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## **York Recreation and Convention Centre**

### **Business Case - Belgravia Leisure Proposal**

August 2021

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## EXECUTIVE SUMMARY

Hudson Howells has been engaged by the Shire of York to prepare a Business Case to aid community understanding of the Belgravia Leisure proposal to manage the York Recreation and Convention Centre (YRCC) into the future.

Excluding sales turnover, as at 30th June 2021 the Shire's current contribution to the YRCC is \$354,898 per annum (facility loss plus Shire overheads) supporting in the York Shire 5.4 FTE jobs per annum (3.4 FTEs YRCC staff plus 2 FTEs indirect or multiplier impact) with Gross Regional Product (salaries, wages and profits) of \$550,000 per annum. This compares with Belgravia Leisure's proposed and guaranteed management fee of \$326,647 per annum in Year 1, plus Shire overheads reduced to \$116,085 (down from \$198,649) plus \$21,491 retained building maintenance costs, totalling \$464,223 which equates to an increased cost to the Shire of \$109,325 in year one. This increased cost will reduce by \$47,211 by year 3 due to Belgravia's fee reducing to \$279,436.

However, this comparison does not take into consideration:

- The expanded services to be offered by Belgravia Leisure.
- The additional staff to be employed, estimated to be 1.6 FTEs.
- The experienced and highly qualified executive team available to support Belgravia Leisure's York Shire operations.

Based on the YRCC's \$135,189 loss in 2020/21 and Belgravia Leisure's forecast loss for 2021/22 of \$326,647, the expanded services and staff to be offered by Belgravia Leisure are estimated to be valued at \$191,458 (mainly management fees and wages). However, Shire employees at the YRCC are paid approximately 25% more under the Shire Enterprise Bargaining Agreement than private sector hospitality industry employees, increasing the value of these expanded services under Shire management to \$245,410 (Shire forecast for Year 1 of \$380,599, less Shire actual for Year 20/21 of \$135,189). This is what it is estimated that the York Shire would need to fund over and above its current funding arrangements if it were to develop and offer the expanded services itself which include for example (from Belgravia Leisure's Business Plan):

- Increase the usage and membership of the YRCC Gym via an improved member induction process and investigating the demand and viability of introducing group fitness activities.
- Introduce several exciting and engaging physical activity programs that encourage regular community participation, especially among children and seniors. This will include working

with 3rd parties, such as local schools, and capitalising on funding opportunities to increase attendance at the YRCC.

- In partnership with Sports Community, provide resources, training and knowledge to volunteers and local sporting clubs on how to make their roles easier, to have fun performing their roles and enjoying the rewards of building thriving and sustainable clubs.
- Extend the food and service offering in the Forrest Bar & Cafe, while managing and reducing the cost of goods and wages where possible. Create scheduled functions for major sporting events, working with the interests of the community. Other events such as bands and dining/food specials.

These expanded services are not expected to be a threat to the local business community, especially restaurants, as Belgravia Leisure is committed in its conforming proposal to providing:

*“A focus on localism akin to a small boutique operator. This means we focus on creating local jobs and supporting local suppliers to grow your economy”.*

The focus of Belgravia Leisure appears to be growing the YRCC business by creating and attracting new events and customers that grow the economy and benefit local businesses, not by attracting customers from existing facilities.

It is therefore concluded that, subject to similar buy local procurement policies being adopted by Belgravia Leisure, the socio-economic impact of the Shire outsourcing the management of the YRCC will be greater than current Shire arrangements with a growing economy, larger workforce and a much reduced exposure to financial risk than currently exists under the Shire’s own management.

In addition to YRCC’s economic contribution to the region, it is important to acknowledge that the YRCC has other socio-economic benefits that also contribute to job and GSP/GRP outcomes. These include:

- **Improved regional tourism** – Good standard tourism infrastructure such as that provided at the YRCC (facilities, meals, beverages, events and other activities.) assist with both the attraction and retention of tourists to the York Shire region.
- **Improved property values and local government income** – There are net benefits to local government arising from increased rates associated with increased property values as a result of the YRCC (i.e. commercial rates), improved amenity, services and business incomes

in the immediate area. The YRCC stimulates additional town pedestrian and tourism links that will also increase the amenity of the immediate surrounds.

- **Improved Socio-Economic Outcomes** – Improved local employment opportunities, and reduced unemployment potentially have a positive impact on the social outcomes of unemployment (e.g. increased wellbeing, improved employment skills, lower crime rates, etc.). In addition, the local community has a low cost recreational facility.

The YRCC also delivers a wider range of benefits including, for example:

- **Health benefits** related to increase in physical activity and other wellbeing advantages associated with utilisation of the YRCC. This could include improved mental health outcomes associated with exercise and reduced risk of depression through contact with natural environments.
- **Improved social inclusion** including community connectivity and a sense of place. The YRCC contributes to an improved sense of regional community and interaction between community members.

In conclusion, it is projected that the socio-economic impact of outsourcing the management of the YRCC will be greater than current Shire arrangements and that (in accordance with this project's Term of Reference):

- **The expected effect on the provision of facilities and services by the local government.**

There will be a small negative effect on the provision of facilities and services by the local government (Shire of York) as the Belgravia Leisure management contract will increase facility loss and Shire overheads in Year 3 by an additional \$65,805 per annum (guaranteed position) requiring some adjustment to Shire facilities and services without other corrective action.

