

#08

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Cc: [Hamdorf, Phil](#); [Jenkins, Mia](#)
Subject: ERC Submission ACT Wagga Wagga discussion draft_PD_MT
Date: Wednesday, November 16, 2016 3:41:00 PM
Attachments: [ERC Submission ACT Wagga Wagga discussion draft_PD_MT.docx](#)

Paul

As discussed

Have spoken to Phil and Mia. Very early days in the three grants and at this stage they are forecast to be fully expended (see 3.21 and 3.22 of the Sub)

MT

#08



Cabinet Submission

Title Development of sporting infrastructure at the Australia Clay Target Association facility in Wagga Wagga

Minister The Hon Stuart Ayres MP
Minister for Sport

Cluster Premier and Cabinet

Date of submission DD MMMM 2016

Status Draft

Relationship to previous decisions

Result of consultation Support

Priority A

Financial impact Yes

Legislative change No

Regulatory impact No impact

Submission type Policy

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Minister for Sport
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1 Recommendations

It is recommended that the Cabinet Committee on Expenditure Review (ERC):

- i) **Approve** the allocation of ~~\$6.75~~ \$5m in 2016/17 to the Office of Sport to provide a grant to the Australian Clay Target Association (ACTA) for the development of a large clubhouse / conference facility and associated infrastructure at their existing facility in Wagga Wagga, NSW subject to:
 - a. confirmation of the ACTA cost estimates through a competitive tender process
 - b. development of a project delivery plan
 - c. ACTA undertaking to meet all on ongoing maintenance and operational costs and any capital costs for the facility that are greater than \$6.7m
- ii) Note that ACTS will contribute \$1.2m towards the capital costs for the facility.
- iii) Note that ACTA intends to commence capital works in the 2017 financial year and have them completed by January 2018 in time for the World Down-The-Line (DTL) clay target championships.
- iv) Note that ACTA's cost estimates are based on their World Championships 2018 National Ground Development Strategy.
- v) Note that the ACTA timetable precludes the development of a feasibility study, preliminary business case and INSW review.

2 Executive summary

- 2.1 This Submission seeks approval for an allocation of \$5.5m to the Office of Sport to enable a grant to Australian Clay Target Association (ACTA) for the development of a large clubhouse / conference facility and associated infrastructure at ACTA's existing facility in Wagga Wagga, NSW. This Submission seeks approval for an allocation of \$6.7m to the Office of Sport to enable a grant to Australian Clay Target Association (ACTA) for the development of a large clubhouse / conference facility and associated infrastructure at their existing facility in Wagga Wagga, NSW.
- 2.2 The estimated total capital cost of the upgrade is \$6.7m. ACTA has committed \$1.2m to the works.
- 2.3 ACTA intends to commence construction in the 2017 financial year with completion by January 2018 in time for the World Down-The-Line (DTL) clay target championships.

2.2—

2.32.4 ACTA engaged GHD to prepare a business case for the facility (Provided at Attachment A).

2.5 GHD has calculated that over 25 years, the upgraded facility will generate a Net Present Value of \$12.4m with a Benefit Cost Ratio (BCR) of 2.31. Projected increases in the visitor economy account for 97% the forecast benefits.

2.4 Projected increases in tourism drives the forecast benefits. The proposed investment will enable seven shooting events a year and six conference events. GHD has calculated that over 25 years, this will generate a Net Present Value of \$12.4m with a Benefit Cost Ratio (BCR) of 2.31.

2.52.6 The business case has not been subject to any independent review, including the INSW Gateway process. Cost estimates Estimated costs, revenue and demand are based on ACTA's World Championships 2018 National Ground Development Strategy and cites work done by the Wagga Wagga City Council identifying that a larger (300 – 500 seat theatre style) BE space could be used 28 times a year (based on a small sample of potential user groups).

