

Risk assessment of available funding options

Funding Option	Value \$	Information	Risks	Available from	Deadline
LRCI Phase 3	757,000	Remainder of \$857,000 total grant available to be spent on pool development. ~\$100k spent to date on pool options/research.	<p>1. Time pressure: funds need to be spent by 30/6/23 (unless an extension is granted which can't be foreseen at this stage).</p> <p>2. Lost efficiencies: There is a risk the Shire may lose some efficiency/cost savings if part of the project is done now using LRCI phase 3 original funding while the remainder of the project is put on hold until further funding is secured.</p> <p>3. Lost grant funding: LRCI phase 3 original funding has already been committed to the pool. Unless this is amended and the funds are redirected to another project, the \$757k remaining would be available to start work on the pool redevelopment, which reduces the total project cost which would seek CSRFF funding in the future. CSRFF funds up to 1/3 of project values and as such a lower project value due to staging of pool redevelopment works, would reduce the funding which could be sought from CSRFF. The potential lost CSRFF funding is 1/3 of the \$757k LRCI funding which may be used in a staged pool redevelopment, equating to \$252k potential missed CSRFF funds.</p> <p>4. Competing grant funds: If LRCI phase 3 or phase 3 extension money is utilised towards the pool project, it is highly unlikely that any other source of Federal grant funding would be available for the project (as LRCI is already from the Federal Government). As such, if LRCI funding is used towards the pool it is only State funding CSRFF that could be targeted for big ticket grant funding for the pool.</p> <p>5. Project staging: Due to LRCI deadlines, if LRCI funding is utilised towards the pool the Shire may need to stage the pool development work so that LRCI can be expended by the deadline (i.e. use LRCI funding now for items such as plant room, then stage 2 everything but the plant room is completed later when additional funding is secured). This adds risk because it increases administrative burden of the works (2 sets of RFQs, 2 projects etc.). The Shire could ask LRCI for an extension of time which would reduce the risk the project needs to be staged, but it is uncertain whether an extension would be granted.</p> <p>6. 3rd party reliance: Additional timeframe delivery and price escalation risk occurs when relying on a 3rd party for grant funding as not all elements of the pool project would be within the Shire's control.</p>	Now	30/06/2023
LRCI Phase 3 Extension	428,000	Funding is available from 1/7/23. Deadline is 30 June 2024 for grant funded project to be completed and acquitted (unless an extension is granted which can't be foreseen at this stage). The Shire has not submitted a project for this funding yet so these funds could be used this as part of the Shires 2/3 contribution to a CSRFF grant project.	<p>1. Time pressure: funds are only available from 1/7/2023 and need to be spent by 30/6/24 (unless an extension is granted which can't be foreseen at this stage).</p> <p>2. Cost pressure: If timing is pushed out the current estimated cost of each pool development option would need to be adjusted by inflation (i.e. the more time that passes before contractors are locked in, the more prices may increase).</p> <p>2. Competing grant funds: If LRCI phase 3 or phase 3 extension money is utilised towards the pool project, it is highly unlikely that any other source of Federal grant funding would be available for the project (as LRCI is already from the Federal Government). As such, if LRCI funding is used towards the pool it is only State funding CSRFF that could be targeted for big ticket grant funding for the pool.