

Email submission by Greenwich Community Association Inc- Lane Cove Sport and Recreation Precinct

19 February 2022

Dear Councillors

The Greenwich Community Association Inc refers to the following Report to be considered at next Monday's Council meeting:

Subject: Lane Cove Sport and Recreation Precinct - NSW Government Funding Opportunity

Record No: SU7396 - 7901/22

Division: General Managers Unit

Author(s): David Stevens

The purpose of this email is to give Councillors some insights into key issues that we do not feel have been fully addressed in the Report and the accompanying "Strategic Business Case" at AT-1 (SBC).

First, some preliminary comments.

- The business paper information says it is a "full business case" and prepared in accordance with NSW Treasury Guidelines. These guidelines are not appended for reference. And as will be seen below, the SBC as presented is not a "full business" case in so far as very few underpinning assumptions are explained or capable of being tested. Nor is there any sensitivity analysis of key assumptions.
- It is evident Council has expended considerable funds on advisers progressing the DA without even a preliminary financial feasibility study.
- The SBC has no attributable authorship other than Council's logo. There are none of the usual disclaimers a business case/feasibility report prepared by an independent consultant would include.
- The SBC as presented, appears likely to be based on a document referenced in the Report titled "*Lane Cove Sport and Recreation Precinct – Feasibility and Operational Model (Xypher, 2021)*". See pg 5 of the SBC.
- **It is requested that the full Xypher document be provided.**

Operational and Financial issues

The Report says:

*It should be noted that Council does not include a **return on capital or debt servicing costs** when evaluating the provision of community infrastructure. In*

*addition to meeting the community's needs, the Business Case demonstrates that **no operational subsidy** will be required for the facility. The visitation forecast indicates Year 1 visits of 318,980 persons increasing to 363,094 persons in Year 10.*

These issues are covered in more detail below but given that the Facility is designed to service the "Northern Region of Sydney, Lower North Shore sub-region" – not just the LCC LGA - financial metrics are important to LCC rate payers who will bear 100% of the costs and risks associated with the project.

Operational Issues

1. The SBC reveals what appears to be a serious mismatch between the Traffic Impact Assessment report (TIA) and the SBC's assumptions as to visitations and usage. (Taylor Thomson Whitting (NSW) Pty Ltd – 6 May 2021).
2. The SBC says that visitations (people) in year 1 are assessed as **318,890**. Even if the facility was available for 365 days a year this implies an average of **873 visitations per day**. (Allowing for quiet times – ie mornings – this implies massive visitations in the PM and evenings - let alone the weekend – when workers and school aged children may use the facilities). This skewing of capacity utilisation has not been addressed in the context of court availability at these peak times.
3. It is noted that there is no ramp up of usage in year 1 – as would normally occur when any new facility is established – think hospital, hotel etc. **The year 1 visitation number is 87% of the year 10 number**. This is a challenging assumption. Or expressed differently – visitations will only increase by 1.3% pa over 10 years. Because it could be expected that the facility would be at full capacity after 10 yrs this small growth rate indicates that it is assumed the facility will move to full available capacity very quickly.
4. In contrast the TIA say that :
 - AM visitations are expected to be: 171 actual persons.
 - Sat Lunch visitations are expected to be: 516 actual persons
 - Special event visitations are expected to be: 988 actual persons
5. ***The TIA makes no estimate of weekday afternoon or evening visitations to demonstrate how an average of 873 persons every day of the year (as per the SBC) are going to use the facility in year 1. If AM visitations are 171 persons it means 702 visitations after mid-day – every week day of the year.***
6. Visitations will need to be substantially by car. Bus scheduling and routes to the Lane Cove Country Club do not link *directly* to Chatswood station or St Leonards Station without a bus change. The ferry at Northwood does not operate into the evening.

7. Transport options are therefore severely limited and will impact any feasibility analysis when children and young adult visitations are proposed. This issue has not been considered in the SBC.

(Contrast this with the proposed Willoughby Council facility at Gore Hill and North Sydney's facility at Hume St that have generous direct public transport options nearby).

