

### 11.1 Indoor Pool Project – Report of the Working Group

<b>Reporting Department:</b>	Chief Executive Office
<b>Reporting Officer:</b>	Stuart Devenish – Chief Executive Officer
<b>Accountable Manager:</b>	Stuart Devenish – Chief Executive Officer
<b>Legislation:</b>	<i>Local Government Act 1995</i>
<b>File Number:</b>	CMG/268
<b>Appendices:</b>	Appendix 11.1.A – Report of the Indoor Pool Project Working Group, May 2023
<b>Voting Requirement:</b>	Simple Majority

#### Report Purpose

To consider a report and recommendations from the Indoor Pool Working Group.

#### Officer's Recommendation

*That Council resolve to:*

1. *Receive the report of the Indoor Pool Project Working Group dated May 2023, and thank the Members for their involvement and contributions to the project;*
2. *Not proceed with an indoor pool project for the following reasons:*
  - a) *Rate increases that would be necessary to sustain operations, combined with other factors leading to rate escalation, are beyond the reasonable expectation of the community to absorb;*
  - b) *An indoor pool would have a detrimental impact on the financial health rating of the Shire of Collie and consequent capacity to sustain services;*
  - c) *The performance of an indoor pool in Collie is expected to be well below recognised benchmarks for aquatic facilities; and*
3. *Require a further report to be presented to Council addressing potential repurposing of funding allocated to the indoor pool project.*

#### Background:

Since June 2016, the matter of the indoor pool has been the subject of 14 reports and Council resolutions. During these considerations, the Council has examined a range of proposals and sought to take community preferences into account.

In February 2022, Council received a petition from the community in support of an indoor pool and a public meeting was subsequently held in March 2022 to discuss the matter. In response to the call from petitioners, an Indoor Pool Project Working Group was formed with community members invited to assist Council's review of the project. The Working Group has subsequently addressed the Terms of Reference as adopted by Council in June 2022.

The Terms of Reference required the Working Group to conclude with a report outlining the findings of its evaluation along with advice and recommendations for Council's consideration. This report is now provided at Appendix 11.1.A.

**Statutory and Policy Implications:**

Nil

**Budget Implications:**

Capital and operational cost considerations are central to the achievability of an additional public pool in Collie.

**Communications Requirements:** (Policy No. CS 1.7)

N/A

**Strategic Community Plan/Corporate Business Plan Implications:**

STRATEGIC COMMUNITY PLAN – ADOPTED DECEMBER 2022		
<b>GOAL:</b>	1	Our Community
<b>Objective:</b>	1.1	Community health, safety and wellbeing
<b>GOAL:</b>	3	Our Built Environment
<b>Objective:</b>	3.1	Safe and well-maintained Shire owned facilities and infrastructure
<b>GOAL:</b>	5	Our Organisation
<b>Objective:</b>	5.1	Innovative leadership, forward planning and mutually beneficial partnerships

**Relevant Precedents:**

It is noted that the Council has resolved on three occasions to not proceed within the development of an indoor heated or a warm water pool. Council resolutions 8065 – 5 March 2019, 8166 – 18 June 2019 and 8832 – 12 October 2021 refer.

**Comment:**

The report of the Working Group identifies participants in the review and the range of considerations taken into account. These included an overview of the benefits of an indoor pool, particularly the various health advantages. A survey of various groups and service providers was undertaken. The 28 responses indicate likely use of the pool at least weekly with a number suggesting they would use the pool multiple times each week.

An optimal pool specification was identified as an indoor heated pool measuring 25m in length with 6 lanes at depths between 1.2m to 1.8m. A 9m x 5m program pool alongside the lanes is also identified.

Capital costs for the facility were estimated at \$7.67M. It was noted that this was an indicative estimate only and would be subject to detailed design and quantity surveying. After taking into account forecast revenue, the report identifies an annual cost that would need to be funded in the order of \$735,000.

It is the view of some members of the Working Group that:

1. The funds required to meet construction costs can be sourced from Government and industry without the need for the Shire to borrow funds; and
2. A recurring operational expense in the order of \$735,000 can be met through rate revenue.

The operational expense represents 11% of current rate revenue which calculates to an average of \$171 per residential property. Some members of the Working Group recommended rates be increased by \$200 per average household to fund a free individual season pass per property.

The recommendations of the Working Group are set out in the attached report and repeated:

- "1) *That Council:*
- a) *Seeks approval of the State Government for the financial commitment for the Collie Indoor Heated Pool to be retained for a further six months to enable additional capital funds to be raised; and*
  - b) *pursues external funding to fully fund the construction of an indoor pool facility at an estimated cost of \$7.67m.*
- 2) *That should all the required capital funds be raised, that Council:*
- a) *proceeds with the construction of an indoor heated pool, including a 25m, 6-lane pool and an additional 9m x 5m program pool on the southern side of the existing Collie Mineworkers Memorial Pool; and*
  - b) *meets ongoing operating, maintenance, and renewal costs for the new indoor heated pool from Shire general revenue with rates set as necessary to fund the additional cost."*

**Officer Comment:**

The following addresses the various cost considerations, the Shire's financial health and likely performance of the pool against recognised benchmarks.