- **The expected effect on other persons providing facilities and services in the district.**

There is expected to be minimal to no effect on other persons or businesses such as restaurants currently providing facilities and services to the YRCC subject to the Shire mandating that a certain percentage of Belgravia Leisure's operating expenditure be sourced within the Shire of York and that this be the subject of a regular audit of Belgravia Leisure's YRCC recurrent expenditure.

- **The expected financial effect on the local government.**

Based on the Belgravia Leisure guaranteed proposal, by Year 3 the Shire is estimated to be incurring an additional \$65,805 cost per annum from the outsourcing of the YRCC management, but with a greater range of services. As detailed in Section 4 of this report, there is a risk/reward trade off for the Shire based on its preferred risk position.

- **The expected effect on matters referred to in Shire's Corporate Business Plan.**

In terms of local economic development, the Shire's Corporate Business Plan identifies 'Driving the York Economy Forward' as a key goal with an aspiration 'to have a vibrant, diverse and prosperous local economy which creates local jobs, business opportunities and a positive image for the Shire'. Under 'The Place to be' key goal, 'Recreation Services and Facilities' and 'Support Community Led Development' are key strategies that underpin current Shire ownership and management of the YRCC. However, given the annual and ongoing financial losses associated with the YRCC (approximately \$135,000 per annum), and that economic benefits to the Shire from outsourcing the facility management will be sustained, it is considered that the Belgravia Leisure proposal is consistent with and potentially beneficial to, the Shire's Corporate Business Plan.

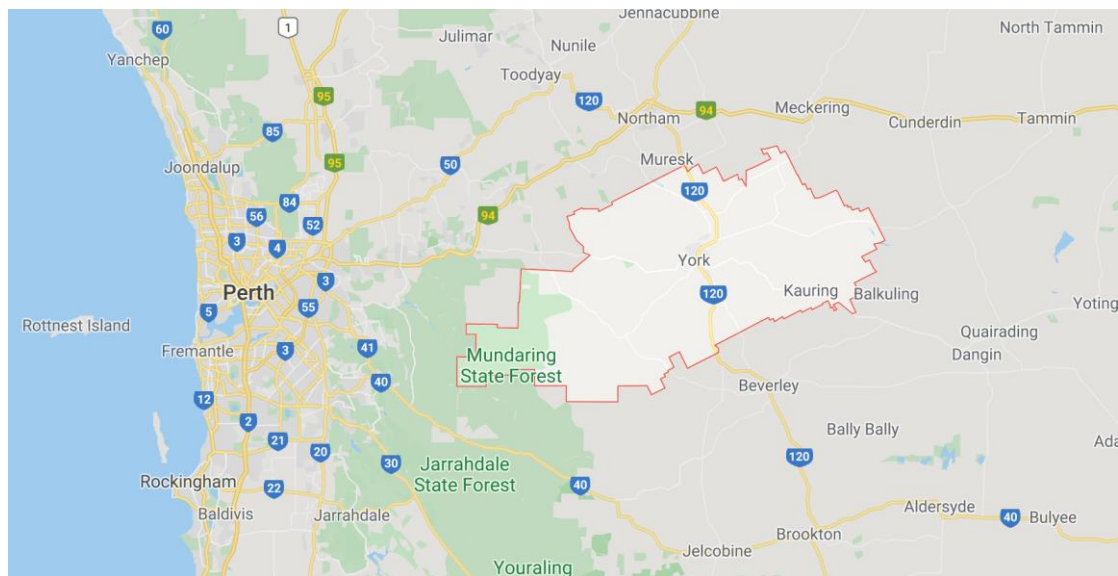
- **The ability of the local government to manage the undertaking or the performance of the transaction.**

The ability of the local government (Shire of York) to manage the undertaking or the performance of the transaction will be guided by its risk profile as detailed above. The Shire has successfully owned and operated the facility for many years (albeit at a cost to the Shire) justified by the socio-economic benefits derived from the YRCC as detailed above. Should management be outsourced, it would be prudent for the Shire to lock in performance agreements such as local content (see above) that put a floor on economic and financial performance.

## 1 BACKGROUND AND PROJECT OBJECTIVES

Hudson Howells has been engaged by the Shire of York to prepare a Business Case to aid community understanding of the Belgravia Leisure proposal to manage the York Recreation and Convention Centre (YRCC) into the future.

The Shire of York is a local government area in the Wheatbelt region of Western Australia, covering an area of approximately 2,133 square kilometres just beyond the eastern fringe of Perth's metropolitan area and approximately 100 kilometres from Perth. The Shire's seat of government is the town of York.



Source: Google Maps

The YRCC is located at Forrest Oval Precinct which has been redeveloped in two stages, the first commencing in 2009 with the YRCC being constructed in 2012 as part of the second stage. It incorporates the co-location of York's major sporting codes plus other minor codes. The facilities are currently Shire owned and operated with the Shire holding a Tavern Licence for food and beverage service in the bar and restaurant.

A Major Strategic Review of the YRCC was undertaken in 2016 following which the future of the YRCC was made a strategic priority in the York Corporate Business Plan 2016 – 2020. This resulted in a February 2017 Discussion Paper that provided a comprehensive summary of the background, current operations and options for future management of the YRCC.

With the future management still unresolved, in December 2020 Council resolved to go to market

with a Request for Proposals for the management of the facility. In April 2021, Council directed the CEO to enter into negotiation with Belgravia Leisure to progress towards a service agreement, facility lease and guaranteed price contract for management of the YRCC Facility.

