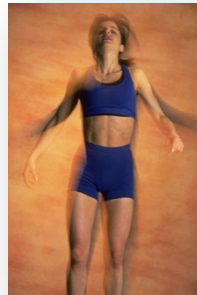


Dawn Fraser Baths Business Case



Prepared for

Inner West Council

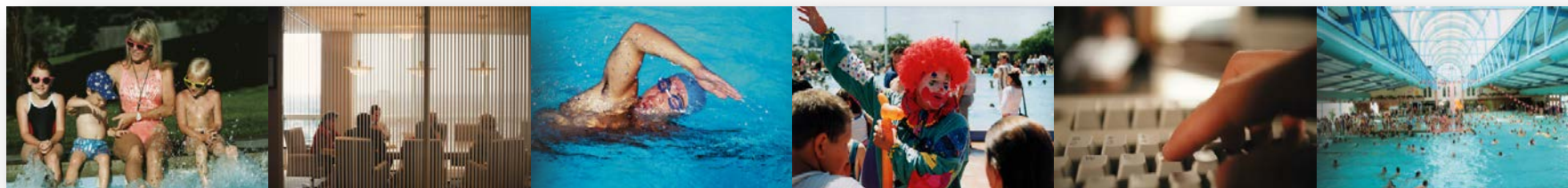
By

C Leisure Pty Ltd

Date

August 2017

Final Report



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I. EXECUTIVE SUMMARY & RECOMMENDATIONS

I.1 Executive Summary

The business case and projections contained within this report have been provided after careful analysis and consideration of a number of factors including heritage status, competition, trends, synergies associated with the proposed facility, safety requirements, benchmarking of similar facilities as indicated in 1.3, standard industry practises and the resources required to operate a refurbished DFB effectively.

Table 1.3 provides a summary of the **base model average** projected performance for a 10 year period. The base model is considered the most likely outcome for operations in each of the options.

The base model summary indicates that:

- DFB will require an estimated **average** annual operational subsidy of \$151,954 per annum over the 10 year period.
- **Average** annual provisions of \$23,000 (as is existing) have been made for refurbishment / life cycle costs.
- There will be an **average** net return to Council of \$1,946 over the 10 year period after provisions and savings have been made.
- It is estimated that there will be an annual average of 41,275 visits over the 10 year period.
- The capital estimate for the remediation works is \$2,000,000.

This stage 1 project is essential to maintain and improve the facility but offers very little difference to the current operations in terms of increased community opportunities, services and programs. Council would simply be encouraging and delivering the same or similar outcomes and opportunities.

Council will need to weigh up the well documented benefits to the community, the cost associated with building, operating and maintaining the facility before any commitments are made.

BASE OPERATIONAL MODEL S SUMMARY

Dawn Fraser Baths

Projection - August 2017

	10 year average p/a
Base Model	
Annual Operating Position	-\$151,954
Provision - Refurbishment/Lifecycle Costs	-\$23,000
# Existing Operating Contribution - savings	\$176,900
Net Annual Cost/ Return to Council	\$1,946
Annual attendances	41,275

Table 1.3 Summary of Base Case - 10 year annual averages

Based on the research and projections contained in this report it is recommended that Council carefully considers investing any further capital into DFB other than for remedial works as proposed in stage 1. The proposed stage 1 works will ensure that DFB remains safe and maintained for future use by the surrounding community. This is based on;

- No existing car parking and limited access to DFB through Elkington Park which restricts usage and will need to be considered if other elements are developed.
- The seasonal nature of the operation and unpredictable quality of water
- The historical nature and setting of DFB and the heritage overlays that potentially protect the site, and
- Trends that see potential users preferring to use treated and heated aquatic facilities

Provided management sells the benefits of DFB through specific marketing and promotional initiatives, it is likely that projected community use and participation will be achieved and results in efficiencies similar to those set out in the business case model will be met.

Key findings

It is clear that the proposed remedial works for DFB have worthwhile heritage, social, health and wellbeing outcomes. Some of the key findings include;

- The proposed stage I works will have a marginal effect on the usage and financial outcomes of the operation. Simply put, Council is not changing the facility elements, program mix or opportunities for the community and therefore cannot expect any significant changes to usage. This therefore flows onto the financial outcomes.
- DFB is a unique aquatic environment that meets club and local aquatic, social, health and recreation needs during the season.
- Aquatic and recreation centres are providing programs, facilities and services that are contributing to better community health as users tend to visit centres three or more times a week (exceeding the pattern of most Australians), spend 60 to 90 minutes per visit and feel that their centre helps them remain healthy, have fewer sick days and be more productive in work/life.
- Aquatic and recreation centres have a positive economic impact with 70% of all income provided by local community participation, while significant local expenditure is generated through the use of local companies and employment of those who live locally.

5.2 Recommendations

The following recommendations are made for Councils consideration on the basis of this report.

1. Council proceed with stage I works based on the need to ensure the facility is safe and well maintained for continued community use.
2. Council accepts there will be marginal usage and financial improvements as a result of stage I works.
3. Council determines any further redevelopment after community consultation is considered through the master planning process.
4. A sound business case and researched community demand would need to be developed if further works were to proceed.

2. INTRODUCTION and BACKGROUND

2.1 Introduction

C Leisure was commissioned by Inner West Council (Council) to develop a business case to determine the operational outcomes of stage 1 proposed capital works at Dawn Fraser Baths (DFB)

Built in the early 1880's, Dawn Fraser Baths, located in Elkington Park in Balmain, is the oldest pool and swimming club in Australia. A Heritage Building on the National Trust and on the Register of the National Estate, renovated and preserved for future generations.

The Dawn Fraser Baths is a tidal flow salt water pool. At low tide there is a beach exposed as part of the attraction.

The swimming club, Balmain Swimming Club, is the oldest in Australia, and meets for all ages every Saturday afternoon during the summer season. DFB is also home to the Balmain Water Polo Club, the first game of water polo in Australia was played at these baths (circa 1888), and still hosts some International Water Polo games.

