

	Project: Joondalup Performing Arts & CUltural Facilities De Building: Joondalup Performing Arts & Cultural Facilities De	tails: Indicati	ve Cost p	olan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Prelimi	naries				
	Design contingency calculated as % of Net Project Cost				
A	% of NPC	12	%	72,229,544	8,667,545.2 3
					8,667,545
Substr	ucture				
A	Building				
В	Allowance for ground bearing slab including foundations complete	7,096	m2	225.00	1,596,600
С	Allowance for thickenings to core and stairs	154	m2	250.00	38,500
D	Allowance for thickenings to stair landing	20	m2	250.00	5,000
Е	Allowance for lift pits; standard	2	No	7,500.00	15,000
F	Allowance for goods lift pit	1	No	15,000.00	15,000
G	Car Park				
Н	Allowance for ramp	226	m2	350.00	79,100
I	Allowance for car park lift pits	1	No	7,500.00	7,500
J					0
					1,756,700
Colum	15				
	Building				
А	Allowance for RC columns; 600 x 350	1,308.00	m	450.00	588,600
В	Allowance for columns to facade	39	t	8,000.00	312,000
	MSCP				
С	Concrete Columns	1,049	m	450.00	472,045
					1,372,645
Upper	Floors		-		
	Building				
А	Allowance for concrete slab to upper floor complete	6,073	m2	450.00	2,732,850
В	Extra over allowance for raked slab to theatre	1,011	m2	500.00	505,500
С	Allowance for edge details to voids	800	m	100.00	80,000
D	Allowance for glass balustrading to voids	50	m	1,500.00	75,000
Е	Allowance for edge detailing to theatre		item		200,000

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	Project: Joondalup Performing Arts & CUltural Facilities Detail Building: Joondalup Performing Arts & Cultural Facilities Detail	ils: Indicat	ive Cost p	blan	COTINE
Autoc ode	Description	Quantity	Unit	Rate	Total
Upper	Floors				(Continued)
	Parking				
F	Allowance for concrete slab to decks	11,102	m2	385.00	4,274,270
G	Extra over allowance for ramps to each level	1,000	m2	100.00	100,000
					7,967,620
Stairca	Ses				
А	Allowance for RC Stairflights complete; per rise	121	m	3,500.00	423,500
В	Allowance for feature stair to lobby; per m rise	9	m	50,000.00	450,000
					873,500
Roof			1		
	Building				
А	Allowance for steel trusses	72	t	6,000.00	432,000
В	Allowance for roof structure and surface	4,664	m2	600.00	2,798,400
С	Allowance for glazed roof lights	200	m2	1,200.00	240,000
D	Allowance for mansafe points	1	ltem	50,000.00	50,000
E	Allowance for drainage to ground	225	m	200.00	45,000
F	Allowance for green roof complete with slab and build up	1,800	m2	750.00	1,350,000
	Car Park				
G	Allowance for roof structure and surface	2,400	m2	450.00	1,080,000
н	Allowance for sealer to slab	2,665	m2	50.00	133,250
I	Allowance for drainage	200	m	200.00	40,000
					6,168,650
Externa	al Walls, Windows and Doors				
	Building				
A	Allowance for glazed facade	2,100	m2	1,750.00	3,675,000
В	Allowance for solid facade	2,300	m2	750.00	1,725,000
С	Allowance for glazed entry doors				
D	- single	5	No	2,500.00	12,500
E	- double	5	No	5,000.00	25,000
F	- revolving	2	No	35,000.00	70,000
G	- allowance for auto	5	No	5,000.00	25,000
н	Allowance for solid doors				
I	- single	2	No	1,500.00	3,000
J	- double	2	No	3,000.00	6,000

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	Project: Joondalup Performing Arts & CUltural Facilities Detail Building: Joondalup Performing Arts & Cultural Facilities Detail	s: Indicati	ve Cost p	lan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Externa	al Walls, Windows and Doors				(Continued)
к	Allowance for fire doors				
L	- single	2	No	2,500.00	5,000
м	- double	2	No	5,000.00	10,000
	Car Park				
N	Allowance for cladding including framing	2,400	m2	750.00	1,800,000
0	Allowance for doors to entry				
Р	- double doors	1	No	5,000.00	5,000
Q	Allowance for fire doors				
R	- single	13	No	2,500.00	32,500
S	Allowance for boom gate / roller shutters	1	No	20,000.00	20,000
					7,414,000
Windov	vs		-	-	
А	Included in External Wall		Note		
					0
Externa	al Doors				
A	Included in External Wall		Note		
					0
Interna	Walls				
		1 000		700.00	705 000
A		1,008	m2	700.00	705,600
в		2,310	mz	750.00	1,732,500
		200	m2	750.00	150,000
		210	m2	750.00	157,500
		210	m2	300.00	63,000
	Demise wall to Dressing Rooms, BOH etc	280	m2	300.00	157.500
G	Demise wall to Loading / Worksnop/Stores	525	m2	300.00	157,500
н.		2/5	m2	300.00	82,500
		1,480	m2	200.00	296,000
J		1,183	I∏Z	200.00	236,600
IK		210	m2	300.00	63,000
		342	I∏Z	300.00	102,600
		600	m2	300.00	180,000
		387	m2	250.00	96,750
0	Demise wall to 'Meeting Rooms/Uffice'	372	m2	200.00	74,400

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	Project: Joondalup Performing Arts & CUltural Facilities Detail Building: Joondalup Performing Arts & Cultural Facilities Detail	ils: Indicati	ve Cost p	blan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Interna	I Walls				(Continued)
Р	RC Concrete core walls	1,676	m2	400.00	670,400
	Car Park				
Q	RC Concrete core walls	809	m2	400.00	323,600
R	Demise wall to Building	788	m2	350.00	275,800
					5,451,750
Interna	Screens	_			
	Building				
А	Allowance for moveable screens	56	m2	1,300.00	72,800
В	Allowance for sundry glazed screens		item		100,000
					172,800
Interna	l Doors		1		
L	Building	ļ			
	Allowance for doors into -	ļ			
A	Demise wall to 'Black Box'	4	No	5,000.00	20,000
В	Demise wall to 'Theatre'	12	No	10,000.00	120,000
С	Demise wall to 'Stage'	4	No	10,000.00	40,000
D	Demise wall to 'Back of Stage'	4	No	10,000.00	40,000
E	Demise wall to 'Rehearse 1'	4	No	7,500.00	30,000
F	Demise wall to 'Dressing Rooms, BOH etc'	15	No	2,500.00	37,500
G	Demise wall to 'Loading / Workshop'		item		75,000
н	Demise wall to 'Community Studios Art/Dance/Music'		item		70,000
1	Demise wall to 'Toilets/Cloak etc'	75	No	1,200.00	90,000
J	Demise wall to 'Rehearse 2'	4	No	10,000.00	40,000
к	Demise wall to 'Control Room'	2	No	10,000.00	20,000
L	Demise wall to 'Gallery'	2	No	10,000.00	20,000
М	Demise wall to 'Curatorial Store / Plant'	4	No	7,500.00	30,000
N	Demise wall to 'Office/Meeting'	10	No	1,200.00	12,000
<u> </u>					
0	RC Concrete core walls	10	No	2,500.00	25,000
	Car Park	ļ			
Р	RC Concrete core walls	12	No	1,500.00	18,000

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	Project: Joondalup Performing Arts & CUltural Facilities Building: Joondalup Performing Arts & Cultural Facilities	Details: Indicati	ve Cost p	blan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Interna	I Doors				(Continued)
Q	Demise wall to Building	5	No	1,500.00	7,500
					695,000
Wall Fi	nishes				
	Building				
А	Paint to walls	25,277	m2	25.00	631,925
В	Allowance for features to foyer area	2,527	m2	250.00	631,750
					1,263,675
Floor F	inishes				
	Building				
А	to 'Black Box'	324	m2	100.00	32,400
В	to 'Theatre'	1,455	m2	150.00	218,250
С	to 'Stage'	284	m2	500.00	142,000
D	to 'Back of Stage'	168	m2	500.00	84,000
E	to 'Rehearse'	364	m2	100.00	36,400
F	to 'Dressing Rooms'	139	m2	100.00	13,900
G	to 'Loading / Workshop'	661	m2	50.00	33,050
Н	to 'Plant/Services'	287	m2	50.00	14,350
I	to 'Community"	1,523	m2	175.00	266,525
J	to 'Toilets/Cloak etc'	453	m2	185.00	83,805
к	to 'Control'	155	m2	250.00	38,750
L	to 'Gallery'	1,476	m2	250.00	369,000
М	to 'Curatorial Store'	187	m2	100.00	18,700
N	to 'Office'	520	m2	100.00	52,000
0	to 'Foyer'	1,433	m2	250.00	358,250
Р	to 'General Circulation'	2,075	m2	50.00	103,750
	Car Park				
Q	Sealer to parking	12,719	m2	50.00	635,950
					2,501,080
Ceiling	Finishes				
	Building				
А	to 'Black Box'	324	m2	150.00	48,600
В	to 'Theatre'	1,455	m2	200.00	291,000
С	to 'Stage' - no ceiling required	284	m2	0.00	0
D	to 'Back of Stage' - no ceiling required	168	m2	0.00	0
E	to 'Rehearse' - no ceiling required	364	m2	0.00	0

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					CORKE
	Project: Joondalup Performing Arts & CUltural Facilities Detail Building: Joondalup Performing Arts & Cultural Facilities Detail	Is: Indicati	ve Cost p	lan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Ceiling	Finishes				(Continued)
F	to 'Dressing Rooms'	139	m2	110.00	15,290
G	to 'Loading / Workshop'	661	m2	0.00	0
Н	to 'Plant/Services'	287	m2	0.00	0
I	to 'Community"	1,523	m2	110.00	167,530
J	to 'Toilets/Cloak etc'	453	m2	115.00	52,095
К	to 'Control'	155	m2	115.00	17,825
L	to 'Gallery'	1,476	m2	150.00	221,400
М	to 'Curatorial Store'	187	m2	150.00	28,050
N	to 'Office'	520	m2	110.00	57,200
0	to 'Foyer'	1,433	m2	250.00	358,250
Р	to 'General Circulation' (assume ceiling to 20%)	2,075	m2	22.00	45,650
	Car Park				
Q	Sealer to parking - excluded	12,719	m2	0.00	0
					1,302,890
Fitment	S		•		
	Building				
A	Refer to Theatre Allowance on summary page for black box, theatre, stage, back of stage and rehearse fitments				
В	to 'Black Box'		m2		
С	to 'Theatre'		m2		
D	to 'Stage'		m2		
E	to 'Back of Stage'		m2		
F	to 'Rehearse 1'		m2		
G	to 'Rehearse 2'		m2		
Н	to 'Dressing Rooms, BOH etc'	385	m2	150.00	57,750
I	to 'Loading / Workshop'	652	m2	200.00	130,400
J	to 'Plant/Services'	649	m2	200.00	129,800
K	to 'Conference'	473	m2	100.00	47,300
L	to 'Community Studios Art/Dance/Music'	1,073	m2	150.00	160,950
М	to 'Toilets/Cloak etc'	281	m2	500.00	140,500
N	to 'Box Office'	50	m2	2,750.00	137,500
0	to 'Bio Box'	48	m2	200.00	9,600
Р	to 'Gallery'	440	m2	200.00	88,000
Q	to 'Curatorial Store / Plant'	408	m2	200.00	81,600
R	to 'Admin'	389	m2	200.00	77,800

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	Project: Joondalup Performing Arts & CUltural Facilities Building: Joondalup Performing Arts & Cultural Facilities	Details: Indicati	ve Cost p	blan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Fitmen	is				(Continued)
S	to 'Foyer'	2,550	m2	150.00	382,500
т	to 'General Circulation'	3,848	m2	50.00	192,400
U	to 'Bar'	89	m2	3,500.00	311,500
V	to ' Restaurant' - fitout by tenant				
w	Retractable seating to Black box	200	No	400.00	80,000
х	Seating to theatre	850	No	350.00	297,500
	Car Park				
Y	Wheel stops	400	No	125.00	50,000
z	Barriers	400	No	500.00	200,000
AA	Ticket machines - by operator	0	No	50,000.00	0
AB	Booths - by operator		Item		0
					2,575,100
Specia	Equipment				
	Building				
А	Allowance for kitchen equipment	1	item		750,000
В	Allowance for bar equipment	1	item		250,000
					1,000,000
Sanitar	y Fixtures				
А	WHB	50	No	1,100.00	55,000
В	Urinals	40	No	1,500.00	60,000
С	WC's	50	No	1,300.00	65,000
D	Cleaner Sinks	10	No	1,000.00	10,000
E	Kitchen sinks	10	No	1,000.00	10,000
F	Sundry	1	Item	50,000.00	50,000
					250,000
Sanitar	y Plumbing		-		
А	Soil, vent and waste	1,640	FCU	275.00	451,000
					451,000
Water S	Supply				
А	Cold water supply	260	FCU	750.00	195,000
В	Hot water supply	170	FCU	1,000.00	170,000
					365,000
Gas Se	rvice			,	
A	Allowance for gas supply to restaurant only		Item		25,000
					25,000
Space	Heating			I	
L					

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	Project: Joondalup Performing Arts & CUltural Facilities Building: Joondalup Performing Arts & Cultural Facilities	Details: Indicat	ive Cost pl	an	
Autoc ode	Description	Quantity	Unit	Rate	Total
Space	Heating				(Continued)
А	Not applicable		Note		
					0
Ventila	tion	•	·		
А	Allowance for mechanical extract to toilets	1,066	m2	200.00	213,200
В	Allowance for mechanical extract to kitchen	300	m2	400.00	120,000
С	Allowance for ventilation to Car park - assume 50%		Item		500,000
					833,200
Evapor	ative Cooling				
А	Not applicable		Note		
					0
Air Cor	ditioning	•	• • •		
А	Allowance for air conditioning to theatre	1,278	m2	1,000.00	1,278,000
В	Allowance for air conditioning to black box	324	m2	1,000.00	324,000
С	Allowance for air conditioning to all other areas	9,902	m2	550.00	5,446,100
					7,048,100
Fire Pr	otection				
	Building				
А	Allowance for fire alarms and smoke detection	11,504	m2	75.00	862,800
В	Allowance for sprinklers	11,504	m2	125.00	1,438,000
	Car Park				
С	Allowance for fire alarms and smoke detection	12,766	m2	50.00	638,300
					2,939,100
Light a	nd Power				
	Building				
А	Allowance for light and power	11,504	m2	225	2,588,400
В	Extra allowance for enhance light and power to stage	827	m2	1,000.00	827,000
С	Allowance for light fittings	11,504	m2	50.00	575,200
	Car Parking				
	Allowance for light and power	12 766	m2	100.00	1 276 600
		12,700	1112	100.00	5,267,200
Comm	unications	I	<u> </u>	1	
	Building				
А	Allowance for data and comms generally	11,504	m2	75.00	862,800
CeetV	Described and the second				D O . C 4

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					CONKE
	Project: Joondalup Performing Arts & CUltural Facilities Building: Joondalup Performing Arts & Cultural Facilities	Details: Indicati	ve Cost p	blan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Comm	unications				(Continued)
в	Extra over for enhanced allowance to stage and black box areas	827	m2	250	206,750
	Car Parking				
С	General allowance	12,766	m2	5.00	63,830
					1,133,380
Transp	ortation Systems				
	Building				
А	Allowance for feature lift to lobby	1	item	350,000	350,000
В	Allowance for goods lift to back of house	1	item	400,000.00	400,000
	Car Parking				
С	Allowance for 13 passenger lift; standard	2	item	250,000.00	500,000
					1,250,000
Specia	I Services				
	Building				
A	Allowance for security	11,504	m2	25	287,600
	Car Parking				
В	Allowance for security	12,766	m2	35.00	446,810
					734,410
Centra	lised Energy Systems				
А	Not applicable		Note		
					0
Alterat	ions and Renovations	1		,	
A	Not applicable		Note		
					0
Site Pr	eparation			, I	
A	Not applicable		Note		
<u> </u>					0
Roads,	Footpaths and Paved Areas		0	750.000	750.000
A	Allowance for footpath and paved area		Sum	750,000	750,000
Bound	ary Walls Fencing and Gates				150,000
	ary wais, reficility and Gates		Noto		
<u> </u>			NOLE		0
Outbui	l Idings and Covered Ways				0
Calbu					
CostX	Donald Cant Watts Corke	(WA) Ptv Ltd		<u> </u>	Page 9 of 11

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	Project: Joondalup Performing Arts & CUltural Facilities Detail Building: Joondalup Performing Arts & Cultural Facilities Detail	Is: Indicati	ive Cost p	blan	
Autoc ode	Description	Quantity	Unit	Rate	Total
Outbui	Idings and Covered Ways				(Continued)
А	Not applicable		Note		
					0
Landso	aping and Improvements				
А	Allowance for landscape and improvement	1	Sum	900,000	900,000
					900,000
Externa	al Stormwater Drainage				
А	Allowance for extenal stormwater, external sewer drainage, external water supply, external gas supply, external communication	1	Sum	800,000	800,000
					800,000
Externa	al Sewer Drainage	_			
А	Included in 37XK		Note		
					0
Externa	al Water Supply				
А	Included in 37XK		Note		
					0
Externa	al Gas				
А	Included in 37XK		Note		
					0
Externa	al Fire Protection				
А	Allowance for External fire protection	1	Sum	250,000	250,000
					250,000
Externa	al Electric Light and Power				
А	Allowance for external lighting and power	1	Sum	300,000	300,000
					300,000
Externa	al Communications				
А	Included in 37XK		Note		
					0
Externa	al Special Services				
А	Included in 37XK		Note		
					0
Design	Contingency (5%)	1			
	Design contingency calculated as % of Net Project Cost				
A	% of NPC	5	%	72,365,400	3,618,270.0 0
					3,618,270
Constr	uction Contingency (3.5%)		1		
	Construction contingency calculated as % of NPC and Design Contingency				
CostX	Donald Cant Watts Corke (WA) Pty I	Ltd			Page 10 of 11

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Elemental Breakdown

	Project: Joondalup Performing Arts & CUltural Facilities Deta Building: Joondalup Performing Arts & Cultural Facilities Deta	ils: Indicat	ive Cost p	blan	CONNE
Autoc ode	Description	Quantity	Unit	Rate	Total
Constr	uction Contingency (3.5%)				(Continued)
A	% of NPC	4	%	76,731,199	2,685,591.9 5
В	% of Design Contingency	4	%	3,837,000	134,295.00
					2,819,887
Clients	Costs				
А	Not applicable		Note		
					0
Public	Art (1%)	-			
А	Included in Facade		Note		
					0
Furnitu	re, Fitments and Equipment	1			
A	Allowance for furniture, fitments and equipment	1	Sum	700,000	700,000
					700,000
Theatre	Technical Equipment	1			
A	Allowance for Theatre Technical Equipment	1	Sum	2,500,000	2,500,000
					2,500,000
ESD O	tions				
A	Excluded	ļ	Note		
					0
Profess	ional Fees and Disbursements	1			
	Professional fees calculated as % of Net Project Cost				
A	% of NPC	12	%	71,660,805	8,599,296.6 0
					8,599,297
Escala	ion to January 2014	1			
A	Escalation included in unit rate and projected to Jan 2014	ļ	Note		
<u> </u>		ļ			0
	0				90,716,799
·				•	•

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APPENDIX 3 COMPETITION SUBMISSION FORM

F

JOONDALUP PERFORMING ARTS & CULTURAL FACILITY – ARCHITECTURAL DESIGN COMPETITION



COMPLETE AND RETURN WITH SUBMISSION

7. SUBMISSION FORM

7.1 Competition Finalist:

The Competition finalist is as follows:

FINALIST CORPORATE INFORMATION	
FULL COMPANY NAME	ASHTON RAGGATT MCDOUGALL PTY LTD (TRADING AS ARM ARCHITECTURE)
ADDRESS FOR NOTICES	PO BOX 2729, CLOISTERS SQ WA 6850
EMAIL ADDRESS FOR NOTICES	arm.perth@armarchitecture.com.au
TELEPHONE NUMBER	(08) 6102 4030
Name and position of the individual nominated as the Finalist's contact	ANDREW LILLEYMAN SENIOR ASSOCIATE, HEAD OF PERTH OFFICE

7.2 Undertaking

The Finalist agrees to be bound by the conditions of the Competition contained within this brief.

