

## 11.6 Indoor Pool Business Case - Interim Report

### REPORT BY THE MANAGER - RECREATION SERVICES

TO 21 SEPTEMBER 2022 ORDINARY MEETING  
GOV400098, GOV400088, FO640002

### RECOMMENDATION

#### That Council:

1. **receive the report by the Manager - Recreation Services on the Indoor Pool Business Case - Interim Report;**
2. **note the contents in the Mudgee Indoor Pool Business Case Interim Report and the data to be used to guide future aquatic services;**
3. **provide in principle support for design Option 2a detailed in this report as Council's preferred design option;**
4. **investigate financing options and grant opportunities for the construction of an indoor swimming pool; and**
5. **request that a further report be brought back to Council to deliver the final Business Case document.**

### Executive summary

The attached interim report on the Mudgee Indoor Pool Business case focuses on the design options, capital and operational implications and provides the necessary information for Council to determine a preferred design option.

### Disclosure of Interest

Nil

### Detailed report

The Mudgee Olympic Pool is an important aquatic recreation facility for the Mid-Western community. Currently the facility only offers outdoor seasonal facilities and as such it has been the communities desire to upgrade or expand aquatic facilities to provide an all year-around access facility.

To date there has been considerable planning and forethought given to this project. A vital component of considering such an asset comes the requirement of considering the capital and ongoing operational and asset management costs associated with constructing such a facility through a business case.

At the August 2021 Council meeting, Council resolved to progress with four slightly varied facility design options into a detailed business case. The design options are presented in the table below. It was also resolved that any new aquatic facility provisions were to be constructed at the existing site in Lawson Park, Mudgee.

Option	Features
1a	New indoor 25 pool (8 lane), program pool and leisure play Retain existing outdoor 50m pool and water park Health and Fitness Centre
1b	New indoor 25m pool (8 lane), program pool and leisure play Retain existing outdoor 50m pool and water park
2a	New indoor 50m pool (8 lane), program pool and leisure play Retain existing outdoor waterpark Health and Fitness Centre
2b	New indoor 50m pool (8 lane), program pool and leisure play Retain existing outdoor water park

### Interim Report

C Leisure have been engaged to develop the business case for the Mudgee Indoor Pool project. The objective of the business case is to present Council with a detailed analysis of the investment rationale and recommendations for optimum delivery strategy for the proposed redevelopment.

The Business Case nears completion with an interim report being supplied to Council in July 2022. The interim reports focuses on the design options, capital and operational implications to Council and provides the necessary information for Council to determine a preferred option to finalise the Business Case. The interim report is attached to this report- Attachment 1.

A Quantity Surveyor report has been commissioned to estimate the current costs of each design options- Attachment 2. Concept design plans been developed by suitably qualified recreation facility architects- Attachments 3.

The below financial implication summary (base model) reveals the projected annual operating budget against the estimated construction costs for the various design options. This is one of the various pieces of documented evidence provided to assist Council in the decision making process. It is important to note that the business projections include an element of critical assumptions to which are detailed in the interim report.

	Indoor 25 m Pool with H&F facilities	Indoor 25m pool only	Indoor 50m Pool with H&F	Indoor 50m Pool only
	*10 year average p/a	*10 year average p/a	*10 year average p/a	*10 year average p/a
Base Model				
Annual Operating Position	-\$379,263	-\$845,678	-\$659,665	-\$1,331,885
Provision - Refurbishment/Lifecycle Costs	-\$40,500	-\$36,000	-\$49,500	-\$45,000
Existing Operating Contribution-savings ( Av Last 3 years)	\$402,658	\$402,658	\$402,658	\$402,658
Existing Depreciation Provisions -savings ( 2021/22)	\$93,000	\$93,000	\$93,000	\$93,000
Provision - Depreciation (2%)	-\$818,399	-\$733,159	-\$957,710	-\$892,675
Net Annual Cost/ Return to Council	-\$760,245	-\$1,135,701	-\$1,189,083	-\$1,790,554
Projected annual attendances	206,691	165,886	207,491	167,130
Mudgee Curent attendances (Av Last 3 years)	63,037	63,037	63,037	63,037
Estimated Construction Cost (QS) GST EX	\$40,919,973	\$36,657,973	\$47,885,483	\$44,633,737
Estimated Total Project Build Cost (QS) GST EX	\$52,196,937	\$46,805,973	\$60,843,483	\$56,706,737

The build costs for the options are estimated to range from \$36,657,973 to \$47,885,483 which includes design contingencies, preliminaries and margins, locality allowances, cost escalations to tender and during construction. It is also important to note that the construction costs are used for depreciation in the operating projections for each option.