DFB is a harbour pool. The condition of the harbour water is reported daily by Harbourwatch. After heavy rain DFB may be closed if the water quality is not to standard. The pool is only re-opened after water quality has been approved by Harbourwatch.

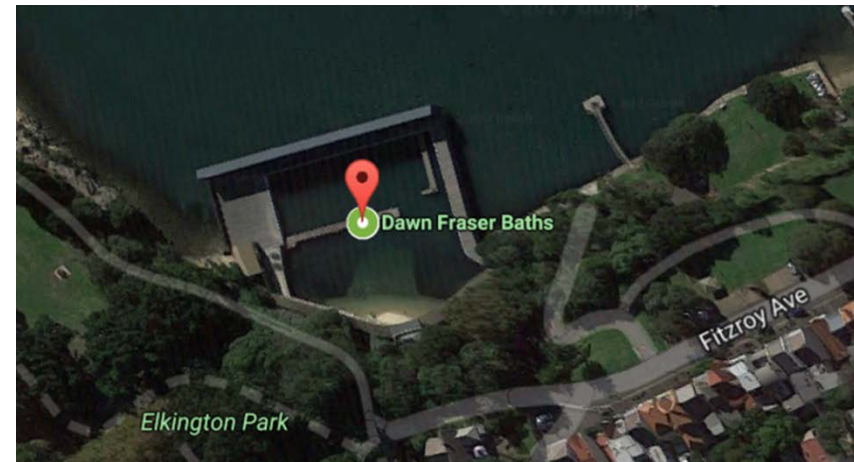
Council has two key outputs within its 2017/18 operational plan which are to;

1. Prepare a master plan for DFB, and
2. Undertake essential maintenance works (stage 1)

Council is embarking on a community engagement program to determine any further stages and this will be incorporated within the master plan should further stages be required.

Council wishes to determine the future financial and usage implications of the DFB after stage 1 has been completed to provide a balanced understanding of all implications for the whole project.

DFB is situated at the base of Elkington Park on the Parramatta River in Balmain NSW.



2.2 Work Program

In response to Council's request for the project to be undertaken, a work program was developed and the report outputs include details on the following:

- a. Prepare a business model based on stage 1 works including projections for attendances, income and expenditure as one would expect for a seasonal, tidal harbour pool with heritage, location and resident constraints.
- b. Consider the site's heritage value and community importance.

- c. Provide examples of industry usage standards relevant to seasonal tidal pools.
- d. Present conclusions regarding anticipated increases in income and attendances to assist Council in the decision making process relating to any proposed capital that may be invested into expanding DFB over the long term.

It is understood that there may be a need to provide further modelling should Council determine the need for added infrastructure in further stages.

2.3 Key research

The following research was undertaken in order to formulate the business projections and includes;

- A review of a draft Conservation Plan for Dawn Fraser Baths prepared for (Leichhardt Municipal) Council by Schwager Brooks and Partners - Architects and Heritage Consultants in March 1993
- Demographic and population profiles from Council and Census data - in order to understand the likely user profiles and current and projected usage patterns within the region. This information is provided in Appendix I.
- Previous work, data and experience with other similar aquatic leisure facilities including;
 - Ashfield Aquatic Centre, NSW
 - Annette Kellerman Aquatic Centre, NSW
 - Fanny Durack Aquatic Centre, NSW
 - Goulburn Aquatic Centre, NSW
 - Ku-ring-gai Fitness and Aquatic Centre, NSW
 - Palm Beach Olympic Pool, QLD
 - Gungahlin Leisure Centre, ACT
 - Echuca War Memorial Aquatic Centre, VIC
 - Kyneton Toyota Sports and Aquatic Centre, VIC
 - Gisborne Aquatic Centre, VIC

- South Gippsland Splash, VIC
- Sale Indoor Swimming Complex, VIC
- Ararat Aquatic and Leisure Centre, VIC
- Kilmore Leisure Centre, VIC and
- Warragul Leisure Centre. VIC

We have also used the CERM performance indicators as a means of benchmarking the financial and operating performance for the proposed upgrades and financial forecasts. The CERM Performance Indicators® are the property of The Centre for Environmental and Recreation Management (CERM), University of South Australia. These performance indicators measure the efficiency of leisure facilities and the quality of services and compare the results with similar centres across Australia. In this case we have used the averages of 90 other aquatic indoor and outdoor venues from around Australia to give Council some level of confidence in projections.

It should be noted that the CERM performance indicators are a guide only and local demographics, different management models, philosophies, aims and local needs are not considered when comparisons are made to other like centres.

The consultants are not aware of any other reliable external survey tools used to determine either community or Council expectations. As such, Council should develop specific measures or key performance indicators for evaluation and monitoring purposes.

The consultants recognise the fine balance that must be maintained between efficient, effective management and social justice/community development practices. It is therefore also recommended that an annual survey be developed that measures the quality of the service that is provided.

2.4 Acknowledgement

C Leisure acknowledges the input and assistance provided by;

- Ms Josephine Bennett - Group Manager, Recreation & Aquatics and,
- Mr Bill Meaney – Manager Recreational Facilities

3. TRENDS AND BENEFITS

3.1 Current and Future Trends in Leisure Provision

The nature and patterns of leisure participation by the Australian community have changed dramatically in the past quarter century. There have been a number of key 'drivers' of this change, some of the most important being:

Population growth: Australia now has over 25 million people and this has provided a sufficient market mass to support activities and pursuits which were previously not viable

A maturing population structure: The maturing of the population has meant an increasing average age and a progressive move away from a society dominated by the needs of the younger age groups. This shift has meant a *broadening* of leisure interests and provision needs -rather than a realignment as there are still many millions of young Australians and the average population age is only 34 years-and a growing focus on more cultural, non-sporting and intellectual leisure pursuits

Cultural diversity: The changing cultural diversity of the Australian population has led to many new and very different forms of leisure and the new ways of thinking about leisure. Multiculturalism has strengthened this change and legitimised a strong expression of differing cultural mores and a shift away from the focus on cultural integration which predominated through to the 1970s

Strong and sustained economic growth: Australia has out-performed much of the rest of the world on many measures of economic performance and this has provided the basis for far greater personal and governmental expenditures on leisure and recreation initiatives