7.3 Attachments

Response instruction: Finalist to attach its submission in response to this brief including, but not limited to the components outlined in Section 3.5.

7.4 Execution

This submission is dated the 9TH	day of	JULY	2013
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Authorised signatory of the Finalist:

m

ANDREW LILLEYMAN

Signature

Print Name

Design Brief 02-04/13

12

File Ref: 75577





ARCHITECTURE URBAN DESIGN MASTERPLANNING INTERIORS

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Appendix 4 - JPACF Briefing Paper - Financial and Scenario Evaluation: City of Joondalup (September, 2016)



Joondalup Performing Arts and Cultural Facility





FINANCIAL AND SCENARIOS EVALUATION

UPDATED SEPTEMBER 2016 SCHEMATIC DESIGN

A Global City: Bold | Creative | Prosperous

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1.3	20 Voor Stratogic Einancial Plan	כ ה
1.4	20 Fear Strategic Fillancial Flath	5
1.0	Data shown either in \$ in Thousands (\$k) or in Millions (\$m)	5
1.0	Values initially shown in 2016 dollars	0
1.8	Previous Version of This Paper	6
2 Res	search & SUPPORTING INFORMATION	7
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VERSION CONTROL

	Date	Author	Details
1	16 Sep 2016	SFA	 Initial version to DCS, MFS and City Projects
2	19 Sep 2016	SFA	 Minor changes to text, Revised version to above parties
3	22 Sep 2016	SFA	 Minor changes to text, following review with CEO 21 Sep 2016 Provided for Deloitte as part of Business Case Review

INTRODUCTION

1. INTRODUCTION AND BACKGROUND

1.1 Purpose of Paper

This plan is prepared in support of the Business Case (September 2016) for the Joondalup Performing Arts and Culture Facility (JPACF). This report will include a detailed evaluation of the financial implications of the JPACF and an evaluation of Scenarios. The contents include:

- Establishment costs;
- Operating Analysis;
- Scenario Evaluation;
- Value for Money; and
- Summary, including risks and sensitivity.

1.2 Out of Scope

The following are out of scope:

- Project Justification included in business case;
- Procurement Plan;
- Risk Management Plan;
- Project Management Plan; and
- Asset Management Plan.

1.3 Whole of Life Approach

The City applies a whole-of-life approach to all projects, and prides itself on applying a wide number of tools to ensure it is financially sustainable both now and in the future. The ongoing operational impacts are assessed as much as the one-off costs. This ensures that the overall costs of a project over the long-term are evaluated and budgeted.

The funding for the Facility has been subject to constant review, with several supporting projects in place to set aside funding.

1.4 20 Year Strategic Financial Plan

The key tool to ensure that all of the financial impacts of the JPACF are identified and financially sustainable is the City's 20 Year Strategic Financial Plan which is updated on an annual basis. The plan was last adopted by Council in June 2016 (Adopted 20 Year Strategic Financial Plan), and included all whole of life implications (Establishment costs, funding, interest expense, operating subsidy, depreciation and capital renewals). The Adopted 20 Year Strategic Financial Plan) is based on the Concept Design costings from the December 2015 Business Case).

1.5 Disclaimer

This report does not contend that the financial projections will come to pass exactly as stated, but are merely a guide in support of the business case. The projections are best

estimates at this point in time, but there is a level of risk and uncertainty in all of the projections. The actual costs and income will vary, due to the following:

- Detailed Design and Specification;
- Tender;
- Program Model;
- Management Model;
- Demand / Catchment / Changes in taste / participation in cultural activities; and
- Economic Factors.

The financial projections will be reviewed annually, or at times deemed necessary by the project.

It should also be emphasised that the assumptions included in this document (e.g. the discount that may be provided to community groups) are not binding in any way, and are merely assumptions used for the purposes of financial evaluation.

Due to the size of the proposal, the Risks/Sensitivity of the assumption should be considered as much as the financial projections.

1.6 Data shown either in \$, in Thousands (\$k) or in Millions (\$m)

There is a wide range of financial data referred to in this document. Data will either be shown in Dollars (\$), thousands ('\$k') or where necessary in millions (\$m), depending on the size of the values being referred to.

1.7 Values initially shown in 2016 dollars

The report will initially review all of the assumptions in today's dollars as this is easier to review. However all values will then be escalated to take account of inflation so that the overall costs over a 40 year period can be assessed.

1.8 Previous Version of This Paper

This report was initially prepared in 2015 and was used to support the December 2015 Business Case presented to Council. The costings were based on CONCEPT DESIGN. This version of the report is now based on SCHEMATIC DESIGN. The projections from the December 2015 Business Case are included for comparison in all tables and commentary has been added to explain whether the assumptions differ.

2 RESEARCH & SUPPORTING INFORMATION

2.1 Research 2012 to 2016

The City has commissioned a variety of work during the past few years that forms the basis of the financial evaluation:

- 2012 Feasibility Study The 2012 Feasibility Study included an initial evaluation of the project costs and operating impacts, and continues to be used as a reference point for the operating assumptions.
- 2013 Architectural Design Competition The 2013 competition, as described in more detail with the business case, provided the basis of the capital costs used in the December 2015 Business Case.
- 2014 Financial Review The City used internal resources to complete an internal review of the financial projections, this mostly focused on the operating results.
- 2015 Design Review Consideration of alternative scenarios e.g. 1000 seat capacity in the Primary Theatre instead of 850 seats
- 2016 Schematic Design
- 2016 External review of operating assumptions. Three separate consultants have been engaged to assist with the review of the operating assumptions. The reviews will be explained in more detail later in this section.

2.2 Industry Consultation – General Manager of Other Performing Arts Centre

A General Manager of another WA Performing Arts Centre has been consulted on a regular basis during the past two years. The other centre is not an ideal benchmark for the JPACF because it is further away from Perth, the catchment is smaller and the demographics are very different. Nevertheless there are many aspects which are still useful to review, particularly as it is in WA. It has been useful to draw upon the live experience of the General Manager. Some of the key issues arising from the discussions are:

- Programming (i.e. the arrangement of events) has to be long-term i.e. 1 to 2 years before events are held.
- JPACF could tie into the WA 'circuit' with other centres such as Albany, Bunbury, Geraldton and Mandurah.
- Utilisation Maximum (i.e. number of days that the primary and secondary theatre) could be expected to be used per year is 200 days, but that would take a lot of effort and may be sub optimal (more events doesn't necessarily mean more attendees and could result in a higher loss than having the spaces used for less).
- Average Occupancy per performance may be approximately 50%, although will vary significantly depending on the type of performance.
- Commercial Hires are good earners; the Cost of Sales is approx 25% of Income.
- Ticketing is best to be controlled by the facility themselves, do not recommend the use of a third party.
- Marketing is crucial to the operation and programming and should be driven by the facility itself.
- Staffing for shows is flexible, volunteers are also used.

2.3 Industry Consultation – Department of Culture and Arts

Discussions were held with the Department review the operating model. There was limited specific financial data available from the DCA, but it was useful for the following:

- Programming and Audience Development is the most important issue for an Arts Centre.
- Agreed that it will take some years to build up to 'steady state'. For the first couple of years, the facility has to make concerted efforts to develop the demand, and it may even be useful (and better financially in the long run) for the City to allow a resident company to use the facility for a couple of years for free hire, particularly a company who are up and coming and who can both develop their own brand and the JPACF at the same time.
- Average Occupancy of 50% level is a reasonable assumption.
- Capacity of the Primary Theatre at 850 seats was raised as an issue and consideration should be given to higher capacity. This has been evaluated and the results summarised in this report.
- APACA (Australian Performing Arts Centre Association) vital source of information for planning an Arts Facility, and the City should join APACA to allow continued access to this data.

2.4 Industry Consultation – APACA (Australian Performing Arts Centre Association)

APACA prepare bi-annual reports based on information from Arts Centres around the country. Reports have been used throughout the review, and will be referenced throughout the report. Care has to be taken in using the APACA data as there is so much of it, and some of it may be irrelevant e.g. much smaller facilities.

The previous version of the Business Case relied upon the 2013 APACA reports. The City recently obtained the 2015 APACA reports and updated assumptions where relevant to do so.

2.5 Schematic Design 2016

The Schematic Design for the project has now been completed. This now includes updated establishment costs and changes to specifications which impact on operational estimates. The revised costings form the basis of the revised Scenarios.

2.6 External Review of Operating Assumptions 2016

Three consultants have been engaged during the past couple of months to assist with specific elements of the review of the business case:

- Pracsys have provided detailed utilisation and pricing assumptions for the Non-Theatre spaces in the JPACF. The non-theatre spaces are the Conferences, Foyer, Gallery, Dance Studios, Music Studios and Community studios. Their findings have been used as the basis of updated income and cost assumptions for these areas.
- Ex General Manager of Perth Theatre Trust review the assumptions for the Primary & Secondary theatres, and the staffing model. Their views have been taken on board and incorporated into the updated financials.
- Paxon Consulting were engaged to review Utilities, Building Maintenance, Capital Replacement and also the non-Theatre Spaces. Their findings have been taken on board where possible to do so, although there are some elements that the City has opted not to use these will be explained later on.

3 SCENARIOS, ASSUMPTIONS AND RESEARCH

3.1 Scenarios Evaluated

There are four sets of financial projections shown in this report:

• Business Case December 2015, based on Concept Design is shown for comparison.

Three Scenarios which are all based on Schematic Design:

- Scenario 1 Worse Case. This includes some of the worse-case estimates for staff costs, utilities and repair/maintenance as provided by Consultants.
- Scenario 2 Idealistic. The other end of the range of possibilities with best-case estimates for staff costs, utilities and repair/maintenance.
- Scenario 3 Realistic. Amended set of assumptions, which are mostly halfway between Scenario 1 and Scenario 2

Where a table displays all four sets of projections, a green box has been placed around Scenario 3 to clearly indicate this as the recommended Scenario for inclusion in the Business Case.

3.2 Assumptions

The table below lists some of the general assumptions within the financial model:

	Assumption	Value	Comments				
1	Ready for Service	July 2019	 The analysis assumes that the facility is ready by July 2019. This assumes that construction commences by 2017 and is completed over 2 years, 2017-18 and 2018-19 These timescales are the same as used in the previous Business Case (December 2015) These timescales are highly unlikely taking account of the further steps that would be required before construction could commence (e.g. Detailed Design, Tender, and Contract Award). Whilst these timescales are highly unlikely they have been retained to facilitate clear comparison to the December 2015 Business Case. The project will need to develop a detailed program, including tender/procurement plan, as part of the next phase and once this is done the scheduling and financial estimates can be revised. 				
2	Financial Evaluation Period	45 Years	 The analysis evaluates the cash flows over a 45 year period, from 2014-15 to 2058-59. 2014-15 and 2015-16 are past (Sunk Costs), but for the purposes of comparing clearly to the previous business case the costs for 2014-15 and 2015-16 are included in the overall evaluation The evaluation includes 40 years of operation from 2019-20 to 2058-59 The long timeframe is necessary to ensure that the long-term implications are fully considered, and also ensures that capital renewal expenditure can be included in the evaluation 				
3	Escalation– Assumptions	Same as Previous	• For purposes of clear comparison to the previous business case, the escalation assumptions for all items have				

		Business Case	remained the same as the December 2015 Business Case.A minor change in escalation assumptions can cause a large change in a 40 year evaluation and would distort the comparison to the December 2015 Business Case.A copy of the escalation rates in the financial projections is included in Appendix 2 of this paper. All cash flows use CPI for escalation except where otherwise stated.
4	Borrowing Terms	15 Year Repayment Loans	 The costs of borrowing have reduced since the previous business case, and WATC (West Australia Treasury Corporation) have recently provided updated forecasts. The assumptions used are: 2017-18 borrowings at a Fixed Rate of 3.61% (previously 4.25%), repaid over a 15 year basis 2018-19 borrowings at a Fixed Rate of 4.01% (previously 4.75%), repaid over a 15 year basis Additionally, there is a cost of 0.7% per year on the outstanding principal for the Govt Guarantee. The City has begun a detailed evaluation of alternative forms of financing, including variable rate loans and interest only loans. The findings are subject to a separate report that is attached. The findings are subject to external validation. Until the review is complete the JPACF business case will continue to assume the traditional method of financing, which is a Fixed Rate Fixed Term (15 years).

ESTABLISHMENT PHASE

4 PROJECT COSTS

4.1 Capital Costs EXCLUDING escalation

The tables below summarise the total one-off costs to establish the facility and compare to the previous estimate. The Capital cost is same for Scenarios 1, 2 and 3 because the differences in those Scenarios relate to operational costs, not capital costs.

The Schematic Design costs are now estimated to be approx \$2.1m (2.1%) more than the Concept Design estimate. The estimate includes contingency costs of \$5.3m, it is standard practice and prudent for the City to have contingency at this stage in the project because there are likely to be other changes that could arise through the other stages (Detailed Design, Tender).

Capital & Other One Off Casts	<u>Concept</u> <u>Design</u>	<u>Scenario1</u> <u>Scenario2</u> <u>Schematic Des</u> g		<u>Scenario3</u>	
Excluding escalation	Business Case (Dec			<u>gn</u>	
		2015)	Worse	Idealistic	Realistic
1 Project Costs, excluding Contingencies	\$000s	(\$91,031)	(\$94,478)	(\$94,478)	(\$94,478)
2 Design & Construct Contingency	\$000s	(\$6,600)	(\$5,260)	(\$5,260)	(\$5,260)
Total Capital & Other One-Off Costs	\$000s	(\$97,631)	(\$99,738)	(\$99,738)	(\$99,738)

4.2 Schematic Design Costings & Value Engineering

The Capital Costs for each Scenario is based on data from ARM. ARM has used a range of sub-contractors (QS, Theatre Specialists) to prepare their estimates. ARM has intimated that Schematic Design costings can often result in costs being 5% to 7% higher than Concept Design and the first version of the Schematic Design costings were 12% higher. The initial increase of 12% arose for a number of reasons:

- Greater consideration given to finishes e.g. more toilets than just the basic number included in Australian Standards.
- Design improvements (e.g. walkways and foyer improvement as presented to Major Project Committee in April 2016)
- Some rates used at Concept Design were understated

ARM initiated an independent QS review of the costings, which confirmed that the level of rigour applied in the costings and the source of data was robust. Whilst the increased costs of 12% were legitimate it was acknowledged that the overall increase was too high and detailed reviews (value-engineering) were undertaken to reduce the costs. This culminated in a reduction to the final result of \$99.7m which is a 2% increase versus Concept Design. There are numerous changes which ARM have separately provided and out with the scope of this report but it should be emphasised that the key features of the facility remain intact i.e. the Primary Theatre is still 850 seats.

In summary the costings of the Schematic Design are now based on more up-to-date information and it can be expected that there would be differences to the Concept Design. Whilst the \$2.1m increase is far from ideal there has been a great deal of rigour applied to the latest costings and design.

4.3 Jinan Gardens & Planning Costs

The ARM Project Costs above now include all costs for the City, including Jinan Gardens and City Project Costs. The same assumptions as used in the previous Business Case:

- Jinan Gardens: Estimated cost for this is \$2.1m. This is based on indicative costs provided by QS, provided in 2013 and then escalated to 2016 dollars. The QS evaluation in 2013 is deemed sufficient at this point in time.
- Planning and Other Project Cost \$1.1m: Costs incurred within the City to manage the project and develop the business case. Additionally, the costs include an estimate of project management costs required to oversee the facility. These costs will be subject to further evaluation when the detailed implementation program is prepared

4.4 Contingency

The Contingency assumptions are based on standard practice for projects of this nature, with 2.5% Construction Contingency and 4% Design Contingency. It is possible that the contingency is not fully required and the overall establishment costs are less than estimated. The contingencies are helpful to mitigate issues that may still arise or are only known after Detailed Design is completed. It may be worth considering a reduction of the contingency and capping the overall costs for Scenario 2 at \$97,631 – this will be explored in more detail in the Risks/Opportunities section.

Now that Schematic Design has been completed though, there is a lot more certainty on the VOLUME assumptions included in the costings than were included in the Concept Design. However there continues to be uncertainty with the RATE PER SQUARE METRE assumptions, because they will be uncertain until Detailed Design is complete and the project goes to tender.

The key issue that must be emphasised is that the Capital Costs above are still only ESTIMATES; the final cost would be either lower or higher than the sums stated. The Risk analysis towards the end of this report will provide more commentary on the sensitivity of the forecasts and probabilities.

4.5 Exclusions

During project planning it is standard practice for there to be exclusions in the costings due to the lack of information or because it is too early to evaluate. As the plans become more detailed though, the exclusions should eventually dissipate. At the point of the Concept Design there were exclusions for Traffic Treatment and External works which have now been included into the costings.

At this point in the process there are still some exclusions which would only be considered as part of detailed design, however these are minimal. There are three additional costs which could enhance the facility at a total cost of \$1.63m, these are:

- Electronic Enhancement system \$1.0m
- PV Cells \$0.45m
- Gallery Climate control \$0.18m

These items can be considered at a later point in time including a review of the operational impacts (e.g. reduced electricity costs with PV cells). However Paxon carried out an evaluation of PV cells and there was not a compelling financial case to use them.

4.6 Phasing

The estimated timing of capital expenditure for Scenarios 1/2/3 is summarised in the table below. This indicates that the majority (54%) of the expenditure may arise in 2017-18, which would relate to the bulk of the construction costs. As mentioned earlier the phasing is deemed unrealistic but is retained for comparison to the previous business case.

Phasing of Project Costs	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Scheduling	-\$0.2	-\$1.7	-\$11.3	-\$53.6	-\$32.9	-\$99.7
% of Total	0%	2%	11%	54%	33%	100%

\$11.3m has been included in the Adopted Budget 2016-17. This assumed that some of the construction would commence in 2016-17, which is no longer expected to be the case. The scheduling of the project will be subject to further review in a few months time.

4.7 Sunk Costs \$1.9m

The Schedule above of the \$99.7m includes \$1.9m costs for 2014-15 and 2015-16 which are classed as Sunk Costs. There is no decision to make with the \$1.9m costs, they are sunk. The future project cost where a decision needs to be made is the remaining \$97.8m (2016-17 to 2018-19).

4.8 Capital Costs INCLUDING escalation

The final capital costs that will have to spent will be higher due to escalation from 2016. The table below summarises the Capital Costs for each Scenario excluding escalation and including escalation.

Capital Costs Excludir Including Escalation	pital Costs Excluding and Including Escalation		<u>Scenario01</u> Worse Case	<u>Scenario02</u> Idealistic	<u>Scenario03</u> Realistic
Excluding Escalation	\$000s	(\$97,631)	(\$99,738)	(\$99,738)	(\$99,738)
Including Escalation	\$000s	(\$102,992)	(\$105,268)	(\$105,268)	(\$105,268)

5 FUNDING

5.1 Funding Estimates

The City proposes to fund the project using three sources: City Reserves, Grant from National Stronger Regions Fund and the remainder from borrowings. Each of these three sources will be explained further in the next sections. The table below summarises the estimated funding sources for each Scenario. The funding for Grants and Reserves is the same for each Scenario, with borrowings being the final source of funding.

The table shows that the contribution from reserves is approx \$7.7m less than the previous assumption due to reduced Tamala Park proceeds. The borrowings have increased by \$10m due to the reduced Tamala Proceeds and the increased capital costs of \$2.3m.

Funding Sources (including escalation)		<u>Concept</u> <u>Design</u> Business Case (Dec 2015)	<u>Scenario01</u> Worse Case	<u>Scenario02</u> Idealistic	<u>Scenario03</u> Realistic
1 Grants (NSRF)	\$000s	\$10,000	\$10,000	\$10,000	\$10,000
2 City Reserves	\$000s	\$45,220	\$37,498	\$37,498	\$37,498
3 Borrowings	\$000s	\$47,772	\$57,769	\$57,769	\$57,769
Total Funding	\$000s	\$102,992	\$105,268	\$105,268	\$105,268

5.2 Grants (NSRF) - National Stronger Regions Fund

The National Stronger Regions Fund was set up by the Commonwealth in 2014 with \$1 billion to assist with projects that can demonstrate improvement against specific criteria. The criteria are not subject to comment in this report; a separate response to the criteria is available. For the purposes of the financial evaluation it is assumed that the application for \$10m is successful. It is recognised that there is a high risk of the City being unsuccessful with the \$10m application and this is subject to further review in the Risk Analysis.

