

8 FINANCIALS

8.1 ASSUMPTIONS

Expenditure Assumptions

Land Acquisition Cost

No acquisition costs have been allocated.

Capital Costs

The capital costs have been developed by RBB and are detailed in this report.

- All costs exclude GST.
- Planning contingency has been excluded as the project is at the end of its planning phase.
- Estimates exclude costs associated with the overflow parking site.
- Estimates exclude any allowances for demolition or the provision of site service infrastructure.

Replacement/life cycle Costs

All costs exclude GST.

Costs have been calculated based on capital cost including escalation

Costs have been escalated by 4% per annum from construction

Depreciation & Replacement

Depreciation has been excluded as a direct cost in our financial modelling as allowances have been made for replacement costs. The total cost of replacements over a 40 year period equates to \$52,457,012. These cost do not start occurring until the seventh year of operations however have been incorporated in our cash flow as an average annual amount of \$1,311,425 (reserve).

Programme & Assessment Period

The internal approvals period assumes approvals will be sought and achieved by March 2014.

Funding Strategy

It is assumed that the spaces for the NFP Offices will be made available within the "Quarter" development.

There is an expectation that a minimum of 50% of the capital required will be sourced externally. External Funding has been cash flowed to be received once facility reaches Practical Completion.

Finance Costs

The Shire of Roebourne's contribution of \$22.5m may be sourced from the Infrastructure Reserve and / or borrowings. No financial consideration has been included within the financial impacts for potential loan repayments. It is assumed that any potential loan will be distributed throughout the Shires Long Term Financial Plan capital projects over the next 10 year period.

Building Operating Costs

The building operational costs have been developed in conjunction with RBB and are detailed in this report. Operational costs for the Cultural Precinct two core business units, the Library and Arts and Culture have been developed in consultation with Managers.

Operating Costs

- All costs exclude GST.
- Costs have been calculated based on capital cost including escalation.
- ABC allocations have not been included.
- Electricity consumption is based on 13/14 tariffs and comparison with Leisureplex operations.
- Cleaning costs include overheads and have been based on comparison with Leisureplex.
- Costs have been escalated by 4% per annum from construction.
- Events team to be relocated from Administration Office to Cultural Precinct and will "manage" the overall facility.
- Library and Local History operational costs are based on the current operating budgets with a 4% CPI applied for 14/15, 15/16 & 16/17.
- Depreciation costs have been excluded as lifecycle costings have been noted.

Resourcing

Costs associated to the proposed resourcing structure have been developed in consultation with Managers with allowance made for one new role – Events Administration Officer. Salary costs have been escalated as per the escalation rates specified in the escalation table below.

It is assumed that the additional FTE's contained within the SoR Workforce Plan 2013-2018 for Library and Local History have not been applied.

Revenue Assumptions

Office Spaces and Art Studios

Should Council wish to retain the NFP office spaces, the NFP rent has been calculated on a cost recovery basis. The following table summarises the rental rates calculated for cost recovery scenarios for both Arts spaces and NFP offices.

Recovery Option NFP	% Recovered	Annual Amount (\$)	Adopted Rent (\$/m ²)
Extensive Cost Recovery	100%	\$246,706	\$842
Partial Cost Recovery	50%	\$123,353	\$421

Recovery Option Arts	% Recovered	Annual Amount (\$)	Adopted Rent (\$/m ²)
Extensive Cost Recovery	100%	\$352,308	\$1122
Partial Cost Recovery	50%	\$176,154	\$561
Proposed Cost Recovery	25%	\$88,077	\$280.50

Commercial office leases in Karratha for new product are currently advertised for between \$550 and \$750/m², plus outgoings which are estimated at \$150/m² to \$200/m².

For the purposes of the financial analysis we have adopted a rate of \$421/m² per annum for the office accommodation and \$280/m² per annum for the artist studios. This is due mainly to the typical financial profile and capabilities of the targeted entities, plus the associated impact to demand from the various rates.

Library

The Library revenue estimates have been developed through consultation with the SoR and are detailed in Section of this report.

The Library and Local History revenue estimates have been calculated based on the existing income.

Cinema / Event Income

Revenue estimates are based on the current Moonrise Cinema revenues and casual hire fee schedules from comparable regional entertainment and cultural facilities. The Walkington Theatre and associated infrastructure are planned for demolition in the next two to four years and assume that the SoR can continue to operate at the Moonrise Cinema for another three to four years.

Schools and commercial operated dance schools do not classify as NFPs when reviewing casual hire venue rates. To receive the NFP rate, organisations must be registered as such.

Income projections are based on –

1. 100 Cinema screenings
2. 60% Cinema capacity average
3. 4 council run events at an average of 450 people at \$45 pp.
4. 64 Casual venue hire bookings, based on an average of benchmarked fee provided by Australia Performing Arts Centre Association

Escalation

Escalation rates have been adopted on the following basis:

Capital Expenditure	4%
Life Cycle Costs	4%