Commercialisation of leisure: Leisure has become a major area of business investment with billion dollar industries growing around tourism,

professional sports, hospitality and food services, wineries, clothing, music and a wide range of other consumer goods

Changing employment structures: These changes have included longer and/or staggered trading hours and work hours, the full acceptance of women into the workforce, the dramatic growth in part-time and casual employment, seven day trading and a strong shift toward small business employment

Technological innovation: The impact of far-reaching modern technology has created totally new products, has opened up what were previously exclusive markets to the wider community which has allowed information to be more readily accessible to the wider community, including from private residences

Rising educational levels: With education comes awareness, knowledge and a greater capacity to evaluate, explore and try new ideas. Rising educational levels have also contributed to higher incomes, changed social values and the acceptance of new ideas

Environmental awareness: The growing recognition of the importance" of the environment as an ecological, cultural, recreational, tourism, economic, educational and research resource

Changing social values and attitudes: With education, information and access to new ideas, there has been a dramatic relaxation of social values and attitudes. This has opened up new areas of recreation opportunity, allowed women into previous male-only sports and led to wider participation in many recreation activities which previously had restrictions of one form or another

Recreation and health links: The now-proven links between recreational involvement and health and wellbeing have given many aspects of recreation a eg: Preventative health care, active healthy lifestyle programs

Not surprisingly, these broader social, cultural and economic changes have had far- reaching impacts on community recreation interests, involvement and attitudes. Some of the key outcomes are:

1. Higher levels of recreational participation across all age groups
2. A demand for and participation in a greater diversity of leisure opportunities. People seek a 'smorgasbord' of opportunities and experiences and are far less 'rusted on' to a small number of pursuits than in the past. Further, people seek to participate across a wide range of times and locations which are convenient to their individual lifestyle
3. A demand for opportunities which are targeted at individuals and at significant cultural, age, ability and interest groups in the community
4. Participation in recreation activities across a far wider age band than in the past
5. A demand for venues which can cater for family leisure involvement, whether as part of the one activity -such as picnic venues and cycling routes-- or through a range of different activities -such as at community leisure centres
6. A greater emphasis on cultural, non-competitive and passive leisure pursuits and on both participation and spectating
7. Expectations of high standards of facilities, programming, services and management
8. Participation at a wider range of defined standards from 'community' to elite and from juniors to veterans
9. Participation in more individual and small group activities rather than organised team sports
10. A strong growth in instruction in sports and health-related activities such as learn to swim, sports clinics and personal trainers
11. Strong support for opportunities which reflect and enhance a sense of 'community'
12. A desire for recreation facilities which can be used all year eg: indoor aquatic facilities, multi-purpose indoor centres
13. A greater willingness to pay for quality leisure opportunities which are affordable whilst recognising that low cost opportunities should also be provided
14. Major increases in the use of commercial leisure outlets including restaurants, theatres, galleries, specialized travel services and holiday resorts
15. Expectations of equity and access for less mobile and less able members of the community including children, young mothers, the aged and people with movement, sight, intellectual or other disabilities
16. A dramatic increase in home-based leisure including video, film, computer-based activities and entertainment
17. Major growth in challenging and extreme equipment-dependent activities: parachuting, Base-jumping, rock climbing, skiing, four-wheel-driving, SCUBA, snowboarding, bungee jumping, white water sports and hiking/ trekking
18. Growing interest in sustainable, low impact, low energy use and environmentally-appropriate activities (eg: Sea kayaking, walking, mountain bike riding), and
19. A desire for bush land preservation, the protection and/or re-establishing of wildlife corridors and interpretive trails, which can be accessed for recreational use.

A perusal of the foregoing drivers of change and of some of the consequences of those factors raises a range of implications for the future

provision of leisure opportunities in Council and more specifically, for future initiatives with regard to DFB and other similar municipal venues.

While some of the implications will need further testing in the light of the demographic review and through a program of community consultations, it is evident that there will be a need to give close consideration to:

- Targeted rather than generalist programs. Those to be targeted will need be determined in the light of the current clientele being served, the demographic analysis (particularly with reference to age distribution, cultural background, socio-economic status, mobility) and wider details on special needs groups in the Inner West community
- The scale of development and the retention of a sense of community
- Multiple use opportunities
- The mix of opportunities provided and the extent to which they deliver the benefits sought by the community
- Opportunities for cultural, leisurely and sporting involvement
- A strong focus on programs which emphasise health and well-being and beneficial outcomes
- Facility quality
- High standards of management and programming staff
- A degree of commercialisation
- Provision of opportunities for socialising
- Hours of operation
- The mix of skill levels provided, and

- The overall building environment, design and surrounds.

3.2 The Benefits of Aquatic Venues

Trends in aquatic leisure service provision in the last 10 -20 years has seen many community centres in Australia redeveloped from single purpose facilities catering for specific leisure opportunities to multi-purpose centres providing a wide range of experiences. The more successful facilities are those that are now positioned as a central hub for a wide range of community activities. The growing trends in the range of activities and services now provided are best summarised in seven main categories, these being:

- | | |
|--------------------------|------------------|
| ■ Health and fitness | ■ Education |
| ■ Recreation and leisure | ■ Wellbeing |
| ■ Competition | ■ Rehabilitation |
| ■ Social | |

Generally speaking, these main service categories are considered when forward planning and designing for re/development or extensions for leisure facilities. A flexible building that can be reconfigured depending on emerging customer needs/wants is also incorporated into most new designs. A mixture of passive and active experiences is also now increasingly offered to ensure that centres provide for all age groups, abilities and community needs. The principle behind this is in line with the Council objectives in terms of increased usage and healthier communities.

Having a mix of experiences under one roof also has an added benefit in that it attracts a larger volume of customers and as a result cross selling of services can be marketed. There is also a trend to cater for wellbeing services that focus on body, mind and spirit. Examples of this are personal training, physiotherapy, rehabilitation services, massage, yoga, beauty salons and dietary advice. As indicated in the introduction Council has conceptually designed in such facilities to potentially broaden the community opportunities in the future.