Through this consultancy, the Shire of York is seeking a business case to aid community understanding of the Belgravia Leisure proposal to manage the YRCC into the future. The business case is to specifically include:

- The expected effect on the provision of facilities and services by the local government.
- The expected effect on other persons providing facilities and services in the district.
- The expected financial effect on the local government.
- The expected effect on matters referred to in Shire's Corporate Business Plan.
- The ability of the local government to manage the undertaking or the performance of the transaction.



## 2 METHODOLOGY

As discussed with Shire management at the commencement of this project, the framework and structure of the Business Case depend largely on the target audience or audiences for the Business Case. One approach is to compare the financial costs/benefits of the Shire accepting the Belgravia Leisure proposal i.e. a financial Business Case primarily for the Shire. Another is to develop the Business Case from an entire community wide perspective incorporating all tangible and intangible costs and benefits into the Business Case i.e. a community Business Case primarily for the Shire community. This second approach better meets the Shire's requirements as it is responding directly to the community's request for information prior to the Shire resolving the future management of the YRCC.

The following brief methodology for the project was subsequently agreed with the Shire of York:

- **Commencement Meeting** – To confirm the objectives and scope of the project and to discuss project key issues.
- **Literature Review and Data Collation** - A review of all existing financials, documents and reports.
- **Draft Business Case** - Prepared from a wide Community and Shire perspective specifically addressing current Shire costs and the financial implications (costs/savings) of the above Business Case objectives. The Community and Shire financial effects to be modelled in a Microsoft Excel Financial Model over a timeframe agreed with the Shire.
- **Draft Business Case Review Meeting** – A review meeting to be held with the Shire following which the report will be updated to reflect the outcomes of the meeting.

### 3 LITERATURE REVIEW AND DATA COLLECTION

The following documents and data were received from the Shire and reviewed as part of this project:

- York Recreation Convention Centre Business Plan – SGL Consulting, 2015.
- YRCC – Business Plan – Cost Benefit Analysis for Competitive Neutrality 2014.
- Y SY000-04/17 – Review of the York Recreation and Convention Centre – Public Submissions Received.
- 2017 Review of the York Recreation and Convention Centre – Discussion Paper, February 2017.
- YRCC Management Model, SGL Consulting Group, 2017.
- SY036-04/21 YRCC Management Update.
- Shire of York Corporate Business Plan 2020 – 2024.
- York Recreation and Convention Centre – Request for Proposals
- Belgravia Leisure Offer in Response to the Request for Proposals, 2021.
- Shire Tender Evaluations, 2021.
- YRCC Financial Analysis 2018/19 to 2024/25 – Actuals and Forecast.

As detailed above, there have been several business plans, reviews and discussion papers prepared for the YRCC over the past 5 or 6 years. Most of these reports are of a high quality with detailed analysis of the YRCC's business environment and discussion of management options for the future.

The reports also highlight that most user groups believe that the YRCC is professionally managed and operated (e.g. YRCC Business Plan, SGL Consulting, 2015). However, a consistent theme in these reports and financial analysis is the ongoing losses of the YRCC of between \$89,000 and \$168,000 per annum in addition to the Shire providing overhead support through its staff.

It is unusual for a Shire to manage and operate what are essentially food and beverage services in support of local sporting and recreation clubs. The above reports do discuss what is core and non-core Shire business with a strong view that providing sport and recreation facilities is core, but food and beverage services are non-core. The reports also discuss a range of management options including:

- Shire management.
- Formation of a sports club for management.
- Lease to an existing sports club.
- Outsourced management.
- Mixture of in-house management and outsourcing.

Consequently, an important objective coming out of the reports has been the Shire's desire for the YRCC's management and operations to be transferred to one or a number of the local sporting clubs. However, the Shire has been unable to achieve this objective and subsequently went to market this year with an open Request for Proposals to manage and operate the YRCC.

## 4 SHIRE ROLE IN BUSINESS AND ECONOMIC DEVELOPMENT

In relation to Shire management options for the YRCC, the Shire currently takes an active role in regional economic development via its role in owning and managing the YRCC. The benefits from a regional perspective of having such strong economic leadership include:

- Providing local employment opportunities for residents.
- Having more activity within the region gives local residents the chance to buy locally.
- Economic growth generates rates revenue (in excess of costs) through an increase in the number of commercial and industrial properties, and if industry profitability is enhanced, increased value of properties – with such revenue increases underpinning council operations<sup>1</sup>.
- Growth in the economic base provides potential sources of other revenue for the Shire, improving financial sustainability including, for example, revenue from YRCC customers.
- Local businesses will consider corporate sponsorships and support as part of their community contribution and as such potentially provide inputs for local social infrastructure and initiatives.
- Additional activity provides critical mass for hard infrastructure that also benefits the broader community (e.g. underlying market scope for transport improvements, for broadband and other communications).

It is important, however, for the Shire to consider how far it is prepared to go in terms of the risks involved in economic and social development ventures such as the ownership and management of the YRCC. There are three types of risk that the Shire can consider along the risk spectrum including:

- The lowest risk type of activities which will be those that focus on planning, local infrastructure provision and the local business environment (i.e. regulations, local services) to facilitate business development.

