



Shire of Donnybrook-Balingup

# Options Analysis – VC Mitchell Park

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# 1 Executive Summary

## 1.1 Background

The Shire of Donnybrook's sporting precinct at VC Mitchell Park has been in need of an upgrade for the last decade. State and Shire funding has recently been secured, along with the creation of a MasterPlan and initial buy-in from key stakeholders. In this context, the Shire has undertaken the early planning stages of this upgrade, with a view to creating an operational model that is sustainable and meets the needs of all key user groups and the wider community.

The Shire's initial vision was to develop a multi-purpose community sporting facility run as a semi-commercial operation offering hospitality and venue hire and governed by a group made up of community representatives. The original request was for a Business Plan for this proposed model of operation however, having identified limited levels of support for this governance/operational model amongst key stakeholder groups, the consultants advised it would be best to pivot from a Business Plan to an Options Analysis to better understand the most viable option. With the viability of the original operational model in question, this was identified as the best way forward in ensuring the Shire's ability to make carefully considered and well-informed decisions in relation to the governance and operation of the new facility and ensure its future sustainability.

Taking into consideration these issues, this Options Analysis was developed which identifies four governance options with associated risks and benefits outlined for each, and a detailed SWOT analysis for Shire consideration. This is followed by an overview of three operational models with the greatest potential for viability. Selection of the most optimal governance option will depend to a certain degree on the operational model that is chosen.

## 1.2 Key Findings and Recommendations

Research undertaken by ADC consultants revealed major concerns amongst some of the sporting groups around the value of a multi-purpose venue and feedback indicated only a limited number of sporting clubs were onboard with the idea of a semi-commercial operation out of the facility. Case studies in this analysis reveal the importance of committed involvement from key user groups in order to be a viable commercial enterprise. A governing committee will be hard to establish without this commitment.

A detailed competitor and market analysis also revealed a number of risks and challenges associated with a commercial enterprise, not just in terms of its viability but also the potential negative impact it may have on local small businesses who are already experiencing low profit margins. Despite a strong local economy, Donnybrook hospitality businesses struggle to stay afloat and anticipated low revenue growth is expected in the next five years. An older demographic in the LG area with lower than average disposable

income, combined with a number of similar options already on offer within close proximity, raises important questions as to the viability of this project.

In light of these findings, we recommend that the Shire considers the following three options in terms of maximum viability for this project, in order of preference:

- Blended Management Model – Shire & Key User Club; Venue Hire Model
- Blended Management Model – Shire & Representative Incorporated Association; Venue Hire Model
- Shire Managed Model; Venue Hire Model

In addition to consideration of management and operational models, we also advise against the Shire developing a 'business plan' but instead recommend the appointment of a managing group which can develop its own business and/or operational plan. This will empower the governing body and increase buy-in to the actions.

Should a commercial approach to events and/or hospitality be taken, rather than our recommended approach, then an experienced consultant working specifically in the events and/or hospitality sector should be engaged to develop a business plan and advise the governance body on the implementation of this plan.

## 2 Project Description

The original brief of this project was to provide a business plan for the operation of a community sporting facility at the Donnybrook Sporting Recreation and Events Precinct. This plan was initiated as a result of the Shire receiving significant funding from the state government to upgrade its ageing infrastructure, along with a financial commitment from the Shire. A MasterPlan was completed in 2020 and stakeholder consultation was conducted, revealing initial support for the development. However, over time, opposing views amongst key stakeholders became evident around the purpose of the facility and how it should be operated.

Initial guidance from the Shire was that the envisaged plan would have a governance structure comprised of a community-led association which would oversee the operation of the facility. The operational model would see a semi-commercial operation providing hospitality and venue hire to off-set the cost of the facility's operational costs. Although some indication was given that a high-level review of the proposed model and its viability would be required, initial thoughts were that it was the right option to move forward with and that a business plan could be prepared.

However, following initial desktop research and discussion with stakeholders, it became apparent to the consulting team that the proposed model may well not be viable and, to present a business plan following the suggested approach, might result in an unsustainable business being pursued by the Shire and any community organisations.

On our recommendation, the Shire agreed to alter the scope of work and instead undertake an Options Analysis for the governance and operations of the facility which would allow for a carefully considered and well-informed decision.

### 3 Governance Model Options

There are several management options available for this type of facility, dependent on the operational model. They include:

- Management by the Shire of Donnybrook-Balingup
- Management by a community-based organisation
- Management by a key user group (tenant)
- Blended model

Although the original intent of the Shire was to support the formation of a community-based organisation to take responsibility for overall governance and operations of the facility, based on stakeholder feedback during this process it seems unlikely that such a group could be easily formed. The responsibilities of managing this centre if it was to operate on a commercial basis are significant and it may not be reasonable to expect a volunteer body to take on this level of risk. Each governance model is discussed here with recommendations made later in the report based on all facets of this options analysis.

#### 3.1 Management by Local Government

Under this model, the Shire assumes total responsibility for governance. Local government has existing resources and experience in human resources, financial, risk and asset management. The facility would be managed as per any other community facility in the Shire. This gives the highest level of control for the Shire but may not result in maximised club engagement or commercial opportunities.

The Shire should consider appointing an advisory committee, with membership drawn from user groups and the broader community to guide any operational decision making to align operations with community needs and preferences.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• High degree of LGA control.</li><li>• Opportunity to maximise focus on recreational and community benefit, diversity of usage and access to precinct.</li><li>• Leverage other events and opportunities.</li><li>• LGA has existing resourcing in HR, financial, risk, asset management policies and processes.</li><li>• LGA has existing maintenance and operational expertise.</li></ul>	<ul style="list-style-type: none"><li>• LGA needs to allocate staff resources for the governance of facility.</li><li>• LGA ultimately responsible for all decision making and outcomes of these decisions.</li><li>• May not be able to exploit all commercial opportunities (for example, it would be difficult to operate in competition with existing local hospitality providers).</li><li>• Could jeopardise sense of ownership amongst volunteers and community groups</li></ul>

	<ul style="list-style-type: none"> <li>• Could put an added strain on the Shire’s limited resources which they will need divert away from other core projects identified in their Strategic Community Plan.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Potential to transition to another governance model in future if context changes.</li> <li>• Appoint advisory committee to provide community-based guidance on governance.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential loss of volunteers.</li> <li>• Potential disengagement of existing user groups.</li> <li>• Potential disagreement with user groups over governance decisions.</li> </ul>

### 3.2 Management by Community-Based Committee

An Incorporated Association could be created to govern the strategic direction and operations of the facility. If this option was pursued, the committee would ideally be a representative cross-section of facility user groups, along with community members who possess the skills sets required to make well informed decisions (for example, financial expertise, people management capabilities, business decision making skills).

The Shire should retain responsibility for maintenance of the building and capital equipment as it would be unlikely sufficient revenue could be generated to cover these costs and would provide certainty about the standard of maintenance of the facility.

This approach would more easily allow for the pursuit of commercial activities (for example, developing a hospitality venue or running events) however these opportunities would need to be identified and pursued by the management committee rather than at the direction of the local government. It is not recommended that the Shire direct the committee to operate a commercial venture as the Incorporated Association should be the entity taking responsibility for developing any business concept and ensuring its likely viability based on their risk appetite.

While this approach would reduce the Shire’s exposure to financial risk to some degree, ultimately the Shire would need take responsibility for management of the facility if the Incorporated Association was no longer viable or functional.

