approximately 1.7% of the project budget. Plan and design cost for the concept design as per Figure 1, page 5, includes project initiation, concept design, surveyor and approval cost.

Procure/Build and Commission

Procure/Build and Commission will be project managed by Jason Schneider-Fuller with the support of a Council Project Officer.

This phase includes:

- Specification and documentation to go to market
- Evaluation of responses and awarding the contract
- Contract management
- Commissioning of project.

Operate, Maintain and Monitor Performance

As the existing pool has been closed for the past 2 years, Council is currently not bound by a legacy operating model. As such Council is currently considering whether to operate and manage the swimming pool in-house or alternatively to arrange a lease agreement with a third-party provider. Consideration will be taken to determine how to achieve best long-term value for the community.

The projected operating budgets for the Corowa Pool Redevelopment Project have been scaled based on estimates provided in the 2016 feasibility study by Otium Planning, with approximately $516,050 in operating revenue in Year 1 and $785,500 in expenditure. The project cash flow is detailed in Table 7 below.

Table 7: Project cash flow

Period	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Costs													
Capital	8,663,746	8,663,746	0	0	0	0	0	0	0	0	0	0	0
Maintenance (excl. depreciation)	10,408,098	0	259,912	265,656	271,527	277,528	283,662	289,931	296,338	302,887	309,581	316,423	323,416
Operating expenditure	30,474,373	0	785,579	801,291	817,317	833,663	850,336	867,343	884,690	902,384	920,431	938,840	957,617
Total cost	49,546,217	8,663,746	1,045,492	1,066,947	1,088,844	1,111,191	1,133,998	1,157,273	1,181,028	1,205,271	1,230,012	1,255,262	1,281,032
Benefits													
Increased value added from construction	3,020,511	3,020,511	0	0	0	0	0	0	0	0	0	0	0
Operating revenue	21,600,005	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Consumer surplus	12,897,397	0	308,135	315,839	323,735	331,828	340,124	348,627	357,342	366,276	375,433	384,819	394,439
Wellbeing impact	42,925,473	0	1,485,406	1,486,670	1,487,786	1,488,751	1,489,558	1,490,203	1,490,682	1,490,988	1,491,118	1,491,065	1,490,824
Residual value	2,203,067	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	82,646,452	3,020,511	2,309,592	2,331,461	2,353,698	2,376,310	2,399,306	2,422,695	2,446,486	2,470,687	2,495,309	2,520,361	2,545,852
Net cash flow (NCF)	**33,100,235**	**-5,643,235**	**1,264,101**	**1,264,514**	**1,264,854**	**1,265,118**	**1,265,308**	**1,265,421**	**1,265,458**	**1,265,417**	**1,265,297**	**1,265,098**	**1,264,820**
Decision criteria:													
Discount rate	3%	7%	10%										
NPV ($M)	18.93	9.50	5.76										
BCR	1.56	1.42	1.31										
IRR	22%	22%	22%										

6.3. Risk assessment of the project

6.3.1. Assessment of the governance and management structures in place to effectively minimise project risks

As the project cost is $8.7 million (ex GST) the risk management plan for the project has been prepared and detailed in the following table.

Table 8: Risk Management Matrix

Task or Activity Type	Risk Source	Event	Level of Residual Risk	Risk mitigation measures
Completion / Construction	Weather and seasonal implications	Less productivity during wetter seasons of the year for outside work	Low	This is within Council's Risk Appetite and is a latent condition of contract
Demand / Market Risk	Insufficient funds	Insufficient funds to complete the program to community expectations	Low	This will be monitored throughout the project with regular community updates so that an informed decision can be made Council based on community feedback and engagement.
Demand / Market Risk	Competition / market share	Inability to attract anticipated numbers of patrons (due to price, location, other competing leisure centres, etc.)	Low	Additional advertising and awareness procedures will be in place. A marketing strategy may need to be considered and discussed with the operator.
Design Risk	Inadequate site investigation.	Inadequate site investigation arises from the lack of awareness of the existing conditions, inadequate focus on finance and lack of time to carry out investigations	Medium	Additional Geotechnical and environmental bores will be analysed prior to the Tender for Construction
Design Risk	Appropriateness of specifications.	A lack of understanding of specifications or scope.	High	Effective consultation at all phases to manage expectations. This is within Council's Risk Appetite
Investment / Planning Risk	Cost control	Prices exceed allocated budget when tenders close	Medium	Contingencies to deal with increased project cost documented and adopted. Could include reduced scale and facilities, increased borrowing or increased asset sales

Task or Activity Type	Risk Source	Event	Level of Residual Risk	Risk mitigation measures
Investment / Planning Risk	Insufficient funds	Insufficient funds to complete the project to community expectations	Low	Effective Consultation at all phases to manage expectations. This is within Council's Risk Appetite
Investment / Planning Risk	Bankruptcy during construction	Contractor involved on project becomes bankrupt	Medium	This is within Council's Risk Appetite. Contingency measures may be required to be considered to minimise project delays should this eventuality occur
Management / Operations Risks	Program delay	Failed to understand critical milestones within project programs	Low	This will be monitored throughout the project with regular community updates
Other Risks	Political environment.	Changing political environment	Medium	Effective engagement of community and Councillors. This is within Council's Risk Appetite
Other Risks	Political	Other competing projects are deemed more important for the community and to be done in priority	Low	Effective communication between community and Councillors at all phases to manage expectations and determine priorities

6.3.2. Assessment of compliance requirements including but not limited to the Local Government Act 1993, Environmental Planning and Assessment Act 1979, Heritage Act 1977 and any other legislation considered appropriate for the project

Capital Expenditure Guidelines – December 2010

The Pool Redevelopment is expected to cost around $8.7 million. This document provides the required notification to the Department of Premier and Cabinet, Division of Local Government in accordance with the Capital Expenditure Guidelines issued in December 2010 to ensure Council has undertaken a rigorous review of the project.

Local Government Act

Charter obligations – Council will fulfil its Charter obligations which include:

- Councils should manage lands and other assets so that current and future local community needs can be met in an affordable way.
- Councils should plan strategically, using the integrated planning and reporting framework, for the provision of effective and efficient services and regulation to meet the diverse needs of the local community.

Environmental Planning and Assessment Act

The project is a permitted use and requires preparation and lodgement of a development application (DA) and construction certificate (CC) prior to commencement of construction. The DA has been prepared and is currently being determined by Regional Planning Committee.

6.4. Appointment of a Steering Committee

Details of the projects steering committee have been outlined in section 6.1.2

6.5. Designating a Project Manager

Details of Council's designated project manager have been outlined in section 6.1.3

7. Priorities

7.1. Assessing the impact of the project's funding on existing and future capital works and services in accordance with Council's long-term financial plan

Council has budgeted to contribute $1.93 million of the $8.7 million total funding requirement from its current cash reserves, with the remainder of the funding secured through a variety of grants. This funding requirement has been fully incorporated into Council's long-term Financial Plan and further Council is currently undertaking analysis to determine the final ongoing operating and maintenance costs, along with the service deliver option.

7.2. Reviewing the community strategic plan, delivery program and operational plan to ensure the proposal is aligned to Council's objectives, and reviewing the asset management plan/s to ensure that other assets do not require the funding as a higher priority

Section 5.1 clearly demonstrates that the project proposal closely aligns with the Council's goals, objectives and strategies as detailed in the Community Strategic Plans, Delivery Program and Operational Plan.

8. Alternatives

8.1. Consider the full range of project alternatives

Council has considered a range of options over the past 10 years which are detailed in section 2.2.

8.1.1. Appropriate economic appraisals of Council's preferred and alternative options

The economic and financial evaluation is based on the following two scenarios:

- Base Case – this is the status quo scenario where the Project does not proceed (Do Nothing)
- 2017 Option – this scenario is the completion of the Corowa Pool Redevelopment Project, in accordance with the Concept Plan.

8.1.2. An assessment of alternative service delivery methods

Alternative service delivery methods for the development of the Corowa Pool Redevelopment Project would simply be an appraisal of the alternative procurement strategies that the Council could use.

Criteria usually used in procurement strategy analysis include:

- Affordability – the extent to which alternative methods of procurement make the project more affordable.
- Risk Transfer – how risk allocation varies according to method of procurement.
- Service – to what extent the outsourcing of a service which is non-core to the provision of services by the Council itself or raise issues of public interest, and how can these be protected.
- Efficiency – how can the procurement be structured to maximise benefits of efficiency and innovation.
- Management – how Council would manage the centre thereby making sure the community get the highest benefit at the lowest ongoing costs.

Alternative forms of procurement include the following:

Base Case – No Swimming Pool Facility
The base case is also known as the 'status quo' option.

Project Case – Corowa Pool Redevelopment Project – 2017 option
Council proceeds with the project and tenders a construction contract.

8.2. Preferred Procurement Option

At this stage Council has been progressing on the basis that the Corowa Redevelopment Project – 2017 option will continue. On this basis, Council will develop tender specifications / documents and seek market responses for the detailed design and construction of the Pool facility. Council will determine the operating and maintenance plan to ensure that the management, operation and service provision are fair, equitable and beneficial to the whole community.

8.2.1. An assessment of alternative methods of acquisition

The case for an alternative method of acquisition does not arise as the community pool is designed for specific needs of the community. They are not available to purchase either off the shelf or by purchasing an existing private facility and converting it for the use proposed.

8.2.2. The consequences of not proceeding with the proposal

Should Council not proceed with the proposal, the existing pool will remain closed to the public. The closest equivalent facilities are 45 km away and don't effectively serve the Corowa community. There has been considerable drive and support for the redevelopment of the swimming pool within the community.

9. Financial Implications

9.1. Project costs from a 'whole of life' perspective

9.1.1. Project Costs

The CBA incorporates the following economic whole of life costs that are relevant to the construction and ongoing maintenance of the facility:

- Fixed infrastructure costs, including earthworks, drainage and other infrastructure
- Systems infrastructure
- Other construction costs such as investigation, design and project management costs
- Planned construction and operation risk
- Recurrent costs, such as scheduled maintenance and operating costs.

The proposed redevelopment project has a capital expenditure component of approximately $8.7 million during the construction phase of twelve months. Breakdown of capital expenditure is detailed below:

- Planning and Design $151,206
- Project Management Cost $252,002
- Demolition, Commissioning Building Cost $8,260,538

9.1.2. Project Case Operational Expenditure

Details are contained in section 9.1.9

9.1.3. Sourcing of funds

The capital cost of approximately $8.7 million, with the source of funding detailed below:

- NSW Gov Club Grants $1,000,000
- SCF Major Projects- untied fund $1,500,000
- SCF Major Projects – tied fund $3,483,746
- Stronger Country Communities $750,000
- Council Cash Reserves $1,930,000

Total funds available $8,663,746

The project has an adequate funding with the majority funded by grants. The balance has been included in 2019/20 Capital Works Program as part of Council's Resourcing Strategy.

9.1.4. Identification of any potential increase in Council's actual or prospective expenditures, whether in terms of one-off capital amounts or recurrent expenditures

The current capital cost of the project is estimated to be $8.7 million. As detailed in section 9.1.3, the majority of project funding has been secured, along with Council having the capacity to fund an increase in capital cost.

The operating costs for this centre are expected to increase by CPI every year (generally 2% of the cost from previous year) with estimates included in the attached Supplementary Business Case.

Financial analysis in section 9.1.9 is to give a clear understanding of the ongoing costs to sustain the operation of the swimming pool in the future.

9.1.5. Identification of systems in place to monitor and control increases in project costs

A risk matrix has been developed which identifies several activities that can lead to project cost escalation. Appropriate controls have been identified and will be implemented to mitigate this risk – refer to section 6.3.1.

The Project Management approach detailed in section 6.1 also provides controls, reporting and monitoring of the project's progress in terms of scope delivery, project costs and timing.

Additionally, the internal Council reporting structure will ensure that regular reporting occurs, and any cost increases are identified early, and a decision is made as to the most appropriate course of action prior to proceeding. In some cases, this may be elevated to a decision of Council.