5.3 City Reserves

The City has been planning for the JPACF for a number of years, and has implemented programs to partially fund the project, including:

- Asset rationalisation strategy: Surplus land/property evaluated with Scenarios considered for sale or alternative use. Where the assets are sold, the proceeds are set aside into the JPACF reserve, which can then be used by the project. This reserve was used to fund \$1.9m project costs for 2014-15 and 2015-16. There is currently (June 2016) \$11.8m in the JPACF reserve, which is intended tol be used to fund the \$11.3m costs in 2016-17. The reserve is expected to provide a further \$8.0m funding in 2017-18. In total the JPACF reserve is estimated to contribute \$21.2m to the project costs.
- 2. Tamala Park Proceeds: The City owns 1/6 of land in the north of the region, together with other Councils. The land is being developed, subdivided and sold, with the net proceeds allocated to each of the Councils. The City has determined within the *Adopted 20 Year Strategic Financial Plan* that the Tamala Park proceeds will be set aside for the JPACF. The reserve currently (June 2016) has \$8.9m. It is projected that there will be further

proceeds of \$5.4m in the next couple of years, allowing this reserve to contribute \$14.3m in total towards the construction costs in 2017-18 and 2018-19. After the JPACF is constructed there will continue to be proceeds from Tamala Park, a further \$46m is expected to be available from the Tamala Park Reserve to contribute towards the repayment of the borrowings.

The values for Tamala Park proceeds described above are based on the most recent forecast from TPRC (Tamala Park Regional Council), as at June 2016. The previous Business Case, and also the Adopted SFP (June 2016) were based on forecasts from 2015. The 2016 Forecasts are a lot more pessimistic, with approx \$7.7m less in the next few years to contribute to the construction. The reduced proceeds of \$7.7m are not caught up in later years either. As a result of the reduced proceeds from Tamala Park the estimated borrowings have increased.

5.4 Borrowings from West Australian Treasury Corporation (WATC)

The WATC is the state body in WA to assist Local Government and other State bodies with funding. The City can borrow from 3rd parties; however the terms offered by the WATC have tended to be much better than other parties.

- Loan 1 2017-18 15 year repayment term, Fixed Rate of 3.61%
- Loan 2 2018-19 15 year repayment term, Fixed Rate of 4.01%

The interest costs at present are very low in comparison to previous years. It is expected that the low costs of borrowing will continue for a couple of years.

In addition to the standard terms above, the WATC also levy an additional cost of borrowings, known as the 'Government Guarantee'. This is calculated as 0.7% of the average balance outstanding and has been included in the financial evaluation.

The table below summarises the total cost of borrowings for each Scenario. Line 2, 'Interest', includes interest expense on the borrowings and also the government guarantee.

Borrowings Costs		<u>Concept</u> <u>Design</u> Business Case (Dec 2015)	<u>Scenario1</u> Worse Case	<u>Scenario2</u> Idealistic	<u>Scenario3</u> Realistic
1 Borrowings	\$000s	(\$47,772)	(\$57,770)	(\$57,770)	(\$57,770)
2 Interest	\$000s	(<u>\$21,743</u>)	(<u>\$22,597</u>)	(<u>\$22,597</u>)	(<u>\$22,597</u>)
Total Cost of Borrowings	\$000s	(<u>\$69,515</u>)	(<u>\$80,367</u>)	(<u>\$80,367</u>)	(<u>\$80,367</u>)
Repayment of Borrowings					
3 Future Tamala Park Reserve	\$000s	\$46,524	\$46,681	\$46,681	\$46,681
4 Shortfall funded by General Municipa	\$000s	\$22,991	\$33,686	\$33,686	\$33,686

The City is currently reviewing other alternatives to the financing of the facility which may result in a different set of cashflows to above. A separate report is provided and is still subject to independent review. In the meantime it is prudent to continue to assume a Fixed Interest Fixed 15 year term as indicated above.

5.5 Repayment of Borrowings

As indicated earlier the City will use future proceeds from sale of land at Tamala Park to repay the borrowings. It is estimated that there will be a further \$46.5m proceeds from sale of land at Tamala Park after the JPACF is built. This would leave a shortfall of \$33.8m which would have to be funded municipal funds (unless there were other external sources which become available). Lines 3 and 4 of the table above summarise the repayment of the borrowings.

5.6 Impact if \$10m Grant not Received

The table below summarises the impacts if the City is unsuccessful in it's application to the National Stronger Regions Fund. This shows that total repayments would be over \$94m.

Borrowings Costs if \$10m grant Unsuccessful		Scenario 1,2 & 3	\$10m Grant not Received	Difference
1 Borrowings	\$000s	(\$57,770)	(\$67,770)	(\$10,000)
2 Interest	\$000s	(<u>\$22,597</u>)	(<u>\$26,509</u>)	(<u>\$3,912</u>)
Total Cost of Borrowings	\$000s	(<u>\$80,367</u>)	(<u>\$94,278</u>)	(<u>\$13,912</u>)
Repayment of Borrowings				
3 Future Tamala Park Reserve	\$000s	\$46,681	\$46,681	
4 Shortfall funded by General Municipa	\$000s	\$33,686	\$47,597	\$13,912

OPERATING ANALYSIS

6 KEY FEATURES & DEFINITIONS

6.1 Definitions

The table below summaries some of the definitions that are relevant for the Operating analysis:

	ltem	Definition
1	Program Model	 The Program Model for the JPACF is the term used to describe all of the different activities that are run in all of the different spaces throughout the facility. The Program Model comprises of: Events set up and run by the JPACF themselves; Hire of a space (Primary Theatre, Secondary, Conference, etc.) by a Commercial hirer Hires by Community groups, charged at a lower rate than commercial Hires by City of Joondalup
2	Subsidy	 The 'subsidy' is the difference between operating cash expenses compared to the income that the JPACF earns. Interest expense associated with the costs of borrowings is excluded from the subsidy analysis because the interest costs are for 15 years whilst the subsidy is a longer term commitment (40 years). The interest expense is included in the overall whole of life evaluation.
3	Presented Event	 This term relates to those performances that are organised by Arts Centres at their own risk. Arts Centres would take direct receipt (and risk) of the proceeds from ticket sales and would have responsibility for all the direct costs of the event (e.g. performance fee to the artists).
4	Hire	 The hire of the various spaces to promoters, community groups or to the City itself. The hires could be professional touring companies, local community groups or indeed the overall owner (i.e. Local Government). The hirer has responsibility for organising the performance/event, and the collection (risk) of ticket proceeds. A one-off fee is paid by the Hirer to the JPACF for the use of the space. This fee would reserve the space for a period of time to allow an event to be staged. The fee would include the utility costs and use of the equipment. The JPACF may provide support staff for the event (e.g. ushers), which would have to be separately paid by the hirer.
5	Performances	 General term relates to either a "Presented Event" or a "Hire"
6	Primary Space	 Main theatre 850 Seat Capacity.
7	Secondary Space	 Proposal is for 200 Seats Also referred to as the 'Black Box' which is an industry term intended to describe the flexibility of the space
8	Utilisation	 Number of days that a space is used per year. The Utilisation % is calculated by comparing the number of days that the facility is used to the number of AVAILABLE days per year The available days may be approximately 330 days per year as it would exclude the days that the spaces are unavailable due to holidays or maintenance.
9	Occupancy	 Number of Seats used per performance when compared to capacity. For example if there were 425 attendees at the 850-capacity theatre, then the occupancy are 50%. 650 attendees would be 76% of 850 seat capacity.
10	Cost of Sales	• Costs that can be directly associated with income raising activities
		 Includes Operational Staff whose time can be directly associated with specific activities, whereas the costs/activities of Administration/Management staff cannot be directly associated with specific income raising events.
----	-------------------------	---
11	Full Time Equivalent	 This term is used to equate jobs into a full time basis. For example if there were two part-time positions that spent 19 hours per week each, these two positions would equate to one full-time equivalent
12	Depreciation	 The Financial Model used to evaluate a project will initially only consider the CASH implications. Depreciation is a non-cash expense and is therefore excluded from the cash flow model. Although Depreciation is not included in the project cash flows, the cash implications of capital renewals are included. Depreciation is an important consideration as it forms part of several key ratios, most notably the Operating Surplus Ratio – this is explored in more detail later in the report.
13	Operating Grants	 It is not assumed at this stage that there are any operating grants from State/Federal to help reduce the cost of the annual subsidy to City of Joondalup ratepayers. This was subject to research by Paxon.

6.2 Year 5 (2023-24) is assumed to be Steady State

Based on discussions with industry, it is assumed that it will take a number of years to build up the program into a steady state. The financial assumptions for Operating Income and Expenses therefore assume that from Years 1 (2019-20) to Year 5 (2023-24) the use of the facility will steadily increase, and that Year 5 becomes the 'steady state'. From Years 6 (2024-25) to Year 40 (2058-59) it is assumed that the operating income and expenses are the same as Year 5. Year 5 of the Operating Income and Expenses is therefore analysed in detail within the Operating Analysis as it is used for Year 5 to Year 40.

The only exception to this principle is the Parking Income which is assumed to be lower in Years 5 to 14 and then increases from Year 15 onwards.

7 PRIMARY & SECONDARY SPACES

7.1 Assumptions for Primary and Secondary Spaces

The Primary and Secondary spaces are the main parts of the facility. It is therefore important to evaluate the usage, income and costs separately. There are some changes to the assumptions based on review of 2015 APACA data and review by ex General Manager of Perth Theatre Trust.

7.2 Program Model

A potential program model was initially prepared as part of the 2012 Feasibility Study, and has since been reviewed with reference to APACA data and consultation with other facilities. The table below provides an outline of the potential program model assumed for the Primary Theatre and Secondary Theatre by Year 5 (2023-24). This indicates that Primary Theatre may be used for 186 days per year, and the Secondary Theatre used for 163 days a year.

Potential Program Model - Year 5	Primary	Secondary	Total	% of Total
Comedy	12	10	22	6%
Theatre	38	39	77	22%
Dance & Ballet	24	11	35	10%
Music	39	23	62	18%
Festivals	16	15	31	9%
Schools	16	11	27	8%
Film	6	19	25	7%
Joondalup Eisteddfod	12	11	23	7%
Special Events	23	24	47	13%
Total	186	163	349	100%

The assumptions above are assumed to be the same for all Scenarios.

The utilisation of 186 days and 163 days is comparable with data from APACA. Utilisation of 186 days per year is a reasonable use of the space when consideration is given to weekends and use of the space during the week. For example if the spaces were used for the vast majority of Friday and Saturday evenings, as this would be the days that most patrons prefer to go out, this could account for over half (e.g. 100 days) usage per year, with the other 86 days used on other days of the week. The usage of 86 days would equate approximately to an average 2 days per week that the Theatre is used on a Sunday, Monday, Tuesday, Wednesday or Thursday.

7.3 Usage per Year

The events held would either be presented/organised fully by the JPACF themselves, or the events would relate to the hire of a space to either a Commercial body, Community or to the City of Joondalup. The table below summarises the assumptions included in the financial evaluation. It is assumed that 42 events in the Primary Theatre would be organised fully by the JPACF themselves ('presented' events) and the other 144 events would involve hiring the space to Commercial bodies or to Community/City.

The total events for the revised Scenarios are now lower than the previous business case as a result of the changes in the APACA data.

Usage Assumptions (Year 5 onwards)		Concept Design Business Case (Dec 2015)	<u>Scenario 1</u> <u>Sc</u> Worse Case	<u>Scenario 2</u> hematic Des Idealistic	<u>Scenario 3</u> gn Realistic
Primary Theatre Presented Commercial Hires Community & City Total	Events & Hires Per – Year	43 77 <u>68</u> 188	42 77 <u>67</u> 186	42 77 <u>67</u> 186	42 77 <u>67</u> 186
Secondary Presented Commercial Hires Community & City Total	Events & Hires Per Year	21 54 100 175	19 51 93 163	19 51 93 163	19 51 93 163
(as % of 330 days)	Secondary	53%	49%	49%	49%

7.4 Attendees per Year

It is assumed that the spaces would be 50% occupied on average for all Scenarios. The occupancy % would vary depending on the type/popularity of performance; some events may have 100% occupancy but others less than 50%. An average occupancy of 50% is comparable with data from APACA. The 50% occupancy would mean on average 425 attendees at the 850 capacity primary theatre.

The table below summarises the annual estimated attendees per year at the Primary and Secondary theatres based on the 50% occupancy assumption and based on the number of events per year. It is estimated that there would be annual attendees of 95,350 per year for Scenario 1, 2 and 3 which is slightly less than the previous business case estimate due to the lower assumption for events.

Capacity, Occupancy & Attendees (Year 5 onwards)		<u>Concept</u> <u>Design</u>	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
		Business	<u>Sc</u>	hematic Des	<u>gn</u>
		Case (Dec 2015)	Worse Case	Idealistic	Realistic
Capacity:	Primary	850	850	850	850
	Secondary	200	200	200	200
-					
Occupancy % (Average per Event/Hire)		50%	50%	50%	50%
Attendees	Primary	79,900	79,050	79,050	79,050
Per Year	Secondary	17,500	16,300	16,300	16,300
	Total	97,400	95,350	95,350	95,350

7.5 Pricing per Event/Hire

The table below summarises the pricing assumptions for the theatres. The assumptions for pricing and hires were initially based on the 2012 Feasibility Study, refreshed by the City in 2014 and have now been updated in 2016 with more recent assumptions.

- Presented Events: The pricing for presented events is based on price per ticket, where the tickets are sold directly by the JPACF to the general public. The prices are average prices per event and would vary according to the popularity of the event, or the costs of booking performers.
- Commercial Hire: The price of hiring comprises of a base hire costs (e.g. \$2,890 for Primary Theatre for Scenario 1, 2 and, 3), and then charges for the staff costs. The details of the staff costs are explained further on.
- Community Hire: It is now assumed that there should be a 30% discount provided to Community hires This is based on industry standards but is now a lower discount than the previous business case. Note that the discount only relates to the Hire of the venue and not the staffing costs.

Income Assumptions (Year 5 onwards)		Concept Design Business Case (Dec 2015)	<u>Scenario 1</u> <u>Sc</u> Worse Case	<u>Scenario 2</u> hematic Des Idealistic	<u>Scenario 3</u> i <u>gn</u> Realistic
Presented Events	Primary	\$40	\$45	\$45	\$45
Price per Ticket	Secondary	\$23	\$23	\$23	\$23
Hire of Space: Com Primary	<u>mercial</u> Base Price	\$2,700	\$2,890	\$2,890	\$2.890
	Staff Costs	<u>\$1,156</u>	<u>\$1,260</u>	<u>\$1,260</u>	<u>\$1,260</u>
	Total	\$3,856	\$4,150	\$4,150	\$4,150
Secondary	Base Price	\$990	\$990	\$990	\$990
	Staff Costs	<u>\$544</u>	<u>\$620</u>	<u>\$620</u>	<u>\$620</u>
	Iotal	\$1,534	\$1,610	\$1,610	\$1,610
Discount to	Primary	35%	30%	30%	30%
Community / City	Secondary	35%	30%	30%	30%

• COJ Hire: Fees are based on same assumptions as Community Hire.

The reality of the actual pricing model would be more detailed than the assumptions above as there would be issues such as group pricing, concessions, etc. For the purposes of this financial evaluation and the Business Case the above assumptions are deemed satisfactory at this stage in the project.

7.6 Annual Income Projections

The income estimates in the table below are based on the usage assumptions in the table above multiplied with the pricing assumptions. For example the Income estimate for Presented Events at the Primary Theatre of \$803,250 has been calculated as follows:

- 42 Presented Events at the Primary Theatre (Section 7.3) multiplied with;
- 425 Attendees per event (this is based on 50% Occupancy of the 850 Capacity (Section 7.4) multiplied with;
- \$45 Price per Ticket (Section 7.5)

The calculations for the Hire Income are also based on the tables above. For example the Income estimate for Commercial Hires of the Primary Theatre of \$319,550 is based on

- 77 commercial hires (Section 7.3) multiplied with
- \$4,150 Income per Hire (Section 7.5)

Income Projections (Year 5 onwards)		Concept Design Business Case (Dec	<u>Scenario 1</u> <u>Sc</u>	Scenario 2	<u>Scenario 3</u> ign
		2015)	Worse Case	Idealistic	Realistic
Primary Theatre					
Presented		\$731,000	\$803,250	\$803,250	\$803,250
Commercial Hires		\$296,912	\$319,550	\$319,550	\$319,550
Community & City	ber year	<u>\$190,332</u>	<u>\$205,489</u>	<u>\$205,489</u>	<u>\$205,489</u>
Total		\$1,218,244	\$1,328,289	\$1,328,289	\$1,328,289
		T			
<u>Secondary</u>					
Presented		\$48,300	\$43,700	\$43,700	\$43,700
Commercial Hires	orvoar	\$82,836	\$82,110	\$82,110	\$82,110
$\frac{\text{Community & City}}{\varphi F}$	jei yeai	<u>\$107,550</u>	<u>\$104,625</u>	<u>\$104,625</u>	<u>\$104,625</u>
Total		\$238,686	\$230,435	\$230,435	\$230,435

All Scenarios have the same income projections.

7.7 Cost of Sales Assumptions

The table below provides the details of the cost of sales assumptions for each Scenario. The assumptions for Cost of Sales were initially based on the 2012 Feasibility Study, refreshed by the City in 2014 and have now been updated in 2016 with more recent assumptions. Key issues to note:

- Presented Events the costing for presented events has previously been assumed to be 110% i.e. for each \$1 of income there would \$1.10 of costs. This assumption is retained for Scenario 1. Scenario 2 though considers the impacts of limiting the Program Budget to equal the income and therefore a 100% is applied in the Idealistic Scenario. Scenario 3 assumes 105% so that it is a bit more prudent than Scenario 2.
- Hires assumptions are prepared for the number of staff, number of hours and pay rates per hour required. A further table is provided underneath to illustrate how the staff cost estimates are prepared.

 Margins – a new item that has been added, based on APACA data and ex-General Manager of Perth Theatre Trust, is the profit margin for staff cost. An allocation for overheads is applied to the charge-out rate for the staff rates used to assists with events; the previous assumption (based on the 2012 Feasibility Study) simply assumed that the income related to the costs.

Cost of Sales Assumptions (Year 5 onwards)		Concept Design Business Case (Dec 2015)	<u>Scenario 1</u> <u>Sc</u> Worse Case	<u>Scenario 2</u> hematic Des Idealistic	<u>Scenario 3</u> gn Realistic
Presented Events	Primany	110%	110%	100%	105%
% of Income	Secondary	110%	110%	100%	105%
Primary Theatre:	01-14	0	0	0	0
Commercial Hires	Statt	8	8	8	8
		32 \$1.156	32 \$1.260	3∠ \$1.260	32 \$1.260
	% Margin	φ1,100	20%	φ1,200 20%	φ1,200 20%
Community & City	Staff	7	7	7	7
	Hours	28	28	28	28
	Income	\$1,044	\$1,044	\$1,044	\$1,044
	% Margin		20%	20%	20%
Secondary Theatre					
Commercial Hires	Staff	4	4	4	4
	Hours	16	16	16	16
	Income	\$544	\$620	\$620	\$620
	% Margin		20%	20%	20%
Community & City	Staff	3	3	3	3
	Hours	12	12	12	12
	Income	\$432	\$432	\$432	\$432
	% Margin		20%	20%	20%

Commercial Hire Staff Costs Primary Theatre	Cost per Hour	Staff	Hours	Cost
1 Head Technician	\$45	1	4	\$180
2 Duty Technician	\$45	1	4	\$180
3 General Operators	\$35	1	4	\$140
4 Front of House Mar	\$45	1	4	\$180
5 House Assistant	\$40	1	4	\$160
6 Ushers	\$35	3	12	\$420
Total Operational	8	32	\$1,260	

Commercial Hire Staff Costs Secondary Theatre	Cost per Hour	Staff	Hours	Cost
2 Duty Technician	\$45	1	4	\$180
5 House Assistant	\$40	1	4	\$160
6 Ushers	\$35	2	8	\$280
Total Operationa	8	32	\$620	

7.8 Annual Costs of Sales Projections

The Cost of Sales estimates are summarised in the table below. These are based on the usage and assumptions above. The calculations are explained with some examples relating to the previous business case as follows:

- Presented Events at Primary Theatre of \$804,100 are based on 110% (Section 7.7) of the Income Estimate of \$731,000 (Table 7.6)
- Commercial Hires Cost of Sales at Primary Theatre of \$89,012 are based on 77 Commercial Hires (Section 7.3) x \$1,260 Staff Costs less 20% margin (Section 7.7)

The Scenarios vary between each other due to the Cost of Sales assumption with Presented Events.