</p> <p>3. Project staging: Due to LRCI deadlines, if LRCI funding is utilised towards the pool the Shire may need to stage the pool development work so that LRCI can be expended by the deadline (i.e. use LRCI funding now for items such as plant room, then stage 2 everything but the plant room is completed later when additional funding is secured). This adds risk because it increases administrative burden of the works (2 sets of RFQs, 2 projects etc.). The Shire could ask LRCI for an extension of time which would reduce the risk the project needs to be staged but it is uncertain whether an extension would be granted.</p> <p>4. 3rd party reliance: Additional timeframe delivery and price escalation risk occurs when relying on a 3rd party for grant funding as not all elements of the pool project would be within the Shire's control.</p>	1/07/2023	30/06/2024

Funding Option	Value \$	Information	Risks	Available from	Deadline
Dept of Sport and Rec CSRFF Grant	2,000,000	Up to 1/3 of total grant project value, up to maximum of \$2m.	<p>1. Time pressure: Would have to wait until next round in Sept 2023 to apply, so would not receive approval until ~ January 2024, assuming funding success.</p> <p>2. Time pressure: If the Sept 2023 application was unsuccessful, the Shire would need to wait a full 12 months to re-apply which pushes back the pool timeline.</p> <p>3. Cost pressure: If timing is pushed out the current estimated cost of each pool development option would need to be adjusted by inflation (i.e. the more time that passes before contractors are locked in, the more prices may increase).</p> <p>4. 3rd party reliance: Additional timeframe delivery and price escalation timeframe delivery and price escalation risk occurs when relying on a 3rd party for grant funding as not all elements of the pool project would be within the Shire's control.</p> <p>5. CSRFF Competition: The State Government has only committed \$12.5M as a total annual funding pool across the State, including Perth metropolitan area, making funding access very competitive (difficult).</p>	Earliest ~Jan 2024 if Sept 2023 application successful. + 12 months for each years unsuccessful application.	Unknown
Rates	192,714	Figure to the left shows a 10% increase in rates as an example (based on FY23 budgeted rates income net of discount multiplied by 10%).	<p>1. Community dissatisfaction: Increases to rates is a topic which is highly discussed amongst the community and not all community members may be happy with rising rates to fund the pool, especially community members who may not have used the previous pool or plan to use the new pool.</p> <p>2. Timing risk: rates are generally raised in July/August of each year. This may have a cash flow risk depending on when the pool project is ready to begin / invoices need to start being paid.</p>	1/07/2023	N/A
Debt Finance		0-100% of pool total cost can be financed via debt. Loan value depends on Working Group/Council appetite on acceptable increase in rates to pay for loan repayments.	1. Interest Rate risk: Assessments completed in this document have been done utilising WATC quoted rates as at 12/09/2022. There is a risk that between now and when a loan agreement is entered, interest rates may rise, which brings an extra annual cost to the Shire. In addition, WATC offers loan terms of maximum 20 years so this model has assumed a 20 year loan with 50% principle paid off over the loan period, and remaining 50% principle to be entered into a new 20 year loan at the end of the first 20 year loan (bringing total loan term to 40 years). As such, there is a risk that interest rates will be high and unfavourable in 20 years time when the Shire goes to enter into the 2nd 20 year loan.	Now	N/A