9.1.6. Identification of any potential loss in the value of Council's assets or a potential loss in actual or prospective revenue

The project to redevelop the Corowa community pool is to meet the current and future needs of the community. As a result, it is expected that the additional usage of these assets and facilities will add value to individuals and the community at large through relevant recreation and community facilities. As assets will deteriorate over time Council will make allowance to maintain the asset 'fit for purpose' use.

9.1.7. Consideration of the possible inability of Council to discharge its Charter obligations to provide adequate, equitable and appropriate services and facilities for the community

Through this project, the Council will fulfil its Charter obligations of:

- Council managing lands and other assets so that current and future local community needs can be met in an affordable way.
- Council planning strategically, using the integrated planning and reporting framework, for the provision of effective and efficient services and regulation to meet the diverse needs of the local community.

9.1.8. Impact on Council's cash flow analysis

The financial analysis provides an assessment of the project's financial feasibility against the financial costs and revenues forecasted to arise from the project. The outcomes of the financial analysis are the following indicators:

- Financial revenue-cost ratio
- Financial net present value
- Internal rate of return.

Unlike the cost-benefit analysis (economic), the financial appraisal only considers the real cash impacts of the proposed investment by Council.

The financial results of the proposed Corowa Pool Redevelopment Project are summarised in the following table, including the total (discounted) present value incremental costs and benefits and resulting NPV and BCR. A summary of cash flows for the financial evaluation as per below table.

Table 9: Financial impact analysis

Total Value ($ million)	
Direct Infrastructure Costs	
Capital	8.66
Maintenance (excl. depreciation)	10.41
Operating expenditure	30.47
Total Infrastructure Costs	49.55
Cost Savings and External Benefits	
Operating revenue	21.60
Residual value	2.20
Total Benefits	23.80
Net Present Value ($ million)	
Discounted (PV) costs	22.84
Discounted (PV) benefits	7.92
NPV	**-14.92**
IRR	**n.a.**
BCR	**0.35**

The results of the financial analysis, at a discount rate of 7%, indicate that the proposed Corowa Pool Redevelopment will record a net financial loss with a revenue/cost ratio of 0.35.

The financial costs include capital expenditure of $8.7 million and $10.4 million projected maintenance over 30 years. The financial revenues based on residual value of $2.2 million and the estimated operating revenue of $21.6 million over 30 years period with 2% CPI escalation.

9.1.8 Financial analysis outcomes

In conducting the financial analysis for the project, the operating expenses of the swimming pool has been compared with the revenues expected from the operation of the swimming pool to determine the net present value and associated internal rate of return.

The projected cash flow of financial impact of the project are shown in the table below:

Table 10: Projected financial impact

Period	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Costs													
Capital	8,663,746	8,663,746	0	0	0	0	0	0	0	0	0	0	0
Maintenance (excl. deprec.)	10,408,098	0	259,912	265,656	271,527	277,528	283,662	289,931	296,338	302,887	309,581	316,423	323,416
Operating expenditure	30,474,373	0	785,579	801,291	817,317	833,663	850,336	867,343	884,690	902,384	920,431	938,840	957,617
Total cost	49,546,217	8,663,746	1,045,492	1,066,947	1,088,844	1,111,191	1,133,998	1,157,273	1,181,028	1,205,271	1,230,012	1,255,262	1,281,032
Benefits													
Operating revenue	21,600,005	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Residual value	2,203,067	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	23,803,072	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Net cash flow (NCF)	-25,743,146	-8,663,746	-529,440	-537,994	-546,667	-555,460	-564,373	-573,409	-582,566	-591,848	-601,253	-610,785	-620,443
Decision criteria:													
Discount rate	3%	7%	10%										
NPV ($M)	-19.50	-14.92	-12.90										
BCR	0.42	0.35	0.30										
IRR	n.a.	n.a.	n.a.										

9.1.9 Net Present Value calculations – cost/benefit. Break even analysis for best, worst and likely scenarios

Since only the 2017 Option and Base Case (Status Quo – Do nothing) have been evaluated, the 2017 Option is the most likely scenario and the economic evaluation is represented below:

Table 11: Cost Benefit Analysis

Total Value ($ million)	
Direct Infrastructure Costs	
Capital	8.66
Maintenance (excl. depreciation)	10.41
Operating expenditure	30.47
Total Infrastructure Costs	49.55
Cost Savings and External Benefits	
Increased value added from construction	3.02
Operating revenue	21.60
Consumer surplus	12.90
Wellbeing impacts	42.93
Residual value	2.20
Total Benefits	82.65
Net Present Value ($ million)	
Discounted (PV) costs	22.84
Discounted (PV) benefits	32.35
NPV	**9.50**
IRR	**22%**
BCR	**1.42**

Scenario analysis	
Discount rate (3%)	
NPV ($ million)	18.93
BCR	1.56
Discount rate (10%)	
NPV ($ million)	5.76
BCR	1.31

The NPV analysis, at a discount rate of 7%, suggests a significant net benefit of approximately $9.5 million for the proposed Corowa Pool Redevelopment with a BCR of 1.42 and positive internal rate of return (IRR) of 22%.

10 Public Consultation Process

This project has been identified as a top priority by the community through extensive community consultation undertaken in the development of the Community Strategic Plan and Delivery Program. The Council has been working and consulting with the Corowa community for almost 20 years in respect to the need for a new swimming pool.

More recently, several community committees were established over the last decade, along with further community consultation, with the purpose of finding a solution to the replacement of the Corowa swimming pool and how this can be funded. A number of community surveys have been completed with the most recent surveying more than 1,000 residents confirming that a new swimming pool for Corowa is a major priority.

As part of the redevelopment project review, Council has been conducting feasibility studies and associated community consultations. The more recent public consultation was initiated in 2015 followed by the phone and online surveys in September 2016[3]. A total of 729 respondents completed the online survey and a summary of the findings is as follows:

- A total of 74.9% of people had used or visited a pool in the past 12 months.
- Of the 74.9% respondents who had used or visited a pool in the past 12 months, 89.2% had visited the Corowa Swimming Centre and 75.5% of respondents said that Corowa Swimming Centre was their most used Pool Facility.
- The main constraints identified by the 25.1% of respondents who had not visited a pool in the past 12 months included:
  - Have and use own pool (24.7%)
  - No indoor pool close by (21.1%)
  - Too old (17.4%).
- The survey determined that there was community support for maintaining an outdoor pool as well as adding an indoor recreation / leisure pool and a water slide. Some of the improvement services most desired included the addition of health and fitness classes, membership packages / discount offers, cleaner / more hygienic facilities and longer opening hours.
- Furthermore, 76% of respondents were supportive of the idea to develop a new 50-metre outdoor facility instead of a 25-metre facility even though it would result in an increase in Council rates.

[3] Stronger Communities Grant Application 2017 – New Corowa Swimming Pool

A total of 300 respondents were contacted to complete the telephone survey[4] and a summary of the findings is as follows:

- 73.3% of people had used or visited a pool in the past 12 months
- Of the 27% who did not use the facility, 51% of the respondents indicated that the pool was too old
- Of the surrounding 21 pools identified 82% indicated Corowa pool was their preference
- The main reason that 61% of respondents use their preferred pool was that 'it was close to home'.

Council also held an information session in March 2018, followed by a public meeting in April 2018 to engage the public with their preference of development option. In October 2018 Council published the project update and design plan for the pool.

Through the 2019/2020 IP&R process, the swimming pool was identified as a high priority being included in all IP&R documents. These were placed on public exhibition in 2019 providing the community further input into the process.

In April 2019, Council published a media release for the design phase of the Corowa Pool Project. In May 2019, Council issued an update on the start of demolition works for the Corowa Pool Project through Council's website.

[4] Stronger Communities Grant Application 2017 – New Corowa Swimming Pool

Preliminary Business Case

Corowa Swimming Pool

November 2019

Document status

Job #	Version	Approving Director	Date
7408	Oct	[redacted]	October 2019
7408	Nov		November 2019

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1 Executive Summary

Federation Council requires a preliminary business case for the Corowa Swimming Pool Project. This report contains the economic assessment, cost benefit and financial analysis for the development of the swimming pool.

The purpose of this preliminary Business Case is to provide an objective comparison of options available for the provision of the facility, an evaluation of the benefits and financial analysis. This is based on the local area demonstrating a significant demand for the redevelopment and construction of a swimming pool in Corowa from various uses detailing their needs and longer-term benefits to the community.

With respect to the pool redevelopment, significant consultation initiatives, including the formation of swimming pool development committees, have been undertaken over the last decade to discuss the swimming pool options. Through this consultation process it was clear that there is a strong demand for modern and accessible aquatic facilities for the Corowa community.

Eight schools in the surrounding area have reported that their students are below average in respect to their ability to swim.

The 2016 online survey illustrated the community's priority for the redevelopment of the pool. A summary of the findings is as follows:

- A total of 74.9% of people had used or visited one of the 10 most popular pools in the region over the past 12 months,
- Of the 74.9% respondents, 89.2% had visited the Corowa Swimming Centre and 75.5% of respondents said that Corowa Swimming Centre was their most used pool facility.

The economic and financial evaluation is based on two scenarios:

- Base Case – Status quo scenario, where no redevelopment of the swimming pool occurs.
- 2017 Option – This option is built on the 2015 Option to redevelop the swimming pool that as a minimum, should consist of a seasonal 50m pool, 11x17 program pool and splash pad.

The economic assessment for value-add from the construction phase, after assumed displacement and leakages are taken into account, estimates the gross stimulus for the regional economy will be approximately $7.4 million. The Consumer Surplus estimates economic use value by assessing peoples' willingness to pay to visit the site and is estimated based on the number of trips. The total consumer surplus is estimated at $824,200 per annum.

The CBA results for the proposed project include the total (discounted) present value incremental costs and benefits and resulting NPV and BCR, along with sensitivity results. The NPV analysis suggests a significant net benefit of approximately $9.5 million, with a BCR of 1.42 and positive internal rate of return (IRR) of 22%.

The financial analysis provides an assessment of the project's financial feasibility against the forecasted financial costs and revenues. The analysis only considers the real cash impacts of the proposed investment by Council. The results of the financial analysis, at a discount rate of 7%, indicate that the proposed project will record a net financial loss, with a revenue / cost ratio of 0.35.

The Business Case also details the implementation requirements to successfully deliver the project. These include the project program and milestones, the project management governance approach and a risk matrix identifying the key risks.

2 Case for Change

2.1 Background

Federation Council producing a Preliminary business case for of the Corowa Swimming Pool Project

The purpose of this Preliminary Business Case is to provide an objective comparison of options available for the provision of the additional facilities. This document provides:

- A review of the current situation
- Defining the need for change
- Definition of options
- Economic assessment and financial analysis using qualitative, quantitative, and financial comparisons that:
  - Evaluates the direct costs and benefits to the community resulting from the proposed Corowa Swimming Pool Project; and
  - Evaluates the potential wider economic impacts as a result of the project.
  - Undertakes the financial analysis of the project.

This report incorporates the following key components of the economic and financial assessments undertaken:

- Evaluation framework and guidelines;
- Cost benefit analysis (including approach, key inputs and assumptions and scenarios modelled)
- Results of analysis, including Net Present Value (NPV) and Benefit Cost-Ratio (BCR);
- Sensitivity analysis;
- Wider economic impact analysis; and
- Financial implications.

2.2 Project Overview and Rationale

Federation Council is proposing to redevelop the Corowa Swimming Pool. The existing pool was closed in 2017 due to safety concerns, filtration issues and unsustainable leakage and maintenance. Council has been examining solutions since the mid 90's including community consultation, option reviews and feasibility studies with a resolution in May of 18' confirming the essential design of the replacement pool.

The project is expected to deliver as a minimum a seasonal 50m pool, with an approximate indoor 11.5m x 17m learn to swim / program pool and a splash pad (see concept design contained in Appendix A).