Research study

New research investigating the health, economic and community benefits delivered by local aquatic and recreation centres has recently been published by co-authors Dr John Tower of the College of Sport and Exercise Science at Victoria University and Dr Gary Howat of the Centre for Tourism & Leisure Management at the University of South Australia (UniSA).

The research has particular implications for all levels of government decision making, as the results provide insights that can positively affect centre operations, programs, marketing, and design.

Key Findings

- Health and fitness is the key benefit that prompts all age groups to use their local aquatic and recreation centre.
- Aquatic and recreation centres are providing programs, facilities and services that are contributing to better community health as users tend to visit centres three or more times a week (exceeding the pattern of most Australians), spend 60 to 90 minutes per visit and feel that their centre helps them remain healthy, have fewer sick days and be more productive in work/life.
- All users of aquatic and recreation centres were more likely to increase their participation if they enjoyed the activity and could see the value and personal benefit of their exercise, with most having a positive attitude about the cost involved.
- Users value the personal benefits they receive at \$48 each time they use their centre, producing an average of \$38 million in personal benefits per medium sized centre.
- For every dollar spent by a centre delivering services, \$8 in personal benefits is returned.
- Over 80% of centre income comes from three program areas: learn to swim, group fitness classes/health club memberships and recreational swimming; with 80% of centre memberships taken out by local residents.
- Delivery costs for these main program areas accounted for only 25% of total expenditure, producing operational profit levels that support other major centre administration, management and operational costs.
- Aquatic and recreation centres have a positive economic impact with 70% of all income provided by local community participation, while significant local expenditure is generated through the use of local companies and employment of those who live locally.

4. MANAGEMENT MODELS AND PRACTISES

4.1 Good Management Practises

The extent to which facilities, programs and services successfully meet community needs and aspirations depends heavily on the way in which they are managed, programmed and serviced.

Facilities which only rely on the community knowing how and when to use them, rarely achieve the outcomes which they could with good management, marketing, programming and performance monitoring. A facility is simply one of the means to the delivery of a mix of beneficial experiences. Delivering these outcomes in an optimal manner requires far more than just the “delivery” of a building.

Council has the opportunity and potential to deliver a wide range of community services in an efficient and effective manner. In order for this to happen, it will be necessary to implement a number of policies, strategies, plans and management systems. The following commentary summarises the steps required to fully exploit this opportunity and potential.

The key elements of successful recreation and leisure management are:

- A clear statement of the aim of the provision and a clear set of management objectives which will guide decision making for all management elements

There is a need to confirm and articulate exactly what the aim and management objectives are in terms of the desired outcomes. The management objectives should be aligned with Council's overall corporate and community objectives and should provide the foundation for of all decision making in relation to the community opportunities provided at the centre.

- An appropriate management structure or model to deliver the aim and objectives

It is critical to determine the most appropriate management model to provide the proposed services for any potential development of DFB. A management model similar to those outlined in this section of the report, which allows Council to manage the objectives and coordinate services is the most appropriate model to consider. Council should not be concerned about outsourcing certain provision that it has very little or no experience or expertise in. What is important is that Council retains the authority to determine the right services and programs to meet community needs.

- A set of programs which reflect the researched needs and nature of the community and their aspirations –in keeping with the overall goal of Council/Government

Needs and expectations must be well researched to determine and provide relevant community services and programs

- A team of appropriately skilled staff with the ability to continually grow and change the services offered to meet the needs of the community

A management and organisational structure needs to be developed with a focus on driving greater use through marketing and promoting the venue to the community as a destination of choice for community leisure services and programs. Having the right managerial skill set is critical to delivering on Council and community expectations with the skills of individual venue managers being of particular importance in this process.

- A strategy for marketing the programs and services offered

Management will need to develop and coordinate strategies, plans, appropriate systems and resources to promote services in the most efficient and effective manner.

- A strategy for scheduling use

Management will need to schedule use to ensure that the programs and services reach a wide range of potential users. One program or service should not dominate use

- A strategy for maintaining and where appropriate, improving the condition of assets, and

The asset should be programmed to continually improve the asset and maintain the presentation of the building.

- A strategy for monitoring the outcomes and performance of the venue or venues, the staff, the programs and the services.

Management should monitor and report on the success of the programs and services provided in a regular and continuing manner. This is important to the ongoing service delivery planning process for without this input, it is not possible to guarantee effective and efficient outcomes

All too often, local government authorities devolve responsibility for the majority if not all of these responsibilities to independent venue operators with little or no requirements for meaningful performance reporting. Not surprisingly, venues operated in this manner rarely meet the needs of the broad community in an effective manner. Addressing the key elements of successful management should thus be a key task at an early point in the redevelopment of DFB.

4.2 Management Models

Several management options are available for DFB and most other public community venues as well. These options fall into three broad categories:

- **Direct management:** here, a venue is directly managed and operated by Council. This is the case with both DFB, LPAC and many Inner West facilities, parks and sports fields
- **Indirect Management:** where in a venue is managed or part-managed by a specialist management agency through a management services agreement with Council. This presently applies at AKAC which is managed on Council's behalf by the Belgravia Leisure, and
- **Independent Management:** in this category, venues are, in general, managed by a private (commercial) individual or organisation through a formal lease and/or management agreement. An emerging variation of this model, as detailed in later paragraphs, is where the owning authority establishes a wholly owned subsidiary company to manage venues on its behalf.

Other Management Models

Over recent times, a number of Victorian Councils have set up Local Government Business Enterprises (LGBE) to manage leisure and sport infrastructure in their local government areas. Two examples of this are:

Wyndham Council

Western Leisure Services Pty Ltd is a Local Government Business Enterprise (LGBE) with Wyndham Council as the sole shareholder. The wholly owned subsidiary company of Council has been created to manage three of the municipality's major recreation facilities with the objective maximising benefit for the community. These are the Wyndham Leisure and Events Centre (WLEC), the Werribee Sports and Fitness Centre (WSFC) and Werribee Olympic Outdoor Pool (WOOP), which were previously individually managed by external parties. The company will be initially funded and established by Council, but will operate at 'arms-length' and will be overseen by a Board of Management, which has appointed its own CEO to manage the business through a number of formal reporting tools.