Bain Estate Reserve	4,570,000	FY23 Budget closing balance of Bain Estate Reserve is \$5.37m. \$800k of this has been notionally committed to Stubbs Park redevelopment, leaving \$4.57m left in Bain Estate Reserve.	<p>1. Community dissatisfaction: Use of Bain Estate Reserve funds is highly discussed amongst the community and not all community members may be happy with funds being taken from the Bain Estate Reserve to fund the pool.</p> <p>2. Future funds: Bain Estate fund applications are taken each year for community projects requiring funding assistance, any use of Bain Estate Reserve funds for the pool reduces the value of funds remaining for future community projects.</p> <p>3. Reduced interest revenue: Currently interest revenue earned on Bain Estate funds held in term deposits is reinvested back into the Bain Estate reserve. A major reduction in reserve balance (if funds are utilised for the pool) would result in reduced reserve funds earning interest in the future.</p>	Now	N/A
			<p>OVERALL RISKS</p> <p>1. Time Pressure: There is an expectation by the community that the pool will be open as soon as possible. There is a risk associated with all options below regarding timing of delivery of an open pool - any risk relating to time pressure, lost efficiencies, reliance on 3rd parties etc. go hand in hand with the risk of being unable to open the pool as soon as possible (in 1-2 years), with delays in pool opening resulting in community dissatisfaction.</p> <p>2. New Federal Government: The below risk assessment has been completed based on the current grant environment. However, it is unknown what the new Federal Government view on existing grants and commitment to deadlines will be, i.e. will the new government stick to the existing grant deadlines or will they provide extensions of time, etc.</p>		

Loan Value vs Loan Term (in years) and the corresponding increase in rates needed to support loan repayments

Loan Value (millions \$)	\$ 1.29	\$ 1.68	\$ 1.84	\$ 2.35	\$ 2.63	\$ 3.01	\$ 3.36	\$ 3.68	\$ 4.55	\$ 4.84	\$ 5.04	\$ 5.26	\$ 6.01	\$ 6.44
Loan Term (years)	~ % Rates increase required to fund debt repayments													
1.0	35%	46%	51%	65%	72%	83%	93%	101%	125%	133%	139%	145%	166%	178%
1.5	24%	31%	34%	44%	49%	56%	63%	69%	85%	90%	94%	98%	112%	120%
2.0	18%	24%	26%	34%	38%	43%	48%	53%	65%	69%	72%	75%	86%	92%
2.5	15%	20%	22%	28%	31%	35%	39%	43%	53%	56%	59%	61%	70%	75%
3.0	13%	17%	18%	23%	26%	30%	34%	37%	45%	48%	50%	52%	60%	64%
3.5	11%	15%	16%	21%	23%	26%	29%	32%	40%	42%	44%	46%	52%	56%
4.0	10%	13%	14%	18%	21%	23%	26%	29%	36%	38%	39%	41%	47%	50%
4.5	9%	12%	13%	17%	19%	21%	24%	26%	32%	34%	36%	37%	43%	46%
5.0	8%	11%	12%	15%	17%	20%	22%	24%	30%	31%	33%	34%	39%	42%
5.5	8%	10%	11%	14%	16%	18%	20%	22%	27%	29%	30%	32%	36%	39%
6.0	7%	9%	10%	13%	15%	17%	19%	21%	26%	27%	28%	30%	34%	36%
6.5	7%	9%	10%	13%	14%	16%	18%	20%	24%	26%	27%	28%	32%	34%
7.0	6%	8%	9%	12%	13%	15%	17%	19%	23%	24%	25%	27%	30%	33%
7.5	6%	8%	9%	11%	13%	14%	16%	18%	22%	23%	24%	25%	29%	31%
8.0	6%	8%	8%	11%	12%	14%	15%	17%	21%	22%	23%	24%	28%	30%
8.5	6%	7%	8%	10%	12%	13%	15%	16%	20%	21%	22%	23%	27%	29%
9.0	5%	7%	8%	10%	11%	13%	14%	16%	19%	21%	22%	22%	26%	27%
9.5	5%	7%	8%	10%	11%	12%	14%	15%	19%	20%	21%	22%	25%	27%
10.0	5%	7%	7%	9%	11%	12%	13%	15%	18%	19%	20%	21%	24%	26%
10.5	5%	7%	7%	9%	10%	12%	13%	14%	18%	19%	20%	20%	23%	25%
11.0	5%	6%	7%	9%	10%	11%	13%	14%	17%	18%	19%	20%	23%	24%
11.5	5%	6%	7%	9%	10%	11%	12%	14%	17%	18%	19%	19%	22%	24%
12.0	5%	6%	7%	9%	10%	11%	12%	13%	16%	17%	18%	19%	22%	23%
12.5	5%	6%	7%	8%	9%	11%	12%	13%	16%	17%	18%	19%	21%	23%
13.0	4%	6%	6%	8%	9%	10%	12%	13%	16%	17%	18%	18%	21%	22%