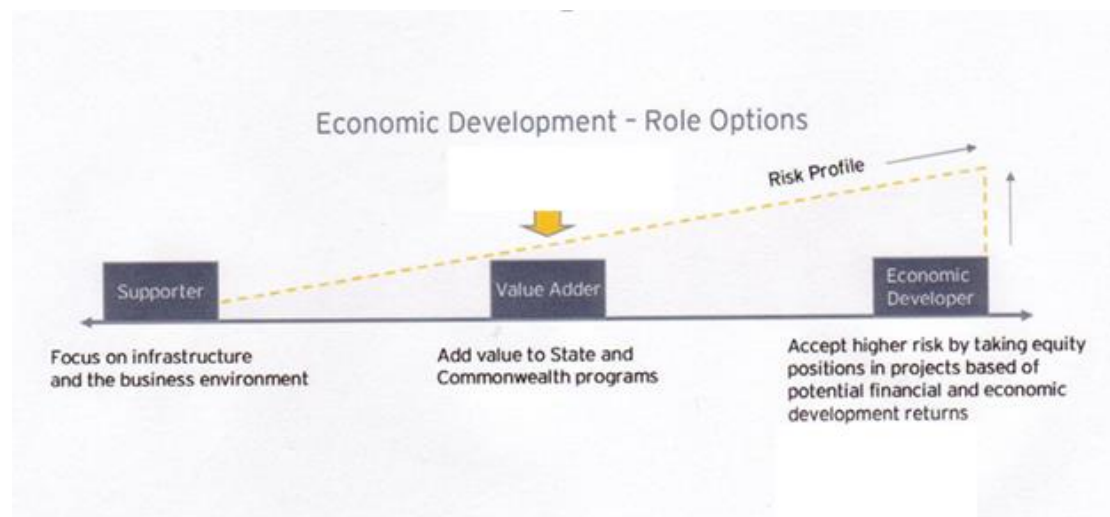
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<sup>1</sup> Deborah A. Carroll, Tax Increment Financing and Property Value, An Examination of Business Property Using Panel Data, Urban Affairs Review, March 2008

- The second level of risk is to look at activities that complement or add value to activities being undertaken by state and commonwealth governments, in this case supplement and use government funding to facilitate external management of the YRCC.
- Lastly there are the higher risk activities of more innovative and directly impacting or contributing to projects – this includes the Shire’s current role of development, ownership and management of the YRCC.

The following diagram reflects these role options.

**Figure 1**  
**Potential Shire Role and Risk Options**



The above discussion is provided in order that the Shire can understand the risk profile of entering into business and economic development ventures. There is no right or wrong option as the benefits along the spectrum may outweigh the costs and associated risks. However, it is important for the Shire and the community to understand the risk position when entering to commercial arrangements.

## 5 THE CURRENT SITUATION

### 5.1 Financial Analysis

Table 1 below summarises the YRCC's financial performance for the period 2017/18 to 2020/21 and, excluding Shire overheads, shows that the Centre consistently records losses between \$89,000 and \$168,000 per annum.

**Table 1**  
**YRCC Financial Performance**

|  | 2017/18        | 2018/19         | 2019/20         | 2020/21         |
|--|----------------|-----------------|-----------------|-----------------|
|  | ACTUAL         | ACTUAL          | ACTUAL          | ACTUAL          |
| <b>REVENUES</b>                                |                |                 |                 |                 |
| STADIUM HIRE CHARGES <sup>(1)</sup>            | 3,398          | 2,882           | 2,923           | 3,398           |
| PAVILION HIRE CHARGES <sup>(1)</sup>           | 192            | 16              | 302             | 407             |
| YRCC INCOME - GREEN FEES TENNIS <sup>(1)</sup> | 1,502          | 672             | 794             | 1,136           |
| YRCC INCOME – HIRE <sup>(1)</sup>              | 9,236          | 3,017           | 1,501           | 2,477           |
| YRCC INCOME – GYM <sup>(1)</sup>               | 20,999         | 23,651          | 15,851          | 24,214          |
| YRCC INCOME – CONFERENCES <sup>(2)</sup>       | 46,825         | 24,955          | 19,330          | 35,829          |
| YRCC INCOME – BAR <sup>(2)</sup>               | 186,855        | 161,788         | 141,337         | 159,285         |
| YRCC INCOME - CAFE/RESTAURANT <sup>(2)</sup>   | 112,090        | 107,494         | 106,081         | 143,019         |
| YRCC INCOME – CANTEEN <sup>(2)</sup>           | 18,806         | 14,399          | 10,762          | 5,001           |
| <b>Total Sales</b>                             | <b>399,903</b> | <b>338,874</b>  | <b>298,881</b>  | <b>374,767</b>  |
|  |                |                 |                 |                 |
| <b>EXPENSES <sup>(3)</sup></b>                 |                |                 |                 |                 |
| YRCC EXPENDITURE - GYM                         | 10,019         | 9,627           | 7,221           | 11,091          |
| YRCC EXPENDITURE - CONFERENCES                 | 32,702         | 20,649          | 15,547          | 28,105          |
| YRCC EXPENDITURE - BAR                         | 128,935        | 113,688         | 91,918          | 110,291         |
| YRCC EXPENDITURE - CAFE/RESTAURANT             | 135,402        | 142,947         | 130,678         | 185,136         |
| YRCC EXPENDITURE - CANTEEN                     | 20,303         | 15,889          | 10,587          | 7,981           |
| <b>Total Cost of Sales</b>                     | <b>327,361</b> | <b>302,800</b>  | <b>255,951</b>  | <b>342,605</b>  |
| <b>Gross Profit</b>                            | <b>72,542</b>  | <b>36,074</b>   | <b>42,930</b>   | <b>32,162</b>   |
|  |                |                 |                 |                 |
| <b>CENTRE COSTS</b>                            |                |                 |                 |                 |
| FORREST OVAL CONVENTION CENTRE <sup>(4)</sup>  | 85,176         | 86,075          | 80,878          | 79,126          |
| YRCC MARKETING & PROMOTIONS                    | 1,091          | 1,409           | 1,436           | 1,540           |
| RECREATION – SALARIES <sup>(5)</sup>           | 48,985         | 91,299          | 55,435          | 57,256          |
| RECREATION – SUPERANNUATION <sup>(6)</sup>     | 26,896         | 25,754          | 26,524          | 29,428          |
| <b>Total Expenses</b>                          | <b>162,148</b> | <b>204,537</b>  | <b>164,273</b>  | <b>167,351</b>  |
|  |                |                 |                 |                 |
| <b>NET PROFIT/(LOSS)</b>                       | <b>-89,606</b> | <b>-168,463</b> | <b>-121,343</b> | <b>-135,189</b> |