2.62.7 The business case does not seek NSW Government support for operating and maintenance costs for the facility.

2.72.8 In order to meet ACTA's deadlines, financial risk for the delivery of the facility needs to be shared between the NSW Government and ACTA. In the absence of a feasibility study and because capital cost estimates have not been market tested, it is unlikely that they are within the levels of robustness recommended in NSW Treasury's Guidelines for Capital Business Case. ACTA should enter into a formal commitment with the Office of Sport to:

- independently confirm, through market testing, the capital cost of the project to the level of robustness required in NSW Treasury's Guidelines for Capital Business Cases
- manage and bear the risk of the development approval process for the upgrades to the facility
- commit to delivering the facility by January 2018, including ACTA meeting any cost increases above the \$6.7m for the delivery of the facility
- meet the operating and maintenance costs for the facility.

2.9 The delivery of the facility will be overseen by an independently chaired project steering committee with senior representation from OoS, DPC, Infrastructure NSW and NSW Treasury. Office of Sport will engage the independent Chair and fund the role from within current resources.

- work with INSW to confirm, through market testing, the capital cost of the project to the level of robustness required in NSW Treasury's Guidelines for Capital Business Cases

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- ~~meet any cost increases above the \$6.7m for the delivery of the facility~~
 - ~~meet the operating and maintenance costs for the facility.~~
- 2.8 ~~The delivery of the facility will be overseen by a project steering committee involving by INSW/OoS.~~

3 Proposal

- 3.1 This Submission seeks approval for an allocation of \$5.5m to the Office of Sport to enable a grant to Australian Clay Target Association (ACTA) for the development of a large clubhouse / conference facility and associated infrastructure at ACTA's existing facility in Wagga Wagga, NSW.
- 3.2 The estimated total capital cost of the upgrade is \$6.7m. ACTA has committed \$1.2m to the works.
- 3.3 The immediate organisations that will benefit from this proposed development includes:
- Australian Clay Target Association (ACTA National Office – Wagga Wagga, NSW);
 - Wagga Wagga City Pistol Club (affiliated to Pistol Australia, NSW Amateur Pistol Association and International Shooting Sport Federation), and
 - Wagga Small Bore Rifle Club (affiliated with Sporting Shooters' Association of Australia and NSW Small Bore and Air Rifle Association).
- 3.4 ACTA intends to commence construction in the 2017 financial year with completion by January 2018 in time for the ACTA National Championships and the Thirteenth World Down-The-Line (DTL) Clay Target Championships.
- 3.5 Economic, social and other benefits to the city of Wagga Wagga, regional NSW and Australia were considered in support of the proposed funding application.
- 3.6 ACTA engaged GHD to prepare a business case for upgraded facility (Provided at Attachment A). GHD has calculated that over 25 years, the upgraded facility will generate a Net Present Value of \$12.4m with a Benefit Cost Ratio (BCR) of 2.31. Projected increases in tourism drive the forecast benefits.
- 3.7 The business case states that the proposed investment is justified considering:
- Jobs creation: up to 91 FTE's and 86 resident jobs;
 - Regional economic growth and social benefits;
 - Costs and quantified economic benefits;
 - A positive sensitivity analysis, and
 - international promotion of the City of Wagga Wagga, regional Australia and Australia as a whole.