The key driver for this project is the broad range of community demand for a swimming facility for the community of Corowa and immediate surrounds as the existing pool has been closed for the past two years. There is significant local demand for a swimming pool facility that will meet the requirements of its diverse community for the various uses and needs that include:

- Children learn to swim – the eight Schools in the surrounding area have reported that their students are below average in respect to their ability to swim. The default option is the Murray River where children will be exposed to the river currents and snags.
- Senior citizens – The Aging Well Strategy objectives and actions support the need for a multi-functional swimming pool facility to meet the requirements of an aging population.
- Community Users – able to recreate over an extended period with the inclusion of an indoor facility.
- Community Organisations and Groups – Schools swimming carnivals, sporting teams training and social events.

The 2016 online community survey found that the majority of respondents confirmed that the Corowa Swimming Centre was their most used Pool Facility. The survey concluded that there was community support for maintaining an outdoor pool as well as adding an indoor recreation/leisure pool and a water slide.

2.3 Strategic Alignment

The proposed project is consistent and aligns with Councils Strategic Community Plan, Delivery Program, Operational Plan and the Resourcing Strategy. The project also aligns with the objectives, outcomes and actions of Councils Aging Well Strategy 2018-22.

3 Analysis of Proposal

3.1 Base Case

The Base Case identified for this business case is considered a "do nothing" base case. The status quo is maintained, with no redevelopment of the Corowa Swimming Pool complex.

3.2 Other Options

The preferred Option for evaluation is the 2017 Option, however Council has considered a number of options since 2006 including:

2006 Option

The Corowa Swimming Pool Replacement study was undertaken in 2006 due to the age of the existing pool, the age and condition of the existing plant equipment and due to major leakage, issues with the main pool tank and pipework. Owing to a lack of financial capacity, the project did not proceed.

2014 Option

The Corowa Swimming Pool Upgrade Options study was undertaken as a result of the ongoing leakages and repair issues. The outcome was to determine the long-term facility improvements options and obtain accurate costings.

2015 Option

The Facility Options and Site Opportunity review considered different redevelopment options and sites, however financial constraints did not allow a development to meet community demands.

2017 Option

This option built on the 2015 Option where Council established an advisory committee from which it was determined that, at a minimum, the new facility should consist of a seasonal 50m pool, 11x17 program pool and splash pad.

3.3 Cost Benefit Analysis

3.3.1 Evaluation Framework

The economic assessment is based on a generalised Cost Benefit Analysis (CBA) framework which quantifies and compares the direct infrastructure cost (capital and recurrent) of a project with the change in economic value (benefits / cost savings) generated with the project.

The assessment has been undertaken in accordance with the relevant guidelines for CBA, specifically, the New South Wales Treasury Guidelines for Economic Appraisal. Where these guidelines do not cover specific methodologies required to estimate benefits of the project (e.g. estimating wider impacts), other benefit guidance has been sought from domestic and international literature and guidelines.

The overall appraisal framework is based on welfare economic theory. This framework defines the change in economic value in terms of the following theoretical concepts:

- User consumer surplus;
- Producer surplus;
- Resource cost corrections; and
- Externalities.

The purpose of the CBA was to determine whether the community will enjoy a net benefit as a result of completion of the proposed Corowa Pool Redevelopment Project and to ensure efficient allocation of public resources. The CBA takes into account:

- The potential direct benefits and costs that would not otherwise occur in the absence of the proposed Corowa Pool Redevelopment; and
- The costs of construction and ongoing maintenance of the proposed Corowa Pool Project.

The CBA framework is based on an annual discounted cash flow model. The model develops 'streamed' infrastructure costs and benefits over an evaluation period extending 30 years from the first full year of operation of the proposed Corowa Pool Redevelopment (inclusive).

Future costs and benefits are converted to a common time dimension; the present value (PV). Present values are calculated by discounting future values using a recommended discount rate (which reflects the time value of money). The discounted costs and benefits are then combined using specific equations to produce conventional measures of economic performance.

The CBA model produces the following key measures of economic performance:

- Net Present Value (NPV) – the difference between the PV of total incremental benefits and the PV of the total incremental costs, which allows the project options to be compared on the same basis to allow determination of the greatest net benefit to the community or the most efficient use of resources. Project options that yield a positive NPV indicate that the (discounted) incremental benefits of a scenario exceed the incremental costs over the evaluation period.

Benefit Cost Ratio (BCR) – ratio of the PV of total incremental benefits to the PV of total incremental costs. A BCR greater than 1.0 indicates that project benefits exceed project costs. However, generally, a project with a higher BCR may be preferred to protect against unexpected project delays, optimism bias or cost overruns.

Community and sporting facilities such as the proposed Corowa Pool Redevelopment generate economic benefits for the regional economy through operational expenditure associated with the facility as well as benefits associated with tourism expenditure / turnover within the region. As a part of ongoing operations, economic impacts from the proposed project are generated by organisational and facility operations, whilst subsequent rounds of spending include indirect or off-site tourism expenditure and business supply chain purchases.

The contribution made by the proposed Corowa Pool Redevelopment to the economies of the Federation local government area (LGA), New South Wales and Australia has been assessed using the LocalImpact regional economic model, based on input-output tables developed specifically for each region.

3.3.2 Key Inputs and Assumptions

3.3.2.1 Demand Analysis

Since the swimming pool has not been in operation for two seasons the demand assumptions have been derived from the Australian Bureau of Statistics.

Data released by the Australian Bureau of Statistics on the Participation in Sport and Physical Recreation Activities indicated that the participation rate for swimming/diving was 6.4% amongst all persons aged 15 years and over in New South Wales in 2013/14, whilst participation in fitness/gym was 17.4%. The average annual frequency of participation for swimming was approximately 42 per annum, whilst the average for fitness/gym was approximately 70 per annum. Further, the participation rate for swimming amongst children was 17.7% in 2012, with an average frequency of approximately 107 per annum.

Application of these rates to the current and projected population of Federation LGA suggests there is significant demand for participation in aquatic facilities given current service provision and attendance in Corowa, which indicated the total potential participation in aquatic/swimming activities was almost 68,000 in 2018.

Table 1: Projected Demand for Aquatic Activities, Federation LGA

Participation rate:	
Adult (15+ years)	6.4%
Child	17.7%
Frequency of participation (annual):	
1–12 times	22.7%
13–26 times	16.8%
27–52 times	32.2%
53–104 times	11.5%
105 times or more	15.1%
Average (no.):	
Adult	42
Child	107

Estimated population participating in aquatic/swimming activity (persons):	
Adult	662
Child	374
Total persons	1,037
Total participation (activity/visits)	
Adult	27,771
Child	40,192
Total	67,963

Source: ABS 4177.0, Lawrence Consulting

Attendance projections for the Corowa Pool redevelopment were included in the 2016 feasibility study completed by Otium Planning. These projections assumed an annual attendance of approximately 110,000 persons following the redevelopment; for the purposes of this analysis, these have been considered a high or optimistic scenario.

3.3.3 Costs

The streamed costs and benefits are based on underlying profiles of costs and demand that have been developed by the project's technical advisors and Lawrence Consulting. For the Corowa Pool Redevelopment Project, infrastructure cost estimates were developed by the project proponent, Federation Council, whilst indicative operating costs under were prepared by Otium Planning.

The CBA incorporates the following economic costs relevant to the construction and ongoing maintenance of the project:

- Fixed infrastructure costs, including earthworks, drainage and other infrastructure;
- Systems infrastructure;
- Other construction costs such as investigation, design and project management costs;
- Planned construction and operation risk; and
- Recurrent costs, such as scheduled maintenance and operating costs.

Specifically, the proposed Corowa Pool Redevelopment Project has a capital expenditure component of approximately $8.7 million during the construction phase of twelve months. Capital maintenance costs have been estimated to be 3.0% of the building cost plus applicable insurances and adjusted annually based on the local government Council Cost Index (CCI) of 2.21%. Depreciation expense has been calculated based upon a 35-year life with 10% residual value.

Operating budgets for the Corowa Pool Redevelopment Project have been scaled based on estimates provided in the 2016 feasibility study by Otium Planning, with approximately $516,050 in operating revenue in Year 1 and $785,500 in expenditure.

3.3.4 Benefits

Direct and indirect incremental benefits of the proposed Corowa Pool Redevelopment Project which have been considered as part of the CBA include:

- Increase in value added to regional economy (i.e. direct and supply chain effects) associated with the construction of the proposed facility;

- Increase in revenue and direct value added generated from operations to be conducted at the facility, due to the increased capacity created through construction of the proposed project;
- Consumer surplus associated with users of the Corowa Pool, particularly where there is either no direct fee or reduced/subsidised charges involved with participation or attendance in organised events or programs;
- Value associated with individual wellbeing from participating in sport and recreational activities at the facility, as measured by the wellbeing valuation and benefits transfer approach. This can also be considered a proxy value for public health cost savings derived from the elevated level of active participation in sport and recreational activities by the community; and
- The residual value or scrap value of the project asset at year 30, given its operational life has been assessed as 35 years.

Other indirect incremental benefits of the proposed Corowa Pool Redevelopment which were not considered as part of the CBA due to the level of difficulty in quantifying, including non-use benefits derived from non-users of recreational and leisure facilities who are often willing to pay for the facilities because they value the option to use the facility in future; the fact that other members of the community can use it; and the fact that future generations will enjoy the endowment left to them in the facility.

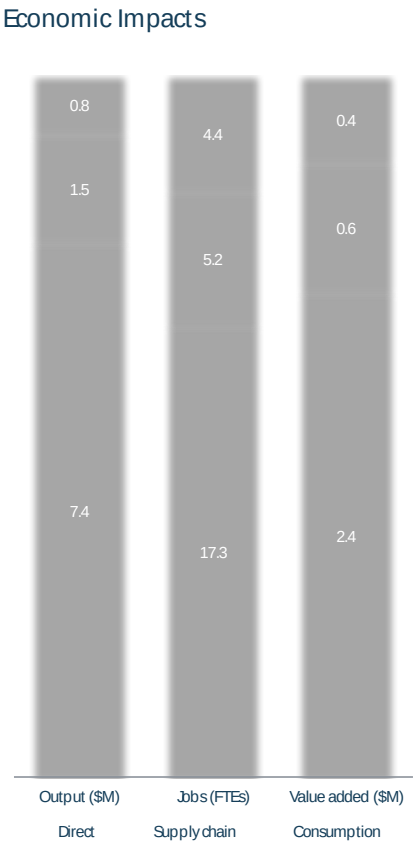
3.3.4.1 Value Added from Construction Phase

The proposed Corowa Pool Redevelopment has associated construction costs of approximately $8.7 million during the development phase. After assumed displacement and leakages are taken into account, the gross stimulus for the regional economy will be approximately $7.4 million. The net regional economic impact – i.e. direct, indirect and consumption-induced – associated with the construction of the Corowa Pool Redevelopment Project on the Federation LGA include (refer table below):

- An estimated direct output of $7.4 million and additional flow on increases in output of $1.5 million through other industries, for a total industry impact of $8.9 million. A further $0.8 million in output in the region can be associated with consumption-induced effects;
- Estimated direct income (wages and salaries) of $0.8 million, with $0.3 million in additional income generated through flow on effects in other industries and a further $0.2 million from household spending;
- Approximately 17.3 direct full-time equivalent (FTE) employment positions, with an estimated additional 9.6 employment positions supported indirectly through other industries and household consumption for a total employment impact of 26.8 FTEs; and
- An estimated contribution to GRP of $2.4 million from direct effects, with a further flow on impact of $0.6 million through other industries for a total industry value added of $3.0 million. An additional $0.4 million in gross regional product can be attributed to consumption-induced effects.