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>• High-degree of community input into governance and operations.</li> <li>• Offers a democratic way to manage club, with all groups having an equal say.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced LGA control.</li> <li>• LGA needs to allocate staff and financial resources for the ongoing maintenance of building.</li> </ul>



<ul style="list-style-type: none"> <li>• Strong understanding of tenant priorities and issues.</li> <li>• Opportunity to maximise focus on recreational and community benefit, diversity of usage and access to precinct.</li> <li>• Leverage other events and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• LGA needs to underwrite any potential losses.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Potential to pursue commercial activities to activate space and develop income stream for incorporated association.</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty attracting suitable management committee members.</li> <li>• Difficulty gaining consensus on key issues within the committee</li> <li>• Disagreement between committee and Shire on governance matters.</li> </ul>

### 3.3 Management by Key Tenant Club

Very similar to model outlined previously, a key tenant club could be appointed to govern and operate the facility. An important distinction between the key tenant club approach compared to a community-based association is the risk that there could be a perceived or actual conflict of interest on the part of the tenant club when making decisions about the facility. When developing a lease agreement, consideration should be given to managing this issue through specific lease/licence conditions.

### 3.4 Blended Model

This model would see the Shire retain responsibility for management of sports ovals (including leases, licences, seasonal bookings and casual hire) using existing processes and systems. Either an Incorporated Association representing user groups, or a key tenant club would be responsible for managing the new facility (at a minimum, taking bookings for use but potentially establishing some form of enterprise/revenue generation activities at the facility).

This model has similar strengths, weaknesses, opportunities and threats as described above, but noting that this approach reduces some administrative burden on the governing entity and lessens the risk of booking conflicts as the Shire already has established systems in this area.

## 4 Operational Model Options

Three options and their potential benefits and risks are discussed here. Ultimately, a decision about which option should be pursued cannot be made until a firm decision about the governance model is made and the people involved in this have the opportunity to decide on the best model of operation, based on both viability and their willingness to oversee the selected approach. The three options considered here are:

- In-house hospitality (run by employees);
- Outsourced hospitality (either a third-party operated café/bistro or a range of catering providers); or
- Facility hire only (kitchen and meeting space for hire).

### 4.1 In-House Hospitality

#### 4.1.1 Model Overview

This model involves the governing group taking responsibility for employing a chef/cook and kitchen staff to offer a bistro/café service, along with being able to cater for events.

This approach offers the benefit of retaining the profit from meal services and a higher degree of control over the quality of service. It also comes with greater risk (requiring the attraction of suitably skilled staff and a need to attract sufficient patronage to justify their positions, and at the same time, the risk of a lean team which would struggle with backfilling in the instance of staff absences).

Given the staffing challenges many hospitality venues are experiencing in the South West, it may be difficult to attract and retain suitable staff at this time, particularly if competing with commercial venues offering high rates of pay and full-time hours.

It is also difficult to be sure there would be sufficient demand to justify the establishment of this business concept. Considering the Market Analysis later in this document, it would seem that this approach would be relatively risky.

Consideration should also be given to the willingness of any governing group to be responsible for the establishment and on-going operations of what is essentially a hospitality business. Most businesses fail within five years, even when those people involved in the business are highly financially motivated for them to succeed. In this instance, a disparate group of people would be asked to come together and establish an enterprise in an area they likely know little about with no financial gain for themselves.

#### 4.1.2 Anticipated Staffing Requirements

Job Title	Allocated Hrs	Expected Staff Turnover	Required Skill Set
Manager	1 FTE	4-5 years	<ul style="list-style-type: none"> <li>Managing a recreational facility</li> <li>Experience in the hospitality industry</li> <li>Previous customer service training and experience</li> <li>RSA certificate</li> <li>Skills in event management</li> <li>Staff management skills and experience</li> </ul>
Administration Assistant	0.5 FTE	3-5 years	<ul style="list-style-type: none"> <li>Strong computing, organizational and customer service skills</li> </ul>
Marketing/Business Development Officer	0.5 FTE	2-3 years	<ul style="list-style-type: none"> <li>Experienced events/venue promotion</li> <li>Social media marketing, graphic design, web design and maintenance</li> </ul>
Bar Manager	1 FTE	2-3 years	<ul style="list-style-type: none"> <li>Experience managing bar</li> <li>RSA</li> <li>Police Clearance</li> </ul>
Chef	1 FTE	2-3 years	<ul style="list-style-type: none"> <li>Training as a qualified chef</li> </ul>
Kitchen staff	Casual – 1 FTE equivalent	2-3 years	<ul style="list-style-type: none"> <li>Experience in the hospitality industry</li> <li>Willingness to work and learn</li> </ul>
Cleaner	0.4 FTE	3-4 years	<ul style="list-style-type: none"> <li>Cleaning experience</li> <li>Police Clearance</li> </ul>

#### 4.1.3 SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>Modern, well-appointed space.</li> <li>Managing body likely to be motivated to generate a profit to support their organisation.</li> <li>Revenue generation through hospitality sales (regular meal services).</li> <li>Venue hire for weddings, seminars, workshops, conferences, etc (noting accommodation constraints).</li> </ul>	<ul style="list-style-type: none"> <li>High operating costs.</li> <li>Limited local population/target market.</li> <li>Loss of key target markets due to limited visitor accommodation.</li> <li>Volunteers managing paid positions in complex business.</li> <li>Potential difficulties in securing qualified staff.</li> <li>Staff unable to secure appropriate accommodation in the area.</li> <li>Away from CBD area of Donnybrook, unlikely to gain passing trade.</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Reduce staffing costs by utilising volunteers.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential cash flow issues caused by seasonality.</li> <li>• Perception of competing with established local businesses on an uneven footing.</li> <li>• Marketing not sufficiently professional and compelling to attract business.</li> <li>• Management committee do not closely oversee operations and service is not of a high standard.</li> <li>• Management committee lack the expertise to manage a business is this nature.</li> <li>• Close proximity to corporate function facilities and similar community facilities in Bunbury and Busselton with more accommodation options.</li> <li>• Uncertainty of ongoing trading capability created by COVID restrictions.</li> </ul>

## 4.2 Outsourced Hospitality

### 4.2.1 Model Overview

This model could see either the leasing of the kitchen and event space to a business, with the third-party operating a café/bistro, or using a range of catering providers to meet the needs of regular patrons and event hosts. The governing body would be responsible for attracting bookings for the facility, and potentially hosting events themselves.

This option has the benefit of reducing the risk to the governing body by removing the need to operate this arm of the business, however there would be the associated loss of the opportunity to profit from meal sales if outsourced (with a fair lease payment being significantly less than the probable profit). There is also the risk of either not being able to find a suitable provider, having providers turnover quickly if unable to make a profit or having a provider whose quality of service does not meet the expectations of the Shire.

If the hospitality provider identified that its business model depended on the sale of alcohol to operate profitably, this approach could present problems for sporting groups who rely on bar sales to remain viable, and an arrangement would need to be made between them.