Frankston City Council

The Peninsula Aquatic & Recreation Centre (PARC) asset is provisioned as a wholly owned subsidiary of Frankston City Council - FRAC Pty Ltd. FRACPL is governed by an independent board of five skills-based directors, plus a shareholder (ie: Council) nominee who will be present at all meetings of the Board.

This model could be considered by Council as a means of operation to deliver the services without losing control of the service or objectives. This model has some positive features such as no loss of control but with a more commercial focus and ultimately may deliver all objectives.

5. BUSINESS PROJECTIONS

5.1 Introduction

The success of the proposed capital works will ultimately be determined by the engagement of the local community and the ability of the managers to maximise on the trends occurring in aquatic and leisure provision to ensure that service provision continues to directly relate to identified needs.

In order to determine viability we have researched the trends that are occurring in aquatic and leisure provision as an input into the business case.

By understanding modern management practises Council will be better equipped to understand the likely skill set and tools required to make the refurbished centre reach its potential. It must be noted that there has been no community consultation or detailed demographic analysis conducted. It is understood there is a consultation phase following as part of the project process to determine if any further capital works is needed.

To give some confidence in the ability to attract a potential market, table 4.1 provides attendance data from Greenwich Baths that provides aquatic related services similar to DFB. Data was supplied by Council staff. Whilst an effort was made to find attendance data from other tidal pools this was not forthcoming as the tidal venues are not patrolled and managed on a daily basis. The table also provides projected **average** annual attendance data over 10 years for DFB which is subject to this report.

- Greenwich Baths total attendance was 32,605 in 2014/15, 39,651 in 2015/16 and 14,476 in 2016/17*.

* 4 month season in 2016/17 due to building works

- DFB projected **average** annual attendances over the forecasted 10 year period are estimated to be 41,275.

Facility	Total Visits
Greenwich Baths - 2014/15	32,605
Greenwich Baths -2015/16	39,651
* Greenwich Baths -2016/17	14,476
Dawn Fraser Baths – 2014/15	37,728
Dawn Fraser Baths – 2015/16	29,566
Dawn Fraser Baths – 2016/17	38,102
DFB - Proposed 10 Year average – Stage 1	41,275

Table 4.1 Attendance comparison

* 4 month season due to building works

5.2 Current operating data

In order to understand the potential options and the implications, the information in table 4. 2 provide raw data for the last 3 years of operation. All data has been supplied by DFB management.

- The attendance from 2013/17 has ranged from 25,499 to 38,102 per annum. The nature of operations is dependent on weather and water clarity/purity.
- The operational deficit excluding depreciation has ranged from \$99,880 in 2014/15 to \$178,774 per annum.
- The operational deficit including depreciation has ranged from \$122,880 in 2014/15 to \$201,774 per annum. The 2016/17 amount of \$176, 900 has been used for the savings in all models due to the added pontoon in 2016 which increased labour costs.
- There has been a significant decrease in special event income from \$11,508 in 2013/14 to \$2,787 in 2016/17.

The table also indicates how different and unpredictable weather and water quality/conditions affect the financial and usage performance of DFB.

On a side note Council should consider reviewing the admission fees and particularly the month and season passes at DFB as they are below market rates

<i>Dawn Fraser Baths - Financial Data - Supplied by Council</i>							
	2013/14 \$	2014/15 \$	% change	2015/16 \$	% change	2016/17 \$	% change
Income							
Admission Fees	134,083	134,214	0.1%	117,457	-14.3%	159,929	26.6%
Special events	11,508	6,810	-40.8%	5,150	-32.2%	2,787	-84.8%
DFB kiosk	21,067	22,511	6.9%	15,176	-48.3%	20,572	26.2%
Rental	15,720	15,720	0.0%	15,720	0.0%	15,720	0.0%
Total income	182,378	179,255	-1.7%	153,503	-16.8%	199,008	22.9%
Expenses							
Labour	268,388	246,660	-8.1%	280,915	12.2%	303,037	7.3%
Maintenance	6,390	2,281	-64.3%	9,320	75.5%	3,842	-142.6%
Other costs	37,813	30,194	-20.1%	42,042	28.2%	46,029	8.7%
Total operating expenses	312,591	279,135	-10.7%	332,277	16.0%	352,908	5.8%
Total operating	-130,213	-99,880	-23.3%	-178,774	44.1%	-153,900	-16.2%
Depreciation	23,000	23,000	0.0%	23,000	0.0%	23,000	0.0%
Cost DFB +Depreciation	-153,213	-122,880	-19.8%	-201,774	39.1%	-176,900	-14.1%
Capital	-	102,753		80,000	-28.4%	80,000	0.0%
Attendances	25,499	37,728	48.0%	29,566	-27.6%	38,102	22.4%

Table 4.2 Current operational performance

5.3 Heritage Implications

Built in the early 1880's, DFB is a Heritage Building on the National Trust and on the Register of the National Estate to be renovated and preserved for future generations.

A Draft Conservation Plan for Dawn Fraser Baths was prepared for (Leichhardt Municipal) Council by Schwager Brooks and Partners - Architects and Heritage Consultants in March 1993.

Sections of the plan clearly articulate the;

- Historical outline
- Understanding the existing baths
- Assessment of significance
- Grading of interpretive potential
- Formulation of conservation policies
- Assessment of alternative options
- Recommended conservation policies, and
- Strategies for implementation

This plan, particularly the policies section should be referred to and considered by Council in terms of the development of the master plan as it provides guiding and valuable information as to the type and extent of development that is allowed or in fact permitted. It is our understanding Council will need approval by the National Trust Authority before any additional infrastructure is developed.

5.4 Business Model Assumptions

The projections contained in this report provide Council with a clear understanding of the likely operating and financial implications of stage I remediation works within the project.

Table 4.3 provides a summary of the base projection annual **averages** over 10 years for stage I of works.

Table 4.4 provides a +10/-10% sensitivity summary of stage I over a 10 year period for comparison purposes. Council may wish to consider the alternative models if unsure about the likely use of the community.