Table 2: Economic Impact of Proposed Corowa Pool Redevelopment, Construction Phase

	Federation LGA	New South Wales	Australia
Output ($ million)			
Direct	7.4	8.7	8.7
Indirect	1.5	5.0	10.4
Consumption	0.8	5.7	8.4
Total	9.7	19.4	27.5
Income ($ million)			
Direct	0.8	0.9	0.9
Indirect	0.3	1.1	2.2
Consumption	0.2	1.9	2.2
Total	1.3	3.8	5.4
Employment (fte persons)			
Direct	17.3	20.3	20.3
Indirect	5.2	14.8	30.6
Consumption	4.4	28.4	33.0
Total	26.8	63.6	83.9
Value added ($ million)			
Direct	2.4	2.8	2.8
Indirect	0.6	2.2	4.2
Consumption	0.4	3.6	5.2
Total	3.4	8.5	12.2



3.3.4.2 Consumer Surplus

The travel cost method is used to estimate economic use values associated with sites such as the proposed Corowa Pool Redevelopment Project that are used for community recreation, leisure and other activities, especially where there is either no direct fee or reduced / subsidized charges for participants. The basic premise of the travel cost method is that the time and travel cost expenses that people incur to visit a site represent the "price" of access to the site. Thus, peoples' willingness to pay to visit the site can be estimated based on the number of trips that they make at different travel costs. This is analogous to estimating peoples' willingness to pay for a marketed good based on the quantity demanded at different prices.

Application of the travel cost method varies with respect to whether an individual or zonal approach is used. The zonal travel cost method, which is applied by collecting information on the number of visits to the site from different distances, has been adopted for this analysis. Because the travel and time costs will increase with distance, this information allows calculation of the number of visits "purchased" at different "prices," which is then used to construct the demand function for the site, and estimate the consumer surplus, or economic benefits, for the recreational services of the site.

Using the mean distance, time to the sites and estimated number of visits presented in Table 3 along with average vehicle operating costs of $0.70 per kilometre for a medium car (NRMA) and a value of travel time of approximately one-half the average ordinary earnings in New South Wales, or $0.63 per minute (Australian Bureau of Statistics), the total consumer surplus associated with forecast use of the Corowa Pool – based on forecast annual attendance of approximately 68,000 – is estimated at $824,200 per annum. The net

consumer surplus, discounting the operating revenue generated from general admission, memberships, sales and facility hire of approximately $516,050, is approximately $308,135.

Table 3: Community Use Benefits of Proposed Corowa Pool Redevelopment

Zone	Estimated total visits per annum	Mean round trip (RT) travel distance (km)	Mean RT travel time (minutes)	Driving cost per visit ($0.70/km)	Trip time cost per visit ($0.63/min.)	Annual consumer surplus
1 (0-10km)	58,448	6	10	126,832	368,223	495,055
2 (11-30km)	9,277	29	36	94,161	210,401	304,562
3 (31-50km)	170	72	59	4,282	6,315	10,597
4 (51-200km)	68	240	193	5,709	8,264	13,972
Total	67,963	-	-	230,984	593,203	824,187

Source: ABS 6302.0, NRMA, Lawrence Consulting

3.3.4.3 Wellbeing Impacts from Sport Participation

A study undertaken by the London School of Economics on behalf of the government of the United Kingdom (*Quantifying and Valuing the Wellbeing Impacts of Culture and Sport*, Fujiwara D, Kudrna L and Dolan P, Department for Culture, Media and Sport, United Kingdom (2014)) developed an evidence base on the wellbeing impacts to the individual of sport participation, given this interacts with a number of social indicators of wellbeing such as education, health and social cohesion. This research estimated the monetary value to the government of those wellbeing impacts, particularly in terms of current investment and long-term benefit; specifically, sport participation was found to be associated with wellbeing valued at £1,127 per person per year (or A$1,939).

Within Australia, the Royal Life Saving Society (RLSS) produced a report in behalf of Swimming Australia in 2017 to measure the economic benefits of public aquatic facilities, which determined the average pool visit generate benefits of $26.39 in improved health outcomes and consequent reductions in health spending. In the context of the proposed Corowa Pool Redevelopment Project, this figure has been adopted to measure the wellbeing impacts of participation of persons utilising the facility, although a net value discounting consumer surplus has been used to avoid duplication. Using a benefits transfer approach and given the forecast attendance of approximately 68,000 persons, the estimated net wellbeing value of sport participation at the Corowa Pool is approximately $1.5 million per annum.

3.3.5 Evaluation Period

The base price year adopted is 2019, whilst the assumed construction period for the proposed Corowa Pool Redevelopment is January 2020 to December 2020. The appraisal period for the economic assessment is 2019 up to and including 30 years (i.e. 2048).

3.3.6 Discount Rate

Consistent with relevant guidelines, a real discount rate of 7% has been adopted for the CBA. For the purposes of sensitivity testing, real discount rates of 3% and 10% have also been applied.

3.3.7 Results

The results of the CBA for the proposed Corowa Pool Redevelopment Project are summarised in the following table, including the total (discounted) present value incremental costs and benefits and resulting

NPV and BCR. Also included are sensitivity results for lower and upper range discount rates (3% and 10%). A summary of cash flows for the cost benefit evaluation is contained in Appendix B.

As expected for this type of project, costs are dominated by capital expenditures, whereas benefits are more broadly distributed across different categories, with consumer surplus, wellbeing and direct and indirect increases in regional value added through both construction and operating phases providing significant contributions.

Table 4: Present Value Incremental Costs and Benefits, NPV and BCR (Discount rate 7%)

Total Value ($ million)	
Direct Infrastructure Costs	
Capital	8.66
Maintenance (excl. depreciation)	10.41
Operating expenditure	30.47
Total Infrastructure Costs	49.55
Cost Savings and External Benefits	
Increased value added from construction	3.02
Operating revenue	21.60
Consumer surplus	12.90
Wellbeing impacts	42.93
Residual value	2.20
Total Benefits	82.65
Net Present Value ($ million)	
Discounted (PV) costs	22.84
Discounted (PV) benefits	32.35
NPV	**9.50**
IRR	**22%**
BCR	**1.42**
Scenario analysis	
Discount rate (3%)	
NPV ($ million)	18.93
BCR	1.56
Discount rate (10%)	
NPV ($ million)	5.76
BCR	1.31

In aggregate, the NPV analysis suggests a significant net benefit of approximately $9.5 million for the proposed Corowa Pool Redevelopment, with a BCR of 1.42 and positive internal rate of return (IRR) of 22%. Given the large volume of upfront costs and the (in general) stream of ongoing benefits, the CBA moves as expected insofar as the lower discount rate (3%) increases the NPV and BCR for the project, whilst the higher rate (10%) decreases the NPV and BCR relative to the base case, although all BCR's recorded are higher than break-even.

3.4 Financial Analysis

- The financial analysis provides an assessment of the project's financial feasibility against the financial costs and revenues forecasted to arise from the project. The outcomes of the financial analysis are the following indicators:
- Financial revenue-cost ratio;
- Financial net present value; and
- Internal rate of return.

Unlike the cost-benefit analysis (economic), the financial appraisal only the considers the real cash impacts of the proposed investment by Council. The financial revenues and costs are as detailed in the previous project cost section of this report.

The financial results of the proposed Corowa Pool Redevelopment Project are summarised in the following table, including the total (discounted) present value incremental costs and benefits and resulting NPV and BCR. A summary of cash flows for the financial evaluation is contained in Appendix C.

Table 5: Present Value Incremental Costs and Benefits, NPV and BCR (Discount rate 7%)

Total Value ($ million)

Direct Infrastructure Costs	
Capital	8.66
Maintenance (excl. depreciation)	10.41
Operating expenditure	30.47
Total Infrastructure Costs	49.55
Cost Savings and External Benefits	
Operating revenue	21.60
Residual value	2.20
Total Benefits	23.80
Net Present Value ($ million)	
Discounted (PV) costs	22.84
Discounted (PV) benefits	7.92
NPV	**-14.92**
IRR	**n.a.**
BCR	**0.35**

The results of the financial analysis at a discount rate of 7% indicate that the proposed Corowa Pool Redevelopment will record a net financial loss, with a revenue/cost ratio of 0.35.

4 Implementation Case

4.1 Program and milestones

The project has a number of Check Points before construction can be completed. The indicative milestones for the project are shown in the table below.

Table 6: High level investment schedule

Milestones	Activities	Inter-dependencies	Position Responsible	Planned Results Completion Dates
Final Business Case	Preparation of Final Business Case	Council approvals	Federation Council	Council to provide
Project Assurance	Assurance reviews	Provision of Business Case and supporting documentation	Federation Council	Council to provide
Funding approval and Funding release	Funding approval paper	Council Report	Federation Council	Council to provide
Design complete	Signoff of Detailed Design	Concept and Preliminary Designs	Federation Council	Council to provide
Project Approval	Council to approve project	Funding release	Federation Council	Council to provide
Material Procurement	Procure materials	Project approval and Detailed design	Construction entity	Council to provide
Construction	Construction activities as required	Contractor performance	Construction entity	Completion by - Council to provide
Commissioning	Operational readiness	Completion of construction	Federation Council	Ready for Service by - Council to provide

Council's Community Strategic Plan details a number of projects and programs which will be delivered during the life of the plan to provide a range of recreational, leisure and learning opportunities to the community. Council has a comprehensive internal skill base and where it lacks the skill base to directly undertake the elements required to complete the project, it commissions consultants and specialist project management staff.

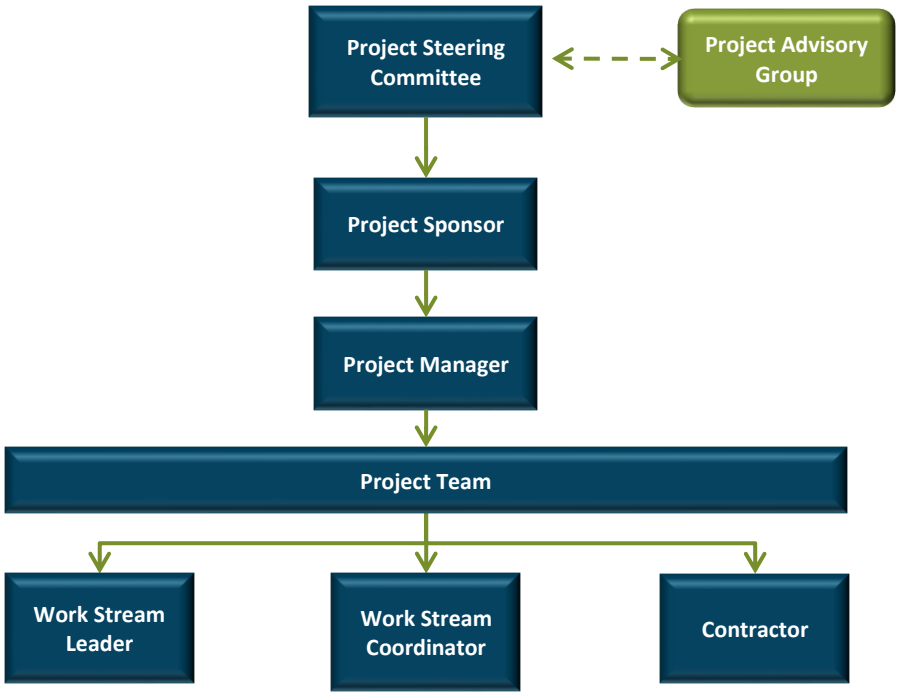
4.2 Governance

The development of a governance structure for the development of the project is an important stage in the planning and construction process. An effective governance structure will ensure consistency in the decision-making process and will assign responsibility to the relevant groups for the ongoing management and delivery of the project.