#### 4.2.2 Anticipated Staffing Requirements

Job Title	Allocated Hrs	Expected Staff Turnover	Required Skill Set
Manager	1 FTE	4-5 years	<ul style="list-style-type: none"> <li>Managing a recreational facility</li> <li>Experience in the hospitality industry</li> <li>Previous customer service training and experience</li> <li>RSA certificate</li> <li>Skills in event management</li> <li>Experienced events/venue promotion</li> <li>Staff management skills and experience</li> </ul>
Administration Assistant/Marketing support	0.5 FTE	3-5 years	<ul style="list-style-type: none"> <li>Strong computing, organizational and customer service skills</li> <li>Social media marketing, graphic design, web design and maintenance</li> </ul>
Bar Manager	1 FTE	2-3 years	<ul style="list-style-type: none"> <li>Experience managing bar</li> <li>RSA</li> <li>Police Clearance</li> </ul>
Cleaner	0.4 FTE	3-4 years	<ul style="list-style-type: none"> <li>Cleaning experience</li> <li>Police Clearance</li> </ul>

#### 4.2.3 SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>Modern, well-appointed space.</li> <li>Managing body likely to be motivated to generate a profit to support their organisation.</li> <li>Venue hire for weddings, seminars, workshops, conferences, etc (noting accommodation constraints).</li> <li>Reduced risk to managing body by removing hospitality component of model.</li> </ul>	<ul style="list-style-type: none"> <li>High operating costs.</li> <li>Limited local population/target market.</li> <li>Loss of key target markets due to limited visitor accommodation.</li> <li>Volunteers managing paid positions in complex business.</li> <li>Potential difficulties in securing qualified staff.</li> <li>Staff unable to secure appropriate accommodation in the area.</li> <li>Away from CBD area of Donnybrook, unlikely to gain passing trade.</li> </ul>
OPPORTUNITIES	THREATS

<ul style="list-style-type: none"> <li>• Reduce staffing costs by utilising volunteers.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential cash flow issues caused by seasonality.</li> <li>• Perception of competing with established local businesses on an uneven footing.</li> <li>• Marketing not sufficiently professional and compelling to attract business.</li> <li>• Unable to secure and/or retain a hospitality provider.</li> <li>• Management committee do not closely oversee operations and service is not of a high standard.</li> <li>• Management committee lack the expertise to manage a business is this nature.</li> <li>• Close proximity to corporate function facilities and similar community facilities in Bunbury and Busselton with more accommodation options.</li> <li>• Uncertainty of ongoing trading capability created by COVID restrictions.</li> </ul>
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### 4.3 Facility Hire Only

#### 4.3.1 Model Overview

This model would involve the hire of the facility and kitchen by community and commercial groups. Staffing requirements would be low, with the Shire managing bookings. Priority would need to be given to sporting clubs around their fixtures.

It is suggested that the kitchen should be equipped with a modest range of equipment, crockery, glassware and cutlery to allow hirers to have most of what would be required to run a budget event (for example, birthday celebration, small conference, community meeting, workshop).

When setting fees, consideration should be given to pricing for use of function room only, function room and kitchen and whether or not the hirer will be responsible for pack down and cleaning at the end of the hire period (noting that leaving cleaning to the hirer means that there is lower level of control over the quality of this work and the managing body may still need to check and re-clean the venue after use).

There is the potential for the governing body to provide catering, set up and cleaning services, either by paying for services or using volunteers.

### 4.3.2 Anticipated Staffing Requirements

This model would have very modest staffing requirements, particularly if a well-thought-out online booking system was established to reduce the administrative burden of processing bookings. The governing group may choose to manage the booking process using volunteers or outsource to a paid position – if the latter was chosen, the hire fee would need to take this cost into account.

### 4.3.3 SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Modern, well-appointed space.</li> <li>• Managing body has the option to run events and/or promote the use of the facility to generate a profit to support their organisation.</li> <li>• Venue hire for weddings, seminars, workshops, conferences, etc (noting accommodation constraints).</li> <li>• Reduced risk to managing body by removing hospitality component of model.</li> <li>• Low operating costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited local population/target market.</li> <li>• Loss of key target markets due to limited visitor accommodation.</li> <li>• Away from CBD area of Donnybrook, unlikely to gain passing trade.</li> <li>• Hirers do not leave venue in an acceptable standard.</li> <li>• Volunteers may feel burdened by the need to undertake more hands on roles necessitated by lower income generation.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Reduce staffing costs by utilising volunteers.</li> <li>• Established professional and highly automated online booking system.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential cash flow issues caused by seasonality.</li> <li>• Very low demand for bookings.</li> <li>• Unexpectedly high demand for bookings places stress on volunteers</li> <li>• Management committee do not closely oversee operations and service is not of a high standard.</li> <li>• Management committee lack the expertise to manage a business is this nature.</li> <li>• Close proximity to corporate function facilities and similar community facilities in Bunbury and Busselton with more accommodation options.</li> <li>• Uncertainty of ongoing trading capability created by COVID restrictions.</li> </ul>

## 5 Case Studies

### 5.1 Pingelly Recreation and Cultural Centre

The Pingelly Recreation and Cultural Centre (PRACC) was established in 2019 and is a multipurpose building offering year-round sport, recreation, cultural and community activities.

#### KEY FEATURES

- Bar
- Bistro
- Multiple function and meeting rooms
- Regional sports games, large functions, conferences, visiting services and emergency evacuation centre, playgroups, corporate and charity challenges, school holiday clinics, arts performances
- Synthetic tennis courts
- 10 rink bowls green
- Sporting oval
- Sports hall (basketball, netball, badminton, volleyball)
- Gymnasium

#### MANAGEMENT STRUCTURE

The PRACC is a not-for-profit organization managed and run by a board made up of three community representatives, three sporting club representatives, one shire representative and three independent representatives. The sporting clubs can, but are not obliged to, nominate someone from their club. This member's role is to represent sporting clubs in general, not just their own. Each of the sporting and community groups must be affiliated with the PRACC through the holding of a current MOU to nominate a representative for election.

The Shire CEO and Centre Manager attend all board meetings however, they do not have voting rights. The board is split into two and three-year terms for all representatives to prevent members exiting at the same time. PRACC staff report that this model is working well and covers a range of groups within the community

The PRACC board is responsible for all expenses related to the facility and employs a Centre Manager who oversees the facility's management and operations. This position's salary is funded by the Shire. The Shire is also responsible for everything outside of the building, whilst the PRACC pays for everything within the facility. They also share the costs of the lighting towers on the oval.



## **OPERATIONS**

The PRACC office is open every day of the week for bookings if required (Mondays and Tuesday are quiet). The bar and bistro are open Thursday–Saturday evenings for meals and bar, with lunch available on Sundays. They also open for functions on other days when required.

The Centre has its own till system and every member scans their own card. This has the added benefit of allowing Centre staff to track patronage levels and determine which clubs are offering the most support to the Centre.

The PRACC has a POS system along with using STARTEC from Unlimited Tec. This service is simple to use and allows for the creation of member cards which are swiped upon entry. This translates into ‘points’ which allow Centre staff to gauge how much each club supports the PRACC in terms of business. This program covers everything from members, stock sold and received, accounts for sporting groups and generates reports for both kitchen and bar, based on sales of stock. Staff have found Unlimited Tec to be excellent to deal with and issues are resolved promptly. Xero is used for accounting purposes.

## **EMPLOYEES**

All staff are employed by the PRACC itself and managed by a full time Centre Manager who oversees the management of all staff, bookings, and facility operations. The Shire funds the Manager’s salary and all other staff are funded by the PRACC.

Finding staff can be an issue for smaller towns, but this hasn’t been a problem for the PRACC thus far. They were able to source a chef from a recruitment agency for whom they initially provided housing but has now recently found her own accommodation. A main bar employee is employed most weekends with the other bar staff.