Cost of Sales Projections (Year 5 onwards)	Concept Design Business Case (Dec 2015)	<u>Scenario 1</u> <u>Scl</u> Worse Case	<u>Scenario 2</u> hematic Des Idealistic	<u>Scenario 3</u> gn Realistic
Primary Theatre Presented Commercial Hires <u>Community & City</u> Total	\$804,100 \$89,012 <u>\$70,992</u> \$964,104	\$883,575 \$77,616 <u>\$55,958</u> \$1,017,149	\$803,250 \$77,616 <u>\$55,958</u> \$936,824	\$843,413 \$77,616 <u>\$55,958</u> \$976,987
Secondary Presented Commercial Hires <u>Community & City</u> Total Primary & Secondary Cost of Sales	\$53,130 \$29,376 <u>\$43,200</u> \$125,706 \$1 089 810	\$48,070 \$25,296 <u>\$32,141</u> \$105,507 \$1 122 656	\$43,700 \$25,296 <u>\$32,141</u> \$101,137 \$1 037 961	\$45,885 \$25,296 <u>\$32,141</u> \$103,322 \$1 080 309

7.9 Annual Surplus/(Deficit) for Primary/Secondary Spaces

The table below summarises the surplus/(Deficit) assumed for each space, type of event and Scenario per year. This table is based on the Income estimates (Section 7.6) above less the Cost of Sales (Section 7.8).

Surplus / (Deficit) Primary & Secondary spaces - Year 5 onwards	Concept Design Business Case (Dec 2015)	<u>Scenario 1</u> <u>Sc</u> Worse Case	<u>Scenario 2</u> hematic Des Idealistic	<u>Scenario 3</u> gn Realistic
Primary Theatre Presented Commercial Hires <u>Community & City</u> Total	(\$73,100) \$207,900 <u>\$119,340</u> \$254,140	(\$80,325) \$241,934 <u>\$149,531</u> \$311,140	\$0 \$241,934 <u>\$149,531</u> \$391,465	(\$40,163) \$241,934 <u>\$149,531</u> \$351,302
Secondary Presented Commercial Hires <u>Community & City</u> Total	(\$4,830) \$53,460 <u>\$64,350</u> \$112,980 \$367,120	(\$4,370) \$56,814 <u>\$72,484</u> \$124,928 \$436,068	\$0 \$56,814 <u>\$72,484</u> \$129,298 \$520,763	(\$2,185) \$56,814 <u>\$72,484</u> \$127,113 \$478,415

8 CONFERENCES, EVENTS, GALLERY & STUDIOS

8.1 Assumptions for Conferences, Events, Gallery and Studio

All of the assumptions in this section are extracted from the separate Pracsys Consultancy report who completed a detailed review of the potential utilisation and pricing based on the Schematic Design. These assumptions now replace the previous assumptions from the 2012 Feasibility Study which were regarded as weak as they did not have a robust audit trail for utilisation.

The design of the facility has considered in great detail the unique nature of these other spaces and how they may be individually used with flexibility a key consideration. For example, the Community Arts Hub at the North East which is spread over 3 floors has its own access point – this may be useful to allow access just to that area without having the whole facility open. Conferences/Exhibitions can be held at 6 different locations in the facility with numerous layouts e.g. banquet, lecture.

8.2 Area Schedule

The table below summarises the Area Schedule.

Area	Number	Approximate Size (m ²)	Operating assumptions	Other Assumptions
Conference and Function Rooms	2	250 m ² and 300 m ²	Hired out for corporate functions/events and general community use.	-
Drawing & Painting Studios and Craft Studio	3	190 m² each	Hired out under a residency arrangement to community or commercial users. Hirers charged a monthly rate. Hire periods of 6 months to 1 year.	As per the Schematic Design, the 378m ² Drawing and Painting studio can be separated into two rooms. It has been assumed that this separation will be in place for everyday use.
Dance Studios	2	190 m² each	Hired out to community and commercial users under existing City of Joondalup facility hire model.	As per the Schematic Design, the 378m ² Dance studio can be separated into two rooms. It has been assumed that this separation will be in place for everyday use.
Music Studio	1	90m ²	Hired out to community and commercial users under existing City of	-

			Joondalup facility hire model.			
Practice Rooms	4	25 m² each	Hired out to community and commercial users under existing City of Joondalup facility hire model.	As per information provided by CoJ, total floors space across practice rooms is approx. 100m ² .		
Rehearsal Rooms	2	200 m ² each	Hired out to community and commercial users under existing City of Joondalup facility hire model.	Total area not defined in Schematic Design, however drawings indicate that the two rooms are equal in size to the gallery (400 m ²)		
Art Gallery	1	400 m ²				
Foyer/ Exhibition Area	1	2,000 m ²	See Section 3 for more detail on the art galle the foyer/exhibition spaces.			

8.3 Utilisation Assumptions

The table below summarises the utilisation assumptions.

Space	Total Capacity p.a. (all rooms)	Utilisation	Total Events
Conference/Function Room (x2)	610	0.35%	304
Practice Room (x4)	4,200	25%	1,050
Craft Studio, and Painting and Art Studios (x2)	6 uses per year (based on 6 month residency arrangements)	80%	5
Dance Studios (x2)/Rehearsal Rooms (x2)	4,200	20%	840
Music Studio	1,050	50%	525
Art Gallery	12 (3 week exhibitions)	100%	12
Foyer/Exhibition Space	12 (3 week exhibitions)	100%	12
Art Gallery and Foyer/Exhibition Functions	n/a	n/a	30

8.4 Financial Projections

The table below summarises the financial projections which are now built in to all 3 Scenarios. The income projection is almost 3 times as much as the previous business case. The net surplus of \$392,000 is \$175,000 higher than the previous surplus \$217,000. The income per year of \$817,500 is approximately the same amount of income that the City currently receives for hire of it's facilities for ALL BUILDINGs in the City. Paxon also reviewed these areas and were more pessimistic in their views compared to Pracsys, for example the JPACF's ability to hold conferences may be restricted somewhat in that it cannot offer overnight accommodation.

Further details can be reviewed in the separate Pracsys report.

	Revenue (\$/p.a.)
Music Studio	99,000
Practice Rooms (x4)	37,000
Dance Studios (x2)/ Rehearsal Rooms (x2)	150,000
Corporate/Function Rooms General Hire (x2)	62,500
Gallery hire	32,000
Foyer hire	5,000
Craft Studio, and Painting and Art Studios (x2)	42,000
Corporate Functions Revenue	292,500
Gallery Functions Revenue	97,500
Total Revenue	817,500
	Costs (\$/p.a.)
Corporate Functions Costs	(243,000)
Gallery Functions Cost	(37,500)
Curator	(75,000)
Sound Engineer	(70,000)
Total Costs	(425,500)
Gross Position	392,000

9 STAFF COSTS

9.1 Previous Business Case

The governance and management model have not yet been determined. However for the purposes of preparing initial financial projections, assumptions had been made regarding the positions required. It had previously been estimated that 20 FTE in total would be required to manage, operate and clean the facility on a permanent basis. The assumptions have been made with reference to the *2012 Feasibility Study*, the APACA Benchmark Data 2013 and Other Consultation with Industry. The 20 FTE comprise of:

- 8 Operational Staff (Head Technician, Front of House Manager, 2 Duty Technicians, 1 House Assistant, 2 Ushers and 1 General Operative);
- 9 Management & Administration Staff; and
- 3 Cleaners.

The average FTE (Full Time Equivalents) used by Performing Arts Centres in Australia (that generate income of between \$2m and \$5m) is 19 FTEs (2013 APACA report). Therefore the estimated 20 FTE for the JPACF appeared reasonable by comparison.

From the review in 2014, several changes were made to the analysis with some salary details updated in line with the APACA averages. Additionally, one more Administration officer has been added which is for a Finance Officer in the JPACF (approximately half of all Arts Centres have at least one dedicated Finance Officer rather than having Finance services supported by the Local Government/State).

9.2 Revised Assumptions

The table below summarises the Indirect Staff Costs assumptions for Scenarios. The assumptions in the previous business case have been used as the starting point for each Scenario with the following differences/changes:

- Salary Costs have been updated for all Scenarios with reference to the APACA 2015 data
- Scenario 1 includes an additional FTE for a Facilities Manager. This is recommended by the ex-General Manager of Perth Theatre Trust, taking account of the size of the facility and the many different rooms in the facility. Scenario 2 though takes this back out as does Scenario 3. Whilst the recommendation is acknowledged this should be subject to further consideration when the management model is being finalised.
- Scenario 2 removes the Finance Officer so that the impacts can be assessed. There is no easy answer with regards the inclusion of a Finance Officer in the staffing model. On one hand an on-site Finance Officer would improve the autonomy of the facility and assist the control and ability to develop programming. However the other potential is for Finance services to be provided by the City using existing staff. Scenario 3 has included the Finance Officer.

	FTEs			Salary Costs per Annum			m		Т	otal Costs in	ncl Loadin	g	
<u>Staff Costs</u> (not included within Cost of Sales)	Dec 2015 Bus Case	(1) Worse Case	(2) Ideal	(3) Realisti c	Dec 2015 Bus Case	(1) Worse Case	(2) Ideal	(3) Realistic	Load ing	Dec 2015 Bus Case	(1) Worse Case	(2) Ideal	(3) Realistic
1 General Manager	1	1	1	1	\$100,000	\$108,130	\$108,130	\$108,130	23%	\$123,000	\$133,000	\$133,000	\$133,000
2 Technical Manager	1	1	1	1	\$70,000	\$80,000	\$80,000	\$80,000	23%	\$86,100	\$98,400	\$98,400	\$98,400
3 Program Manager	1	1	1	1	\$80,927	\$100,927	\$100,927	\$100,927	23%	\$99,540	\$124,140	\$124,140	\$124,140
4 Marketing Co-ordinator	1	1	1	1	\$70,000	\$80,000	\$80,000	\$80,000	23%	\$86,100	\$98,400	\$98,400	\$98,400
5 Operations Manager	1	1	1	1	\$80,927	\$80,927	\$80,927	\$80,927	23%	\$99,540	\$99,540	\$99,540	\$99,540
6 Facility Manager		1				\$80,927	\$80,927	\$80,927	23%		\$99,540		
6 Administration Officer	2	2	1	2	\$56,865	\$60,000	\$60,000	\$60,000	23%	\$139,888	\$147,600	\$73,800	\$147,600
7 Box Office Co-ordinator	1	1	1	1	\$56,865	\$61,865	\$61,865	\$61,865	23%	\$69,944	\$76,094	\$76,094	\$76,094
8 Customer Service Co-ordinator	1	1	1	1	\$56,865	\$60,000	\$60,000	\$60,000	23%	\$69,944	\$73,800	\$73,800	\$73,800
Total Management & Admin Costs	9.0	10	8	9						\$774,056	\$950,515	\$777,174	\$850,974
Unallocted Direct Staff	1	0.5	0.5	0.5						\$109,716	\$49,716	\$49,716	\$49,716
Staff Costs Total	10	10	8	9						\$883,772	\$1,000,231	\$826,890	\$900,690

The positions and salaries listed are in no way intended to be the final profile, and are only the assumptions used for the purposes of the financials at this stage. The staffing profile, and indeed the overall governance/management model will be reviewed at a later stage.

10 BUILDING MAINTENANCE & UTILITIES

10.1 Repair, Maintenance, Cleaning & Security

The table below compares the annual Expenses projections for each Scenario at Year 5. The analysis is initially based on the *2012 Feasibility Study*, and has since been subject to internal review within the City. More recently Paxon Consultancy has provided estimates, which have been used for Scenario 1. The City believes that the assumptions are still on the high side and therefore Scenarios 2 and 3 consider lower values. These estimates are an area for improvement, but building up a detailed estimate of jobs and costs.

Panair Maintonanaa Claaning	Concept Design	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
Security	Business Case (Dec	<u>Sc</u>	hematic Desi	<u>n</u>
	2015)	Worse Case	Idealistic	Realistic
A) Insurance	\$50,000	\$100,000	\$100,000	\$100,000
Cleaning Security Rubbish				
Cleaning	\$18.00	\$16.00	\$16.00	\$16.00
Security	\$1.50	\$1.50	\$1.50	\$1.50
Rubbish	\$1.00	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>
Cost per m2 per Year	\$20.50	\$18.50	\$18.50	\$18.50
m2	11,000	13,000	13,000	13,000
B) Cleaning, Security, Rubbish - Cost per Year	\$225,500	\$240,500	\$240,500	\$240,500
	1			
Repair & Maintenance				
Capital Costs, excl Prof Fees & Contingencies	\$74,198,094	\$76,500,000	\$76,500,000	\$76,500,000
% Allowance per Year for R&M	0.4%	0.5%	0.3%	0.4%
C) Annual Budget for Repair & Maintenance	\$292,700	\$400,000	\$250,000	\$335,000
D) Total Repair, Maintenance, Cleaning, Security	\$568,200	\$740,500	\$590,500	\$675,500

10.2 Utilities

The table below compares the annual utility costs for each Scenario. The Energy estimates are bason the Paxon report but the other Scenarios consider lower figures.

		<u>Concept</u> Design	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
Utilities		Business Case (Dec 2015)	<u>So</u> Worse Case	<u>gn</u> Realistic	
Energy					
Kilowats per H	our / sqm p.a.	39.59	78.19	43.20	66.93
Tariff per Kilow	at	\$0.303104	\$0.303104	\$0.303104	\$0.303104
Cost per m2		\$12.00	\$23.70	\$13.09	\$20.29
<u>m2</u>		<u>11,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
A) Energy Annual	Cost	\$132,000	\$308,096	\$170,230	\$263,730
B) Water Charges	s #1	\$13,200	\$29,605	\$29,770	\$29,770
C) Utilities Total		\$145,200	\$337,701	\$200,000	\$293,500

#1 Includes Water Rates & Service Charges

There is a wide disparity between Scenario 1, 2 and 3 and it is worthy of further comment:

- All estimates, including the Paxon estimate, are still high level based on the overall facility. It would be useful at some stage for the projection to be built up space by space, this analysis could consider the power consumption when the space is used and not used and then cash up accordingly. This analysis should be completed as part of the next review of the financials.
- The low estimate of \$200,000 is still higher than the estimate in the 2012 Feasibility Study of \$167,000.
- Mandurah Performing Arts Centre incur approximately approximately \$120,000 per year, but that is not an ideal comparison either because it is a smaller facility and it is much older.
- There are no other comparable buildings in the City. However it is worth listing the top 5 Buildings for Utility Costs for 2015/16, see below. This demonstrates that Utility costs for buildings can be over \$200,000 and potentially gives support to the estimate in Scenario 1 for the JPACF of \$337,701. However the JPACF would have the most up-todate technology (e.g. LED lighting in most areas) whereas the buildings below would not have the same features as the JPACF.

Utility Costs 2015/16 #1		Utility Costs per Year			
Top 5	<u>M2</u>	Total	Cost per m2		
Craigie Leisure Centre	9,834	\$477,269	\$48.53		
Joondalup Administration Centre	7,336	\$272,369	\$37.13		
Joondalup Civic Chambers	4,858	\$189,798	\$39.07		
Joondalup Library	4,855	\$129,739	\$26.73		
Works Operations Centre	1,845	\$51,060	\$27.67		

#1 Excludes Water Rates

• PV Cells are not yet assumed in the financials. Paxon have completed analysis of this and indicated that the financial case is not compelling. Nevertheless it may be worth adding in the PV cells into the next review of the financials as there are environmental benefits to consider.

The Water Charges of \$29,605 for Scenario 1, 2 and 3 are made with reference to the Paxon report. However the estimates from Paxon have not been used in their entirety because the City would be eligible for a discount on Water Rates which needs to be evaluated.

In summary the Utilities projections are an area that would benefit from more detail in future iterations of the financials.

11 PARKING

11.1 Parking Review

An internal review of the assumptions for parking income and expenses has been completed by the City. This involved the following:

- Utilisation trends in the area now, and in the immediate future.
- Utilisation trends in the long-term, with consideration of the expansion of the Education precinct.
- Review with the City Planning Team who are updating the City Centre Structure Plan
- Review of the expenses of the existing Reid Promenade Multi Storey Car Park and consideration of the operating model for the JPACF Car Park.

The outcomes from the review will be covered in this section.

11.2 Parking Income

The Concept Design for the Arts Box Model assumed space for 400 car parking bays but the Schematic Design has now had to reduce this to 374 bays. (Above ground). The key assumptions regarding Parking Income and Utilisation are:

- Evening performances: The utilisation of 186 days per year of the Primary Theatre has been used as the basis of the income assumptions for evening. It is then assumed that for those evenings the parking bays would enjoy 85% utilisation. 85% utilisation is deemed to be full capacity.
- Daytime use: It is not anticipated that in the short term there would be high demand during the day for parking. Therefore 40% Utilisation has been assumed. However from Year 15 onwards there is a higher level of optimism and the utilisation is increased to 50%. Therefore the parking income is the only assumption in the operating model which has a different assumption after year 5.

		Previous	Financials	Sept 2016	Bus Case
Car Park U	Jsage	Dec 2016 (Concept Design)	Jul 2016 (Schematic Design)	Year 5 to Year 14	Year 15 to Year 40
Bays Available		400	374	374	374
Utilisation Daytime Evening	% %	50% 85%	50% 85%	40% 85%	50% 85%
Bays Occupied					
Daytime	Short-Stay	50	50	30	30
Daytime	All Day	150	137	120	157
Evening (during event	ts)	340	318	318	318
Chargeable Days					
Daytime		250	250	250	250
Evening (during event	ts)	188	188	186	186

The tables below summarise the usage assumptions for each Scenario.

The table below summarises the income assumptions per bay and the overall income per year. The income per bay assumptions is as follows:

- Charges are shown in today's dollars
- \$1.20 per hour is based on current charges at some of the City Centre parking
- Short-Stay income of \$4.80 per day is based on 4 hours usage which is based on 2 users x 2 hours
- Daytime income of \$6.00 per day is based on the same multiple used in current facilities of five hours x hourly rate.
- Evening Rate of \$1.80 is based on 1.5 hours usage.

The income per year is based on the usage assumptions above multiplied with the income per bay assumptions. For example the income for Evenings of \$106,433 is calculated as 186 events x 374 bays x 85% occupancy x \$1.80 per bay.

Note that the income currently earned at P8 (Central Park) would be lost when the facility is built and the loss of this income has been included in the model. The income at P8 is very small, average of just \$4,000 for the past 3 years (which also typifies the current low demand for all day parking in the location of the JPACF.

		Previous	Financials	Sept 2016	Bus Case
Car Park I (Year 6 on	ncome wards)	Dec 2016 (Concept Design)	Jul 2016 (Schematic Design)	Year 5 to Year 14	Year 15 to Year 40
Income per Bay per	Chargeable Day				
Current Hourly Rate	#1	\$1.20	\$1.20	\$1.20	\$1.20
Daytime	Short-Stay	\$4.80	\$4.80	\$4.80	\$4.80
Daytime	All Day	\$6.00	\$6.00	\$6.00	\$6.00
Evening (during ever	nts)	\$1.80	\$1.80	\$1.80	\$1.80
		I			
Income per Year					
Daytime	Short-Stay	\$60,000	\$60,000	\$36,000	\$36,000
Daytime	All Day	\$225,000	\$205,500	\$179,400	\$235,500
Evening (during ever	nts)	\$115,056	\$107,577	\$106,433	\$106,433
Total Income #1		\$400,056	\$373,077	\$321,833	\$377,933

#1 Income estimates are based on today's dollars (2016). The model will take account of expected fee increases from 2016 onwards

11.3 Parking Cost of Sales

An estimated cost of \$127,000 per year for operating the Parking was previously included in the business case. The City now has experience of operating a Multi Storey Car Park which it did not have during the previous business case. The costs of the Reid Promenade Multi Storey are estimated to be over \$300,000 for 2016-17, and therefore much higher than the \$127,000 estimated for the JPACF Multi Storey. However care has to be taken with this comparison because the Reid Promenade Multi Storey is a standalone building with its own building maintenance, utilities, operation whereas the JPACF Multi Storey is part of a larger facility. The estimated expenses have been increased to \$137,000 per year; this is based on the following key assumptions:

• Existing Parking Operations team should be used to assist with the operation of the facility. The control room at the Reid Prom facility can be enhanced to monitor the JPACF facility.