The proposed project governance structure will include:

- Project Steering Committee - Director of Engineering Services, Manager of Projects and the Manager of Infrastructure.
- Project Sponsor – General Manager Federation Council
- Project Advisory Group - A Pool Advisory Committee was established and endorsed by council in 2018 and comprises external and internal stakeholders.
- Project Manager - Jason Schneider-Fuller with the support of a council Project Officer

Figure 1: Project Governance Structure



4.2.1 Key Risks

A range of risks were identified in the initiation phase of this project. The primary risks to be managed if proceeding with construction of the Multipurpose Hall and Gymnasium include:

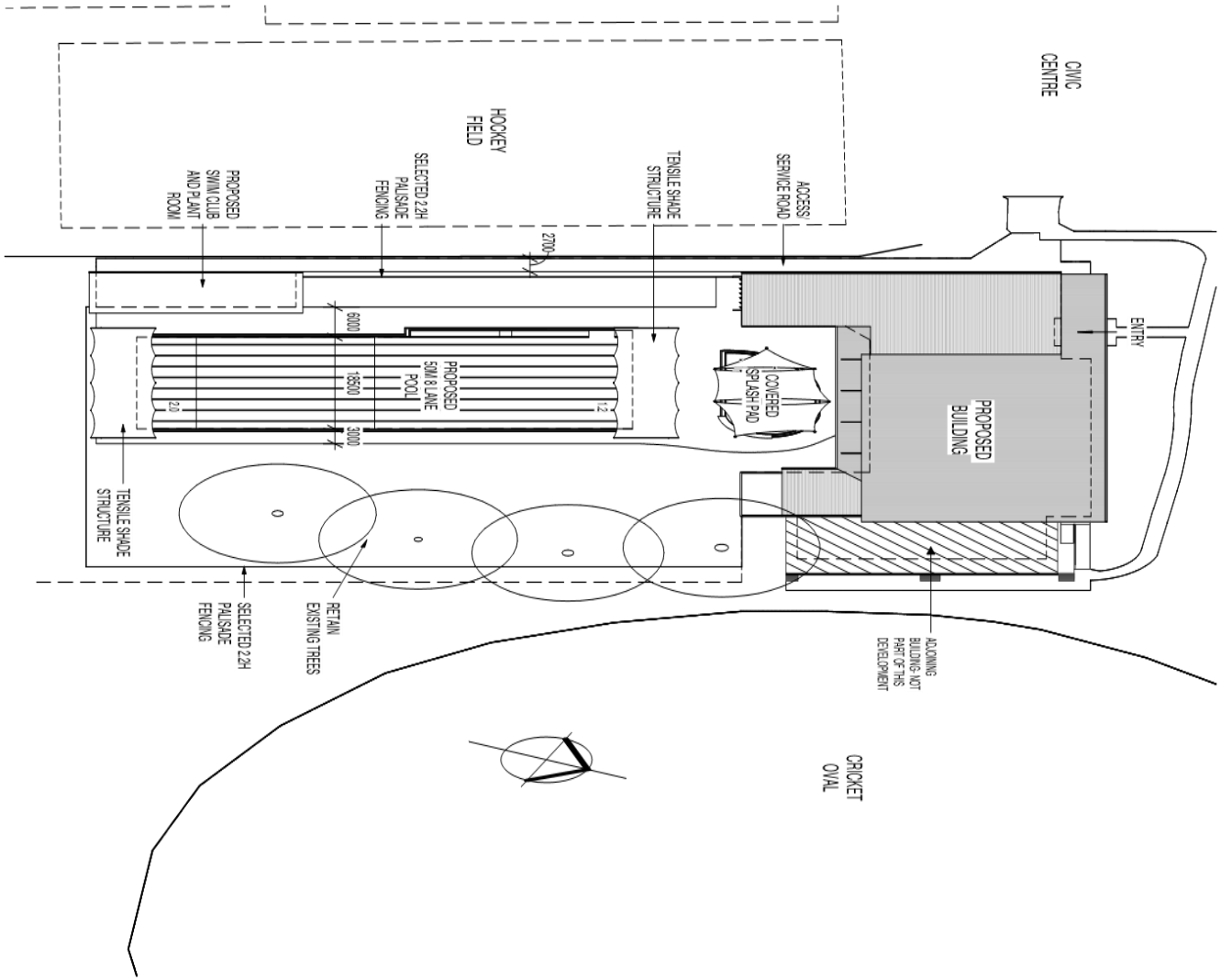
- The delivery of the capital costs – time, quality and cost need to be managed against clear benchmarks and budgets
- Stakeholder resistance
- Wet weather periods will decrease site production
- Procurement and construction direct costs are not finalised
- Delivery of the projects beyond the end target. Based on funding release and construction timeframes

As the project cost is $8.7 million (ex GST) the risk management plan for the project has been prepared and detailed in the following table.

Table 7: Risk Management Plan

Task or Activity Type	Risk Source	Event	Level of Residual Risk	Risk mitigation measures
Completion / Construction	Weather and seasonal implications	Less productivity during wetter seasons of the year for outside work	Low	This is within Council's Risk Appetite and is a latent condition of contract
Demand / Market Risk	Insufficient funds	Insufficient funds to complete the program to community expectations	Low	This will be monitored throughout the project with regular community updates so that an informed decision can be made Council based on community feedback and engagement.
Demand / Market Risk	Competition / market share	Inability to attract anticipated numbers of patrons (due to price, location, other competing leisure centres, etc.)	Low	Additional advertising and awareness procedures will be in place. A marketing strategy may need to be considered and discussed with the operator.
Design Risk	Inadequate site investigation.	Inadequate site investigation arises from the lack of awareness of the existing conditions, inadequate focus on finance and lack of time to carry out investigations	Medium	Additional Geotechnical and environmental bores will be analysed prior to the Tender for Construction
Design Risk	Appropriateness of specifications.	A lack of understanding of specifications or scope.	High	Effective consultation at all phases to manage expectations. This is within Council's Risk Appetite
Investment / Planning Risk	Cost control	Prices exceed allocated budget when tenders close	Medium	Contingencies to deal with increased project cost documented and adopted. Could include reduced scale and facilities, increased borrowing or increased asset sales
Investment / Planning Risk	Insufficient funds	Insufficient funds to complete the project to community expectations	Low	Effective Consultation at all phases to manage expectations. This is within Council's Risk Appetite
Investment / Planning Risk	Bankruptcy during construction	Contractor involved on project becomes bankrupt	Medium	This is within Council's Risk Appetite. Contingency measures may be required to be considered to minimise project delays should this eventuality occur
Management / Operations Risks	Program delay	Failed to understand critical milestones within project programs	Low	This will be monitored throughout the project with regular community updates
Other Risks	Political environment.	Changing political environment	Medium	Effective engagement of community and Councillors. This is within Council's Risk Appetite
Other Risks	Political	Other competing projects are deemed more important for the community and to be done in priority	Low	Effective communication between community and Councillors at all phases to manage expectations and determine priorities

Appendix A: Proposed Concept Plan




ADJOINING BUILDING-
NOT PART OF THIS
DEVELOPMENT

Appendix B: Project Cash Flows – Cost Benefit Analysis (Economic)

Table 8: Incremental Cash Flow Costs and Benefits ($), Economic Outcomes

Period	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Costs													
Capital	8,663,746	8,663,746	0	0	0	0	0	0	0	0	0	0	0
Maintenance (excl. depreciation)	10,408,098	0	259,912	265,656	271,527	277,528	283,662	289,931	296,338	302,887	309,581	316,423	323,416
Operating expenditure	30,474,373	0	785,579	801,291	817,317	833,663	850,336	867,343	884,690	902,384	920,431	938,840	957,617
Total cost	49,546,217	8,663,746	1,045,492	1,066,947	1,088,844	1,111,191	1,133,998	1,157,273	1,181,028	1,205,271	1,230,012	1,255,262	1,281,032
Benefits													
Increased value added from construction	3,020,511	3,020,511	0	0	0	0	0	0	0	0	0	0	0
Operating revenue	21,600,005	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Consumer surplus	12,897,397	0	308,135	315,839	323,735	331,828	340,124	348,627	357,342	366,276	375,433	384,819	394,439
Wellbeing impact	42,925,473	0	1,485,406	1,486,670	1,487,786	1,488,751	1,489,558	1,490,203	1,490,682	1,490,988	1,491,118	1,491,065	1,490,824
Residual value	2,203,067	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	82,646,452	3,020,511	2,309,592	2,331,461	2,353,698	2,376,310	2,399,306	2,422,695	2,446,486	2,470,687	2,495,309	2,520,361	2,545,852
Net cash flow (NCF)	**33,100,235**	**-5,643,235**	**1,264,101**	**1,264,514**	**1,264,854**	**1,265,118**	**1,265,308**	**1,265,421**	**1,265,458**	**1,265,417**	**1,265,297**	**1,265,098**	**1,264,820**
Decision criteria:													
Discount rate	3%	7%	10%										
NPV ($M)	18.93	9.50	5.76										
BCR	1.56	1.42	1.31										
IRR	22%	22%	22%										

Appendix C: Project Cash Flows – Financial Analysis

Table 9: Incremental Cash Flow Costs and Benefits ($), Financial Outcomes

Period	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Costs													
Capital	8,663,746	8,663,746	0	0	0	0	0	0	0	0	0	0	0
Maintenance (excl. deprec.)	10,408,098	0	259,912	265,656	271,527	277,528	283,662	289,931	296,338	302,887	309,581	316,423	323,416
Operating expenditure	30,474,373	0	785,579	801,291	817,317	833,663	850,336	867,343	884,690	902,384	920,431	938,840	957,617
Total cost	49,546,217	8,663,746	1,045,492	1,066,947	1,088,844	1,111,191	1,133,998	1,157,273	1,181,028	1,205,271	1,230,012	1,255,262	1,281,032
Benefits													
Operating revenue	21,600,005	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Residual value	2,203,067	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	23,803,072	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Net cash flow (NCF)	-25,743,146	-8,663,746	-529,440	-537,994	-546,667	-555,460	-564,373	-573,409	-582,566	-591,848	-601,253	-610,785	-620,443
Decision criteria:													
Discount rate	3%	7%	10%										
NPV ($M)	-19.50	-14.92	-12.90										
BCR	0.42	0.35	0.30										
IRR	n.a.	n.a.	n.a.										

Preliminary Business Case

Corowa Swimming Pool

November 2019

Document status

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1 Executive Summary

Federation Council requires a preliminary business case for the Corowa Swimming Pool Project. This report contains the economic assessment, cost benefit and financial analysis for the development of the swimming pool.

The purpose of this preliminary Business Case is to provide an objective comparison of options available for the provision of the facility, an evaluation of the benefits and financial analysis. This is based on the local area demonstrating a significant demand for the redevelopment and construction of a swimming pool in Corowa from various uses detailing their needs and longer-term benefits to the community.

With respect to the pool redevelopment, significant consultation initiatives, including the formation of swimming pool development committees, have been undertaken over the last decade to discuss the swimming pool options. Through this consultation process it was clear that there is a strong demand for modern and accessible aquatic facilities for the Corowa community.

Eight schools in the surrounding area have reported that their students are below average in respect to their ability to swim.

The 2016 online survey illustrated the community's priority for the redevelopment of the pool. A summary of the findings is as follows:

- A total of 74.9% of people had used or visited one of the 10 most popular pools in the region over the past 12 months,
- Of the 74.9% respondents, 89.2% had visited the Corowa Swimming Centre and 75.5% of respondents said that Corowa Swimming Centre was their most used pool facility.

The economic and financial evaluation is based on two scenarios:

- Base Case – Status quo scenario, where no redevelopment of the swimming pool occurs.
- 2017 Option – This option is built on the 2015 Option to redevelop the swimming pool that as a minimum, should consist of a seasonal 50m pool, 11x17 program pool and splash pad.

The economic assessment for value-add from the construction phase, after assumed displacement and leakages are taken into account, estimates the gross stimulus for the regional economy will be approximately $7.4 million. The Consumer Surplus estimates economic use value by assessing peoples' willingness to pay to visit the site and is estimated based on the number of trips. The total consumer surplus is estimated at $824,200 per annum.

The CBA results for the proposed project include the total (discounted) present value incremental costs and benefits and resulting NPV and BCR, along with sensitivity results. The NPV analysis suggests a significant net benefit of approximately $9.5 million, with a BCR of 1.42 and positive internal rate of return (IRR) of 22%.