In addition to its staff, the PRACC also engaged a group of volunteers who assist in the kitchen and bar for large events on an as needs basis. Noteworthy is the fact that employing a Manager who is a local has been a key success factor in the PRACC’s ability to gain support and cooperation from the wider community and key stakeholders. Given the varied level of existing support amongst the sporting community in Donnybrook in relation to its proposed Centre, this is an important factor to take into consideration as the ‘right’ person may help to garner additional support and draw more interest and involvement in the facility.

## **INCOME GENERATION**

All of the sporting and community groups pay an MOU fee for the use of the facility of \$5000. Additional income is generated from the hire out of rooms for meetings, funerals, weddings and various other events. Income from its bar and bistro are key income generators.

The club holds the liquor license which means that membership is required in order to drink on the premises. Revenue from alcohol goes directly to the PRACC where it is used for equipment and facilities replacement or funding specific club needs.

PRACC Membership fees are charged on an annual basis of \$50 per person. Corporate and non-member rates are offered as well as discounted hire fees for members and community groups.

## **USAGE**

It is very rare for the PRACC to have a week where there is not a function. Although COVID has had some impact, the Centre is getting increasingly busier. Weekends usually consist of sporting groups utilising the Centre. Winter sporting teams play in different associations and on different days. Whilst they try to line up their fixtures, this does not always happen.

The PRACC benefits from its affiliations with the following groups who are key user for meeting venue hire, sporting grounds usage or dinner group bookings:

- Pingelly CRC
- Shire of Pingelly
- Bendigo Bank
- Pingelly Somerset Alliance
- Pingelly Primary School
- Pingelly Panther Netball Club
- Pingelly Bowling Club
- Brookton Pingelly Football Club
- Pingelly Tennis Club
- Pingelly Noonebin Cricket Club
- Pingelly Hockey Club
- Pingelly Tourism Group
- Apex & Masonic Lodge
- Book Clubs
- Narrogin Dance Studio
- Stay on Your Feet Group

## **EVENT BREAKDOWN (over 12 months):**

The PRACC holds one major function every 3 months, with a variety of smaller functions held throughout the month. Over the previous 12 months the following events have been held, resulting in an overall profit of \$15,000:

- 2 weddings
- 25 funerals
- 75 meetings/forums

- 24 windups/functions
- 1 WAFL Game
- 1 WANL Game
- Local sporting games most weekends

## **KEY CHALLENGES**

Community members paying a membership: Whilst they have previously paid the same at the bowling club or golf club, it has been difficult to get people to understand why they must pay the membership fee.

Community and sporting groups losing their bar proceeds: Sporting groups no longer receive proceeds from bar sales as the PRACC now holds the license. Although this was a concern early on, the clubs have accepted it and realised that the benefits they have gained (eg. no longer paying for utilities, cleaning, and maintenance/upkeep of their club rooms) outweigh the loss of bar sales.

*Example: The football club has two venues and pays someone to run their bar in Brookton. They report finding it much easier not having the hassle of stacking, storing, running, packing away the bar particularly as volunteer numbers are decreasing and it ends up being the same few people doing the majority of the work.*

There still exists some resistance in town to the venue but membership has steadily grown to over 500.

After three years in operation, the Centre is only just profitable but COVID impacts have influenced this outcome. However, business is steadily growing as the Centre becomes increasingly busier. It should be noted that the PRACC views itself as being 'profitable' however the Shire covers the wages of the manager and some other costs of operation so in reality, the business model is not profitable.

## **BENEFITS**

PRACC staff agree that one of the biggest advantages has been having a community hub where all community and sporting groups can come together. This has proven to make good business sense.

In contrast to the previous sporting environment where everyone was segregated, the Centre has created a much stronger sense of community, with greater volumes of people coming through for things like canteen and dinners. The Centre is now attracting groups and visitors from neighbouring towns for functions or just people bringing their families for meals. Whilst many of the clubs still have a canteen, they have found it to be more efficient and cost effective to let the PRACC do the dinners due to the difficulties in finding volunteers who are available for both.

The MOU fee of \$5,000 allows the clubs to essentially ‘walk in and walk out’ of the PRACC without outlaying any further fees or charges.

The PRACC has allowed the town to attract more state-based events such as WAFL and WANL fixtures during 2021. Both events were very successful for the community and the facility continues to attract more and more regional events which promotes the town and boosts the local economy.

## **RECOMMENDATIONS**

When reflecting on their recommendations for any LGA considering a similar approach, advice was that community and sporting groups need to work together to ensure the Centre achieves its fullest potential and that community consultation was vital.

### **5.2 Harvey Leschenault Leisure Centre**

The Lechenault Leisure Centre is a modern leisure complex locate in Australind, servicing a population in Australind of 14,537 along with the surrounding communities.

#### **KEY FEATURES**

##### **Leschenault Leisure Centre (LLC)**

- 25m lap pool with 8 lanes (heated)
- Leisure Lagoon Pool (heated)
- Spa pool (heated)
- Steam room
- Café
- Swim school
- Health and fitness centre
- Gym floor with 400sqm of space
- RPM room
- Group fitness room
- Team sports available throughout the year
- Seasonal adult sports and junior sports running in term four of each school year

##### **Leschenault Sporting Association (LSA)**

- Family friendly community venue
- Restaurant
- Dine in or Take Away
- Licensed bar facilities
- Discounts available to members
- Club restricted license

- Non-members dine in as guests and can purchase alcohol in the restaurant but must sign in on guest register
- \$1 membership fee
- Members scan their cards with purchases to earn points and save 5%
- Open Wed-Saturdays

## **MANAGEMENT STRUCTURE**

The Leschenault Leisure Centre (LLC) is owned and operated by the Shire of Harvey. The Leschenault Recreation Park (LRP) is 19.5 hectares of land devoted to existing and future playing fields and recreation facilities. The Leschenault Pavilion, located on the LRP grounds, is owned by the Shire and leased to a Sporting Association managed by a Board made up of representatives from six associated clubs based at the LRP. Their aim is to provide a safe, welcoming and affordable venue for families.

The LSA is a Board made up of representatives from associated sporting clubs. While they do have specialists on the Board, the club representatives have backgrounds in business and accountancy and are providing significant expertise to the committee.

The Board originally was trying to operate the facility with a mixture of club volunteers and a paid manager for food and beverage. This model struggled initially while the clubs remained uncommitted and unsure of the viability and the return on investment in the early stages. The foundation clubs each contributed between \$5000 and \$8000 to buy into the association and the most recent entry was \$10,000.

## **OPERATIONS**

As the business has grown and with some continued support from the Shire of Harvey, the past 2 years have seen the LSA operation reach profitability and this past year were able to return the first dividend to the clubs as part of a profit-sharing arrangement.

Special Software: Although improvements to software have been an issue in the past, IdealPOS seems to be working well in terms of managing membership, customer loyalty, bookings and sales including online food ordering.

## **EMPLOYEES**

The permanent staff now extends to a Chef/Manager and a Functions/Promotions/Bar Manager and a number of paid casuals for food and beverage service. Preference for staff is given to club members and players as well as a number of volunteer functions hosted by the member clubs each year as a way to raise funds for the club and utilise the resource.

Securing adequate staff, particularly in summer when the Pavilion is traditionally less busy with game day patrons, has been a constant issue. However, the LSA is in regular

communication with the clubs and seeks assistance if needed and they have been very responsive with their support.

Turnover is always high and will continue to be so therefore, it is important to keep the clubs (particularly their junior members and players) interested in participation.