A separate report provides a more detailed analysis and includes cash flow, GST requirements and operating models for each of the base and alternative models. Detailed sensitivity projections can be provided if required.

Operating income in the base model projections for the components of the proposed expansion have been modelled using current 2016/17 fees and costs. The forecast models have been developed to reflect the likelihood of the community taking advantage of the inclusive use of all aquatic program areas.

The refurbishment will in part sell itself because potential users will be able to see first-hand a greater quality of facility and therefore be more open to use the facility on a more regular basis.

The business projections have been factored according to the following criteria and assumptions. It should be noted that all operating budgets are GST inclusive and GST implications are accounted for in the cash flow tables.

- All projections have been based on concept plans supplied by Council.
- All projections are based on modern management practises, trends and not how the centre is currently operated.
- Assumes Council operates the venue internally as is the case now.
- Projections include all costs including management, administration, program and aquatic staff salaries and expenses.
- All models are projected in 2017 dollars. Assumes that any increase in costs will be matched by an increase in admission fees. No CPI or admission price increases have been factored into any models.
- Population projections are based on data supplied by Council which predicts a population growth rate of 1% per annum over the forecasted period.
- Program Growth has been projected and reflects similar operating trends at other community aquatic & leisure venues over a 10 year period.
- Operating income and expense projections are GST inclusive where applicable. GST inputs and outputs are calculated in the cash flow summary. See separate report for detailed operating data for each option.
- Pre- opening costs are factored in each model where appropriate. See separate report for detailed operating data for each model.

- All estimates have been rounded to the nearest dollar.
- Increased annual projections have been made for building and equipment replacement and increased maintenance that reflects increased wear and tear.
- Refurbishment provisions are based on Councils current depreciation cost for the building.
- Existing savings are based on the 2016/17 operating position. Data was supplied by DFB management.
- Admission fees are based on existing 2016/17 rates and are the same for each model for consistency purposes. Admission fees are outlined in appendix 2
- Assumes any fit out costs and static equipment are purchased from capital budget.
- Management/ corporate fees have been included in all models.
- Projections are based on the operating hours nominated in section 4.5 of this report.

5.5 Summary of Base Business Projections

Table 4.3 provides a summary of the **base model average** projected performance for a 10 year period. The base model is considered the most likely outcome for operations in each of the options.

The base model summary indicates that:

- DFB will require an estimated **average** annual operational subsidy of \$151,954 per annum over the 10 year period.
- **Average** annual provisions of \$23,000 (as is existing) have been made for refurbishment / life cycle costs.
- There will be an **average** net return to Council of \$1,946 over the 10 year period after provisions and savings have been made.
- It is estimated that there will be an annual average of 41,275 visits over the 10 year period.
- The capital estimate for the remediation works is \$2,000,000.

BASE OPERATIONAL MODEL S SUMMARY Dawn Fraser Baths Projection - August 2017	
	10 year average p/a
Base Model	
Annual Operating Position	-\$151,954
Provision - Refurbishment/Lifecycle Costs	-\$23,000
# Existing Operating Contribution - savings	\$176,900
Net Annual Cost/ Return to Council	\$1,946
Annual attendances	41,275

Table 4.3 Summary of Base Case - 10 year annual averages

This stage 1 project is essential to maintain and improve the facility but offers very little difference to the current operations in terms of increased community opportunities, services and programs. Council would simply be encouraging and delivering the same or similar outcomes and opportunities.

Council will need to weigh up the well documented benefits to the community, the cost associated with building, operating and maintaining the facility before any commitments are made.

5.6 Summary of Business Sensitivity Projections

Table 4.4 sets out a summary of the sensitivity analysis of annual **average** annual projections over a 10 year period. A 10% increase or decline in usage patterns has significant financial implications in terms of viability and funding requirements. Council may wish to consider the alternative models if unsure about the likely use of the community.

The **conservative** (- 10% visits) summary for DFB indicates that:

- A 10% decline in estimated visits will contribute an estimated annual **average** operating loss of \$172,203 per annum over the 10 year period.
- There will be an estimated net annual **average** loss to Council of \$18,303 over the 10 year period after provisions and savings have been made.
- It is estimated that there will be an annual average of 37,148 visits over the 10 year period.

The **optimistic** (+10% visits) summary for DFB indicates that:

- A 10% increase in visits will contribute an estimated annual **average** operating annual loss of \$132,277 per annum over the 10 year period.
- There will be an estimated annual **average** return to Council of \$21,623 over the 10 year period after provisions and savings have been made.
- It is estimated that there will be an annual average of 45,403 visits over the 10 year period.

OPERATIONAL MODEL SENSITIVITY ANALYSIS SUMMARY Dawn Fraser Baths Projection - August 2017	
	10 year average p/a
Base Model	
Annual Operating Position	-\$151,954
Provision - Refurbishment/Lifecycle Costs	-\$23,000
# Existing Operating Contribution - savings	\$176,900
Net Annual Cost/ Return to Council	\$1,946
Annual attendances	41,275
Conservative Model (-10%)	
Annual Operating Position	-\$172,203
Provision - Refurbishment/Lifecycle Costs	-\$23,000
# Existing Operating Contribution - savings	\$176,900
Net Annual Cost/ Return to Council	\$18,303
Annual attendances	37,148
Optimistic Model (+ 10%)	
Annual Operating Position	-\$132,277
Provision - Refurbishment/Lifecycle Costs	-\$23,000
# Existing Operating Contribution - savings	\$176,900
Net Annual Cost/ Return to Council	\$21,623
Annual attendances	45,403
Proposed capital cost	\$2,000,000

Table 4.4 **Summary of all models - sensitivity projections**

5.7 Other Allocated Resources

Increased marketing/promotional costs have been factored in to each of the forecasts to ensure adequate resources to achieve the growth projections.

5.8 Operating Hours

The following operating hours have been used to model all projections for comparison purposes. They are;

October – November	7:15am - 6:30pm
December – February	6:45am - 7:00pm
March – April	7:15am - 6:30pm

* Closed Good Friday and Christmas Day

Note 1 – The operating hours are used for modelling purposes only. They may be subject to program and seasonal demand when usage patterns are determined.