The financial analysis provides an assessment of the project's financial feasibility against the forecasted financial costs and revenues. The analysis only considers the real cash impacts of the proposed investment by Council. The results of the financial analysis, at a discount rate of 7%, indicate that the proposed project will record a net financial loss, with a revenue / cost ratio of 0.35.

The Business Case also details the implementation requirements to successfully deliver the project. These include the project program and milestones, the project management governance approach and a risk matrix identifying the key risks.

2 Case for Change

2.1 Background

Federation Council producing a Preliminary business case for of the Corowa Swimming Pool Project

The purpose of this Preliminary Business Case is to provide an objective comparison of options available for the provision of the additional facilities. This document provides:

- A review of the current situation
- Defining the need for change
- Definition of options
- Economic assessment and financial analysis using qualitative, quantitative, and financial comparisons that:
  - Evaluates the direct costs and benefits to the community resulting from the proposed Corowa Swimming Pool Project; and
  - Evaluates the potential wider economic impacts as a result of the project.
  - Undertakes the financial analysis of the project.

This report incorporates the following key components of the economic and financial assessments undertaken:

- Evaluation framework and guidelines;
- Cost benefit analysis (including approach, key inputs and assumptions and scenarios modelled)
- Results of analysis, including Net Present Value (NPV) and Benefit Cost-Ratio (BCR);
- Sensitivity analysis;
- Wider economic impact analysis; and
- Financial implications.

2.2 Project Overview and Rationale

Federation Council is proposing to redevelop the Corowa Swimming Pool. The existing pool was closed in 2017 due to safety concerns, filtration issues and unsustainable leakage and maintenance. Council has been examining solutions since the mid 90's including community consultation, option reviews and feasibility studies with a resolution in May of 18' confirming the essential design of the replacement pool.

The project is expected to deliver as a minimum a seasonal 50m pool, with an approximate indoor 11.5m x 17m learn to swim / program pool and a splash pad (see concept design contained in Appendix A).

The key driver for this project is the broad range of community demand for a swimming facility for the community of Corowa and immediate surrounds as the existing pool has been closed for the past two years. There is significant local demand for a swimming pool facility that will meet the requirements of its diverse community for the various uses and needs that include:

- Children learn to swim – the eight Schools in the surrounding area have reported that their students are below average in respect to their ability to swim. The default option is the Murray River where children will be exposed to the river currents and snags.
- Senior citizens – The Aging Well Strategy objectives and actions support the need for a multi-functional swimming pool facility to meet the requirements of an aging population.
- Community Users – able to recreate over an extended period with the inclusion of an indoor facility.
- Community Organisations and Groups – Schools swimming carnivals, sporting teams training and social events.

The 2016 online community survey found that the majority of respondents confirmed that the Corowa Swimming Centre was their most used Pool Facility. The survey concluded that there was community support for maintaining an outdoor pool as well as adding an indoor recreation/leisure pool and a water slide.

2.3 Strategic Alignment

The proposed project is consistent and aligns with Councils Strategic Community Plan, Delivery Program, Operational Plan and the Resourcing Strategy. The project also aligns with the objectives, outcomes and actions of Councils Aging Well Strategy 2018-22.

3 Analysis of Proposal

3.1 Base Case

The Base Case identified for this business case is considered a "do nothing" base case. The status quo is maintained, with no redevelopment of the Corowa Swimming Pool complex.

3.2 Other Options

The preferred Option for evaluation is the 2017 Option, however Council has considered a number of options since 2006 including:

2006 Option

The Corowa Swimming Pool Replacement study was undertaken in 2006 due to the age of the existing pool, the age and condition of the existing plant equipment and due to major leakage, issues with the main pool tank and pipework. Owing to a lack of financial capacity, the project did not proceed.

2014 Option

The Corowa Swimming Pool Upgrade Options study was undertaken as a result of the ongoing leakages and repair issues. The outcome was to determine the long-term facility improvements options and obtain accurate costings.

2015 Option

The Facility Options and Site Opportunity review considered different redevelopment options and sites, however financial constraints did not allow a development to meet community demands.

2017 Option

This option built on the 2015 Option where Council established an advisory committee from which it was determined that, at a minimum, the new facility should consist of a seasonal 50m pool, 11x17 program pool and splash pad.

3.3 Cost Benefit Analysis

3.3.1 Evaluation Framework

The economic assessment is based on a generalised Cost Benefit Analysis (CBA) framework which quantifies and compares the direct infrastructure cost (capital and recurrent) of a project with the change in economic value (benefits / cost savings) generated with the project.

The assessment has been undertaken in accordance with the relevant guidelines for CBA, specifically, the New South Wales Treasury Guidelines for Economic Appraisal. Where these guidelines do not cover specific methodologies required to estimate benefits of the project (e.g. estimating wider impacts), other benefit guidance has been sought from domestic and international literature and guidelines.

The overall appraisal framework is based on welfare economic theory. This framework defines the change in economic value in terms of the following theoretical concepts:

- User consumer surplus;
- Producer surplus;
- Resource cost corrections; and
- Externalities.

The purpose of the CBA was to determine whether the community will enjoy a net benefit as a result of completion of the proposed Corowa Pool Redevelopment Project and to ensure efficient allocation of public resources. The CBA takes into account:

- The potential direct benefits and costs that would not otherwise occur in the absence of the proposed Corowa Pool Redevelopment; and
- The costs of construction and ongoing maintenance of the proposed Corowa Pool Project.

The CBA framework is based on an annual discounted cash flow model. The model develops 'streamed' infrastructure costs and benefits over an evaluation period extending 30 years from the first full year of operation of the proposed Corowa Pool Redevelopment (inclusive).

Future costs and benefits are converted to a common time dimension; the present value (PV). Present values are calculated by discounting future values using a recommended discount rate (which reflects the time value of money). The discounted costs and benefits are then combined using specific equations to produce conventional measures of economic performance.

The CBA model produces the following key measures of economic performance:

- Net Present Value (NPV) – the difference between the PV of total incremental benefits and the PV of the total incremental costs, which allows the project options to be compared on the same basis to allow determination of the greatest net benefit to the community or the most efficient use of resources. Project options that yield a positive NPV indicate that the (discounted) incremental benefits of a scenario exceed the incremental costs over the evaluation period.

Benefit Cost Ratio (BCR) – ratio of the PV of total incremental benefits to the PV of total incremental costs. A BCR greater than 1.0 indicates that project benefits exceed project costs. However, generally, a project with a higher BCR may be preferred to protect against unexpected project delays, optimism bias or cost overruns.

Community and sporting facilities such as the proposed Corowa Pool Redevelopment generate economic benefits for the regional economy through operational expenditure associated with the facility as well as benefits associated with tourism expenditure / turnover within the region. As a part of ongoing operations, economic impacts from the proposed project are generated by organisational and facility operations, whilst subsequent rounds of spending include indirect or off-site tourism expenditure and business supply chain purchases.

The contribution made by the proposed Corowa Pool Redevelopment to the economies of the Federation local government area (LGA), New South Wales and Australia has been assessed using the LocalImpact regional economic model, based on input-output tables developed specifically for each region.

3.3.2 Key Inputs and Assumptions

3.3.2.1 Demand Analysis

Since the swimming pool has not been in operation for two seasons the demand assumptions have been derived from the Australian Bureau of Statistics.

Data released by the Australian Bureau of Statistics on the Participation in Sport and Physical Recreation Activities indicated that the participation rate for swimming/diving was 6.4% amongst all persons aged 15 years and over in New South Wales in 2013/14, whilst participation in fitness/gym was 17.4%. The average annual frequency of participation for swimming was approximately 42 per annum, whilst the average for fitness/gym was approximately 70 per annum. Further, the participation rate for swimming amongst children was 17.7% in 2012, with an average frequency of approximately 107 per annum.

Application of these rates to the current and projected population of Federation LGA suggests there is significant demand for participation in aquatic facilities given current service provision and attendance in Corowa, which indicated the total potential participation in aquatic/swimming activities was almost 68,000 in 2018.

Table 1: Projected Demand for Aquatic Activities, Federation LGA

Participation rate:	
Adult (15+ years)	6.4%
Child	17.7%
Frequency of participation (annual):	
1–12 times	22.7%
13–26 times	16.8%
27–52 times	32.2%
53–104 times	11.5%
105 times or more	15.1%
Average (no.):	
Adult	42
Child	107

Estimated population participating in aquatic/swimming activity (persons):	
Adult	662
Child	374
Total persons	1,037
Total participation (activity/visits)	
Adult	27,771
Child	40,192
Total	67,963

Source: ABS 4177.0, Lawrence Consulting

Attendance projections for the Corowa Pool redevelopment were included in the 2016 feasibility study completed by Otium Planning. These projections assumed an annual attendance of approximately 110,000 persons following the redevelopment; for the purposes of this analysis, these have been considered a high or optimistic scenario.

3.3.3 Costs

The streamed costs and benefits are based on underlying profiles of costs and demand that have been developed by the project's technical advisors and Lawrence Consulting. For the Corowa Pool Redevelopment Project, infrastructure cost estimates were developed by the project proponent, Federation Council, whilst indicative operating costs under were prepared by Otium Planning.

The CBA incorporates the following economic costs relevant to the construction and ongoing maintenance of the project:

- Fixed infrastructure costs, including earthworks, drainage and other infrastructure;
- Systems infrastructure;
- Other construction costs such as investigation, design and project management costs;
- Planned construction and operation risk; and
- Recurrent costs, such as scheduled maintenance and operating costs.

Specifically, the proposed Corowa Pool Redevelopment Project has a capital expenditure component of approximately $8.7 million during the construction phase of twelve months. Capital maintenance costs have been estimated to be 3.0% of the building cost plus applicable insurances and adjusted annually based on the local government Council Cost Index (CCI) of 2.21%. Depreciation expense has been calculated based upon a 35-year life with 10% residual value.

Operating budgets for the Corowa Pool Redevelopment Project have been scaled based on estimates provided in the 2016 feasibility study by Otium Planning, with approximately $516,050 in operating revenue in Year 1 and $785,500 in expenditure.

3.3.4 Benefits

Direct and indirect incremental benefits of the proposed Corowa Pool Redevelopment Project which have been considered as part of the CBA include:

- Increase in value added to regional economy (i.e. direct and supply chain effects) associated with the construction of the proposed facility;

- Increase in revenue and direct value added generated from operations to be conducted at the facility, due to the increased capacity created through construction of the proposed project;
- Consumer surplus associated with users of the Corowa Pool, particularly where there is either no direct fee or reduced/subsidised charges involved with participation or attendance in organised events or programs;
- Value associated with individual wellbeing from participating in sport and recreational activities at the facility, as measured by the wellbeing valuation and benefits transfer approach. This can also be considered a proxy value for public health cost savings derived from the elevated level of active participation in sport and recreational activities by the community; and
- The residual value or scrap value of the project asset at year 30, given its operational life has been assessed as 35 years.

Other indirect incremental benefits of the proposed Corowa Pool Redevelopment which were not considered as part of the CBA due to the level of difficulty in quantifying, including non-use benefits derived from non-users of recreational and leisure facilities who are often willing to pay for the facilities because they value the option to use the facility in future; the fact that other members of the community can use it; and the fact that future generations will enjoy the endowment left to them in the facility.