Source: Shire of York

While the financial losses are a concern, they and Shire overheads do make a contribution to the local economy by supporting the YRCC’s operations, salaries and suppliers (e.g. food and beverage suppliers). The contribution to the local economy is estimated by adding annual losses to the Centre’s annual turnover and Shire overheads as this is the total funds injected into the YRCC per annum as shown in Table 2 below.

**Table 2**  
**YRCC - Estimated Direct Economic Contribution Per Annum (\$)**

|                             | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|-----------------------------|----------------|----------------|----------------|----------------|
| Turnover (Sales)            | 399,903        | 338,874        | 298,881        | 374,767        |
| Net Loss                    | 89,606         | 168,463        | 121,343        | 135,189        |
| Shire Overheads             | 220,649        | 207,652        | 220,353        | 219,709        |
| Total Economic Contribution | 710,158        | 714,989        | 640,577        | 729,665        |

## **5.2 Socio-Economic Contribution of the YRCC**

While the above table details the direct financial contribution made by the YRCC into the local economy, there are additional (multiplier) impacts that deliver significant socio-economic benefits to the Shire of York and the State of Western Australia that need to be considered in this Business Case.

There are employment, income and other benefits associated with the YRCC’s operations including ‘multiplier’ impacts as measured by employment and value added (contribution to Gross State Product, or salaries, wages and profits). The multiplier (or downstream) impacts are important in the context of total Statewide and Shire impacts of the YRCC. They recognise that there will be ‘leakage’ of some YRCC expenditure to other regions (metropolitan areas and possibly other economic regions) and that the economic impacts reach further than the immediate York region.

A Microsoft Excel model has been developed by Hudson Howells to assess the total (direct and indirect) economic impacts of the YRCC and an Input – Output methodology has been employed to model the impact of the YRCC on the State and Shire economies. Input - Output Tables for Western Australia and the York Shire Region have been developed by Hudson Howells as a methodology for assessing the economic impacts.

This socio-economic impact assessment identifies the potential jobs and incomes that are supported by the YRCC. Job and income creation are critical elements of the social agenda for economic regions. Economic and social development are intertwined and there is a very strong correlation between economic growth and social indicators (e.g. unemployment and crime rates).

An accepted methodology for measuring economic outcomes, and one that is used nationally and internationally, is to measure the value added and employment associated with turnover outcomes.

Value added is defined as the extent to which the local economy adds value to the product or services supplied (e.g. food that is processed/served), and essentially is the returns to labour and capital in the region for that activity. It is consistent with the predominant national measure of economic activity of Gross Domestic Product (GDP), Gross State Product (GSP) or Gross Regional Product (GRP, i.e. the Shire of York).

This value added and employment impact can be measured at two levels. Firstly, there is the direct impact – the value added and employment contribution or share associated directly with the expenditure (e.g. the labour and profits involved in YRCC’s operations). Secondly there is the indirect or multiplier impact – for example that associated with the suppliers to the YRCC (food, beverage, transport, etc.), and the spend of employee wages.

Given it’s food and beverage operations, the *Accommodation and Hospitality Industry* is considered the best industry sector to approximate the operational economic impacts of the YRCC. This sector has the following multipliers adjusted to 2021 for inflation:

| <b>Table 3</b>  |                          |
|---|--------------------------|
| <b>Accommodation and Hospitality Sector Multipliers</b> |                          |
|   | <b>Western Australia</b> |
| Employment (per \$ million)                             | 8.983                    |
| Value Added (\$ million)                                | 1.147                    |

The above multipliers indicate that every \$1 million of additional regional turnover associated with the YRCC supports employment of 8.983 persons in the State (directly and through the multiplier effects). The value added or GSP (salaries, wages and profits) associated with this activity is \$1,147,000.

Following are estimates of the employment and value added impacts of the YRCC on the State, based on the above multipliers.