## **INCOME GENERATION**

The LSA actively promotes itself to target markets including corporate functions, conferences, birthdays and training sessions for local businesses such as Albemarle, Alcoa, and the Shire of Harvey. This has been a big reason for its success to date.

A number of fundraisers by each of the clubs is allowed throughout the year and this brings in a regular income and some buy-in from the clubs. The LSA also runs a regular Thursday darts competition and karaoke on Fridays throughout the winter. Venue hire accounts for about \$10-12K per annum of revenue. Bar and food sales provide the balance (total of \$530K per annum).

## **USAGE**

The facility promotes family values and club participation through annual membership which has been reduced to \$1. This has significantly increased the club and local community usage and database, which has ensured the viability of marketing and promoting on a wider community basis.

In the past 12 months, the facility has hosted approximately 20 major functions. Including the kiosk and functions, the facility has approximately 900 attendees on average per week depending on the season which equates to 17,000 per annum. Winter sports, particularly Friday and Saturday with Junior soccer and AFL Auskick, accounts for two thirds of this number.

## **EVENT BREAKDOWN**

- Mother's Day Buffet
- Quiz Nights
- Special functions for other clubs and associations
- News Year's Eve Parties

## **KEY CHALLENGES**

The most challenging issue from the start was commitment from the clubs and a lack of awareness of the venue amongst the wider community. A revised constitution altered the membership conditions to be more user friendly, making it easier to market and promote the venue to the community and more inviting for club members to bring invited guests.

The LSA has adopted a far more flexible format as a result of the COVID 19 closures and this has carried over to everyday operations. The biggest challenge now will be capacity to host larger events and meet the demand from the growing clubs and association users of the LRP. The LSA has a great working relationship with the Shire of Harvey and has been able to respond well to demand.

## **BENEFITS**

Two of the most effective parts of the business have been the ability to respond to growing numbers of clubs and associations wanting to use the venue after training and fixtures and the Pavilion's capacity to host corporate and large functions which supplements the quieter summer period when cricket is essentially the only organised sport.

## **RECOMMENDATIONS**

The LLC's recommendations were to be prepared for a gradual uptake from the community – particularly if alternatives exist. They found it important to promote the family values and the relaxed atmosphere to club members. For example, the LSA has a group of 10-12 school principals and teachers (who also happen to be coaches, players and parents) that meet every Friday evening for a social gathering in a welcoming environment.

They also highlighted the importance of maintaining the quality of venue presentation and a strong board meeting regularly to track developments and communicate with clubs. They highly recommend commitment from Council to maintain the ongoing asset maintenance and a sport and recreation strategy that supports the model so that the association can become self-reliant. For example, Council has an annual budget to maintain the building and also assisted the LSA with an upgrade to the kitchen in response to the additional food and beverage requirements (Council recognised the original design of the kitchen did not support a commercial model).

### **5.3 Bunbury South West Sports Centre**

Although very different to Donnybrook's proposed facility in terms of size and scale, the Bunbury South West Sports Centre is a notable competitor in terms of its product and service offerings, some of which will compete directly with the Donnybrook facility – particularly its venue hire offerings. Owned and operated by the City of Bunbury, the centre is one of the largest in WA.

The centre offers a suite of services including fitness programs, venue hire, indoor and outdoor sports, and a 50m pool. Its venue hire facilities include a group meeting room and a creche space that can also be used for meetings or workshops. It has capacity for 20 people and the size of this room is 7m x 5m. Room pricing is \$35 per hour and includes tables and chairs, a lectern, projector and screen, whiteboard, air conditioning and heating, and lift access.

Its creche hire includes tables and chairs, a climbing gym for children aged 7 years and under, and baby change facilities. Creche Pricing is \$60 per hour commercial and \$44 per hour private/individuals.

The Centre also offers a function room suited for larger meetings and presentations, with capacity for 100 people and access to kitchenette facilities. It is worth noting that this particular room has also been used as accommodation for events, something worth considering given the limited accommodation available in Donnybrook. Function room hire is \$47 per hour.

Its café provides a catering service for functions including a Hot Platters Package (\$12.50 pp), a Cold Platters Package (\$12.50 pp), Gourmet Platters Package (\$16.50 pp), Sweet Platter Package (\$13.50 pp), Healthy Platters Package (\$15.50 pp), All day catering (\$25.50 pp), Morning/afternoon tea (\$9.50 pp), beverages (\$4 pp) and snacks (from \$15).

The sports stadium is also available for sports and larger events/expo bookings at a cost of \$41.70 per court per hour (off-peak) and \$53.70 per court per hour (peak).

In addition to this, the Hay Park Sports Precinct offers grounds and sporting facilities for an array of sporting groups, carnivals and events on a seasonal or casual basis. Applicable hire fees are determined by Council as are as follows:

- \$500 minimum bond
- Function room hire (half of pavilion): \$22.50 per hour for sporting group/community group/not for profit and \$31.25 per hour for commercial/private group.
- Kitchen/Kiosk Hire (Half of Pavilion): \$27.50 per hour for sporting group/community group/not for profit and \$32.50 per hour for commercial/private group.
- Kitchen, Bar and Function Room Hire (half of pavilion): \$37.50 for sporting group/community group/not for profit and \$43.75 per hour for commercial/private group.
- Rates that include the hire of bar hire facilities do not include any liquor licencing that may need to be obtained.



## 6 Market Analysis

### 6.1 Market & Industry Overview

The Shire of Donnybrook Balingup has a strong local economy and is one of the fastest growing rural Shires in the Warren Blackwood region.<sup>1</sup> The Shire contains the towns and settlements of Donnybrook, Argyle, Balingup, Brookhampton, Grimwade, Kirup, Lowden, Mullalyup, Newlands, Noggerup and Yabberup.

Donnybrook is located approximately two hours from Perth and 30 minutes from Bunbury in the South West region of Western Australia.

The population of the Shire of Donnybrook Balingup is 5,870. Children aged 0-14 years make up 19.2% of the population, with 14% being made up of people aged 65 years and over. The median age is 47 years compared to the Australian average of 37.4 years<sup>2</sup>.

The Warren Blackwood region has a population of 39,028 with a median age of 45 years. The unemployment rate is 5.4% and the median weekly household income is \$1,104 in comparison to the WA median of \$1,595.

The hospitality industry is notoriously challenging and with low profit margins (currently at around 2.9%) with low revenue per employee and high capital requirements, with these weaknesses further compounded by historically very low revenue growth (2005-2021) and anticipated low revenue growth in the coming five years<sup>3</sup>.

IBISWorld<sup>4</sup> identifies key drivers in the sector will be:

- Increased demand is expected for fast food and takeaway food services, reflecting busier lives (placing downward pressure on demand for restaurants).
- Increased awareness of health issues associated with poor diets and obesity, opening opportunities for health alternatives (and placing further downward pressure on demand for restaurants that do not offer healthy options).
- Household discretionary income is a key factor in restaurant dining, with this income predicted to decrease in at least 2020-21 due to the impacts of the COVID-19 pandemic.
- Average weekly hours worked positively influences spending at restaurants, with busy consumers increasingly favour eating out rather than cooking at home. Average weekly hours worked are expected to rise in 2020-21.