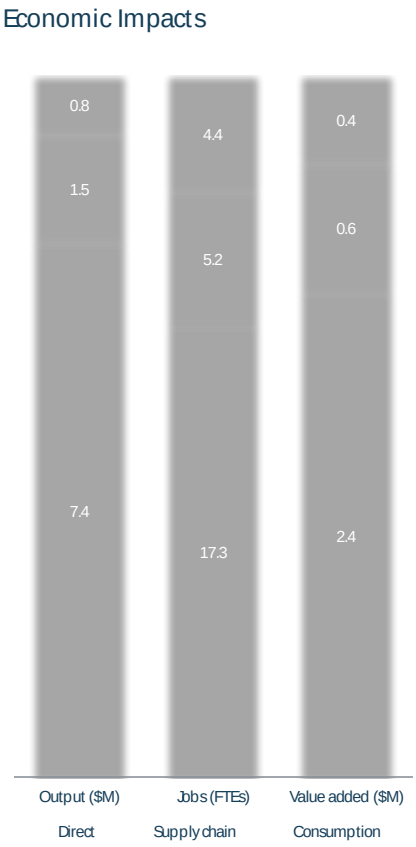
3.3.4.1 Value Added from Construction Phase

The proposed Corowa Pool Redevelopment has associated construction costs of approximately $8.7 million during the development phase. After assumed displacement and leakages are taken into account, the gross stimulus for the regional economy will be approximately $7.4 million. The net regional economic impact – i.e. direct, indirect and consumption-induced – associated with the construction of the Corowa Pool Redevelopment Project on the Federation LGA include (refer table below):

- An estimated direct output of $7.4 million and additional flow on increases in output of $1.5 million through other industries, for a total industry impact of $8.9 million. A further $0.8 million in output in the region can be associated with consumption-induced effects;
- Estimated direct income (wages and salaries) of $0.8 million, with $0.3 million in additional income generated through flow on effects in other industries and a further $0.2 million from household spending;
- Approximately 17.3 direct full-time equivalent (FTE) employment positions, with an estimated additional 9.6 employment positions supported indirectly through other industries and household consumption for a total employment impact of 26.8 FTEs; and
- An estimated contribution to GRP of $2.4 million from direct effects, with a further flow on impact of $0.6 million through other industries for a total industry value added of $3.0 million. An additional $0.4 million in gross regional product can be attributed to consumption-induced effects.

Table 2: Economic Impact of Proposed Corowa Pool Redevelopment, Construction Phase

	Federation LGA	New South Wales	Australia
Output ($ million)			
Direct	7.4	8.7	8.7
Indirect	1.5	5.0	10.4
Consumption	0.8	5.7	8.4
Total	9.7	19.4	27.5
Income ($ million)			
Direct	0.8	0.9	0.9
Indirect	0.3	1.1	2.2
Consumption	0.2	1.9	2.2
Total	1.3	3.8	5.4
Employment (fte persons)			
Direct	17.3	20.3	20.3
Indirect	5.2	14.8	30.6
Consumption	4.4	28.4	33.0
Total	26.8	63.6	83.9
Value added ($ million)			
Direct	2.4	2.8	2.8
Indirect	0.6	2.2	4.2
Consumption	0.4	3.6	5.2
Total	3.4	8.5	12.2



3.3.4.2 Consumer Surplus

The travel cost method is used to estimate economic use values associated with sites such as the proposed Corowa Pool Redevelopment Project that are used for community recreation, leisure and other activities, especially where there is either no direct fee or reduced / subsidized charges for participants. The basic premise of the travel cost method is that the time and travel cost expenses that people incur to visit a site represent the "price" of access to the site. Thus, peoples' willingness to pay to visit the site can be estimated based on the number of trips that they make at different travel costs. This is analogous to estimating peoples' willingness to pay for a marketed good based on the quantity demanded at different prices.

Application of the travel cost method varies with respect to whether an individual or zonal approach is used. The zonal travel cost method, which is applied by collecting information on the number of visits to the site from different distances, has been adopted for this analysis. Because the travel and time costs will increase with distance, this information allows calculation of the number of visits "purchased" at different "prices," which is then used to construct the demand function for the site, and estimate the consumer surplus, or economic benefits, for the recreational services of the site.

Using the mean distance, time to the sites and estimated number of visits presented in Table 3 along with average vehicle operating costs of $0.70 per kilometre for a medium car (NRMA) and a value of travel time of approximately one-half the average ordinary earnings in New South Wales, or $0.63 per minute (Australian Bureau of Statistics), the total consumer surplus associated with forecast use of the Corowa Pool – based on forecast annual attendance of approximately 68,000 – is estimated at $824,200 per annum. The net

consumer surplus, discounting the operating revenue generated from general admission, memberships, sales and facility hire of approximately $516,050, is approximately $308,135.

Table 3: Community Use Benefits of Proposed Corowa Pool Redevelopment

Zone	Estimated total visits per annum	Mean round trip (RT) travel distance (km)	Mean RT travel time (minutes)	Driving cost per visit ($0.70/km)	Trip time cost per visit ($0.63/min.)	Annual consumer surplus
1 (0-10km)	58,448	6	10	126,832	368,223	495,055
2 (11-30km)	9,277	29	36	94,161	210,401	304,562
3 (31-50km)	170	72	59	4,282	6,315	10,597
4 (51-200km)	68	240	193	5,709	8,264	13,972
Total	67,963	-	-	230,984	593,203	824,187

Source: ABS 6302.0, NRMA, Lawrence Consulting

3.3.4.3 Wellbeing Impacts from Sport Participation

A study undertaken by the London School of Economics on behalf of the government of the United Kingdom (*Quantifying and Valuing the Wellbeing Impacts of Culture and Sport*, Fujiwara D, Kudrna L and Dolan P, Department for Culture, Media and Sport, United Kingdom (2014)) developed an evidence base on the wellbeing impacts to the individual of sport participation, given this interacts with a number of social indicators of wellbeing such as education, health and social cohesion. This research estimated the monetary value to the government of those wellbeing impacts, particularly in terms of current investment and long-term benefit; specifically, sport participation was found to be associated with wellbeing valued at £1,127 per person per year (or A$1,939).

Within Australia, the Royal Life Saving Society (RLSS) produced a report in behalf of Swimming Australia in 2017 to measure the economic benefits of public aquatic facilities, which determined the average pool visit generate benefits of $26.39 in improved health outcomes and consequent reductions in health spending. In the context of the proposed Corowa Pool Redevelopment Project, this figure has been adopted to measure the wellbeing impacts of participation of persons utilising the facility, although a net value discounting consumer surplus has been used to avoid duplication. Using a benefits transfer approach and given the forecast attendance of approximately 68,000 persons, the estimated net wellbeing value of sport participation at the Corowa Pool is approximately $1.5 million per annum.

3.3.5 Evaluation Period

The base price year adopted is 2019, whilst the assumed construction period for the proposed Corowa Pool Redevelopment is January 2020 to December 2020. The appraisal period for the economic assessment is 2019 up to and including 30 years (i.e. 2048).

3.3.6 Discount Rate

Consistent with relevant guidelines, a real discount rate of 7% has been adopted for the CBA. For the purposes of sensitivity testing, real discount rates of 3% and 10% have also been applied.

3.3.7 Results

The results of the CBA for the proposed Corowa Pool Redevelopment Project are summarised in the following table, including the total (discounted) present value incremental costs and benefits and resulting

NPV and BCR. Also included are sensitivity results for lower and upper range discount rates (3% and 10%). A summary of cash flows for the cost benefit evaluation is contained in Appendix B.

As expected for this type of project, costs are dominated by capital expenditures, whereas benefits are more broadly distributed across different categories, with consumer surplus, wellbeing and direct and indirect increases in regional value added through both construction and operating phases providing significant contributions.

Table 4: Present Value Incremental Costs and Benefits, NPV and BCR (Discount rate 7%)

Total Value ($ million)	
Direct Infrastructure Costs	
Capital	8.66
Maintenance (excl. depreciation)	10.41
Operating expenditure	30.47
Total Infrastructure Costs	49.55
Cost Savings and External Benefits	
Increased value added from construction	3.02
Operating revenue	21.60
Consumer surplus	12.90
Wellbeing impacts	42.93
Residual value	2.20
Total Benefits	82.65
Net Present Value ($ million)	
Discounted (PV) costs	22.84
Discounted (PV) benefits	32.35
NPV	**9.50**
IRR	**22%**
BCR	**1.42**
Scenario analysis	
Discount rate (3%)	
NPV ($ million)	18.93
BCR	1.56
Discount rate (10%)	
NPV ($ million)	5.76
BCR	1.31

In aggregate, the NPV analysis suggests a significant net benefit of approximately $9.5 million for the proposed Corowa Pool Redevelopment, with a BCR of 1.42 and positive internal rate of return (IRR) of 22%. Given the large volume of upfront costs and the (in general) stream of ongoing benefits, the CBA moves as expected insofar as the lower discount rate (3%) increases the NPV and BCR for the project, whilst the higher rate (10%) decreases the NPV and BCR relative to the base case, although all BCR's recorded are higher than break-even.

3.4 Financial Analysis

- The financial analysis provides an assessment of the project's financial feasibility against the financial costs and revenues forecasted to arise from the project. The outcomes of the financial analysis are the following indicators:
- Financial revenue-cost ratio;
- Financial net present value; and
- Internal rate of return.

Unlike the cost-benefit analysis (economic), the financial appraisal only the considers the real cash impacts of the proposed investment by Council. The financial revenues and costs are as detailed in the previous project cost section of this report.

The financial results of the proposed Corowa Pool Redevelopment Project are summarised in the following table, including the total (discounted) present value incremental costs and benefits and resulting NPV and BCR. A summary of cash flows for the financial evaluation is contained in Appendix C.

Table 5: Present Value Incremental Costs and Benefits, NPV and BCR (Discount rate 7%)

Total Value ($ million)

Direct Infrastructure Costs	
Capital	8.66
Maintenance (excl. depreciation)	10.41
Operating expenditure	30.47
Total Infrastructure Costs	49.55
Cost Savings and External Benefits	
Operating revenue	21.60
Residual value	2.20
Total Benefits	23.80
Net Present Value ($ million)	
Discounted (PV) costs	22.84
Discounted (PV) benefits	7.92
NPV	**-14.92**
IRR	**n.a.**
BCR	**0.35**

The results of the financial analysis at a discount rate of 7% indicate that the proposed Corowa Pool Redevelopment will record a net financial loss, with a revenue/cost ratio of 0.35.

4 Implementation Case

4.1 Program and milestones

The project has a number of Check Points before construction can be completed. The indicative milestones for the project are shown in the table below.

Table 6: High level investment schedule

Milestones	Activities	Inter-dependencies	Position Responsible	Planned Results Completion Dates
Final Business Case	Preparation of Final Business Case	Council approvals	Federation Council	Council to provide
Project Assurance	Assurance reviews	Provision of Business Case and supporting documentation	Federation Council	Council to provide
Funding approval and Funding release	Funding approval paper	Council Report	Federation Council	Council to provide
Design complete	Signoff of Detailed Design	Concept and Preliminary Designs	Federation Council	Council to provide
Project Approval	Council to approve project	Funding release	Federation Council	Council to provide
Material Procurement	Procure materials	Project approval and Detailed design	Construction entity	Council to provide
Construction	Construction activities as required	Contractor performance	Construction entity	Completion by - Council to provide
Commissioning	Operational readiness	Completion of construction	Federation Council	Ready for Service by - Council to provide

Council's Community Strategic Plan details a number of projects and programs which will be delivered during the life of the plan to provide a range of recreational, leisure and learning opportunities to the community. Council has a comprehensive internal skill base and where it lacks the skill base to directly undertake the elements required to complete the project, it commissions consultants and specialist project management staff.