It should be noted that the economic impacts include the direct and indirect (or multiplier) impacts of the YRCC on the State as measured by Hudson Howells’ Input – Output Tables. Based on a direct contribution to State GSP of \$0.730 million (2020/21 economic contribution), the following table details the estimation of the YRCC’s State economic impacts.



| <b>Table 4</b><br><b>State (WA) Operational Economic Impacts (Per Annum)</b>                                |                                 |
|---|---------------------------------|
| Employment <u>per annum</u><br>(Full Time Equivalent jobs after adjusting for inflation)                    | 6.56 FTE Jobs <u>per annum</u>  |
| Value Added or Contribution to Gross State Product <u>per annum</u><br>(Salaries, Wages, Taxes and Profits) | \$0.84 million <u>per annum</u> |

In summary, State employment associated with the YRCC is estimated to be 6.56 FTEs per annum with value added (salaries, wages and profits) reaching \$0.84 million per annum.

At the regional level, the following accommodation and hospitality multipliers (after allowing for inflation) have been derived for the York Shire region from the Hudson Howells’ Input – Output Tables for Western Australia.

| <b>Table 5</b><br><b>York Shire Region Accommodation and Hospitality (Tourism) Service Multipliers</b> |       |
|--|-------|
| Employment (per \$ million)  | 7.391 |
| Value Added (\$ million)   | 0.754 |

Based on a direct economic contribution of \$0.730 million as detailed above, the following table details the estimation of the YRCC’s York Shire region economic impacts.

| <b>Table 6</b><br><b>YRCC - York Shire Region Current Economic Impacts (Per Annum)</b>                         |                                 |
|--|---------------------------------|
| Employment <u>per annum</u><br>(Full Time Equivalent jobs after adjusting for inflation)                       | 5.4 FTE Jobs <u>per annum</u>   |
| Value Added or Contribution to Gross Regional Product <u>per annum</u><br>(Salaries, Wages, Taxes and Profits) | \$0.55 million <u>per annum</u> |

In summary, additional York Shire region employment associated with the YRCC is estimated to be 5.4 FTEs per annum (3.4 FTEs YRCC staff plus 2 FTEs indirect or multiplier impact) with value added (salaries, wages and profits) reaching \$0.55 million per annum.

Based on Belgravia Leisure’s YRCC Business Plan for its first year of operation, it estimates a turnover of \$394,619 and loss of \$326,347, equivalent to a direct economic contribution of \$720,966 (i.e. total operating costs). This is expected to grow to \$822,095 by 2023/24 (\$542,659 turnover and \$279,436 loss). The following table details the estimation of the Belgravia Leisure’s York Shire region economic impacts as at 2023/24 which are expected to be marginally higher than the current YRCC impacts.

| <b>Table 7</b><br><b>YRCC - York Shire Region Economic Impacts (Per Annum by 2023/24)</b><br><b>Belgravia Leisure Proposal</b> |                                 |
|--|---------------------------------|
| Employment <u>per annum</u><br>(Full Time Equivalent jobs after adjusting for inflation)                                       | 6.08 FTE Jobs <u>per annum</u>  |
| Value Added or Contribution to Gross Regional Product per <u>annum</u><br>(Salaries, Wages, Taxes and Profits)                 | \$0.62 million <u>per annum</u> |

In addition to this economic contribution to the region, it is important to acknowledge that the YRCC has other socio-economic benefits that also contribute to job and GSP/GRP outcomes. These include:

- **Improved regional tourism** – Good standard tourism infrastructure such as that provided at the YRCC (facilities, meals, beverages, etc.) assist with both the attraction and retention of tourists to the York Shire region.
- **Improved property values and local government income** – There are net benefits to local government arising from increased rates associated with increased property values as a result of the YRCC (i.e. commercial rates), improved amenity, services and business incomes in the immediate area. The YRCC stimulates additional town pedestrian and tourism links that will also increase the amenity of the immediate surrounds.
- **Improved Socio-Economic Outcomes** – Improved local employment opportunities, and reduced unemployment potentially have a positive impact on the social outcomes of unemployment (e.g. increased wellbeing, improved employment skills, lower crime rates, etc.). In addition, the local community has a low cost recreational facility.

The YRCC also delivers a wider range of benefits including, for example:

- **Health benefits** related to increase in physical activity and other wellbeing advantages associated with utilisation of the YRCC. This could include improved mental health outcomes associated with exercise and reduced risk of depression through contact with natural environments.
- **Improved social inclusion** including community connectivity and a sense of place. The YRCC contributes to an improved sense of regional community and interaction between community members.

### 5.3 The Shire Corporate Business Plan

The future management of the YRCC needs to be considered within the context of the Shire's role in business and economic development (see Section 4) and its current Corporate Business Plan 2020 – 2024.

Importantly, this Plan recognises the challenges presented by the current global pandemic (Covid-19) and the need for the Shire to remain economically positive and to take advantage of opportunities associated with the pandemic:

*I am immensely proud of the way the organisation has stepped up to this challenge. Recovery activity has been well planned, swift and targeted. We are supporting our community and businesses to not only survive but thrive. We are fully behind the tourism effort that is catering for West Australians making their holidays within the State, some of which have never explored our region before. This is a massive opportunity for York and is one of the highest priorities in this plan. (CEO Shire of York)*

In terms of local economic development, this Plan identifies 'Driving the York Economy Forward' as a key goal with an aspiration 'to have a vibrant, diverse and prosperous local economy which creates local jobs, business opportunities and a positive image for the Shire'.

Under 'The Place to be' key goal, 'Recreation Services and Facilities' and 'Support Community Led Development' are key strategies that underpin current Shire ownership and management of the YRCC.