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<sup>1</sup> *Live, Love Warren Blackwood: Your Place to Call Home*, Southwest Development Commission

<sup>2</sup> Australian Bureau of Statistics 2016 Census

<sup>3</sup> Reeves, M. (June 2021). *Industry Report: Restaurants in Australia*, IBISWorld

<sup>4</sup> Oo, Suzy. (September 2021). *Industry Report: Restaurants in Australia*, IBISWorld

- The consumer sentiment index measures peoples' feelings about their current financial situation and overall economic conditions. When sentiment is positive, consumers are more likely to dine out, and when negative, households are more likely to save money by cooking at home more often. The consumer sentiment index is expected to fall but remain positive in 2021-22.

Consumer spending patterns have also favoured cheaper dining options, with patrons typically avoiding higher margin items such as entrees, desserts and beverages, resulting in downward pressure on profit margins. The sector has responded by reviewing menus, reducing portion sizes, increasing take-away options and moving to a part-time and casualised workforce.

Profit margins for SME restaurants are lower than the overall restaurant industry – lacking the ability of large competitors to benefit from economies of scale. Pandemic restrictions, along with the associated decreased tourism and domestic consumption, has further challenged these low margin businesses that rely on high volumes to drive profit.

Purchase costs for SME restaurants have also increased over the last five years, at the same time the industry is highly competitive which has led to operators minimising price rises, so increasing purchase costs for meal inputs has further constrained profit margins. Restaurants have implemented stricter cost controls and minimised waste by reducing stock on hand to avoid large inventories and expired food.

IBISWorld assesses that, in Q1 2021/22, the industry volatility is medium, and the level of regulation is medium (with the industry being moderately regulated). There are low levels of industry support from government, with no significant government assistance available.

## 6.2 Local Competition

If the facility was to be pursued as a commercial hospitality venue, consideration would have to be given to the impact it would have on existing local businesses and how these would affect the viability of the centre. Given the population size of Donnybrook (5,870 in the Shire and around 2,800 in the townsite) and that the average household income is around \$500 less than the average Western Australian income, it may suggest that the market is well-serviced by the current options when it comes to general hospitality.

There are few options in the townsite for events (meetings, conferences, parties), other than the town hall (generally unsuitable) although the Donnybrook Hotel's website suggests they are planning on making event space available in the future. Currently the football club regularly hosts functions such as wakes and birthday parties, with the club providing catering and bar services in some instances as a way to generate income.

Current hospitality options in Donnybrook include:

- Donnybrook Riverside Restaurant and Café – open 11am-2:30pm and 5pm-9pm Monday to Thursday, 8am-2:30pm and 5pm-9pm Friday to Sunday. Offers a range of mixed cuisines (pizza, pasta, parmigiana variations, burgers, sandwiches, seafood, steaks, kids’ options). 4.4 star Google rating based on 86 reviews.
- Donnybrook Hotel – open 7 days for lunch and dinner. Offers standard range of pub fare. Website indicates planning to offer function hire facilities in future. 4.2 star Google rating based on 525 reviews.
- Village Harvest Restaurant – Closed temporarily in December 2021, yet to reopen. When previously trading open 11:30am-2:00pm Wednesday to Sunday and 5:30pm to 9:00pm Wednesday to Saturday. Serving Asian style menu. 4.6 star Google rating based on 84 reviews.
- Donnybrook Motel – open 7:30am-9:00am and 6pm-7:30pm daily. Standard regional hotel fare, mostly catered to hotel guests. 4.7 star Google rating based on 110 reviews (noting most reviews are in relation to the accommodation, although breakfast options receive positive comments).
- Café Tiffanys – open 8:30am-2:30pm daily. Provides typical modern café options. 4.5 star Google rating based on 274 reviews
- Park Café – open 8:00am-3:00pm Wednesday to Monday. Provides typical modern café options. 4.1 star Google rating based on 21 reviews.
- Café 48 – open 7:30am-2:30pm Monday to Saturday. Provides typical modern café options. 3.2 star Google rating based on 9 reviews.
- Orchard Café – open 5:00am-1:00pm Monday to Friday, 7:00am-2:00pm Saturday and Sunday. Provides typical modern café options. Drive-thru and café seating options. 4.3 star rating based on 20 reviews.

### 6.3 Event Space/Venue Hire Competition

Although Donnybrook itself has very limited options in terms of event space/venue hire, it is in close proximity to a wide range of options that are set up specifically to cater to this market. Additionally, many of these locations have a wide range of accommodation options and tourist attractions to make hosting longer events such as multi-day conferences more appealing.

There are also a wide range of options of basic hall/community space style venues available to hire within the sub-region which may not appeal to Donnybrook residents, but when an external hirer is looking for venue options (for example, government agency running a workshop, corporate entity delivering an industry briefing) these may provide a suitable alternative to a solution in Donnybrook.

LOCATION	VENUE DETAILS
Bunbury	Wide range of sophisticated and professional options operated as fully-fledged businesses, with ample local

LOCATION	VENUE DETAILS
	accommodation. Additional budget options available through local government venues and smaller not-for-profits.
Busselton	Wide range of sophisticated and professional options operated as fully-fledged businesses, with ample local accommodation. Additional budget options available through local government venues and smaller not-for-profits.
Various halls and meetings spaces in Boyanup, Collie, Australind, Brunswick, Harvey and Nannup	Range of options from small meetings to 200+ people, with some options having kitchen services.
Various boutique event venues across region	Range of wineries, breweries and accommodation providers with venue space for quality events.

## 6.4 Comparative Viability

Sports Centres create flexible multi-use facilities in order to bring the greatest range of benefits for communities. Co-location and management of facilities provide greater flexibility for opportunities and builds stronger community and connection<sup>5</sup>.

As part of the early research process underpinning the development of this project, the Shire of Donnybrook-Balingup and stakeholders visited a range of similar facilities across the Wheatbelt, South West and Great Southern. From these visits, the Shire felt that a hospitality venue as part of this precinct was a viable option, based on the information provided to them by these venues.

As part of our engagement, our team also conducted two detailed case studies provided below, had some high-level discussions with other locations and completed some online research into other services. These case studies raised concerns for us with regards to the real viability of this approach in Donnybrook.

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<sup>5</sup> Government of South Australia, Office for Recreation, Sport and Racing (2018) *How to Plan for a Community Recreation and Sports Hub – Guide*.

A further concern could be the lack of ‘skin in the game’ needed to motivate a traditional enterprise to make a business model work. If a private enterprise established a hospitality or events venue, they would be very motivated to turn a profit quickly and remain so, however volunteers and paid staff (particularly if on casual or part-time hours) may well not have the same drive as their livelihoods are not at risk in the same way.

#### **6.4.1 Comparison with the PRACC**

Although the Pingelly Recreation and Cultural Centre (PRACC) was considered by the Shire of Donnybrook-Balingup and stakeholders to represent a sound model to base their business model on, there are significant differences to the two contexts that make this questionable.

While Pingelly’s population is significantly smaller than Donnybrook (around 800 residents in the townsite), it has the benefit of drawing from a wide catchment of other towns in the lower Wheatbelt and Upper Great Southern that do not have a similar facility locally. Although only 30 minutes from Narrogin, Pingelly has the advantage of a fully serviced conference facility with catering.

Narrogin has surprisingly constrained options given it is a sub-regional centre. The closest competition would be a very small space seating around 20 people at the Albert Facey Motor Inn or a completely ‘self-service’ option at the Leisure Centre where the hirer needs to set up all seating and supply all catering requirements. Narrogin does have a range of accommodation options so between options in Pingelly, Narrogin, Brookton and Beverly it is possible for multi-day events or events running too late at night for attendees to make a long journey home, it is possible to secure accommodation options nearby.