- Casual Parking staff will still be required during evening performances and an allowance of \$60,000 has been included within the annual expenses for that
- The other \$77,000 is various materials and contracts costs.

11.4 Parking Surplus Summary

The table below summaries the key assumptions explained above and shows the overall parking surpluses. This shows that the previous Business Case estimated surpluses of \$273,065 per year. This is now reduced to \$184,842 but only up to Year 14. From Year 15 onwards the utilisation is expected to improve and rise to \$240,942. In reality utilisation would steadily increase rather than one large increase from Year 14 to year 15, but for the purposes of a 40 year long-term model it is reasonable just to build in one step increase.

In summary the key issue with regards Parking, and one that sets JPACF apart from other known facilities, is that the Parking Operation should generate operating surpluses which can help to mitigate the operating subsidy for the rest of the facility.

	Previous	Sept 2016	Bus Case		
Summary	Dec 2016 (Concept Design)	Year 5 to Year 14	Year 15 to Year 40		
Key Assumptions	400	374	374		
Davtime Utilisation	50%	40%	50%		
Evening Utilisation	85%	85%	85%		
Staff required to operate	1	Casual	Casual		
· ·					
Income					
Daytime	\$285,000	\$215,400	\$271,500		
Evening	\$115,056	\$106,433	\$106,433		
Income Total	\$400,056	\$321,833	\$377,933		
<u>Expenses</u>					
Employment Costs	(\$60,000)	(\$60,000)	(\$60,000)		
Materials & Contracts	(\$66,991)	(\$76,991)	(\$76,991)		
Utilities					
Expenses Total	(\$126,991)	(\$136,991)	(\$136,991)		
Surplus/(Deficit)	\$273,065	\$184,842	\$240,942		
Difference to Dec	<i>\</i>	ψ104,042	Ψ 2 -10,0 - 12		
2015 Bus Case		(\$88,223)	(\$32,123)		

12 OTHER INCOME & EXPENSE ASSUMPTIONS

12.1 Food & Beverage / Restaurant Lease

The table below summarises the key assumptions for the Food and Beverage and the Restaurant Lease. The Food and Beverage would be expected to generate an operating surplus with costs being 66% of income. There are no changes to the assumptions for any of the Scenarios compared to the December 2015 Business Case but as these %ages are based on the program revenue, which is different for each Scenario, then the final impact will vary for each Scenario.

Paxon suggested that the restaurant may not be as active and therefore suggested a reduction to \$3,500 Turnover per Square Metre which has been reflected in Scenario 1. However the City has a more optimistic view of the activation of the Restaurant area, particularly in the longer term, so Scenario 2 and 3 have different estimates.

	<u>Concept</u> Design	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
Food, Beverage & Restaurant	Business	<u>Schematic Des</u> gn		
	Case (Dec 2015)	Worse Case	Idealistic	Realistic
Food & Beverage				
Income: % of Program Revenue	8%	8%	8%	8%
Costs of Sales as % of Income	66%	66%	66%	66%
Restuarant Lease				
Square Metres	180	180	180	180
Turnover per square metre	\$5,000	\$3,500	\$5,000	\$4,250
Rent as % of Income	10%	10%	10%	10%
Lease p.a.	\$90,000	\$63,000	\$90,000	\$76,500

12.2 Marketing and Admin

The table below summarise the operating assumptions for Marketing and other Admin expenses, derived from the 2012 Feasibility Study and with consultation with General Manager of other facility. There are no changes to the assumptions since the previous business case.

Although the % assumptions are the same for each Scenario, the impacts will be different because the expenses and revenue are different for each Scenario.

Additional Cost Assumptions	<u>Concept</u> <u>Design</u>	Option 1	Option 2	Option 3
Additional Cost Assumptions	Business	<u>Sc</u>	<u>gn</u>	
	Case (Dec	Worse Case	Idealistic	Realistic
Marketing Costs as % of Expenses	8%	8%	8%	8%
Admin as % of Program Revenue	5%	5%	5%	5%

12.3 Sponsorship

A nominal estimate of \$150,000 per year for sponsorship is included in the projections, however there is no more details of how/who that revenue will be earned.

12.4 Ticket Income

A new income stream has been added which is annual income of \$128,000 per year for booking fees. This was added after review of advice from ex-General Manager of Perth Theatre Trust and review of APACA data. For each ticket sold the City can levy a charge for booking fee. The net income of \$128,000 is based roughly on \$1 per ticket x 128,000 attendances.

13 OPERATING ANALYSIS – SUMMARY

13.1 Operating Income Summary

The table below summaries the annual income projections at Year 5 for each Scenario. This indicates that Scenario 2 is slightly higher than Scenario 1 and 3. All Scenarios are now significantly higher than the previous business case predominately due to the Pracsys assumptions for Conferences, Exhibitions, Gallery and Studios.

Operating Income \$000s	<u>Concept</u> <u>Design</u>	<u>Scenario1</u>	<u>Scenario2</u>	<u>Scenario3</u>
(2023-24) excluding escalation	Business Case (Dec 2015)	<u>Schema</u> Worse Case	a <u>tic Design (Ju</u> Idealistic	<u>y 2016)</u> Realistic
1 Primary Theatre	\$1,218	\$1,328	\$1,328	\$1,328
2 Secondary Theatre	\$239	\$230	\$230	\$230
3 Conferences, Exhibitions, Gallery, Studios	\$322	\$818	\$818	\$818
4 Parking	\$400	\$318	\$318	\$318
5 Food & Beverage	\$117	\$125	\$125	\$125
6 Leases: Bar/Restaurant	\$90	\$63	\$90	\$77
7 Sponsorship	\$150	\$150	\$150	\$150
8 Ticketing Income		\$128	\$128	\$128
Annual Operating Income	\$2,535	\$3,160	\$3,187	\$3,173

13.2 Operating Expenses Summary

The table below summaries the annual expenses projections at Year 5 for each Scenario. All Scenarios are higher than the previous business case due to Line 3 again. The other differences between the Scenarios are due to the different assumptions explained earlier regarding Staff Costs, Utilities, and Repair, Maintenance, Cleaning, Security.

Operating Expenses excl. Interest \$000s	<u>Concept</u> <u>Design</u>	Scenario1	<u>Scenario2</u>	<u>Scenario3</u>
(2023-24) excluding escalation	Business Case (Dec 2015)	<u>Schema</u> Worse Case	<u>tic Design (Ju</u> Idealistic	<u>y 2016)</u> Realistic
1 Primary Theatre	(\$964)	(\$1,017)	(\$937)	(\$977)
2 Secondary Theatre	(\$126)	(\$106)	(\$101)	(\$103)
3 Conferences, Exhibitions, Gallery, Studios	(\$105)	(\$426)	(\$426)	(\$426)
4 Parking	(\$127)	(\$137)	(\$137)	(\$137)
5 Food & Beverage	(\$77)	(\$82)	(\$82)	(\$82)
6 Staff Costs	(\$884)	(\$1,000)	(\$827)	(\$901)
7 Marketing	(\$268)	(\$345)	(\$297)	(\$323)
8 Admin & General	(\$89)	(\$119)	(\$119)	(\$119)
9 Repair, Maintenance, Cleaning, Security	(\$568)	(\$741)	(\$591)	(\$676)
10 Utilities	(\$145)	(\$338)	(\$200)	(\$294)
Annual Operating Expenses excl. Interest	(\$3,353)	(\$4,309)	(\$3,716)	(\$4,037)

The expenses above exclude interest and depreciation, these will be subject to comment later on.

13.3 Operating Subsidy Summary

The table below summaries the Surplus/(Deficit) for each item in the Income/Expense analysis. This table is the difference between the income and expenses shown above. This shows the wide variation that can arise with the Scenarios, ranging from just over \$0.5m per year to over \$1.1m per year. Scenario 3 results in a subsidy similar to previously reported between the range of \$800k to \$900k per year.

Subsidy Analysis \$000s Year 5 - 2023-24 excluding escalation)	<u>Concept</u> <u>Design</u> Business Case (Dec 2015)	<u>Scenario1</u> <u>Schema</u> Worse Case	<u>Scenario2</u> <u>tic Design (Ju</u> Idealistic	<u>Scenario3</u> <u>y 2016)</u> Realistic
1 Primary Theatre	\$254	\$311	\$391	\$351
2 Secondary Theatre	\$113	\$125	\$129	\$127
3 Conferences & Exhibitions	\$217	\$392	\$392	\$392
4 Parking	\$273	\$181	\$181	\$181
5 Food & Beverage	\$40	\$42	\$42	\$42
6 Leases: Restaurant	\$90	\$63	\$90	\$77
7 Sponsorship	\$150	\$150	\$150	\$150
8 Staffing, Marketing, Admin	(\$1,241)	(\$1,464)	(\$1,243)	(\$1,342)
9 Building Costs & Utilities	(\$713)	(\$1,078)	(\$791)	(\$969)
10 Ticketing Income		\$128	\$128	\$128
Annual Subsidy (excluding Interest)	(\$818)	(\$1,150)	(\$529)	(\$863)
Subsidy as % of Expenses	24%	27%	14%	21%

The summary above excludes interest and depreciation which are covered separately later.

13.4 Management Model / How Would the Subsidy Be Paid?

Whilst the City accepts that it will have to fund the operating subsidy, the exact method of how the subsidy would be paid to the JPACF will be resolved later, as this will depend on the management model. For example, if there was an arms-length governance model, then a fixed contribution may be agreed in advance each year and then paid in equal instalments during the year. Alternatively if the facility was fully integrated within the City then the subsidy required would simply operate in the same way as other business units in the City, drawing down on the City's bank account in line with authorised budget. Irrespective of how the actual governance model will work in practice, from a financial perspective the annual impact will be similar in that general funds (i.e. Rates) would be required to pay for the facility on an annual basis.

13.5 Comparison to Other Facilities

As many Arts Facilities are owned by Local Government, or other public bodies, the operating results are often publicly available. Data has been obtained for eight other facilities that are similar in their size and catchment area, with results summarised in graph below. The graph indicates that the projected deficit for the JPACF of (\$0.9m) is with a reasonable tolerance of the average of other facilities.



The data for other facilities has been obtained from desk top research using publicly available data. There may be other costs and income that are not fully reflected in the published accounts (e.g. Services provided by Local Government such as building maintenance that may not be charged to the facility). The JPACF subsidy of \$0.9m appears optimistic when compared to the other facilities; however the JPACF projections include profits from parking which are not included in the other facilities.

13.6 Operating Surplus Ratio

The table below summarises the overall operating expenses (including interest and depreciation) and the impact on the operating surplus ratio.

The Operating Surplus Ratio is the primary measure for long-term financial sustainability and compares the overall Operating Surplus/(Deficit) versus Operating Income. The table below indicates that the JPACF by itself will have a considerable impact on the Operating Surplus, depressing the ratio by 2.8% for Scenario 3 for example, although the interest costs will only be relevant for the term of the borrowings.

Operating Impacts and Impact on Operating Surplus Ratio	<u>Concept</u> <u>Design</u> Business Case (Dec 2015)	<u>Scenario1</u> Worse Case	<u>Scenario2</u> Idealistic	<u>Scenario3</u> Realistic
<u>Cash</u>				
1 Annual Cash Subsidy, excluding interest	(\$818)	(\$1,150)	(\$529)	(\$863)
2 Interest Costs Average p.a. (Yrs 1 to 15 only)	(<u>\$1,450</u>)	(<u>\$1,506</u>)	(<u>\$1,506</u>)	(<u>\$1,506</u>)
3 Annual Cash Subsidy, including interest	(\$2,267)	(\$2,656)	(\$2,036)	(\$2,370)
Operating Expenditure Total				
4 Depreciation	(<u>\$1,471</u>)	(<u>\$1,527</u>)	(<u>\$1,527</u>)	(<u>\$1,527</u>)
5 Operating Expenditure, incl Depn	(\$3,738)	(\$4,183)	(\$3,563)	(\$3,896)
6 Operating Surplus Ratio %	2.8%	-3.0%	-2.5%	-2.8%

Note that the impacts above exclude the repayment of the principal (as these do not form part of the operating surplus calculations) and therefore do not show the total cash outlay for the project in years 1 to 15 - this is summarised later on.

14 OPERATING ANALYSIS – YEARS 0 TO 4

14.1 Start Up Expenses (2018-19)

It would be necessary to incur operational expenses prior to the opening of the facility. This will be necessary to ensure that the team are in place for opening and the program model has been built up. It is assumed that each Scenario would require operating costs of \$872k in the year before opening for:

- Staff Costs;
- Marketing; and
- Administration (legal and contractual work to establish governance model).
- Website development

These estimates are preliminary only at this stage and would require more detailed evaluation as part of subsequent financial reviews.

14.2 Year 1 to 4 Utilisation

The Operating Analysis has focused on Year 5, as it is assumed this is the basis of 'steady state' and used for each year thereafter. The operating assumptions for Year 1 to Year 4 have assumed that there would be a steady progression to the steady state. This is illustrated in the table below with the Primary Theatre utilisation of 188 days:

	Year	Utilisation Days p.a.	Comments
1	2019-20	93	50% of Steady State
2	2020-21	116	Previous year plus 23 days
3	2021-22	139	Previous year plus 23 days
4	2022-23	162	Previous year plus 23 days
5	2023-24	186	Steady State

The majority of the income and expense items are based on the same assumptions as above. In reality the facility may enjoy an initial 'honeymoon' period where Year 1 and Year 2 have higher use than above.

14.3 Building Maintenance

Year 1 should have a low cost as covered by defects and a minor cost of \$251k is included. Likewise in Years 2 to 4 it is reasonable to assume that there should be fewer repairs than in future years, and therefore lower building maintenance costs have been assumed until steady state.

14.4 Subsidy Years 0 to Year 4

The table below summarises the total operating subsidy estimated for each Scenario from the year before opening up to year 4. Also shown is the average subsidy per year. It is expected that the costs would be less than Steady State as there would be some costs (e.g. Repair, Maintenance, Cleaning, Security) would be less than Steady State).

Subsidy Years 0 to Years 4		<u>Concept</u> <u>Design</u> Business Case (Dec 2015)	<u>Scenario1</u> Worse Case	<u>Scenario2</u> Idealistic	<u>Scenario3</u> Realistic
Total Operating Subsidy (excl. interest & depreciation)	\$000s	(\$3,518)	(\$5,203)	(\$2,934)	(\$4,146)
Average Subsidy per year	\$000s	(\$704)	(\$1,041)	(\$587)	(\$829)

TOTAL IMPACTS

15 CAPITAL RENEWAL

15.1 Basis of Assumptions

The assumptions still used for all Scenarios is the same as the previous Business Case, which are internal City estimates with reference to the City's Building Asset Management Plan. Paxon have provided alternative information regarding replacement cycles. The Paxon information indicates that capital should be replaced much earlier than indicated in the assumptions below, and that a total of \$276m should be included in the 40 year cashflows for capital replacement. At present the City has included \$79m in the estimates so the Paxon estimates would increase the cash flows by \$196m.

The City has chosen not to use the Paxon replacement profile because it does not agree with the earlier life cycle and there is insufficient information or examples to support the proposal. For example it was suggested that \$8.5m should be planned every 7 years for fitments. It is recognised that capital replacement is important but it was deemed unlikely that the facility would require \$8.5m every 7 years.

The large disparity between the estimates is a risk and a concern that requires further investigation.

15.2 Components

For the purposes of capital renewal planning, construction costs are broken down into 6 different components, this analysis was based on the Citys Building Asset Management Plan.

Structure	72%
Roof	8%
Fixtures & Fittings	3%
Services(1) - Long Life	13%
Services(2) - Short Life	2%
Equipment	3%
Total	100%

15.3 Renewal Life

The table below summarises the estimated renewal life of each component. The first column shows the maximum life that each component could have. An assessment is then based on whether the component would be renewed at Condition 5 (full maximum life) or whether there would be a "Condition Intervention"). The Condition Ratings (from 1 to 5) are based on standard Asset Management practice (reference International Infrastructure Manual). For building assets it is assumed that Fixtures & Fittings, Services-short life and Equipment would be replaced before they deteriorate to Condition 5, and before they reach their maximum useful life.

	Maximum Life	Condition that asset maintained to	Renewal Life based on condition
Structure	80	Condition 5	80
Roof	80	Condition 5	80
Fixtures & Fittings	40	Condition 3	24
Services(1) - Long Life	40	Condition 5	40
Services(2) - Short Life	20	Condition 4	16
Equipment	20	Condition 4	16

15.4 Renewal Projections

Based on the split of Capital Cost of Component and the Renewal Life above, a 100 year renewal plan has been prepared. Within the financial evaluation included within this report (up to 2058-59), which includes 40 years of operation a total of \$24m (excluding escalation) has been included, this is split in 4 lumps only (2034/35, 2042/43, 2050/51, 2058/59).

15.5 Sinking Fund not Recommended

Some external consultants (Paxon and AEG Ogden) have suggested that a sinking fund i.e. Reserve is used to set aside cash each year for future capital replacement, rather than have large lumps of expenditure in future years. This is not recommended because it is better from a Treasury management perspective for the City to plan for the cash as it is required rather than set aside each year. Indeed no examples could be provided to the City of other facilities who have a sinking fund.

The other argument for setting up a sinking fund is that it gives the City a better overall view of the annual financial costs of the facility by setting aside an annual cash budget for future replacement, rather than intermittent lumps. Whilst there is some merit in this, the true operating performance for the facility will be the operating results which would include Depreciation. As long as Deprecation is based on current costs and based on real consumption of the asset then the operating results will be a reliable gauge for the bottom line of the facility.

15.6 Depreciation Factors

The component lives in Section 15.2 are the lives that would be used for the basis of Depreciation charges and have been used to calculate the annual Depreciation charge of \$1.5m per year. The \$1.5m works out at oveall life of 67 years.

16 TOTAL CASH FLOWS TO 2058-59

16.1 Total Cash flows 2014-15 to 2058-59

The whole-of-life cash flows have been projected up to 2058-59. This covers the period of construction and 40 years of operation. By evaluating over such a long period ensures that the long-term impacts including capital renewals can be evaluated. The table below summarises the overall cash flow impacts, this table includes all of the cash flows in the previous sections (Capital Costs, Funding, Capital Renewals, Operating assumptions, Escalation).

The rage of possibilities is influenced greatly by the different operating subsidy which may be incurred. Scenario 1 with an operating subsidy of over \$1.1m per year would result in an overall Cash flow of \$244.9m, whereas Scenario 2 with an operating deficit of just over \$0.5m would be \$184.6m. Meanwhile Scenario 3 with an operating subsidy of \$863k has an overall cash flow of \$217.5. Scenario 3 is \$17.3m higher than the previous business case.

The range of differences between the scenarios is considered to be reasonable at this stage of a \$100m project.