Note 2 – Baths open from Saturday before Daylights Savings commences to Sunday of the end of Daylights Savings unless this falls on the Easter long weekend, at which point the Baths then closes on the Monday.

Note 3 – Average water quality closures of 20-25 days per season.

5.9 Programs and Services

The business projections for DFB have been calculated on the basis of all current programs and services continuing to be provided.

Leisure & Recreation

- Special Events and Functions

Aquatic

- School Swimming
- Lap swimming
- Recreational swimming
- Local Carnivals
- Pool hire
- Water polo

Other

- Café

5.10 Staff

Projections for staff have been based on the same structure that has been operating the facility in its current configuration. The pay rates used for modelling are the staff rates used by DFB for 2016/17.

Appendix I - Inner West Demographic Profile

The following information / tables were considered when developing forecasts and the business case for DFB. **Source ABS & id consulting.**

The Inner West Council area is located in the inner-western Sydney suburbs, about 4-10 kilometres west of the Sydney CBD.

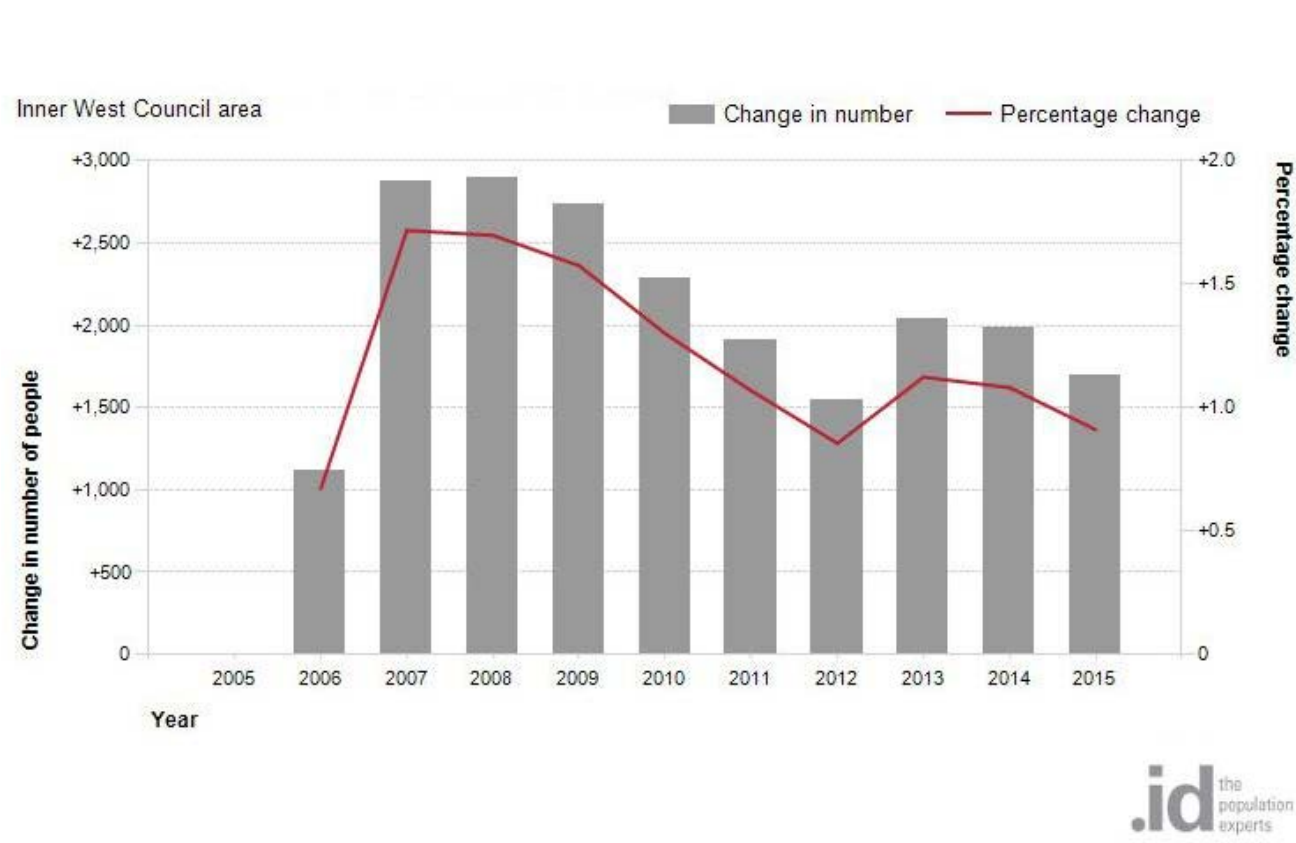
The Inner West Council area Community Profile provides demographic analysis for the Council and its suburbs based on results from the 2011, 2006, 2001, 1996 and 1991 Censuses of Population and Housing. The profile is updated with population estimates when the Australian Bureau of Statistics (ABS) releases new figures.