The PRACC is also very appealing to Perth-based hirers wanting to reach into the Wheatbelt and Upper Great Southern as it is only 2 hours from Perth yet offers a reasonably accessible location for a broad range of communities in the Wheatbelt (with it being fairly typical for community and industry groups in the Wheatbelt to be willing to travel 2-3 hours each way to a relevant event).

The food and beverage service benefits from relatively limited options in the area, outside of pub style meals or simple café food. The Pingelly Hotel and Exchange Hotel which both serve standard pub fare at lunch and dinner 7 days a week. There was a small café/bakery operating however it has recently sold and it is unclear if the new owners have started operating and/or retained the level of patronage the previous business enjoyed.

Twenty minutes away in Brookton is the Bedford Arms which offers counter meals for dinner Tuesday to Sunday and a lunch service on Sundays. Brookton also has a small café with breakfast/lunch/afternoon options with limited seating. Slightly further afield, both Narrogin and Beverly have similar pub options and café options, with Narrogin also having

a small Chinese restaurant. Quairading also has pub meal options, although anecdotally meals are not always available.

A rough comparison is there is close to similar number of dining options within a 50km radius of the PRACC to what is available within Donnybrook itself, and the PRACC is one of the few evening meal options that is not located in a pub.

Although the PRACC reports achieving profitability in its third year, this does not take into account the Shire of Pingelly is funding the cost of the centre manager. With over 130 revenue generating events in the previous year, the overall profit was only \$15,000 (equivalent of around \$120 per event).

The PRACC management committee can be drawn from over 15 user groups (combination of sporting, community and cultural organisations) which provides a strong pool of capability and reduces succession issues.

Donnybrook is a significantly different context. While the townsite population base is just over twice the size of Pingelly's, geographically it has a relatively small catchment of additional population. Outside of the remaining population of the Shire (totalling just under 6,000) there are very limited locations that might turn to Donnybrook as a service point, with all other major settlements either having similar facilities and/or being closer to Bunbury or Busselton.

Donnybrook is also not particularly central if looking at the location as a potential site for government or industry briefings/workshops – other centres in the region offer more centralised locations and better accommodation options.

If a hospitality model was pursued, it would need to be done so on the basis of predominantly serving local people and manage the risk of damaging existing for-profit businesses' viability within Donnybrook.

The limited number of groups directly involved with the Donnybrook facility may also make forming a management committee more difficult.

#### **6.4.2 Comparison with LLC**

The Lechenault Leisure Centre (LLC) was considered as it offers some similarities with Donnybrook's proposition – management by committee drawn from user group sporting associations and provision of hospitality/events space within a sports complex. Although a vastly larger population (around 14,500) it has struggled to attract and retain committee members, staff and, in the early years, paying members of the centre.

Although viable (with the local government funding building maintenance and some other costs) it is important to note that the overall viability of the business is not strong, and it has been a challenge for the LLC to grow to the point where it is not making a loss.

In order to be a viable prospect, a hospitality service (whether it be lunch and/or evening meals) and/or a catered venue space, a critical mass of business is required to justify the employment of staff.

Given that a location the size of Australind has found this challenging, it would be difficult to see how Donnybrook could achieve sufficient sales to justify the employment of staff to deliver the service (noting that even with a very lean structure, a significant number of meals would need to be sold each day in order to cover costs, let alone turn a profit).

## 6.5 Market & Industry Implications

If the Shire of Donnybrook and/or an independent group was to pursue the concept of a fully-fledged hospitality and/or events enterprise from the VC Mitchell Park facility, it would be vital to consider the risks and challenges that this approach would present and take appropriate measures to respond to these. At a high level, some concerns identified in this Options Analysis include:

- **Demand:** Careful market research should be undertaken to determine real demand for the business. Given the number of hospitality venues likely and close proximity to other commercial events venues, it is highly questionable whether a population the size of Donnybrook's could support this enterprise. It should also be noted the average weekly household income in Donnybrook is significantly lower than the State average, as well as a notably older population potentially on fixed incomes, both suggesting lower levels of discretionary spending is likely.
- **Perceived/Actual Competition:** While competition is generally accepted as being positive for improving consumer choice and increasing spending, establishing as a not-for-profit hospitality venue with access to low-cost/subsidised premises may not be well received by existing local businesses. With very low profit margins and high dependency on volume, leakage of any business would likely have a significant negative impact. Given that there is an annual industry business exit rate of between around 15-35%<sup>6</sup> (based on the anticipated turnover of most hospitality businesses in Donnybrook) there is a high likelihood that one or more of these businesses will close during the first few years of the facility's operations. Irrespective of whether an enterprise at VC Mitchell Park directly contributed to the closure of another business in town, there is a high risk that community sentiment could focus blame at the facility.
- **Low Margin/High Volume Hospitality Model:** As reported by IBISWorld, most SME restaurants rely on a low margin/high volume, along with very strict cost controls, in order to be profitable. Given the small population base, high volumes may be difficult to achieve, yet the cost of stocking supplies and employing a skeleton staff cannot be significantly reduced to account for the lower volumes. It seems very

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<sup>6</sup> Reeves, M. (June 2021). *Industry Report: Restaurants in Australia*, IBISWorld

unlikely local people would be willing to pay a premium price for meals in what is essentially a sporting club, albeit a modern and well-appointed one.

- **Quality Events Space:** If seriously pursuing the option of developing an events space, significant effort would need to be made to differentiate VC Mitchell Park in the market to attract customers who would otherwise select options in Bunbury, Busselton or surrounding locations. This would require both quality experience at the venue and the investment in targeted and professional marketing and sales.
- **Specialised Business Advice:** This is a niched industry with significant risks (both in terms of business decision making and in relation to serving of food to the public). It is suggested that a group of volunteers who do not necessarily have expertise in this field should not be expected to be able to make informed decision making in relation to either a hospitality or events business. If either of these opportunities were pursued, it would be vital to engage a specialist consultant to guide the decision-making process.



## 7 Stakeholder Consultation

As part of this process, there was the allocation of a small budget to stakeholder consultation as stakeholders had already been heavily involved in the design process for the building and our brief was to develop a business plan to support a management committee to establish an events/hospitality enterprise similar to the PRACC.

On advice from the Shire, we adjusted our initial approach (in person workshop with representatives of sporting groups) to provide each club with a video or phone call interview to understand their preferences and insights into this model. This proved quite challenging, and it was not easy to connect with busy volunteers in the lead up to Christmas and the New Year period. Not all clubs chose to share their thoughts with us, although all were offered multiple opportunities to do so.

The Football Club was very keen to work with the Shire to implement a governance and management solution – whether that was a new management committee drawn from user group organisations or potentially, the Football Club managing the facility. They were comfortable with both options, along with models used at similar facilities such as sharing bar takings (and operational costs) so long as they were not inadvertently pushed into an unviable position. The Club has used their existing club facility as an important revenue generation tool, hosting catered events (wakes, parties, meetings etc) and entertainment (comedy evenings, meals etc) and would see this as an important opportunity in the new facility. The Club is obviously very motivated to make this new facility work as it is key to the organisation having a base to operate from.

The Cricket Club were supportive of the development of the facility but saw little likelihood they would use the space as a club as they already have their own facilities. They didn't feel that involvement with a management committee would be of interest to their club as there was not a strong link with their operations.