Construction contingencies, professional fees (including project management fees), authority fees and charges, furniture and fit out estimates have been included in the total project build costs that range between \$46,805,973 and \$60,843,483 for the options.

### **Preferred Design Option**

An important component in finalising the Business Case is for Council to endorse a preferred design option. Council are encouraged to analyse the documented evidence provided within the interim report with respects to community benefits, costs associated with the construction, on-going asset management and operational commitments prior to committing to a preferred design option and progressing with the project.

It understood that Council have been presented with the following information and/or predicaments with respects to identifying a preferred design option and progressing the project:

- concede that this project involves significant capital investment and ongoing financial implications;
- acknowledge recent increases in the construction industry has significantly impacted initial capital expenditure forecasting;
- accept that the project is to be considered a 'generational' project consisting of a 50+ year lifecycle;
- accept that the longer Council delays progressing the indoor pool project construction costs may continue to increase resulting in significant increase in capital expenditure;
- acknowledge that the most economically viable option would be to construct option 1a;
- acknowledge that design option 1b represents the least expensive construction cost to achieve indoor aquatic provisions;
- note that the inclusions of health and fitness provisions significantly contributes to the annual operational cost recovery;
- note potential sensitivities associated with Council operated health and fitness services;
- accept that the current outdoor 50m and toddler pool are an ageing asset that has already exceeded typical useful life expectancy. It is highly likely that significant capital upgrade will be required in the near future to maintain industry standards;
- determine whether an indoor 50 metre pool or an indoor 25 metre would be most appropriate to meet community needs for now and into the future;
- note current aquatic facility planning benchmarking suggests that a financially viable 50 metre pool requires a population catchment greater than 100,000;
- note long-course swimming competitions would be the activity most impacted in the event a 50 metre option was no longer available. The Gulgong pool would be the nearest Olympic size swimming pool;
- accept that existing foyer and change room facilities are no longer fit-for-purpose in contemporary design standards and as such are not recommended to be retained; and
- acknowledge emerging industry trends towards aquatic users preferring indoor aquatic services over outdoor due to safeguarding against UV exposure.

Council Officers continue to support that all options are practicable in achieving year-round access to aquatic facilities for residents of the Mid-Western. They also continue to meet the needs of previously identified target markets for the project.

Whilst it is evident that the indoor 50 metre pool options would attract additional capital and operational costs, it should be highlighted that the practical benefits outweigh the financial implications. Most notably addressing the ageing outdoor pool assets so that it is no longer a burden to Council. Other benefits include the ability to continue to support long course swimming competitions, support the fluctuation in pool visitations during the warmer months whilst respecting the emerging industry trends towards favourable indoor pool use to safeguard against UV exposure and importantly minimising impacts to the sites footprint within Lawson Park.

Given the significant contribution to the annual operating cost recovery it is recommended that the provisions of health and fitness be included in the project. It is therefore recommended that Council proceed with option 2a as the projects preferred design.

## Community Plan implications

<b>Theme</b>	<b>Looking After Our Community</b>
Goal	Effective and efficient delivery of infrastructure
Strategy	Provide infrastructure and services to cater for the current and future needs of our community

## Strategic implications

### Council Strategies

Delivery and Operational Plan  
Recreation Strategy

### Council Policies

Not Applicable

### Legislation

Not Applicable

## Financial implications

This report does not seek any further funding towards the project. The construction costs associated with new contemporary aquatic facilities are significant and will require all funding avenues to be explored in order to achieve project completion. Unfortunately, recent increases in the construction industry has significantly increased the forecasted capital expenditure.

## Associated Risks

There are risks in significant amounts for the expenditure for construction of an Indoor Aquatic Centre. This project would involve a significant capital investment and ongoing financial implications and as such is the reasoning behind the development of a Business Case.

PETER RAINES  
MANAGER - RECREATION SERVICES

SIMON JONES  
DIRECTOR COMMUNITY

8 September 2022

*Attachments:*

1. Mudgee Indoor Pool Business Case- Interim Report. (separately attached)
2. Mudgee Indoor Pool Business Case- Indicative Cost Plan. (separately attached)
3. Mudgee Indoor Pool Business Case- 25m Pool Concept Plan. (separately attached)
4. Mudgee Indoor Pool Business Case- 50m Pool Concept Plan. (separately attached)

APPROVED FOR SUBMISSION:

BRAD CAM  
GENERAL MANAGER