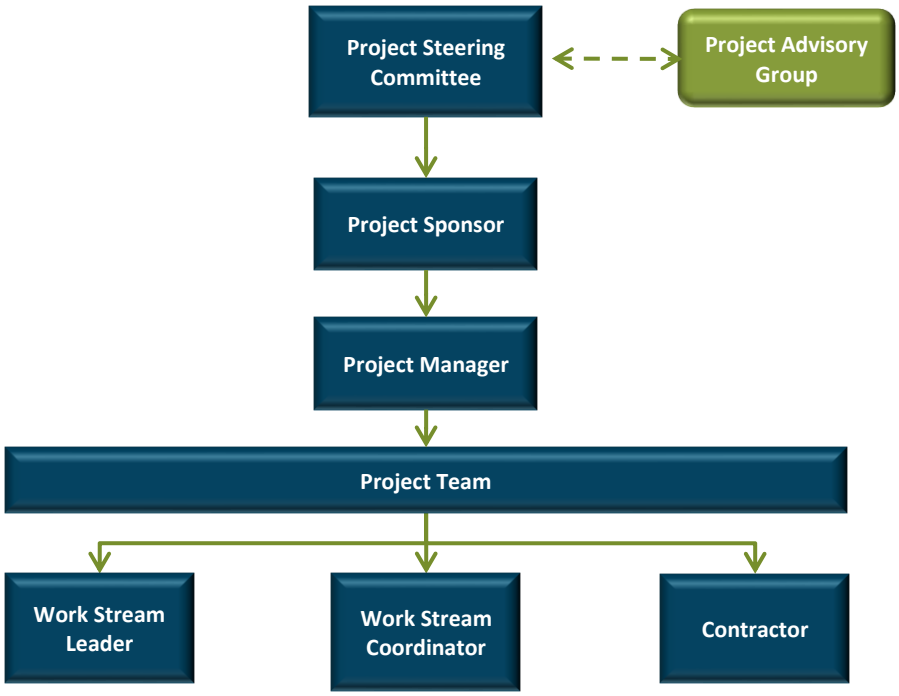
4.2 Governance

The development of a governance structure for the development of the project is an important stage in the planning and construction process. An effective governance structure will ensure consistency in the decision-making process and will assign responsibility to the relevant groups for the ongoing management and delivery of the project.

The proposed project governance structure will include:

- Project Steering Committee - Director of Engineering Services, Manager of Projects and the Manager of Infrastructure.
- Project Sponsor – General Manager Federation Council
- Project Advisory Group - A Pool Advisory Committee was established and endorsed by council in 2018 and comprises external and internal stakeholders.
- Project Manager - Jason Schneider-Fuller with the support of a council Project Officer

Figure 1: Project Governance Structure



4.2.1 Key Risks

A range of risks were identified in the initiation phase of this project. The primary risks to be managed if proceeding with construction of the Multipurpose Hall and Gymnasium include:

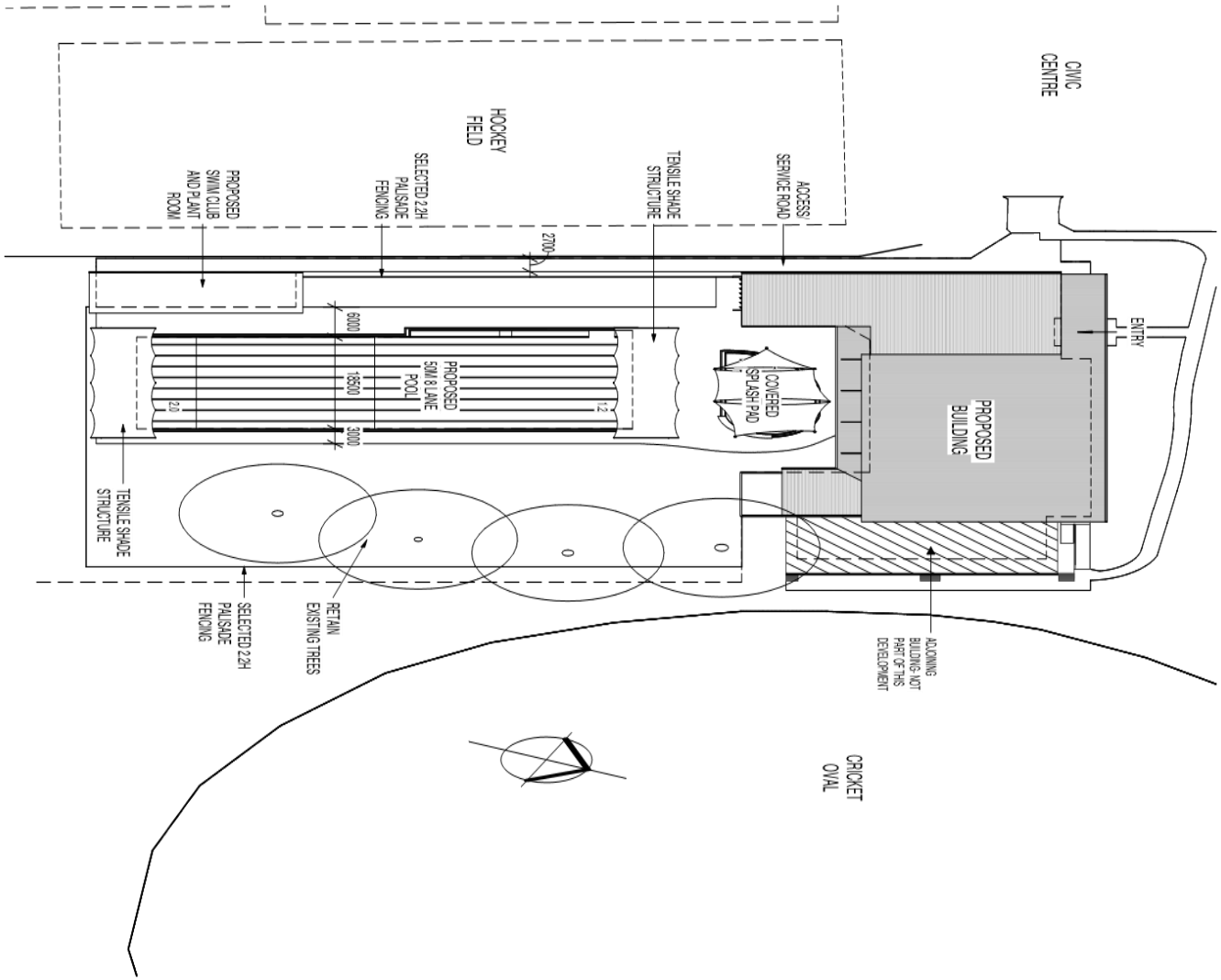
- The delivery of the capital costs – time, quality and cost need to be managed against clear benchmarks and budgets
- Stakeholder resistance
- Wet weather periods will decrease site production
- Procurement and construction direct costs are not finalised
- Delivery of the projects beyond the end target. Based on funding release and construction timeframes

As the project cost is $8.7 million (ex GST) the risk management plan for the project has been prepared and detailed in the following table.

Table 7: Risk Management Plan

Task or Activity Type	Risk Source	Event	Level of Residual Risk	Risk mitigation measures
Completion / Construction	Weather and seasonal implications	Less productivity during wetter seasons of the year for outside work	Low	This is within Council's Risk Appetite and is a latent condition of contract
Demand / Market Risk	Insufficient funds	Insufficient funds to complete the program to community expectations	Low	This will be monitored throughout the project with regular community updates so that an informed decision can be made Council based on community feedback and engagement.
Demand / Market Risk	Competition / market share	Inability to attract anticipated numbers of patrons (due to price, location, other competing leisure centres, etc.)	Low	Additional advertising and awareness procedures will be in place. A marketing strategy may need to be considered and discussed with the operator.
Design Risk	Inadequate site investigation.	Inadequate site investigation arises from the lack of awareness of the existing conditions, inadequate focus on finance and lack of time to carry out investigations	Medium	Additional Geotechnical and environmental bores will be analysed prior to the Tender for Construction
Design Risk	Appropriateness of specifications.	A lack of understanding of specifications or scope.	High	Effective consultation at all phases to manage expectations. This is within Council's Risk Appetite
Investment / Planning Risk	Cost control	Prices exceed allocated budget when tenders close	Medium	Contingencies to deal with increased project cost documented and adopted. Could include reduced scale and facilities, increased borrowing or increased asset sales
Investment / Planning Risk	Insufficient funds	Insufficient funds to complete the project to community expectations	Low	Effective Consultation at all phases to manage expectations. This is within Council's Risk Appetite
Investment / Planning Risk	Bankruptcy during construction	Contractor involved on project becomes bankrupt	Medium	This is within Council's Risk Appetite. Contingency measures may be required to be considered to minimise project delays should this eventuality occur
Management / Operations Risks	Program delay	Failed to understand critical milestones within project programs	Low	This will be monitored throughout the project with regular community updates
Other Risks	Political environment.	Changing political environment	Medium	Effective engagement of community and Councillors. This is within Council's Risk Appetite
Other Risks	Political	Other competing projects are deemed more important for the community and to be done in priority	Low	Effective communication between community and Councillors at all phases to manage expectations and determine priorities

Appendix A: Proposed Concept Plan




ADJOINING BUILDING-
NOT PART OF THIS
DEVELOPMENT

Appendix B: Project Cash Flows – Cost Benefit Analysis (Economic)

Table 8: Incremental Cash Flow Costs and Benefits ($), Economic Outcomes

Period	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Costs													
Capital	8,663,746	8,663,746	0	0	0	0	0	0	0	0	0	0	0
Maintenance (excl. depreciation)	10,408,098	0	259,912	265,656	271,527	277,528	283,662	289,931	296,338	302,887	309,581	316,423	323,416
Operating expenditure	30,474,373	0	785,579	801,291	817,317	833,663	850,336	867,343	884,690	902,384	920,431	938,840	957,617
Total cost	49,546,217	8,663,746	1,045,492	1,066,947	1,088,844	1,111,191	1,133,998	1,157,273	1,181,028	1,205,271	1,230,012	1,255,262	1,281,032
Benefits													
Increased value added from construction	3,020,511	3,020,511	0	0	0	0	0	0	0	0	0	0	0
Operating revenue	21,600,005	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Consumer surplus	12,897,397	0	308,135	315,839	323,735	331,828	340,124	348,627	357,342	366,276	375,433	384,819	394,439
Wellbeing impact	42,925,473	0	1,485,406	1,486,670	1,487,786	1,488,751	1,489,558	1,490,203	1,490,682	1,490,988	1,491,118	1,491,065	1,490,824
Residual value	2,203,067	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	82,646,452	3,020,511	2,309,592	2,331,461	2,353,698	2,376,310	2,399,306	2,422,695	2,446,486	2,470,687	2,495,309	2,520,361	2,545,852
Net cash flow (NCF)	**33,100,235**	**-5,643,235**	**1,264,101**	**1,264,514**	**1,264,854**	**1,265,118**	**1,265,308**	**1,265,421**	**1,265,458**	**1,265,417**	**1,265,297**	**1,265,098**	**1,264,820**
Decision criteria:													
Discount rate	3%	7%	10%										
NPV ($M)	18.93	9.50	5.76										
BCR	1.56	1.42	1.31										
IRR	22%	22%	22%										

Appendix C: Project Cash Flows – Financial Analysis

Table 9: Incremental Cash Flow Costs and Benefits ($), Financial Outcomes

Period	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Costs													
Capital	8,663,746	8,663,746	0	0	0	0	0	0	0	0	0	0	0
Maintenance (excl. deprec.)	10,408,098	0	259,912	265,656	271,527	277,528	283,662	289,931	296,338	302,887	309,581	316,423	323,416
Operating expenditure	30,474,373	0	785,579	801,291	817,317	833,663	850,336	867,343	884,690	902,384	920,431	938,840	957,617
Total cost	49,546,217	8,663,746	1,045,492	1,066,947	1,088,844	1,111,191	1,133,998	1,157,273	1,181,028	1,205,271	1,230,012	1,255,262	1,281,032
Benefits													
Operating revenue	21,600,005	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Residual value	2,203,067	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	23,803,072	0	516,052	528,953	542,177	555,731	569,624	583,865	598,462	613,423	628,759	644,478	660,590
Net cash flow (NCF)	-25,743,146	-8,663,746	-529,440	-537,994	-546,667	-555,460	-564,373	-573,409	-582,566	-591,848	-601,253	-610,785	-620,443
Decision criteria:													
Discount rate	3%	7%	10%										
NPV ($M)	-19.50	-14.92	-12.90										
BCR	0.42	0.35	0.30										
IRR	n.a.	n.a.	n.a.										