## 6 THE BELGRAVIA LEISURE PROPOSAL

As noted earlier in this report, the Shire recently (December 2020) went to market with a Request for Proposals for the management of the YRCC. The Shire's assessment panel graded the proposal from Belgravia Leisure marginally higher than its next competitor and in April 2021, the Council directed its CEO to enter into negotiation with Belgravia Leisure to progress towards a service agreement, facility lease and guaranteed price contract for management of the YRCC facility.

Belgravia Leisure is one of the fastest growing leisure management organisations in Australia and has over 30 years' industry experience. It has more than 5,500 employees and approximately 170 assets under management in industry sectors such as:

- Tourism and holiday parks.
- Health and wellbeing.
- Aquatics.
- Sports and leisure.
- Hospitality and events.

Facilities currently under management<sup>2</sup> include for example:

- Merredin Regional Community and Leisure Centre.
- Katanning Aquatic Centre.
- Guilderton Holiday Park.
- Loftus Recreation Centre.
- Kalamunda Water Park.
- Point Walter Golf Course.
- Crestwood Community Pool and Estate.
- Wiluna Public Swimming Pool.
- Farm Recreation Centre
- The Gardens Recreation Centre
- Salisbury Recreation Precinct

In its proposal, Belgravia Leisure offers the Shire of York *'an innovative approach, underpinned by proven results for the delivery of management and operation of the York Convention and Recreation Centre. Belgravia Leisure brings the experience, capability and capacity to propel the Shire's plans*

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<sup>2</sup> Source: [www.belgravialeisure.com.au](http://www.belgravialeisure.com.au)

*forward, driving outstanding outcomes for the Shire and the surrounding community’.*

The proposal focuses on achieving the following overarching objectives:

- A customer-centric and evidence-based approach ensuring that its services and programs are co-designed with customers guided by their needs
- Innovative programs and services that include best practice access and inclusion programming to increase participation for the community
- Experience and skills that will enable them to drive growth, improving the bottom line of the facility.
- A team of experienced and well credentialed leaders who are fully committed to the delivery of all services under the contract.
- A strong history of partnering with Councils, local clubs and community groups.

Importantly, and compared with the Shires current allocation of human resources to the YRCC, Belgravia Leisure has a team of people across the following disciplines available to assist management of the YRCC:

- Executive Team.
- Human Resources.
- Finances and Legal.
- Marketing.
- Programs.
- Processes.

Belgravia Leisure’s proposal claims to be fully compliant of the RFP with a guaranteed lump sum fee summarised below.

| All figures ex GST                    | YEAR 1<br>Guaranteed<br>Lump Sum Fee | YEAR 2<br>Guaranteed<br>Lump Sum Fee | YEAR 3<br>Guaranteed<br>Lump Sum Fee |
|---------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| York Recreation and Convention Centre | (\$326,647)                          | (\$300,445)                          | (\$279,436)                          |

## 7 COMPARISON WITH THE CURRENT SITUATION

Excluding sales turnover, as at 30th June 2021 the Shire's current contribution to the YRCC is \$354,898 per annum (facility loss plus Shire overheads) supporting in the York Shire 5.4 FTE jobs per annum (3.4 FTEs YRCC staff plus 2 FTEs indirect or multiplier impact) with Gross Regional Product (salaries, wages and profits) of \$550,000 per annum. This compares with Belgravia Leisure's proposed and guaranteed management fee of \$326,647 per annum in Year 1, plus Shire overheads reduced to \$116,085 (down from \$198,649) plus \$21,491 retained building maintenance costs, totaling \$464,223 which equates to an increased cost to the Shire of \$109,325 in year one. This increased cost will reduce by \$47,211 by year 3 due to Belgravia's fee reducing to \$279,436. However, and as discussed in Section 8, Belgravia Leisure is proposing greater business activation, an expanded range of services and additional staff.

As detailed in Section 5, it is expected that the socio-economic impacts for the Shire will be marginally greater should Belgravia Leisure be awarded the contract to manage the Shire's YRCC.

*The main socio-economic issue for the Shire should it accept the Belgravia Leisure proposal is retaining the existing socio-economic benefits (jobs and GRP – salaries and wages) associated with the current situation. This can be achieved, for example, by the Shire mandating that a certain percentage of Belgravia Leisure's operating expenditure (salaries, wages and supplies) be sourced within the Shire of York and that this be the subject of a regular audit of Belgravia Leisure's YRCC recurrent expenditure.*

It is concluded from this analysis that, subject to similar procurement policies being adopted by Belgravia Leisure, the socio-economic impact of outsourcing the management of the YRCC will be similar to current Shire arrangements and that (in accordance with this project's Term of Reference):

- **The expected effect on the provision of facilities and services by the local government.**

There is expected to be a positive effect on the provision of facilities and services by the local government (Shire of York) as the Belgravia Leisure management contract will increase facility loss and Shire overheads in Year 3 by an additional \$65,805 per annum (guaranteed position) requiring some adjustment to Shire facilities and services without other corrective action.

- **The expected effect on other persons providing facilities and services in the district.**

There is expected to be minimal to no effect on other persons or businesses such as restaurants currently providing facilities and services to the YRCC subject to the Shire

mandating that a certain percentage of Belgravia Leisure's operating expenditure be sourced within the Shire of York and that this be the subject of a regular audit of Belgravia Leisure's YRCC recurrent expenditure.

- **The expected financial effect on the local government.**

Based on the Belgravia Leisure guaranteed proposal, by Year 3 the Shire is estimated to be incurring an additional \$65,805 cost per annum from the outsourcing of the YRCC management, but with a greater range of services. As detailed in Section 4 of this report, there is a risk/reward trade off for the Shire based on its preferred risk position.