Option Summary Total Cash Flows		<u>Concept</u> <u>Design</u>	<u>Scenario1</u>	<u>Scenario2</u>	<u>Scenario3</u>
up to 2058-59 including escalation	up to 2058-59 including escalation		Worse Case	Idealistic	Realistic
Establishment Costs					
Capital & Other One-Off Costs	\$ms	(\$103.0)	(\$105.3)	(\$105.3)	(\$105.3)
Grants and Reserves	\$ms	\$55.2	\$47.5	\$47.5	\$47.5
Borrowings	\$ms	\$47.8	\$57.8	\$57.8	\$57.8
Repayments	\$ms	(\$47.8)	(\$57.8)	(\$57.8)	(\$57.8)
Establishment Costs	\$ms	(\$47.8)	(\$57.8)	(\$57.8)	(\$57.8)
Operating Impacts Operating Expenses incl. Interest	\$ms	(\$333.3)	(\$426.7)	(\$368.8)	(\$400.5)
Operating Income	Operating Income \$ms		\$319.0	\$321.5	\$320.2
Operating Deficit incl. Interest	\$ms	(\$72.9)	(\$107.7)	(\$47.3)	(\$80.3)
Asset Replacement	\$ms	(\$79.4)	(\$79.4)	(\$79.4)	(\$79.4)
Total Project Cash flows	\$ms	(<u>\$200.2</u>)	<u>(\$244.9</u>)	(<u>\$184.6</u>)	(<u>\$217.5</u>)
Ranking	Rank		3	1	2
Diff to Concept Design \$000s	\$ms		(\$44.8)	\$15.6	(\$17.3)
%	%		22.4%	-7.8%	8.6%
Net Present Cost	\$ms	(\$84.3)	(\$104.0)	(\$83.0)	(\$94.4)

The Net Present Cost is the sum of all the cashflows discounted back to today's values. The difference between each of the Scenarios follows the same trend as the overall Project Cash flows.

16.2 Cumulative Cash Flows

The graph below shows the cash flows on a cumulative basis. The cash flows for the first 15 years include the cost of loan repayments and therefore the reductions are steeper than later years. The trend in costs for each Scenario is similar to the previous business case. The spikes in 2034-35, 2042-43, 2050-51 and 2058-59 are due to the capital renewal costs.



16.3 Comparison of Cashflows to Previous Business Case

The chart below summarises the changes in the revised estimates (Scenario 3) compared to the Concept Design assumptions in the previous business case. This shows that the project costs have increased by approx \$18m, and this is broken down into 4 main causes:

- (\$3m) for Increased capital costs, including the cost of interest
- (\$11m) for reduced Tamala Park proceeds, including the cost of interest
- \$4m benefit for the reduced costs of borrowing (lower interest rate)
- (\$7m) due to the higher operating subsidy of \$863,000 pear year



SCENARIO EVALUATION

17 SCENARIO EVALUATION

17.1 Value for Money Concepts

The investment costs are significant, for example they are approximately equivalent to one year's worth of rates income. It is therefore crucial to consider whether the scope of the Arts Box and the size of the investment provide value for money.

The design team have extensive experience in the interrogation of conventional construction methods, combined with new modelling technologies to deliver world-class venues with tight budgets. Recent examples include the Melbourne Theatre Company Southbank Theatre, Melbourne Recital Centre and Hamer Hall redevelopment.

The JPACF has gone through value management processes to ensure that both the best design criteria and budget are met. Value management is an attitude within the design team to continually question whether emerging design solutions really represent the best value for money for the project. This process relies on both innovation (for example, consolidating unexpected areas of program) and strategy (for example, not spreading scarce budget out over large areas of the project, but concentrating it into areas where there is a real and perceived benefit).

The design team are committed to the innovative use of ordinary building materials and methods – using known technologies in creative and unusual ways. The Design Team strive for maximum impact without maximum cost. The adScenario of this philosophy has benefits to the long term maintenance and life-cycle costs of the facility.

17.2 Value for Money Examples in the Design

Some examples of how value management has been employed in the concept design of the JPACF include:

- Locating the car park above ground instead of in basement levels. This saves the project approximately \$6m in capital cost. The car parking levels also assist in the scaling up of the building to help in generating a critical civic mass, particularly in the context of the Lakeside Joondalup Shopping Centre. The car park is able to be naturally ventilated and the rest of the building is freed from the constraints of mechanical ventilation from a basement car park. The car park is also directly connected to the building at ground level, and the surrounding gardens, for ease of access and security.
- Combining the community and conference areas. It made sense to cluster together the studios for crafts and visual arts, with some of the lesser-utilised spaces such as ancillary rehearsal rooms and conference rooms, allowing them to be flexibly programmed for anything from dance classes to community meetings, and to share amenities.
- Providing a diverse mix of spaces which can be zoned for multiple event use, catering for a large pool of events. This ensures the building is utilised as fully as possible, and also saves on operating costs as areas of the building are able to be used independently for example, the car parking and community studios can be used during the day while the theatres and main foyer are closed. The building aims to be activated 12 hours a day, 7 days a week.

The cost rates used are benchmark rates based on a combination of other projects, recently priced Bills of Quantities, pricing books and supplier prices where appropriate. The rates therefore reflect, as far as practically possible at this stage, the current market pricing for each component of work. The rates will evolve over time as the design and engineering develops.

17.3 Cost per Seat Comparison to Other Facilities

The design team also sense-check the different budgets for various functional areas against other projects. It is very difficult to ascertain a true comparison as each performing arts venue is unique, and therefore will have different overall function area allocations – for example, the inclusion of other functions additional to the actual auditorium space. The table below provides a comparison of the JPACF construction cost to other facilities, the issues to note are:

- Arts Facilities will tend to cost at least \$60m. The only exception to this in the table below is a regional facility with just 478 seats, which is not a useful comparison
- JPACF cost per seat is estimated at \$93,178, which is lower than 3 other facilities. Taking account of the other features of the JPACF (374 car park, gallery, conference rooms), this cost provides good value for money by comparison.

Facility	Details	Cost #1 \$m	Seats #2	Cost per Seat
JPACF	Theatre, black box, community/conference, gallery, 374 bay car park,	\$99.7	1,050	\$94,952
State Theatre Centre of WA	Lyric Theatre, black box, courtyard, 2xRehersal rooms	\$99.4	809	\$122,833
Albany Entertainment Complex	Lyric theatre, studio, function facilities, 135 bay car park	\$78.4	820	\$95,610
Regional Performing Arts Centre (Confidential)	Not available	\$31.0	478	\$64,854
Melbourne Theatre Company - Southbank Theatre	Single-rake theatre, black box/rehersal room	\$61.6	650	\$94,742
Melbourne Recital Centre	Concert hall, salon.	\$88.6	1,130	\$78,373

#1 Capital Costs are based on 2016 dollars

#2 Seats relate to the total of the Primary Theatre and Secondary Theatre

17.4 Key Indicators – Impacts per Ratepayer

The table below summarises some key indicators for the Investment and ongoing Subsidy:

- Cost per Ratepayer for the Capital cost is \$1,576 for Scenario 3
- Subsidy per Ratepayer per year is \$13.64

This type of information may be useful to assist with the public consultation and to help the public understand that whilst the JPACF has a high cost, and high ongoing subsidy, the impacts per household are minimal. Indeed when the benefits (social, economic) are considered many ratepayers would no doubt agree that the cost of \$13.64 per year is a worthwhile cost to bear for such a facility e.g. that relates to 3 cups of coffee per year.

Koy Indicators		<u>Concept</u> <u>Design</u>	<u>Scenario01</u>	<u>Scenario02</u>	<u>Scenario03</u>
Rey indicators		Business			
		Case (Dec	Worse		
		2015)	Case	Idealistic	Realistic
Summary Data					
1 Capital Costs, excl. escalation	\$000s	(\$97,631)	(\$99,738)	(\$99,738)	(\$99,738)
2 Ratepayers (Dwellings and Business)	\$000s	63,296	63,296	63,296	63,296
3 Subsidy (Year 5) excl. escalation	\$000s	(\$818)	(\$1,150)	(\$529)	(\$863)
4 Income (Year 5)	\$000s	\$2,535	\$3,160	\$3,187	\$3,173
5 Attendees	Qty	97,400	95,350	95,350	95,350
Key Indicators					
6 Capital Cost per Ratepayer	\$	(\$1,542)	(\$1,576)	(\$1,576)	(\$1,576)
7 Subsidy per Ratepayer per Year	\$	(\$12.92)	(\$18.16)	(\$8.37)	(\$13.64)
8 Income per Attendee	\$	\$26.03	\$33.14	\$33.42	\$33.28

17.5 Non Financial Evaluation

The table below provides some comments as to how each Scenario achieves the nonfinancial objectives of the project.

Ref	Issue	Details
1	Imagination & Creativity	 Arts Box Model has a wider scope than a Traditional Performing Arts Centre and will encourage greater imagination and creativity. There is more attendees per year with Arts Box Model
2	Inclusive Environment	 Arts Box model has the ability to be open 7 days a week, 12 hours per day. Meanwhile a Traditional Performing Arts Centre may only be open for performances and is far less inclusive. Arts Box Model will have multipurpose spaces which can cater for a variety of different uses
3	Viability & Attraction	 The design for Arts Box would be much more attractive than the design for a Traditional Performing Arts Centre. It is clear that the design would be an iconic landmark within the City.

SUMMARY

18 IMPACTS FOR CITY OF JOONDALUP

18.1 Financial Summary of Scenario 3

Scenario 3 is used as the basis of the Business Case and would require the following commitment by the City:

- Investment of \$99.7m (excluding escalation)
 - \$1.9m Sunk Cost
 - \$97.8m is a future investment
- Grant assumption of \$10m from National Stronger Regions Fund
- Borrowings estimated of \$58m, which would result in an interest expense of \$23m
- Additional Depreciation of \$1.5m
- Operating Subsidy of (\$0.9m) per year
- Total impact over a 40 year period of \$217.5



18.2 Cash Flow Expenditure Years 1 to 15

The table below summarises the total cash expenditure per year on average for the first 15 years. This table shows that there will be an average of (\$2.4m) per year that impacts on Operating Cash Flow (#1 this excludes Depreciation), this comprises of the (\$0.9m) Operating Subsidy and the Interest on borrowings of (\$1.5m) per year. The borrowings of \$57.8m will result in an average repayment over 15 years of (\$3.9m) per year. Therefore the total cash outlay for the project in the first 15 years is an average of (\$6.2m) per year.

However it should be noted that the City expects to receive additional proceeds from sale of Tamala Park Reserve of \$47m, an average of \$3m per year over the same timeframe.

Cash Flow Expenditure Years 1 to 15	\$m
Operating	
1 Annual Cash Subsidy, excluding interest	(\$0.9)
2 Interest Costs Average p.a.	(<u>\$1.5</u>)
3 Operating Cash Impacts #1	(\$2.4)
4 Principal Repayment on Borrowings	(<u>\$3.9</u>)
5 Cash Flow Expenditure Years 1 to 15	(\$6.2)

18.3 Budgeting for the JPACF

The City budgets for projects using the following:

- 1. Annual Budget
- 2. Mid Year Review
- 3. 5 Year Capital Works Program
- 4. 20 Year Strategic Financial Plan

Each of the plans is updated annually and the JPACF project will continue to be updated in the City's budgeting tools.

The 20 Year Strategic Financial Plan was recently (June 2016) adopted by Council. This included assumptions for the JPACF based on the December 2015 Business Case:

- \$97.6m Establishment Cost
- Operating Subsidy of \$818k per year

The recommended Scenario now has additional establishment costs of \$2.1m and higher operating subsidy of \$45k per year. These changes would not affect the projected achievement of ratios within the Adopted 20 Plan. The 20 Year plan is updated annually with the next update commencing in February 2017, the most up-to-date JPACF assumptions will be included then.

18.4 Guiding Principles / Key Ratios

At the heart of the City's *20 Year Strategic Financial Plan* are a set of guiding principles, which include 5 key ratios that the City uses to evaluate financial sustainability in the long term. The Adopted 20 Year Strategic Financial Plan provides detailed commentary on each of the ratios, which can be separately referred to. The plan also includes comments regarding the JPACF project as it has significant impacts on the projections.

The City has undertaken informal discussions with West Australia Treasury Corporation regarding the capacity of the City to borrow funds for the JPACF in 2017-18 and 2018-19, especially as the proposed borrowings would be much higher than any previous borrowings by the City – WATC evaluated the City's proposed borrowings and confirmed that the City would have capacity. However it should be emphasised that the evaluation was based on the projections within the Adopted 20 Year Strategic Financial Plan which includes high assumptions for Rates Increases in the next few years (between 4% to 5%). The City has recently (2016-17) implemented a 2.5% rate increase and if the increases for one or more of the next few years were less than 4% this would present a material risk of the City's capacity to borrow for the JPACF.

19 RISKS, OPPORTUNITIES AND SENSITIVITY ANALYSIS

19.1 Risk & Opportunities - Overview

This business case does not contend that the projections will come to pass exactly as stated above. The project will not cost \$217.5m, that is only an estimate, it will either cost more or it will cost less. The business case includes assumptions which may be different for any number of reasons. It is therefore vital to evaluate the risks and opportunities with the business case, so that actions can be considered to mitigate the risk and alternative opportunities considered.

There is a higher probability of the overall project costs increasing than decreasing. There is a lot more certainty that the costs will come to pass as expected, but there is a lot more uncertainty that the income or funding will come to pass as projected.

The comments on specific risks and opportunities will be analysed separately for each set of cash flows:

- 1. Capital Costs/Funding.
- 2. Operating Analysis.

Financial impacts will follow the same convention as used throughout the report i.e. Risks (adverse impacts) are negative and Opportunities are positive. The risk has also been assessed using the City's Risk Management Framework with the risk consequence, impact and level subject to comment within the analysis.

The sensitivity analysis and risks are as important as the projections in the rest of the paper so that the full potential impacts can be considered.
19.2 How the Project Costs have changed over time and the Confidence of the Estimates

The Establishment Costs of the project have increased a number of times during the project, but the increases have become lower as the accuracy and detail are refined. The table below summarises the movement in capital costs since 2009. At 2009 the project costs were crudely estimated at \$35m and included in the 20 Year Strategic Financial Plan – there was no detailed audit trail for the \$35m, the costs were merely a marker for inclusion in the 20 Year Strategic Financial Plan. Meanwhile in 2012 the costs were increased to \$50.6m but again without any detailed QS Costings – the other key issue regarding the \$50.6m is that it was based on a Traditional Performing Arts Centre as opposed to an Arts Box which has a much wider scope. The estimate for an Arts Box was first considered in 2013 following the Pracsys Feasibility Study and since then the estimates have become more refined.

The table below also includes a scale to indicate the confidence of the assumption. This shows that the estimates in 2009 and 2012 had no or little confidence. The confidence steadily improves over the past few years, although even at this stage the estimates cannot yet be determined as being 100% accurate, these uncertainties will only be resolved after Detailed Design and tender.

	<u>Stage</u>	<u>\$m #1</u>		Confidence of Estimate #2
1	2009 Adopted SFP	\$35.0	1	High Level estimate only, no detailed basis for the estimate i.e. no concept design
2	2012 Adopted SFP (Nov 2012)	\$50.6	1	High level estimate only of a Traditional Performing Arts Centre, as opposed to an "Art Box"
3	Pracsys Feasibility Study (March 2013)	\$79.5	2	Council resolved to increase scope of the facility to "Art Box" rather than a traditional Arts Centre. Costings were based on Rough Order of Magnitude only and not a detailed QS
4	Concept Design (April 2014)	\$90.7	3	Based on ARM Concept Design from the Architectural Design Competition (2013). Costings included a QS Elemental Breakdown but were Concept Design only
5	2014 Adopted SFP (Jun 2014)	\$94.2	3	Costs were increased to include Jinan Gardens and escalation since the 2013 Design Competition
6	2015 Adopted SFP (Dec 2015)	\$97.6	3	Increase to take account of Traffic Treatment, External Works and escalation
7	Schematic Design (July 2016)	\$99.7	4	Confidence of estimates has improved, although there is still some risk in the estimated rates.
8	Detailed Design		5	Detailed Design / Tender will provide certainty on the costs

#1 Excludes escalation

#2 Confidence of estimate is based on a scale of 1 to 5, where 1 has no confidence at all and 5 is very confident

19.3 Establishment Costs - Capital Costs and Funding - Risk & Opportunities

The table below lists various risks and opportunities and their potential impact on the capital costs or funding. The total best case is that the Establishment Costs may be \$4m lower, but the Worse Case is a total worsening cash flow of (\$37m). In summary, there is much more probability that the establishment costs will worsen than they will improve.

		<u>Risk / Opportunity</u>	<u>Cashf</u>	low Impa	act \$m	Risk Classification and Actions
	Subject	Details	Worse Case	Mid	Best Case	
1	Capital Costs higher than estimated	The costs at Schematic Design are not final; the Detailed Design stage will provide further refinement whilst the tender/procurement stage will also provide changes. Therefore the Capital Costs of \$99.7m must be recognised as an estimate based on a set of assumptions – the final outcome will NOT be \$99.7m, it will be higher or it will be lower. ARM has provided an evaluation of the range of probabilities for some of the most expensive capital items. This indicates a high level of confidence in the volume assumptions but a lower level of confidence in the rates. The evaluation has been used to prepare the overall worse case increase that could arise or the best case reduction in costs. This indicates the following: - Best case is that the costs may be \$95.7m instead of \$99.7m, a reduction of \$4m - Worse Case is that the costs could be \$113.7m, an increase of \$14m. However it must be emphasised that this is an extreme worse case.	(\$14m)	(\$5m)	\$4m	 This likelihood is POSSIBLE, the consequence is medium and therefore the overall risk score is LOW. The risks of the capital costs increasing can be managed as follows All future specification changes are evaluated individually with a Cost/Benefit Analysis taking account of operational implications Capital Costs remain as they are in the business case and the project needs to find ways to manage the cost increase. This could be achieved by reviewing other design issues, or managing the procurement process to ensure that the overall costs remain within budget. Contingency already included in the Capital Cost estimates and may be sufficient to cover the costs of these additional items Tender has the opportunity (particularly in the current market place) to provide cost reductions which cover the risks of unforeseen costs.

		Some examples of where costs may increase are: - Easement access with TAFE. If easement access is not provided then mechanical ventilation would have to be provided at the Car Park (additional \$0.6m) - PV Cells (\$0.5m)				
2	Reserve Funds not available	The funding assumes that \$37m is provided in total from Reserves to contribute to the construction of the facility. At present (June 2016) there is \$20m within designated reserves, so a further \$17m is projected in the next couple of years. The majority of this relates to further proceeds from Tamala Park. The proceeds from Tamala Park can no longer be classed as guaranteed due to a range of economic factors at local, state, federal and global level.	(\$4.0)	(\$3.0)	\$0.0	 The likelihood of not receiving some of the \$27m is possible, and the consequence is medium, the overall risk is MODERATE. The City should continue to research other opportunities to dispose of land (or indeed buildings) that have minimal usage.
3	Borrowings not within Capacity	Proposed borrowings not approved by WATC. Informal discussions have taken place with WATC to review the borrowing impacts, the capacity of the City to borrow and the impacts on the Adopted 20 Year Strategic Financial Plan. These discussions confirmed that the City would have capacity based on the projections within the 20 year SFP.	(\$5.0)	(\$3.0)	\$0.0	 It is now classed as possible that the City would implement Rates increases within the next few years which are less than 4% or 5%. This would present a material risk to the projections in the 20 year SFP and the capacity for the City to borrow. The consequence is major, and the overall risk is therefore MODERATE. The City should continue to have informal discussions with WATC
4	Grant of \$10m not approved	The projections include an assumption that the City will be successful with an application to the National Stronger Regions Fund (NSRF). A 'Round 2'	(\$14m)	(\$7m)	(\$0m)	 The likelihood is likely, the impact is medium, and the overall risk is moderate. The City should continue to review other potential sources of funding e.g. State.

 ap	plication was made in July 2015 and	0	It may be	worthwhile for the	overall	case to	o be
fai	iled, so it is possible that the 'Round 3'		reconsidere	d if the Grant Applica	ation is uns	uccessf	ful.
ap	pplication made in March 2016 will not						
su	icceed either.						
Th	ne total impact (Worse case) would be						
\$1	4m as additional borrowings would be						
ree	quired to bridge the gap which would						
att	tract interest costs of \$4m.						

19.4 Potential Opportunity – Cap the Establishment Costs at \$97.6m

The previous Business Case (December 2015) indicated an overall cost to establish the project of \$97.6m. The \$97.6m estimate was used to update the recently adopted 20 Year Strategic Financial Plan. The revised estimates for the favoured Scenario 2 are \$2.1m higher, with a total revised cost of \$99.7m. It may be worth capping the capital costs at \$97.6m and reducing some parts of the specification. Indeed going forward it may be worthwhile to place a cap on the project costs and ensure that any other increase in the capital costs are offset with reductions in other elements.