13.5	4%	6%	6%	8%	9%	10%	11%	13%	16%	17%	17%	18%	21%	22%
14.0	4%	6%	6%	8%	9%	10%	11%	12%	15%	16%	17%	18%	20%	22%
14.5	4%	6%	6%	8%	9%	10%	11%	12%	15%	16%	17%	17%	20%	21%
15.0	4%	5%	6%	8%	9%	10%	11%	12%	15%	16%	16%	17%	20%	21%
15.5	4%	5%	6%	8%	8%	10%	11%	12%	15%	16%	16%	17%	19%	21%
16.0	4%	5%	6%	7%	8%	10%	11%	12%	14%	15%	16%	17%	19%	20%
16.5	4%	5%	6%	7%	8%	9%	11%	12%	14%	15%	16%	16%	19%	20%
17.0	4%	5%	6%	7%	8%	9%	10%	11%	14%	15%	16%	16%	19%	20%
17.5	4%	5%	6%	7%	8%	9%	10%	11%	14%	15%	15%	16%	18%	20%
18.0	4%	5%	6%	7%	8%	9%	10%	11%	14%	15%	15%	16%	18%	20%
18.5	4%	5%	6%	7%	8%	9%	10%	11%	14%	15%	15%	16%	18%	19%
19.0	4%	5%	5%	7%	8%	9%	10%	11%	14%	14%	15%	16%	18%	19%
19.5	4%	5%	5%	7%	8%	9%	10%	11%	13%	14%	15%	16%	18%	19%
20.0	4%	5%	5%	7%	8%	9%	10%	11%	13%	14%	15%	15%	18%	19%

FUNDING OPTIONS: Complete works per quoted stages			FUNDING OPTIONS: Cap Stage 1 works to LRCI funding value		
STAGE 1	1,840,000	COMMENTS	STAGE 1	1,185,000	
Construct new buildings (plant room, changerooms, kiosk and fit out as interim gym)			Stage 1 works up to \$1.185m total cost		
<u>Utilise LRCI funds</u>			<u>Utilise LRCI funds</u>		
Use LRCI phase 3 funding prior to 30/6/23	757,000		Use LRCI phase 3 funding prior to 30/6/23	757,000	
Use LRCI phase 3 extension funding between 1/7/23 and 30/6/24	428,000		Use LRCI phase 3 extension funding between 1/7/23 and 30/6/24	428,000	
Remainder to fund	655,000		Remainder to fund	-	
Total cost of Stage 1	1,840,000		Total cost of Stage 1	1,185,000	
<u>Scenarios to fund stage 1 remaining</u>					
Scenario 1					
CSRFF grant 1/3 of project	218,333	If use CSRFF in stage 1	*note, rate rises discussed on this page are in addition to ordinary year rate rises. For example, ordinary rate rise for FY23 was 5% which would be in addition to these discussed rate rises to fund pool debt. E.g. 7% rate rise shown on this document would be in addition to ordinary 5% rise, so the annual rate rise would be 12% in that year.		
Bain 1/3 of project	218,333	would be unlikely to			
Debt 1/3 of project	218,333	receive CSRFF for stage 2			
Rate Increase to fund 20yr debt payments	0%	where its most needed			
		(higher \$ value of project)			
Scenario 2					
CSRFF grant 1/3 of project	218,333				
Debt 2/3 of project	436,667				
Rate Increase to fund 20yr debt payments	1%				
Scenario 3					
Bain 1/3 of project	218,333				
Debt 2/3 of project	436,667				
Rate Increase to fund 20yr debt payments	1%				
Scenario 4					
Bain	655,000				
Scenario 5					
Debt	655,000				
Rate Increase to fund 20yr debt payments	2%				
STAGE 2	6,725,000	COMMENTS	STAGE 2	7,380,000	
Construct main pool, refurbish existing toddler pool & fitout plant room			Finish quoted stage 1 works, construct main pool, refurbish existing toddler pool & fitout plant room		
Scenario 1			Scenario 1		
Empty the Bain Estate Reserve	5,370,000		Empty the Bain Estate Reserve	5,370,000	
(Would be unable to provide \$850k funds to Stubbs redevelopment)			(Would be unable to provide \$850k funds to Stubbs redevelopment)		
Debt funding:	1,355,000		Debt funding:	2,010,000	
Rate Increase to fund 20yr debt payments	4%		Rate Increase to fund 20yr debt payments	6%	
Scenario 2			Scenario 2		
CSRFF grant 1/3 (up to max of \$2m)	2,000,000		CSRFF grant 1/3 (up to max of \$2m)	2,000,000	
Bain 50% of remainder	2,362,500		Bain 50% of remainder	2,690,000	
Debt 50% of remainder	2,362,500		Debt 50% of remainder	2,690,000	
Rate Increase to fund 20yr debt payments	7%		Rate Increase to fund 20yr debt payments	8%	
Scenario 3			Scenario 3		
CSRFF grant 1/3 (up to max of \$2m)	2,000,000		CSRFF grant 1/3 (up to max of \$2m)	2,000,000	
Debt remainder	4,725,000		Debt remainder	5,380,000	
Rate Increase to fund 20yr debt payments	14%		Rate Increase to fund 20yr debt payments	15%	