**1 Cost Considerations**

Capital Cost

The working group recommends the full capital cost be sourced from Government and industry. Assuming availability of \$1.8m from the State Government, a further \$5.87m is required.

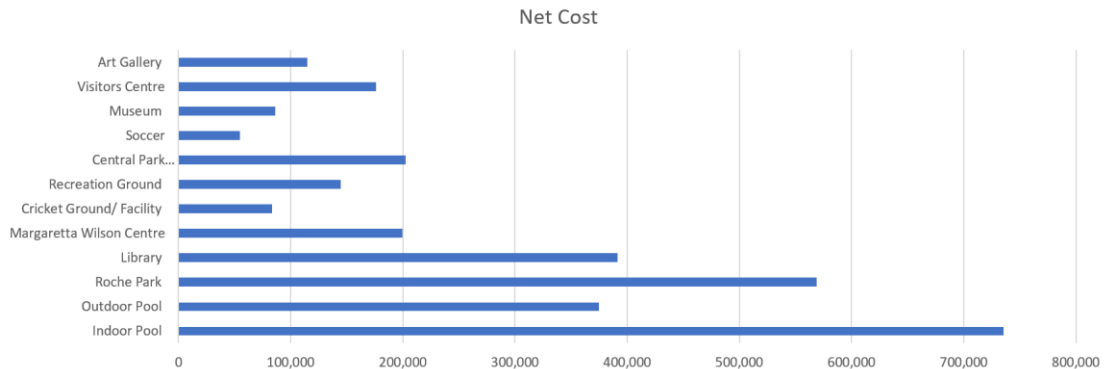
In 2019, five major industry operators, namely Premier Coal, Griffin Coal, South32, Synergy and Bluewaters were invited to financially contribute to an indoor heated pool or an increased level of service at the existing pool. No support was received. Further to this, Lotterywest has advised that capital funding for indoor heated swimming pools is not generally funded and would be challenging to support under the current approach outlined in the Community Investment Framework.

It is considered highly ambitious to achieve full external funding of \$7.67m. This outcome is unlikely.

Operational Cost

The report of the Working Group details the assumptions leading to an annual operating deficit in the order of \$735k (annual cost of \$171 per average property). This is a conservative (low) estimate compared to actual costs experienced by other local governments. Some members of the Working Group consider an annual cost of \$171 to be affordable and that this could be increased to \$200 per property to further subsidise entry fees.

For comparative purposes, the following graph identifies costs for other facilities supported by the Shire.



To avoid rate increases to meet the cost of an indoor pool, substantial cuts would be required elsewhere. As example, if all expenses for the museum, visitor centre and art gallery were cut altogether, 50% of the indoor pool costs would be covered. Such cost reductions are not appropriate and are not recommended.

Operational expenses for the indoor pool would necessarily be met through increased rates. Expenditure of \$735k represents 11% of current rate revenue. This rate increase would need to be considered in context of increases to cover inflation. Added to this is the need to increase financial reserves to meet identified cost liabilities.

Collectively, rate increases to meet inflation, current liabilities and indoor pool costs are beyond the reasonable expectation of the community to absorb.

#### Opportunity Cost

There may be other projects or services that the Council may wish to provide the community in the future. These could include upgrades to other recreation facilities, civic works, major environmental projects, introduction of new services and the like. A commitment to a recurring operational cost liability for an indoor pool would reduce the ability of the Shire to consider other projects that may be desirable for the community.

## **2 Financial Health Assessment**

The Terms of Reference for the Working Group required consideration of financial models against an objective of achieving overall improvement to the Shire's Financial Health Indicator (FHI). The FHI is particularly important as key indicators are presently below recommended levels. Notable measures requiring ongoing improvement include liquidity, expenditure on asset renewal and operating surplus. In recent years, the Council has employed financial management measures that are progressively improving financial health. These measures include biasing expenditure toward renewal works and avoiding the creation of new cost liabilities.

Operational and asset maintenance costs of an indoor pool would reduce the Shire's financial health and consequent ability to meet current liabilities.

**3 Swimming Pool Key Performance Indicators**

The Centre for Environment and Recreation Management (CERM) through the University of South Australia have identified performance criteria for aquatic centres. The criteria have previously been applied to the existing outdoor pool and found recovery of expenses to be a low 40% of a recognised benchmark. This was against an attendance of 20,000 annually – representing 37% of the benchmark for visitation.

The proposed indoor pool would attract less than 20,000 annual visitation with an operating cost greater than the outdoor pool.

An additional pool is likely to achieve a lower level of performance than the current outdoor pool when measured against key indicators.

The inputs from the Working Group are well recognised and the interests in achieving a 6-lane, 25m long pool that can operate year round are understood. Various health and general community wellness benefits of an indoor pool have been well articulated.

The high costs and expected performance of the pool does not support a decision to pursue an indoor pool. The creation of a new and significant cost liability would detrimentally impact the Shire's overall financial health with long-term consequences. It would also limit capacity to address alternative projects.

Taking account of the points outlined above, it is recommended that Council not adopt the recommendations of the Working Group and not proceed with the indoor pool project. Should Council support this position, it is recommended a further report be presented to Council to consider an approach to Government in relation to potential redirection of funding earmarked for an indoor pool.