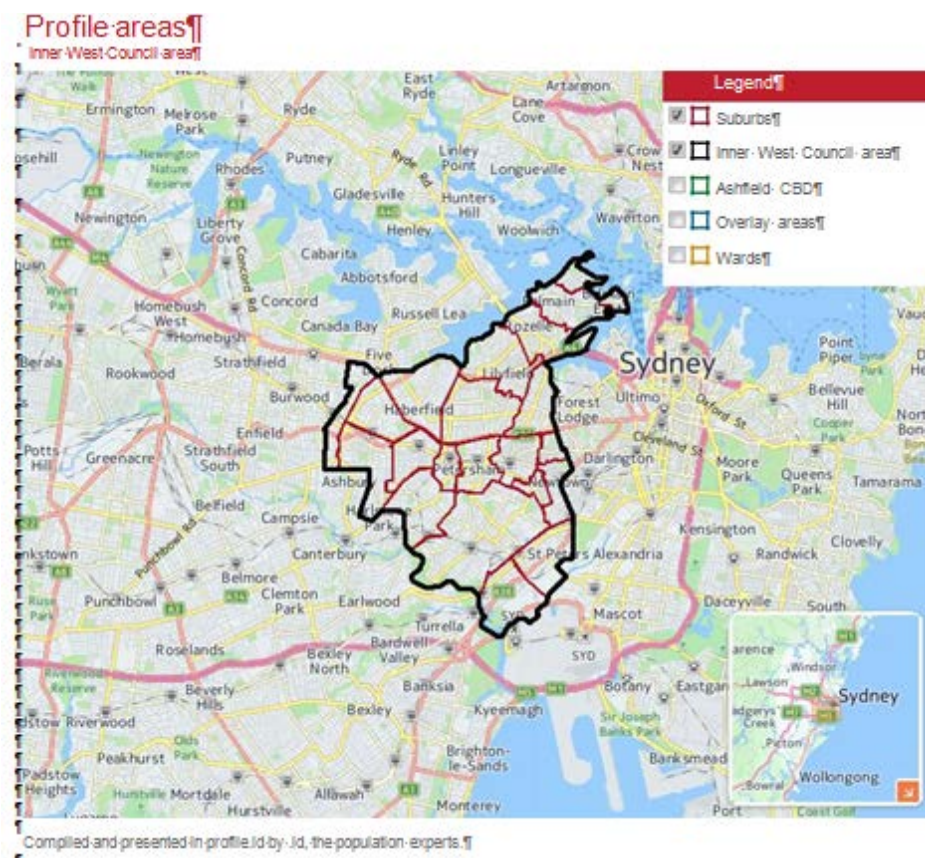


Estimated Resident Population (ERP)

Inner West Council area			
Year (ending June 30)	Number	Change in number	Change in percent
2005	166,486	--	--
2006	167,602	+1,116	+0.67
2007	170,481	+2,879	+1.72
2008	173,375	+2,894	+1.70
2009	176,106	+2,731	+1.58
2010	178,395	+2,289	+1.30
2011	180,301	+1,906	+1.07
2012	181,843	+1,542	+0.86
2013	183,886	+2,043	+1.12
2014	185,874	+1,988	+1.08
2015	187,566	+1,692	+0.91

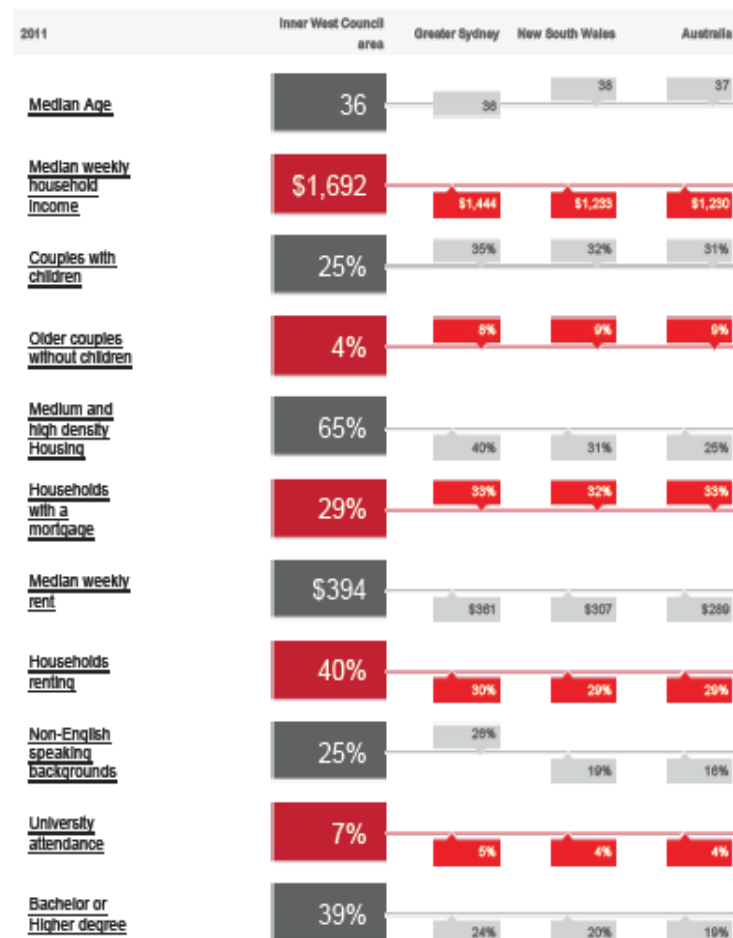
Source: Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented in profile.id by [.id](#), the population experts.





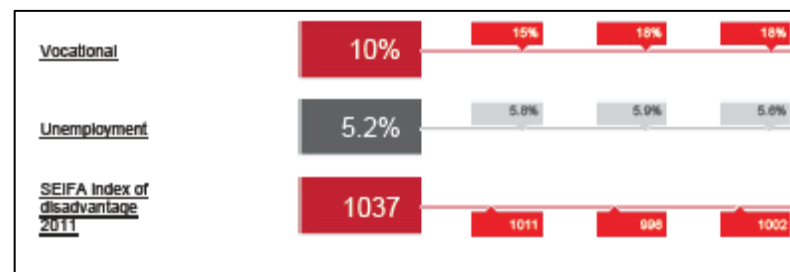
Inner West Council area

Population highlights



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the population experts



Appendix 2 Admission Fees & Visits

Dawn Fraser Baths Projection - August 2017		Modelled Fees \$	Base Model Visits Year 1
Pools			
Adult Swim (16 years +)	Per visit	5.20	14,925
Child Swim (5-16 years)	Per visit	3.50	5,521
Child Under 5 (Parent Supervision)	Per visit	0.00	66
Family Swim	Per visit	13.00	10,200
Concession	Per visit	1.60	1,091
Pensioners	Per visit	2.60	1,089
Student	Per visit	3.50	3,825
1 Month Passes - Adult	Per Month	40.00	1,071
1 Month Passes - Child	Per Month	22.00	898
1 month Pass - Concession	Per Month	22.00	653
Season Pass - Concession	Per season	51.00	286
Season Pass - Child	Per season	72.00	315
Season Pass - Adult	Per season	175.00	337
Functions & Events	Varies		610
Total visits			40,886