19.5 Operating Analysis - Risk & Opportunities

It is impossible to predict exactly what the subsidy will be each year; there are a vast number of assumptions, internal factors, external factors and unknown variables that will impact on the subsidy each year. Before evaluating the possible changes, the key issue to consider is the nature of the income and costs, whether they are fixed (i.e. certain to occur) or variable (uncertain). Each of the income/expense items have been separately categorised as fixed, variable or semi-variable, so that the un/certainty can be summarised. The graph below for Scenario 3 financials at Year 5 summaries the outcomes of this analysis, the key issues are:

- Vast majority of the income is variable i.e. there is no guarantee that just by opening the facility that people will buy tickets, people will hire the spaces, eat there or park there.
- Majority of the Expenses are fixed (e.g. staffing), in that the expense will occur whether or not there are hires or ticketed events.



In summary the analysis informs us that the JPACF operating model provides a significant level of risk that the subsidy could be higher than (\$0.9m) because there is uncertainty with most of the income but high certainty of most of the costs.

The table below evaluates some of the financial risks and opportunities of the annual Operating Subsidy.

		Risk / Opportunity	<u>Subs</u>	idy Impa	<u>ct \$m</u>	Risk – How to Mitigate /		
	Subject	Details	Worse Case	Mid	Best Case	Opportunity – How to Exploit		
1	Audience Activation	By year 5, the program and audience need to be well developed to achieve industry standard utilisation and a subsidy of (\$0.9m) per year. There will need to be significant effort in Years 1 to 4 to help develop the program/audience. There is a risk that the subsidy will be higher than (\$0.9m), comparison to other facilities confirms this whilst the nature of the cash flows (uncertainty of income but certainty of costs) is another key factor. Therefore the worse case is that the subsidy could be (\$1.0m) higher i.e. a total subsidy of (\$1.9m) per year	(\$1.0)	(\$0.5)	\$0.0	 This likelihood is possible, the consequence is major and therefore the overall risk score is MODERATE. Full consideration of how to activate the facility is crucial so that the Year 5 Financial Targets can be achieved, e.g. High profile company to activate Restaurant space in its own right Encourage (large discount ?) a company to become resident in the space for the first couple of years (at least) to help build a name for the facility Program built up 1 to 2 years before facility opens 		
2	Conferences, Exhibitions, Studios, Gallery	There is now much higher income included in the projections than previous estimates.	(\$0.2)	(\$0.1)	\$0.0	 This likelihood is possible and the consequence is minor and therefore the overall risk score is LOW. Continue to review the utilisation assumptions. 		
3	Finance Officer	The projections now assume a full-time Finance officer within the JPACF. There is an opportunity for the financial support to be provided by the COJ Finance team.	\$0.1	\$0.1	\$0.1	 Cost benefit Analysis will be required to justify all staff that the JPACF intends to use, that could otherwise be supported by the City 		
4	Occupancy / Catchment Area / Social Economic Profile	Catchment area in the revised projections is much larger than other Regional Arts Facilities. It is possible that the opportunities for utilisation and occupancy are higher than projected. Additionally the demographics of the catchment area indicate a higher level of education and appetite for arts participation/attendance than average.	\$0.1	\$0.2	\$0.3	• The marketing of the facility should consider the full catchment area ensuring the facility becomes recognised as a regional facility and not just a City of Joondalup facility		

		However the City should bear in mind that WA is isolated and it can often be difficult to attract artists to the area.				
5	Operating Grants	MPAC receive funding from Federal body to help subsidise some performances (e.g. with travel costs), but this may be discontinued in future as no longer classed as Regional. The Department of Culture Arts have a range of grants available to help support activities but it is deemed unlikely that these could be accessed and mitigate the subsidy	\$0.0	\$0.0	\$0.0	 Further consultation with the Department of Culture & Arts.
6	Building Maintenance and Utilities	The revised projections have now increased the Utility and Building maintenance costs based on consultancy advice.	\$0.0	\$0.1	\$0.2	Continue to review the projections for the Building Maintenance and Repair costs. Bottom up analysis (i.e. space by space) required.
7	Volunteers	Many Arts Facilities use Volunteers, people who have an interest in supporting the facility	Tbc	Tbc	Tbc	Set up a Volunteer program as early as possible. Analysis of volunteers used by other centres and identification of the possible savings.
8	Buy a Seat	Is there an opportunity for patrons to purchase a seat, which provides them with the opportunity of discounted tickets	\$0.1	\$0.1	\$0.2	This could provide the JPACF with additional income, for example \$500 per seat x 400 seats. To be investigated
9	Parking Utilisation	The projections from Year 15 assume 50% utilisation of the parking bays during the day. This could be higher or lower due to a range of factors e.g. development in immediate area.	(\$0.2)	(\$0.05)	\$0.2	Continue to review and update utilisation assumptions.
10	Parking Cost of Sales	It is now assumed that the existing parking team should be used to assist with operating the parking at the JPACF. However the City could consider at a later point in time that it would prefer dedicated staff during the day	(\$0.1)	(\$0.05)	\$0.0	Continue to review the operating model for the Parking Facility in conjunction with the Parking Services Team.

19.6 Sensitivity Analysis

The table below summarises the sensitivity of the overall cash flows for Scenario 3 i.e. how much higher or lower than the \$217.5 million the outcome may be by 2058-59. The parameters used for the analysis are:

- Capital Costs being higher or lower than the \$99.7m currently estimated. It is more likely that the capital costs could be higher than the \$99.7m than lower, and therefore the analysis evaluates the impacts of a 30% increase to capital costs but only considers a reduction of 10%. These are evaluated in steps of 5%.
- Operating Subsidy being \$400,000 less than the \$863,000 estimated or \$400,000 more. These are evaluated in steps of \$100,000.

				<u>005</u>	t of Facili	ty Differen	10 \$99.7	m		
	_	-10%	-5%	0%	5%	10%	15%	20%	25%	30%
	(\$463)	(\$165)	(\$173)	(\$180)	(\$188)	(\$195)	(\$203)	(\$211)	(\$218)	(\$244)
P	(\$563)	(\$174)	(\$182)	(\$190)	(\$197)	(\$205)	(\$212)	(\$220)	(\$227)	(\$253)
bera	(\$663)	(\$184)	(\$191)	(\$199)	(\$206)	(\$214)	(\$222)	(\$229)	(\$237)	(\$262)
atin	(\$763)	(\$193)	(\$201)	(\$208)	(\$216)	(\$223)	(\$231)	(\$238)	(\$246)	(\$272)
ye g	(\$863)	(\$202)	(\$210)	(\$217)	(\$225)	(\$233)	(\$240)	(\$248)	(\$255)	(\$281)
ar b	(\$963)	(\$212)	(\$219)	(\$227)	(\$234)	(\$242)	(\$249)	(\$257)	(\$265)	(\$290)
sic	(\$1,063)	(\$221)	(\$228)	(\$236)	(\$244)	(\$251)	(\$259)	(\$266)	(\$274)	(\$299)
Ŷ	(\$1,163)	(\$230)	(\$238)	(\$245)	(\$253)	(\$260)	(\$268)	(\$276)	(\$283)	(\$309)
	(\$1,263)	(\$239)	(\$247)	(\$255)	(\$262)	(\$270)	(\$277)	(\$285)	(\$292)	(\$318)

Cost of Facility Different to \$99.7m

The results of the sensitivity analysis indicate that the overall cost by 2058-59:

- Best case could be \$165 million which would arise if the capital costs were 10% lower and the Operating Subsidy was \$400,000 less
- Worst Case could be \$318 million which would arise if capital costs were 30% higher and the Operating Subsidy was \$400,000 more.

19.7 Further Reviews of the Financial Projections

The financial projections are based on a set of assumptions. It is not expected that the projections will come to pass exactly as shown. The financials have been, and will continue to be, constantly reviewed, so that the risk and sensitivity of the project can be managed and the forward projections updated in the annual budget, 5 year Capital Works and future updates of the *20 Year Strategic Financial Plan*. Below are some of the key improvements required to the financial projections:

- Utilities detailed review of each space in the JPACF, the potential usage, power required and detailed Utility forecast. At present the forecast is still high level.
- Building Maintenance & Utility Costs built up bottom up.
- Capital Replacement detailed review of each capital element (QS Breakdown) and consideration of the likely life cycle.
- Commercial returns of each area. It would be a useful exercise to allocate the income and all costs to each individual space, and compare to the capital costs. This would give an indication of the commercial return/loss of each space.

19.8 Reviews undertaken of the Financial Modelling

The analysis used within the financial evaluation does not contend to be precise. The analysis is deemed reasonable taking account of the assumptions by the project and provides robust supporting information to the Business Case and to assist decision makers with evaluating the project. In support of the Financial Analysis it is worth noting that there have been two external reviews of the Financial Analysis and Financial Modelling:

- November 2015 external review of financial projections
- 2016 Integrity Review of Financial Model used for JPACF project

Both reviews provide the City with a high level of assurance regarding the techniques and financial models used in the evaluation.

APPENDICES

APPENDIX 1 – CONSTRUCTION COSTS SUMMARY

Instruction \$m \$m \$m \$m %m %m	Element	2015 Estimate	July 2016	<u>Difference</u>		
1 SUBSTRUCTURE \$1.8 \$3.6 \$1.8 10 2 COLUMNS \$1.4 \$1.8 \$0.4 21 3 UPPER FLOORS \$8.1 \$10.3 \$2.2 21 4 STAIRS \$0.9 \$1.0 \$0.1 14 5 ROOFS \$6.3 \$6.9 \$0.6 10 6 EXTERNAL WALLS \$7.6 \$7.3 -\$0.3 -4 7 WINDOWS AND EXTERNAL DOORS \$0.2 \$0.6 \$0.4 24 9 INTERNAL WALLS \$5.6 \$6.4 \$0.8 15 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 24 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$1.3 \$1.1 -\$0.2 -12 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 22 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -\$10 -\$10 16 SANITARY FIXTURES \$0.3 \$0.4	Element	\$m	\$m	\$m	%	
2 COLUMNS \$1.4 \$1.8 \$0.4 21 3 UPPER FLOORS \$8.1 \$10.3 \$2.2 21 4 STAIRS \$0.9 \$1.0 \$0.1 14 5 ROOFS \$6.3 \$6.9 \$0.6 10 6 EXTERNAL WALLS \$7.6 \$7.3 -\$0.3 -4 7 WINDOWS AND EXTERNAL DOORS \$5.6 \$6.4 \$0.8 15 8 INTERNAL WALLS \$5.6 \$6.4 \$0.8 15 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 244 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 \$0.4 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5	1 SUBSTRUCTURE	\$1.8	\$3.6	\$1.8	10 1%	
3 UPPER FLOORS \$8.1 \$10.3 \$2.2 24 4 STAIRS \$0.9 \$1.0 \$0.1 14 5 ROOFS \$6.3 \$6.9 \$0.6 10 6 EXTERNAL WALLS \$7.6 \$7.3 -\$0.3 -4 7 WINDOWS AND EXTERNAL DOORS \$5.6 \$6.4 \$0.8 15 8 INTERNAL WALLS \$5.6 \$6.4 \$0.8 16 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 244 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 97 18 WATER SUPPLY \$0.4 \$0.7	2 COLUMNS	\$1.4	\$1.8	\$0.4	28%	
4 STAIRS \$0.9 \$1.0 \$0.1 14 5 ROOFS \$6.3 \$6.9 \$0.6 10 6 EXTERNAL WALLS \$7.6 \$7.3 -\$0.3 -4 7 WINDOWS AND EXTERNAL DOORS \$5.6 \$6.4 \$0.8 15 8 INTERNAL WALLS \$5.6 \$6.4 \$0.8 16 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 244 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$1.3 \$1.1 -\$0.2 -12 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 97 18 WATER SUPPLY \$0.4 \$0.7 \$0.0 -\$0.0 -\$0.0 19 GAS SERVICE \$0.0	3 UPPER FLOORS	\$8.1	\$10.3	\$2.2	26%	
5 ROOFS \$6.3 \$6.9 \$0.6 10 6 EXTERNAL WALLS \$7.6 \$7.3 -\$0.3 -4 7 WINDOWS AND EXTERNAL DOORS \$5.6 \$6.4 \$0.8 15 8 INTERNAL WALLS \$5.6 \$6.4 \$0.8 15 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 244 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$1.3 \$1.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 90 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 91 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -22	4 STAIRS	\$0.9	\$1.0	\$0.1	14%	
6 EXTERNAL WALLS \$7.6 \$7.3 -\$0.3 -4 7 WINDOWS AND EXTERNAL DOORS \$5.6 \$6.4 \$0.8 15 8 INTERNAL WALLS \$5.6 \$6.4 \$0.8 16 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 244 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 90 90 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 90 90 90 -20 19 GAS SERVICE \$0.0 \$0.0 \$0.0 -\$0.0 -20 -20	5 ROOFS	\$6.3	\$6.9	\$0.6	10%	
7 WINDOWS AND EXTERNAL DOORS \$5.6 \$6.4 \$0.8 16 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 24 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 92 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -22	6 EXTERNAL WALLS	\$7.6	\$7.3	-\$0.3	-4%	
8 INTERNAL WALLS \$5.6 \$6.4 \$0.8 15 9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 24 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 92 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -22	7 WINDOWS AND EXTERNAL DOORS					
9 INTERNAL SCREENS \$0.2 \$0.6 \$0.4 244 10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 90 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -22	8 INTERNAL WALLS	\$5.6	\$6.4	\$0.8	15%	
10 INTERNAL DOORS \$0.7 \$0.6 -\$0.1 -12 11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 95 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -20	9 INTERNAL SCREENS	\$0.2	\$0.6	\$0.4	244%	
11 WALL FINISHES \$1.3 \$1.1 -\$0.2 -12 12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 95 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -20	10 INTERNAL DOORS	\$0.7	\$0.6	-\$0.1	-12%	
12 FLOOR FINISHES \$2.6 \$2.1 -\$0.5 -20 13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 92 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 \$0.0 -\$0.0 -20	11 WALL FINISHES	\$1.3	\$1.1	-\$0.2	-12%	
13 CEILING FINISHES \$1.3 \$1.7 \$0.3 25 14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 6 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 90 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -2	12 FLOOR FINISHES	\$2.6	\$2.1	-\$0.5	-20%	
14 FITTINGS AND EQUIPMENT \$2.6 \$4.3 \$1.7 64 15 SPECIAL EQUIPMENT \$1.0 -\$1.0 -100 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 95 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -2	13 CEILING FINISHES	\$1.3	\$1.7	\$0.3	25%	
15 SPECIAL EQUIPMENT \$1.0 -\$1.0 16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 95 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -2	14 FITTINGS AND EQUIPMENT	\$2.6	\$4.3	\$1.7	64%	
16 SANITARY FIXTURES \$0.3 \$0.4 \$0.1 44 17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 94 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -2	15 SPECIAL EQUIPMENT	\$1.0		-\$1.0	-100%	
17 SANITARY PLUMBING \$0.5 \$0.9 \$0.4 94 18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -2	16 SANITARY FIXTURES	\$0.3	\$0.4	\$0.1	48%	
18 WATER SUPPLY \$0.4 \$0.7 \$0.4 97 19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -2	17 SANITARY PLUMBING	\$0.5	\$0.9	\$0.4	95%	
19 GAS SERVICE \$0.0 \$0.0 -\$0.0 -2	18 WATER SUPPLY	\$0.4	\$0.7	\$0.4	97%	
	19 GAS SERVICE	\$0.0	\$0.0	-\$0.0	-2%	
20 VENTILATION \$0.9 \$0.8 -\$0.0 (20 VENTILATION	\$0.9	\$0.8	-\$0.0	0%	
21 AIR CONDITIONING \$7.2 \$7.3 \$0.1 1	21 AIR CONDITIONING	\$7.2	\$7.3	\$0.1	1%	
22 FIRE PROTECTION \$3.0 \$3.0 \$3.0 (22 FIRE PROTECTION	\$3.0	\$3.0	-\$0.0	0%	
23 LIGHT AND POWER \$5.4 \$3.8 -\$1.6 -29	23 LIGHT AND POWER	\$5.4	\$3.8	-\$1.6	-29%	
24 COMMUNICATIONS \$1.2 \$1.3 \$0.1 12	24 COMMUNICATIONS	\$1.2	\$1.3	\$0.1	12%	
25 LIFT INSTALLATION \$1.3 \$1.6 \$0.3 2	25 LIFT INSTALLATION	\$1.3	\$1.6	\$0.3	25%	
26 SPECIAL SERVICES \$0.8 \$0.7 -\$0.0 -2	26 SPECIAL SERVICES	\$0.8	\$0.7	-\$0.0	-2%	
27 Replanning Saving -\$1.8 -\$1.8	27 Replanning Saving		-\$1.8	-\$1.8		
A TOTAL BUILDING WORKS \$62.2 \$66.5 \$4.4	A TOTAL BUILDING WORKS	\$62.2	\$66.5	\$4.4	7%	
27 EXTERNAL WORKS \$1.7 \$2.6 \$0.9 5	27 EXTERNAL WORKS	\$1.7	\$2.6	\$0.9	53%	
28 EXTERNAL SERVICES \$1.4 \$1.2 -\$0.2 -15	28 EXTERNAL SERVICES	\$1.4	\$1.2	-\$0.2	-15%	
29 MAIN CONTRACTOR PRELIMS \$8.9 \$9.3 \$0.4 5	29 MAIN CONTRACTOR PRELIMS	\$8.9	\$9.3	\$0.4	5%	
B CURRENT DAY BUILD COSTS \$74.1 \$79.5 \$5.4	B CURRENT DAY BUILD COSTS	\$74.1	\$79.5	\$5.4	7%	
30 DESIGN CONTINGENCY \$3.7 \$3.2 -\$0.5 -14	30 DESIGN CONTINGENCY	\$3.7	\$3.2	-\$0.5	-14%	
31 CONSTRUCTION CONTINGNECY \$2.9 \$2.1 -\$0.8 -28	31 CONSTRUCTION CONTINGNECY	\$2.9	\$2.1	-\$0.8	-28%	
32 EURNITURE EITMENTS AND FOUR \$0.7 \$0.8 \$0.0	32 FURNITURE FITMENTS AND FOUR	\$0.7	\$0.8	\$0.0	5%	
33 THEATRE TECHNICAL FOUR \$2.6 \$3.5 \$0.9 3	33 THEATRE TECHNICAL FOUR	\$2.6	\$3.5	\$0.9	37%	
34 PROFESSIONAL FEES \$8.8 \$7.5 -\$1.3 -15	34 PROFESSIONAL FEES	\$8.8	\$7.5	-\$1.3	-15%	
C ESTIMATED TOTAL COSTS \$92.7 \$96.5 \$3.8	C ESTIMATED TOTAL COSTS	\$92.7	\$96.5	\$3.8	4%	
35 TRAFFIC TREATMENT & EXTERNAL WORK \$1.7 -\$1.7 -100	35 TRAFFIC TREATMENT & EXTERNAL WORK	\$1.7		-\$1.7	-100%	
36 JINAN GARDENS & CITY PROJECT COSTS \$3.2 \$3.2	36 JINAN GARDENS & CITY PROJECT COSTS	\$3.2	\$3.2	÷		
D TOTAL PROJECT COSTS \$97.6 \$99.7 \$2.1	D TOTAL PROJECT COSTS	\$97.6	\$99.7	\$2.1	2%	

	2016	-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	and every year until	2058-59
CPI 9	6 2	.5%	2.5%	2.5%	2.5%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%		3.5%
Employment Costs 9	6 3	.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%		3.5%
Utilities 9	63	.3%	3.3%	3.3%	3.3%	3.8%	4.3%	4.3%	4.3%	4.3%	4.3%		4.3%
Parking Fees 9	6 20	.0%	16.7%	14.3%	12.5%	5.6%	5.3%	5.0%	5.0%	5.0%	3.5%		3.5%

APPENDIX 2 – ESCALATION ASSUMPTIONS APPLIED







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Appendix 5 - Economic Activity Report: Australian Performing Arts Centres Association (July, 2015)



Australian Performing Arts Centres Association

Published July 2016 Prepared by Ruth Hodgman / Visual Focus

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Prepared by Ruth Hodgman

Cover Photo from the production *Lake* by Lisa Wilson Performer: Hsin-Ju Chiu, Photographer: Fen-Lan Chuang

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EXECUTIVE SUMMARY

The Australian Performing Arts Centres Association (APACA) is the national peak body servicing the needs and interests of performing arts centres and presenters in regional and metropolitan Australia. APACA's membership base is broad including performing arts centres, independent producers, small to medium dance and theatre companies, festivals, funding bodies, touring organisations, other industry associations and some of Australia's major performing arts companies.