8. Given that the facility is intended to service the Northern Sydney Region and the lower North Shore sub - region this lack of availability of public transport is a serious short coming in the assumption of 318,890 visitations Yr 1.
9. Management arrangements of the facility are unclear. A management fee is paid but it appears all costs – including labour - are to Council's account. Further detail of who is taking the various operating risks should have been given. The narrative suggests that Council does, but then outsources day to day operations to a third-party manager.
10. Who is responsible for marketing the facility? The Council or the manager?
11. Issues such as team coaches, trainers, umpires, first aid and other volunteers that are required to support organised team sport competitions have not been addressed. Experience indicates that these resources are a major issue for any growing sporting Club and anecdotally the level of volunteering by parents to supervise kids is becoming harder to achieve. If, like some facilities, competitions, umpiring and support is to be provided by the facility's manager then these aspects have not been dealt with or costed.

Financial issues

As a business case – the SBC document as presented raises several key financial issues that have not been addressed.

The following comments are made. The list is not exhaustive.

- There are no details of maximum available operating capacity either hourly or daily against which to assess utilisation of available hours
- There is no underlying supporting documentation from sporting bodies codes indicating how the facility's capacity will be utilised and at what times.
- The **pricing of visitations** has not been given for the various uses – on a per hour basis by sport – to assess affordability.
- Assumptions relating to **operating costs** – particularly labour numbers and its management – are not given.
- There is no allowance for **maintenance/ depreciation or refurb costs** over a 10 year period. This is a serious deficiency.

- There is no **sensitivity analysis** provided. The document refers to “probable operating surplus”. Feasibility studies invariably provide “worst” and “best” case scenarios.
- There is no discussion or allowance for increased insurance costs (Personal injury)

Funding Plan - Operational Subsidy

The business paper Says there will be *no operational subsidy*. But the funding plan is predicated on a NSW Treasury Loan of \$20m at an interest rate of 0.9%. We have difficulty reconciling these statements. Debt service must be brought to account as a cost (interest) and cashflow item (principal and interest). Refer below.

Return on Capital

The \$52M capex spend is predicated on developing a Centre serving the Northern Sydney Region, Lower North Shore sub-region and the Lane cove Community. Because the spend is not just servicing the residents of the LC LGA it is reasonable that the financial return on the investment be considered as any loss represents a direct subsidy to “out of area” users.

Even excluding the costs of maintenance and refurb mentioned above the return on investment is nominal:

Year 1 - 0.07%
 Year 10 - 1.3%

Any variation in the operating assumptions, costs, or maintenance – pre - interest - quickly sees operational surpluses challenged.

When a principal repayment and interest component is factored in the cash position deteriorates rapidly.

Including debt service costs of the NSW Treasury loan the “probable operating surplus” evaporates to a cumulative cash drain of \$15.5m on Council resources over 10 years.

Total Debt	20,000,000									
Term	10 yrs									
Int	0.9%									
PA DebtServ	2,100,330	2,100,330	2,100,330	2,100,330	2,100,330	2,100,330	2,100,330	2,100,330	2,100,330	2,100,330
"Probable" Operating surplus	369,100	422,900	479,300	507,000	535,500	564,900	595,000	626,200	658,600	691,600
Shortfall	1,731,230	1,677,430	1,621,030	1,593,330	1,564,830	1,535,430	1,505,330	1,474,130	1,441,730	1,408,730
Cumulative Shortfall	1,731,230	3,408,660	5,029,690	6,623,020	8,187,850	9,723,280	11,228,610	12,702,740	14,144,470	15,553,200

Note: The interest rate of 0.9% is 50% discounted and is probably no longer available from NSW T Corp. Long term interest rates have risen since June 2020.

Action

The action required to be taken by Councillors is self-evident.

The DA must be withdrawn from Sydney North Planning Panel so that the issues raised in this paper – and undoubtedly others - can be fully addressed – including those matters resolved in the last Council meeting. ie Collaboration with other Councils in the “lower north shore sub-region” to investigate options as well as investigating other sites to provide indoor multi use court options – hopefully more connected to transport options.

In summary, from a sporting activity perspective, the \$52m delivers 4 outdoor multi use courts (currently 5 tennis courts) and 5 indoor multi use courts. Not great value for a location only accessible to most by car.

Whereas the St Leonards South residential development was presented as **Transport Oriented Development** this project presents as **Non-Transport oriented development**. It is based on optimistic attendance assumptions, untested operating cost assumptions and, under the funding model proposed, long term cashflow cost to Council.

We would be pleased to discuss the issues raised herein with Councillors.

Regards

Peter Deane
President
**Greenwich Community
Association Inc.**

John Southwood
Hon Treasurer
**Greenwich Community
Association Inc.**