The Tennis Club was supportive of the development overall but quite clear they were concerned about the viability of a commercial restaurant and/or event space style operation and felt that it was not reasonable that volunteers would want to take responsibility for such an enterprise. Similarly, it also raised concerns about the viability of an additional restaurant in a small community that already has a range of dining options – with two possible consequences, either being unable to sustain itself and/or damaging the viability of commercial businesses in the centre of town by taking away patronage.

## 8 Risk Assessment

Risk Description	Mitigation Strategy Option/s
Unable to attract and/or retain suitable staff (if relevant)	<ul style="list-style-type: none"> <li>• Provide attractive employment packages</li> <li>• Engage directors in operational areas</li> <li>• Continue to support positive workplace culture</li> <li>• Directly approach ideal candidates and invite them to work with the Centre</li> </ul>
Income does not cover expenditure	<ul style="list-style-type: none"> <li>• Complete a Business Plan to identify expected income and expenditure</li> <li>• Engage and undertake professional marketing campaign to attract income</li> <li>• Continue to undertake marketing and be flexible with the business model and offerings</li> <li>• Ensure prices are set at a reasonable level</li> <li>• Ensure the Shire provides cash and in-kind services to assist in maintaining the building</li> <li>• If necessary, engage a business sustainability expert to address income concerns</li> </ul>
Facility use is unexpectedly low	<ul style="list-style-type: none"> <li>• Engage and undertake professional marketing campaign to attract users</li> <li>• Continue to undertake marketing and be flexible with the business model and offerings</li> <li>• Ensure prices are set at a reasonable level</li> <li>• Engage professional to assess marketing and business model, if necessary</li> <li>• Engage with community and regional organisations to determine why they are not using the facility</li> </ul>
Theft, fraud or vandalism	<ul style="list-style-type: none"> <li>• Maintain public liability and worker's compensation insurances</li> <li>• Documented governance policies and procedures</li> <li>• Ensure OSH policies and procedures are documented and complied with</li> <li>• Ensure all organisations using the facility have adequate insurance for their activities</li> </ul>
Risk of litigation, public liability matter	<ul style="list-style-type: none"> <li>• Maintain public liability and worker's compensation insurances.</li> <li>• Ensure OSH policies and procedures are documented and complied with</li> <li>• Ensure all organisations using the facility have adequate insurance for their activities</li> </ul>
Staff incompetence (if relevant)	<ul style="list-style-type: none"> <li>• Ensure robust recruitment process</li> <li>• Ensure performance management procedures are in place and followed</li> <li>• Ensure an open complaints process</li> <li>• Staff training and development</li> </ul>

Risk Description	Mitigation Strategy Option/s
	<ul style="list-style-type: none"> <li>• Ensure more than one signatory/approval for purchases over a certain amount</li> <li>• Ensure role responsibilities and authority levels are clear</li> </ul>
Staff attrition (if relevant)	<ul style="list-style-type: none"> <li>• Ensure contract includes sufficient notice period</li> <li>• Ensure staff training and development and performance review processes are in place</li> <li>• Succession planning</li> </ul>
Sporting club wants to leave the facility and set up elsewhere	<ul style="list-style-type: none"> <li>• Ensure open communication with all sporting clubs</li> <li>• Show no favouritism</li> <li>• Maintain range of sporting club representation on Board (if relevant)</li> <li>• Engage in contract with each sporting club which makes it clear what is included in their annual fee, what their responsibilities are and what is and is not allowable in the facility</li> </ul>
Fire or natural disaster	<ul style="list-style-type: none"> <li>• Ensure appropriate measures taken to mitigate risk</li> <li>• Maintain building and contents insurance</li> </ul>
Negative community feedback	<ul style="list-style-type: none"> <li>• Ensure fees, inclusions, exclusion, responsibilities are clear when hiring the facility or becoming a member</li> <li>• Ensure an open complaints process</li> <li>• Undertake regular community survey</li> <li>• Show no favouritism</li> </ul>

## 9 Recommendations

### 9.1 Governance Arrangements & Operational Model

Based on the risks and challenges associated with the development of a fully-fledged commercial operation to provide catered venue hire and/or restaurant-style service, it is our recommendation that the Shire of Donnybrook-Balingup reconsider this approach for the new facility at VC Mitchell Park.

Further influencing our advice is the seeming disinclination for some of the clubs based at the facility to be involved in a governing committee (noting that our advice regarding the commercial operations would not change if they were willing to form a governing body, only that this would change the order of option 1 and 2).

In order of preference, we instead recommend the following models:

#### **1. Blended Management Model – Shire & Key User Club; Venue Hire Model**

Under this model, the Shire would manage bookings of the Sports Ovals and all leases, licences, seasonal bookings and casual hire using the existing processes and systems. Each of the sporting clubs would continue to operate out of their existing facilities as they currently do.

The Key User Club (suggest Donnybrook Football Club) would take responsibility for operational management of Multi-Function Room 1. The Club would utilise the space for its own purposes, as well as taking responsibility for managing hiring out to third-parties. The Club would be responsible for providing access to venue hirers, cleaning after use by the club and hirers and any other outgoings. The Club would collect the fee for hiring the space, as well as potentially offering catering and event services, offering them the ability to generate additional income to cover any costs associated with managing the space and potentially employ staff to assist in delivering some aspects of service (for example, cleaning or bar staff) to reduce the demand on volunteers.

The Key-User Club might leverage the opportunity of having access to this space to run events or offer some form of limited dining (for example, casserole nights, quiz nights, family friendly activities) to raise funds and activate the space.

It is suggested that the Shire should work with the Club to negotiate a fair price for a lease agreement that is returned to the ongoing maintenance and renewal of the building, and depending on the Club's intentions to leverage the opportunity to engage in revenue generation, a percentage of profits may be negotiated as part of this lease fee.

It is recommended that the Shire either develops or supports the Club to develop an online presence for the space, ideally including a quality online booking system to reduce the

administrative burden on volunteers (and improve the customer experience to increase follow through on bookings).

The other clubs at the precinct would continue to use their spaces in line with how they are currently doing so.

## **2. Blended Management Model – Shire & Representative Incorporated Association; Venue Hire Model**

In the event that the above proposal (or similar) is unattractive to the Football Club and the other clubs are more willing to form a representative body for the combined facility if there is no likelihood of a commercial model being established, then essentially the same model as Model 1 is recommended. This would essentially operate in the same manner as described above, except an Incorporated Association with a cross-section of committee members would manage Multi-Function Room 1.

## **3. Shire Managed Model; Venue Hire Model**

Where agreement cannot be negotiated to achieve one of the above options, the Shire would need to take responsibility for management. This would not be desirable as it would significantly reduce community input into and ownership of the precinct. The Shire would also be more restricted in its trading activities than other entities would be, resulting in missed opportunities for space activation.

## **9.2 Additional Recommendations**

In addition to consideration of management and operational models, the following recommendations are also made:

- Any 'business plan' should not be developed by the Shire for use by the eventual managing group, instead a managing group should be appointed and supported to develop a business and/or operational plan as part of the transition to the group taking responsibility for management. It should be the group's responsibility to maintain and follow this plan, however the Shire may consider making the development of such a plan (prepared to the satisfaction of the Shire) a condition of their lease to manage risk. This approach empowers the governing body to shape their approach, increasing the likelihood they will implement the actions.
- Should a commercial approach to events and/or hospitality be taken, rather than our recommended approach, then an experienced consultant working specifically in the events and/or hospitality sector should be engaged to develop a business plan and advise the governance body on the implementation of this plan.





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