63% of APACA's membership comprises professionally managed performing arts centres located in all corners of Australia from the remote northwest's Broome Civic Centre to the far north's Cairns Civic Theatre to southern capitals such as Hobart's Theatre Royal and The Arts Centre Melbourne and large and small regional centres around the country from The Hopgood Theatre in South Australia to the Dubbo Regional Theatre and Convention Centre in western New South Wales and Darwin Entertainment Centre in the Northern Territory.

The Economic Activity survey has now been conducted with fundamentally the same questions in 2006, 2009, 2011, 2013 and now 2015 giving the opportunity to analyse industry trends.

The aim of the bi-annual survey project is to measure the extent of operations and economic activity of performing arts centres across Australia.

Methodology

The survey was carried out online through Survey Monkey (www.surveymonkey.com) in three parts. The questionnaire was sent to APACA Ordinary Members only, which is those members who manage performing arts venues.

There were 83 responses to Part 1 and 74 responses to Part 2 representing 73.5% and 65.5% respectively of the 113 ordinary members. 70 members (62%) responded to both parts although it is noted some did not complete all questions. As responses to each section was voluntary, the number of responses relating to the section's analysis is noted against the tables and figures in this report.

In reviewing the 2015 findings, comparisons have been made with the results of surveys conducted in 2009, 2011 and 2013 to identify emerging trends and industry changes overtime.

Findings

- Almost two thirds (62.6%) of respondents manage venues with total capacities of between 261 and 1100 seats. A further 29% fall into the 1101 to 3000 seating capacity range. Less than 5% of centres had a seating capacity of below 260 and 4.8% of venues reported multiple spaces with a total of greater than 3000 capacity.
- 78.3% of all respondent centres are owned by Local Government, which also directly manages 66.3% of these centres. This equates to about two thirds of the entire sample being owned and operated by Local Government.
- Management models fall into six categories with 24.1% operating at armslength from Government owners and 6% owned and operated as part of an educational institution.
- Between 2009 and 2015, venues managed by a separate legal entity has decreased by 9.9% with an increase by 8.3% of venues now directly managed as a business unit.
- Of the total respondents, 39.8% operate a performing arts centre with only one performance space. 73.5% operate either one or two performance spaces. Centres with four or more venues make up 12% of the sample.
- 50 respondents supplied complete financial information resulting in a combined turnover of \$211.8 million. Individual respondent turnover ranged from \$716,500 to \$79.3 million.
- Financial data from 12 venues operating at arms length from the Government owner of their building represent 60.3% of the total income and 59.2% of the total expenditure. These venues also receive 49.4% of total funding support from local, state or federal government sources and 86.7% of the total private funding support.
- Turnover was found to maximise for venues with three performance spaces. As with previous surveys, no discernible relationship was perceived between turnover and distance from the nearest capital city.
- Government subsidy represents approximately one third of all income (34.3%). Respondents' entrepreneurial program (Box Office) reduced marginally at 13.3% from 13.8% in 2013, which was an increase against 12%, reported in 2011.
- Venue Hire increased to 10.3% when compared with 2013 (9.8%) while income from Food and Beverage almost doubled from 6.1% in 2013 to 11.9% in 2015, Recoverables increased from 8.2% to 13.3% and Ticketing Services from 6.1% to 9.3%.

- The predominant expense for centres remains labour at 41.4%, a reduction from 44.4% in 2013.
- Respondents spent just over \$33.5million purchasing and presenting their programs, with another \$9.4million spent on marketing these events and their venues.
- Local Government still represents the most significant government contributor with respondents reporting \$57.4million or a consistent 78.9% (78.9% reported in 2013).
- \$29.2 million in capital funding was received for projects conducted by 40 venues. 8 venues reported that almost 30% of the combined capital funding came from alternative sources to the three levels of Government.
- The average utilisation rate for all performance spaces is up to 59% from 58% in 2013 and the average utilisation rate for primary performance space has been maintained at 59% (down from 61% in 2011).
- As cultural hubs in their respective communities, performing arts centres host a range of both arts and community events. More than 9.1million people attended over 36,000 events of some kind at the respondents' venues.
- In 2015, 33% of arts centre activities were determined as non-arts events (down from 34% in 2015 and 37% in 2011), which demonstrates the importance of performing arts venues as a resource for each community that fulfils a variety of needs that are not necessarily arts related.
- 52.2% of respondents' venue usage is attributed to community events referring to events produced by amateur groups, dance schools etc. (See Appendix 1 for definitions). This represents a significant decrease from 65% in 2013 and 55% in 2011.
- Commercial performances has significantly increased from 35% to 47.8% providing evidence that venues are being required to increase earned income as funding conditions tighten.
- Seasons presented or co-presented by the respondents [that is where there is a financial risk to the presenter] make up 48% of the total performances presented.
- Of the total seasons on which respondents incurred full or part financial risk, Playing Australia supported 15%, a reduction from 21% in 2013. This represents 4.6% of all performing arts performances in the respondents' venues.
- State based funding provides 14% of the support for venues to present their entrepreneurial programming.

- Performances presented or co-presented by the respondents make up 48% of the total performances presented. This is a further increase from 2013 levels (41%) and 2011 levels (37%) and continues to demonstrate the growing trend towards entrepreneurial programming.
- 30 venues operate with a dedicated programming budget representing an investment in entrepreneurial activities of approximately \$8.5 million annually.
- 70% of venues (n=30) reporting they were able to budget for a net loss annually on their programming budget, also reported either an annual surplus or breakeven result in their overall operating result from all venue activities.
- Of the respondents reporting on how an annual surplus is treated (n=33), 18 (54.5%) stated that they were able to retain this amount within their operations.

Conclusions

The respondents represented a wide range of performing arts centres, both in geographical spread from capital city to remote and in the size of enterprise, demonstrating the breadth of the APACA membership across Australia. Local government remains at the centre of the sector, playing a most significant role in the management and operational funding of performing arts centres. Arms length management is preferred for larger enterprises particularly those funded through State and Territory Governments.

Performing arts centres are increasingly taking on greater risk in order to earn additional income and are looking to alternative funding sources, particularly to support their capital requirements and new infrastructure projects. Venues continue to be important community resources, with high levels of subsidised community and non-arts related activity undertaken within these facilities.

Playing Australia funds continue to deliver a proportion of seasons into venues, and remains an integral aspect of venue's entrepreneurial programs. Performing arts centres are also taking more risk in their programming reflecting the importance of self presented program activity, which delivers significant, economic and arts activity in the respondents' individual communities.

Playing Australia funds are catalysts for programming, in turn stimulating a significant percentage of employment expenditure of \$85.7 million annually in the community in addition to the work generated through artists' fees with the \$22 million invested in touring productions. Playing Australia alongside each State's touring funding programs are essential in the activation of national touring particularly for venues located in regional and remote communities. The respondent venues invested an additional \$20.9 million in presenting and marketing events supported by Playing Australia.

Venues are highly valued in their community as the central focus for arts and entertainment access for audiences and generate employment opportunities for artists, venue workers and for the supporting industries in hospitality directly reported in this survey. The on-going impact where APACA members operate is shown to be excelling with the return on investment generating artistic, social and economic benefits for communities.

INTRODUCTION

The Australian Performing Arts Centres' Association (APACA) represents 190 organisations throughout Australia. 63% of these members operate a professionally managed performing arts centres. Other members (37%) are from organisations that have substantially similar objectives to the Association and include producing companies, touring organisations and funding bodies. Our members operate predominantly in the subsidised sector. There are four international members.

The performing arts centres' sector presents productions from a vast array of art forms from plays, opera and classical music, to comedy, circus and contemporary dance. Typically the sector operates with a limited resource base in service of delivering benefits to their community. Whilst members are geographically dispersed, technology facilitates regular communication that has developed the sector into a strong network.

AIM

The purpose of this survey and report is twofold. In the first instance, it is to provide members with comparative data that will assist in decision-making. Secondly, the report will provide information regarding the scale of operations of the sector. Performing arts centres often work in isolation as a result of the relatively unique nature of the industry and their geographic location. Similarly, lean staff structures and resource limitations restrict the ability of organisations to undertake research to inform the management and operation of their organisations and provide an evidence base for decision-making.

The overall aim of this project was to measure the extent of operations and economic activity of performing arts centres across Australia.

METHODOLOGY

APACA undertook research into its members' economic activity for the first time in 2006, and again in 2009, 2011 and 2013. This is the fifth such survey. Primary research has been undertaken due to a lack of consistent, standardised and available secondary data. All iterations of the project have revealed an on-going problem in the agreement on common definitions of terms used within the industry. A glossary of how terms are used in respect of this research is provided at Appendix A. Each time this research is undertaken, APACA endeavours to further clarify usage, but there is still variations within the industry on the use and definition of terms.

A review was undertaken prior to commencing the survey design in an attempt to clarify terminology, maximise participation in order to provide a strong representation of the sector and ensure the information presented met member needs. Based on

feedback, the geographic disparity of respondents and the extent of variables to be considered in the survey, an online survey tool was considered most effective in achieving high response rates. The questionnaires were distributed over a period November to 2015 to January 2016 through Survey Monkey to Ordinary members only, i.e. those members who manage performing arts venues.

The survey tools can be found at Appendix B. Where possible, closed questions were asked requiring respondents to tick boxes or use drop down menus, however some questions required specific quantities and dollar values to be inserted by respondents. Conversely, for some questions it was important to provide an opportunity for respondents to clarify responses and opportunities for general comments were given. Not only did the questionnaires enable accurate collation of data, but also provided valuable insight for developing subsequent surveys.

Response Rates

There were 83 responses to Part 1 and 74 responses to Part 2 representing 73.5% and 65.5% respectively of the 113 ordinary members. 4 ordinary members are venue associations in their respective states and excluded from the data. 70 members (62%) responded to both parts although it is noted some did not complete all questions. As responses to each section was voluntary, the number of responses relating to the section's analysis is noted against the tables and figures in this report. Respondent numbers were slightly lower than in previous surveys however detailed data from a majority of the largest capital city centres is again notably absent from the respondent sample. This has affected data and analysis in various areas of the survey and will be discussed as needed.

In Figure 1, the percentage of respondents state by state against total responses is shown and compared with the percentage of total ordinary member venues per state. Both ACT venues responded to the survey registering a 100% response rate with the next highest response rate contributed by New South Wales with 86%. Most states averaged approximately 75% response rates from ordinary members operating venues providing a strong confidence level in the data result.



Figure 1: Respondents by State

FINDINGS

Respondents

The following venues listed in Table 1 responded to the survey:

State	Centre	Managed by	Population Serviced	Dist from Capital City (kms)	No. of Perf Spaces	Total Capacity	Annual Turnover	Annual Attendance
	Canberra Theatre Centre	Stat Auth	900,000	-	3	1,954	9,008,931	219,716
ACT	The Street Theatre	Contract Mgt	350,000	-	3	400	NA	NA
	Albury Entertainment Centre	Local Govt	180,000	320	1	818	1,884,486	63,828
	Bathurst Memorial Entertainment Centre	Local Govt	42,000	200	2	1,642	1,790,579	47,791
	Capitol Theatre Tamworth	Local Govt	60,000	405	3	6,102	1,260,768	69,073
	Casula Powerhouse	Local Govt	190,000	40	1	326	NA	71,329
	Cessnock Community Performing Arts Centre	Local Govt	53,000	152	1	466	706,545	15,535
	City Recital Hall Angel Place	Company	4,293,000	-	1	1,238	NA	NA
	Coffs Harbour Jetty Memorial Theatre	Local Govt	75,000	300	1	249	NA	NA
	Dubbo Regional Theatre and Convention Centre	Local Govt	120,000	408	1	1,250	4,340,787	65,493
	Griffith Regional Theatre	Local Govt	55,000	575	1	523	1,189,413	24,080
	Hurstville Entertainment Centre	Local Govt	215,000	16	2	1,128	NA	137,233
	Illawarra Performing Arts Centre	Company	485,118	84	4+	801	3,705,683	130,846
	Joan Sutherland Performing Arts Centre	Company	500,000	55	3	1,288	3,418,069	224,505
NSW	Laycock Street Com. Theatre	Local Govt	330,000	80	2	516	NA	NA
	Manning Entertainment Centre	Local Govt	95,000	310	1	505	721,071	26,843
	Monkey Baa Theatre Company	Company	4,293,000	-	1	380	NA	NA
	NIDA Parade Theatres	Educ Inst	100,000	10	4	1,260	NA	46,000
	NORPA, Northern Rivers Performing Arts	Company	240,000	200	2	750	NA	NA
	Orange Civic Theatre	Local Govt	100,000	255	1	502	2,111,945	44,990
	Queanbeyan Performing Arts Centre	Local Govt	443,409	10	1	346	NA	30,181
	Riverside Theatres Parramatta	Local Govt	200,000	26	3	1,062	5,199,616	160,673
	Seymour Centre	Educ Inst	4,293,000	2	4	1,704	3,938,997	203,905
	Shoalhaven Ent. Centre	Local Govt	120,000	160	2	1,100	1,914,903	54,223
	Sutherland Ent. Centre	Local Govt	280,000	23	3	1,165	1,913,939	151,477
	The Glasshouse Arts Conference and Ent. Centre	Local Govt	75,000	388	2	694	4,016,100	122,000
	Wagga Wagga Civic Theatre	Local Govt	120,000	453	1	491	NA	NA
NT	Darwin Entertainment Centre	Company	136,245	-	2	1,280	NA	87,867
	Brisbane Powerhouse	Local Govt	2,100,000	3	3	875	10,745,799	NA
	Brolga Theatre	Local Govt	102,000	256	1	900	1,191,000	41,853
	Burdekin Theatre	Local Govt	20,000	1,200	3	1,612	738,393	96,000
	Cairns Civic Theatre	Local Govt	242,000	1,684	1	669	2,996,353	70,937
	Centre of Contemporary Arts Cairns	Bus Unit of Govt	160,285	1,684	1	250	NA	NA
QLU	Empire Theatre	Company	250,000	125	4	2,297	4,842,495	118,711
	Gladstone Entertainment Centre	Local Govt	67,464	518	2	1,675	NA	NA
	Ipswich Civic Centre	Local Govt	195,000	39	2	921	NA	NA
	Sudith Wright Centre of Contemporary Arts	Bus Unit of Govt	2,100,000	3	2	380	NA	NA

State	Centre	Managed by	Population Serviced	Dist from Capital City (kms)	No. of Perf Spaces	Total Capacity	Annual Turnover	Annual Attendance
	Lake Kawana Community Centre	Local Covt	200 000	96	1	740	ΝΔ	86 636
QLD	Logan Entertainment Centre	Local Govt	287,517	26	1	1,100	NA	NA
	Mackay Entertainment &	Local Govt	200,000	1,000	4+	3,000	NA	205,890
	Convention Centre							
	Pilbeam Theatre	Local Govt	120,000	640	1	967	2,047,202	60,731
	The Events Centre	Local Govt	300,000	30	3	980	1,959,272	48,351
	Townsville Civic Theatre	Local Govt	150,000	1,336	3	1,810	1,020,165	108,738
SA	Barossa Arts & Convention Centre	Educ Inst	40,000	70	2	1,155	1,089,807	23,813
	Golden Grove Arts Centre	Local Govt	98,000	25	1	329	NA	NA
	Marion Cultural Centre	Local Govt	85,000	13	1	280	NA	NA
	Murray Bridge Town Hall	Local Govt	15,000	80	1	300	NA	2,800
	The Hopgood Theatre	Stat Auth	180,000	30	2	612	513,428	37,989
TAS	Devonport Entertainment and Convention Centre	Local Govt	52,000	282	1	480	NA	NA
	The Burnie Arts and Function Centre	Local Govt	40,000	330	3	1,288	1,648,428	61,382
	Theatre Royal	Stat Auth	200,000	-	2	830	2,255,117	71,978
VIC	Arts Centre Melbourne	Stat Auth	4,880,000	-	4+	15,730	76,822,000	2,285,861
	Capitol Venues and Events	Local Govt	200,000	150	4	1,655	5,963,483	138,430
	Clocktower Centre	Local Govt	127,000	8 165	1	505	1,923,660	91,314
	Cultural Centre		21,000	105	2	402		10,099
	Centre	Local Govt	300,000		4	665	NA	169,497
	Drum Theatre	Local Govt	750,000	35	1	521	NA	69,521
	Eastbank Centre - Riverlinks Venues	Local Govt	65,000	185	2	1,243	NA	NA
	Frankston Arts Centre	Local Govt	400,000	45	2	996	NA	165,949
	Geelong Performing Arts Centre	Stat Auth	290,000	75	3	2,655	NA	NA
	Hamilton Performing Arts Centre	Local Govt	16,000	295	3	800	NA	NA
	Her Majesty's Theatre	Local Govt	120,000	257	2	959	2,204,072	61 620
	Melbourne Recital Centre	Company	4.880.000	1	2	1,150	NA	NA
	Melbourne Theatre Company	Educ Inst	5,000,000	1	2	734	NA	128,069
	Mildura Arts Centre	Local Govt	51,373	400	2	544	1,494,619	67,300
	Portland Arts Centre	Local Govt	20,000	359	1	144	NA	NA
	Swan Hill Town Hall Performing Arts and Convention Centre	Local Govt	10,000	340	1	860	NA	NA
	The Cube Wodonga	Local Govt	120,000	320	1	410	NA	NA
	Wangaratta Performing Arts Centre	Local Govt	100,000	250	1	520	NA	48,895
	West Gippsland Arts Centre	Local Govt	65,000	100	2	650	NA	66,949
	Whitehorse Performing Arts Centre	Local Govt	163,697	15	1	414	NA	NA
WA	Arts Margaret River Margaret River Cultural Centre	Company	15,000	270	1	350	NA	20,000
	Broome Civic Centre [Shire of Broome]	Local Govt	17,000	2,230	2	400	329,645	20,000
	Bunbury Regional Entertainment Centre	Contract Mgt	100,000	170	2	1,050	NA	NA
	Carnarvon Civic Centre	Local Govt	5,000	910	2	700	NA	NA
	Esperance Civic Centre	Local Govt	14,500	720	3	1,750	533,948	NA
	His Majesty's Theatre	Bus Unit of Govt	2,020,000	2	2	1,384	NA	NA
	Mandurah Performing Arts Centre	Inc. Assoc.	250,000	75	2	921	2,347,403	170,147
	Matt Dann Theatre & Cinema	Local Govt	20,000	1,648	2	452	NA	NA
	Queens Park Theatre	Local Govt	40,000	460	2	1,073	NA	NA
	University Theatres - University of Western Australia	Educ Inst	2,020,000	-	4+	4,000	1,986,000	120,000

Table 1: List of Respondents NOTE: NA indicates information not provided or confidential

Capacity

Figure 2 shows that almost two thirds of the respondents (63%) manage performing arts centres which have a capacity of between 261 and 1100. The venue size parameters have been decided arbitrarily and are consistent with previous years' parameters.



Figure 2: Distribution of Respondents by Seating Capacity

73.5% of respondents operate performing arts centres with either one or two performance spaces as show in Figure 3 below. Only 12% have four or more spaces.



Figure 3: Performance Spaces

Figure 4 below shows that the majority of respondents' venues (66.3%) are managed directly by local government. In terms of ownership, local government's role is broader still (reaching 78.3%) as owners of the venues managed by separate legal entities. Two venue management entities recorded they maintain multiple contracts for management over venues owned by local government and respectively a state government agency and a private venue owner.

Results from APACA surveys over the past 8 years (2009, 2011, 2013 and the current 2015 results) shows a 9.9% decrease in venues that are managed by a separate legal entity (e.g.: Association, Statutory Authority or Company Limited by Guarantee) with an 8.3% increase in direct management of a business unit by the Government owner. This variation is presented with the understanding that each survey attracts a different mix of venues.



Figure 4: Management Models



Figure 5: Management Models Used per State