- **The expected effect on matters referred to in Shire's Corporate Business Plan.**

In terms of local economic development, the Shire's Corporate Business Plan identifies 'Driving the York Economy Forward' as a key goal with an aspiration 'to have a vibrant, diverse and prosperous local economy which creates local jobs, business opportunities and a positive image for the Shire'. Under 'The Place to be' key goal, 'Recreation Services and Facilities' and 'Support Community Led Development' are key strategies that underpin current Shire ownership and management of the YRCC. However, given the annual and ongoing financial losses associated with the YRCC (approximately \$135,000 per annum), and that economic benefits to the Shire from outsourcing the facility management will be sustained, it is considered that the Belgravia Leisure proposal is consistent with and potentially beneficial to, the Shire's Corporate Business Plan.

- **The ability of the local government to manage the undertaking or the performance of the transaction.**

The ability of the local government (Shire of York) to manage the undertaking or the performance of the transaction will be guided by its risk profile as detailed above. The Shire has successfully owned and operated the facility for many years (albeit at a cost to the Shire) justified by the socio-economic benefits derived from the YRCC as detailed above. Should management be outsourced, it would be prudent for the Shire to lock in performance agreements such as local content (see above) that put a floor on economic and financial performance.

## 8 THE YRCC BUSINESS CASE

The YRCC Belgravia Leisure Business Case should be consistent with the Shire of York 2020/24 Corporate Business Plan and the Shire's risk profile as discussed in Section 4. Outsourcing the management of the YRCC is consistent with the Corporate Business Plan which identifies 'Driving the York Economy Forward' as a key goal with an aspiration 'to have a vibrant, diverse and prosperous local economy which creates local jobs, business opportunities and a positive image for the Shire'.

It is consistent with the key goal 'The Place to be' – and strategies including 'Recreation Services and Facilities' and 'Support Community Led Development' and is the highest rated option under the Shires own evaluation criteria and assessment by the proposal Review Panel.

Excluding sales turnover, as at 30th June 2021 the Shire's current contribution to the YRCC is \$354,898 per annum (facility loss plus Shire overheads) supporting in the York Shire 5.4 FTE jobs per annum (3.4 FTEs YRCC staff plus 2 FTEs indirect or multiplier impact) with Gross Regional Product (salaries, wages and profits) of \$550,000 per annum. This compares with Belgravia Leisure's proposed and guaranteed management fee of \$326,647 per annum in Year 1, plus Shire overheads reduced to \$116,085 (down from \$198,649) plus \$21,491 retained building maintenance costs, totalling \$464,223 which equates to an increased cost to the Shire of \$109,325 in year one. This increased cost will reduce by \$47,211 by year 3 due to Belgravia's fee reducing to \$279,436.

Based on the YRCC's \$135,189 loss in 2020/21 and Belgravia Leisure's forecast loss for 2021/22 of \$326,647, the expanded services and staff to be offered by Belgravia Leisure are estimated to be valued at \$191,458 (mainly management fees and wages). However, Shire employees at the YRCC are paid approximately 25% more under the Shire Enterprise Bargaining Agreement than private sector hospitality industry employees, increasing the value of these expanded services under Shire management to \$245,410 (Shire forecast for Year 1 of \$380,599, less Shire actual for Year 20/21 of \$135,189). This is what it is estimated that the York Shire would need to fund over and above its current funding arrangements if it were to develop and offer the expanded services itself which include for example (from Belgravia Leisure's Business Plan):

- Increase the usage and membership of the YRCC Gym via an improved member induction process and investigating the demand and viability of introducing group fitness activities.
- Introduce several exciting and engaging physical activity programs that encourage regular community participation, especially among children and seniors. This will include working with 3rd parties, such as local schools, and capitalising on funding opportunities to increase attendance at the YRCC.



- In partnership with Sports Community, provide resources, training and knowledge to volunteers and local sporting clubs on how to make their roles easier, to have fun performing their roles and enjoying the rewards of building thriving and sustainable clubs.
- Extend the food and service offering in the Forrest Bar & Cafe, while managing and reducing the cost of goods and wages where possible. Create scheduled functions for major sporting events, working with the interests of the community. Other events such as bands and dining/food specials.

These expanded services are not expected to be a threat to the local business community, especially restaurants, as Belgravia Leisure is committed in its conforming proposal to providing:

*“A focus on localism akin to a small boutique operator. This means we focus on creating local jobs and supporting local suppliers to grow your economy”.*

The focus of Belgravia Leisure appears to be growing the YRCC business by creating and attracting new events and new customers that grow the economy, not by attracting customers from existing facilities.

*As discussed above, the main socio-economic issue for the Shire should it accept the Belgravia Leisure proposal is retaining the existing socio-economic benefits (local jobs and GRP – salaries and wages) associated with the current situation. This can be achieved, for example, by the Shire mandating that a certain percentage of Belgravia Leisure’s operating expenditure be sourced within the Shire of York and that this be the subject of a regular audit of Belgravia Leisure’s YRCC recurrent expenditure.*

It is therefore concluded that, subject to similar buy local procurement policies being adopted by Belgravia Leisure, the socio-economic impact of outsourcing the management of the YRCC will be greater than Shire arrangements with a growing economy, larger workforce and a much reduced exposure to financial risk than currently exists under the Shire’s own management.