- 3.8 The upgraded facility will support the current annual schedule for sporting shooting events, an international shooting event every twelve years and an additional six corporate conference events each year.
- 3.9 The business case acknowledges that the majority (97%) of anticipated project benefits are derived from additional tourism-related spending. The project benefits depend upon an increase in the local visitor economy through additional spending resulting from additional national and international visitors. The nature of this quantified benefit is contingent with nature of the shooting sports and associated events attracting participants not only nationally but also internationally. Furthermore: the successful hosting of medium and large conferences would be reliant on national and international visitors to regional NSW.
- 3.10 The business case does not forecast any increase in state or national shooting events above the current schedule. ACTA's website lists five annual shooting events scheduled for the facility, which is fewer than the seven annual events stated in the business case. Three national and two state events are scheduled to be held at ACTA's National Grounds in Wagga Wagga in 2017. Details are available at <https://www.claytarget.com.au/events/events-info/events-calendar.html>.
- 3.11 ACTA envisages that the facility would host one international event every twelve years. The International Clay Target Shooting Federation's web site confirms that the ACTA National Championships and the Thirteenth World Down-The-Line (DTL) Clay Target Championships will be staged at the ACTA national ground in Wagga Wagga. Details are available at <http://www.ictsf.global/dtl-cwbz>.
- 3.12 The business case cites work done by Wagga Wagga City Council identifying that a larger (300 – 500 seat theatre style) BE space could be used 28 times a year (based on a small sample of potential user groups).
- 3.13 ACTA anticipates that the new facility will host six conferences each year in addition to shooting events. These conferences are new business for the facility and would add to current revenues.
- 3.14 The business case does not include an independent market demand analysis or event calendar for the facility to compete with other local venues for corporate events, including Charles Sturt University.
- 3.15 The business case has not been subject to any independent review. Cost estimates, projected revenues and market demand for the facility are based on ACTA's World Championships 2018 National Ground Development Strategy.
- 3.16 The business case does not seek NSW Government support for operating and maintenance costs for the facility.
- 3.17 In the absence of a feasibility study and because capital cost estimates have not been market tested, it is unlikely that cost and revenue estimates are within the levels

of robustness recommended in NSW Treasury's Guidelines for Capital Business Case.

3.18 Consistent with the Office of Sport's current grants allocation process, ACTA should enter into a formal commitment with the Office of Sport to:

- independently confirm, through market testing, the capital cost of the project to the level of robustness required in NSW Treasury's Guidelines for Capital Business Cases
- manage and bear the risk of the development approval process for the upgrades to the facility
- commit to delivering the facility by January 2018, including ACTA meeting any cost increases above the \$6.7m for the delivery of the facility
- meet the operating and maintenance costs for the facility.

3.19 The delivery of the facility will be overseen by an independently chaired project steering committee with senior representation from OoS, DPC, Infrastructure NSW and NSW Treasury. Office of Sport will engage the independent Chair and fund the role from within current resources.

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3.20 Although the projected capital costs are below Infrastructure NSW's threshold value of \$10m, INSW has informally indicated that it would be available to participate in the Steering Committee.

[REDACTED]

3.22 The total value of these grants is \$8.7m and is forecast to be fully expended.

4 Consultation

External stakeholders

4.1 N/A

NSW Government agencies

4.2 [Insert after Draft Consultation phase].

5 Risks and mitigation

5.1 The proposal poses the following risks.

Description of risk	Risk rating	Mitigation strategies
The project, operational and delivery costs exceed ACTA's forecasts	High	Risks are proposed to be shared between ACTA and Office of Sport as outlined above.
The expected benefits are not realised	High	The business case be reviewed by INSW prior to going to market for the delivery of the facility.

6 Financial impact

6.1 The financial impact is summarised in the following table. The amounts refer to the capital costs of the project as operational and maintenance costs will be borne by ACTA.

Is supplementary funding required?	Yes					
Has Treasury agreed the costings?	No					
Is ERC consideration required?	Yes					
Total Financial Implications – Not applicable	2016-17 (\$m)	2017-18 (\$m)	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)	Ongoing (\$m)
Revenue	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0
Expenses	+0.0	+0.00	+0.00	+0.00	+0.00	+0.00
Total Budget Result Impact	-0.0	+0.00	+0.00	+0.00	+0.00	+0.00
Capital Expenditure	+/-0.0	\$6.7m	+/-0.0	+/-0.0	+/-0.0	+/-0.0
Does the proposal require ongoing funding?			Not from the NSW Government			

7 Other impacts

Impact on regional and rural communities

7.1 Nil from the recommendations of this submission.

Regulatory impact

7.2 Nil from the recommendations of this Submission.

Can stakeholders other than the government address the problem?	No.
What are the quantified benefits of the proposal?	The GHD Business Case estimates the benefits as having a NPV of \$12.4m over 25 years. The BCR is 2.34 <u>-2.31</u> .
What are the quantified costs on businesses and the community?	N/A for this Submission.

What alternatives were considered? | N/A for this submission.

8 Attachments

Attachment A	Business Case: ACTA business plan - New club house and site upgrade

DRAFT