

Belgrave Health Hub

National Stronger Regions Fund Cost Benefit Analysis

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1 EXECUTIVE SUMMARY

The purpose of this cost-benefit analysis is to validate Council's decision to construct a new community facility in Belgrave, the Belgrave Health Hub. Since 2009 Council has been investigating the need for such a facility in the Belgrave area. To date the information gathered has identified a significant need due to the poor condition of the existing buildings and the inability to attract additional services because of this reason.

The option of refurbishing the existing buildings was not supported due to their poor condition. The operation of the new Belgrave Health Hub will have ongoing operational costs to both Council and Inspiro, however these costs will be more than off set by the economic benefits to the community.

This report should be read in conjunction with the Belgrave Health Hub Economic Impact Statement.

2 RECOMMENDATION

Based on the cost-benefit analysis presented below, the following is recommended:

- The outcome of the analysed project validates Council's decision to construct the new Belgrave Health Hub.

3 PROJECT IDENTIFICATION AND OUTCOMES

In 2009 Yarra Ranges Council commissioned Woods Bagot to undertake a study and determine the feasibility of developing a community hub in Belgrave. Further work on this was undertaken by Lockyer in 2010. The final report identified that a range of community services in Belgrave are currently occupying out of date, inaccessible and unsuitable facilities.

These reports identified that the limitations of the facilities were preventing current community service organisations from expanding or maximising the delivery of their services to those in need. Specifically there is a significant shortage of appropriate spaces for outreach service delivery and a lack of general multipurpose meeting spaces for community.

In 2012 Council was successful in obtaining a grant from the then Department of Planning & Community Development to progress the feasibility study for the Belgrave community hub. Architects H2o were then commissioned to develop concept plans, along with Quantity Surveyors Wilde & Wollard to estimate construction costs for the development.

As a result of these reports it is clear that Council needs to address the unsuitable infrastructure in Belgrave and provide for future opportunities to attract new or visiting services, as well as addressing the lack of community meeting spaces.

4 PROJECT OPTIONS

There are two project options available to Council to meet the project outcomes. The first is to refurbish and extend existing facilities in Belgrave and the second is to construct a new purpose built facility.

4.1 REFURBISH EXISTING FACILITIES

Yarra Ranges Council owns over 150 community facilities that are in use, either in accessing specific services or meeting together as community members. These include community halls,

maternal and child health centres, preschools, child care centres, scout and guide halls, community centres, senior citizen centres and neighbourhood houses.

In 2003 Council undertook a Community Services Facilities Review of its 159 community services facilities from which was developed a Community Facilities Plan. This applies across the entire municipality and identifies service needs linked to current demographic projections and is based on an assessment of the physical condition and location of all facilities.

The Belgrave township has five community facilities:

- **Belgrave Library** – a small facility with significant under-croft space available for development .Good condition but with access issues given the steepness of the terrain.
- **The Tin Shed** – a small very basic hall located in front of the library.
- **Belgrave Youth Services** – an old house next to the car park opposite the library. Basic facility with access issues.
- **Dandenong Ranges Emergency Relief Centre (DRERC)** – an old school house slated for demolition in 2001. The condition of the building is sub-standard for public use.
- **MCH and Preschool** – a co-located facility in Hayes Avenue. It is a small facility in good condition.

With the exception of the library, all facilities are old and physically inaccessible. Two are dilapidated and at the end of their lives. Other than the library building the remaining buildings in Belgrave require more than just refurbishment, they need to be demolished and rebuilt. Aside from the current condition of these facilities, this option would not align with the objectives of Council's Community Hubs Policy. This policy stipulates that any new facility development should be a part of a community hub where a number of smaller facilities, services and programs are bought together under a common management structure.

4.2 CONSTRUCT A NEW PURPOSE BUILT FACILITY

The construction of a new facility is believed to be the best option as it will align facility usage and management with Council's Community Hubs Policy. Specifically it is acknowledged that the development of new community facilities or a community hub should follow these guidelines:

- Any newly developed Council service or amenity will be part of a community hub unless there are special circumstances or functional requirements that preclude shared or co-located facilities.
- Development criteria for community hub developments will include:
 - Reasonably central or accessible location in relation to its relevant planning region, communities of interest and catchment area, preferably coinciding with a nearby local retail or service centre or transport node.
 - Opportunity to bring a number of existing facilities, services and/or programs under common management, with operational and cost benefits.
 - Dilapidation of existing facilities leading to the need for major upgrade or redevelopment – in which case, focus development at hub locations.
 - Economic viability compared to operation of the equivalent existing de-centralised facilities.

The following table provides an overview of the existing facilities and services that are proposed to be incorporated into a multipurpose hub as well as barriers and opportunities for future expansion.

1. Belgrave Youth Services (owned by Yarra Ranges Council)
<ul style="list-style-type: none">• The Youth Services facility comprises an old house next to the car park opposite the library. It is a very basic facility with access issues.• The facility primarily hosts youth programs. It is used on a part-time basis (1 full day and 1

evening per week). It currently offers youth counselling and programs.

- The facility is also used on a casual basis by community groups and is currently hosting a local art group. The facility is considered to be under-utilised.
- While the facility is in reasonable condition, the building has limited access due to multiple stories, ultimately restricting use. There is an opportunity to relocate the current Youth Services functions into a consolidated, multipurpose centre.
- It is understood that the Youth Services building was gifted to the Shire to be used as a youth facility. It is believed that there may be a caveat on the title on this site which may have a bearing on what can be done with the facility in the future. This needs further investigation.

2. Dandenong Ranges Emergency Relief Facility (owned by Yarra Ranges Council)

- The Dandenong Ranges Emergency Relief Facility comprises an old school house. The facility is only occupied by Dandenong Ranges Emergency Relief Services Inc.
- The service has reached facility capacity, and there is no room to grow. The building is used 14-18 hours per week (3.5 hours Mon-Fri), indicating opportunities for shared use.
- Service delivery is limited by the lack of consulting rooms, interview space and private waiting space. Organisational development is further restricted by the lack of administration space.
- The Dandenong Ranges Emergency Relief service occupies a building which is considered sub-standard for public use and of such a poor condition that it was slated for demolition in 2001. The building is dated with poor accessibility (and no disabled access).
- Dandenong Ranges Emergency Relief Service perceived that the demand for its services would continue. Given the very poor condition of this facility, there is no practical future use of the building. The service requires relocation to a suitable site as soon as possible.

3. The Tin Shed (owned by Yarra Ranges Council)

- The Tin Shed is a building located between the Belgrave Library and the Main Road and is directly across the road from the Ranges Community Health – Youth Services precinct.
- It is occupied by the Mission Impossible organisation only as a volunteer-run emergency relief centre.
- The Tin Shed is opened on an as-required basis, for up to four hours per day, four days per week (16 hours per week). The Tin Shed is considered to be under-utilised, and is unsuitable for a wide range of usages.
- Given the state of this building it is advised that Council consider demolishing the Tin Shed to create a possibility of further hub related extensions to the library area.
- The facility is very basic and is highly inappropriate for a number of uses (such as small group meetings), thereby restricting shared use opportunities. The site's steep slope significantly restricts access.
- The Tin Shed is in very poor condition, with inadequate access. Its future should be considered in accordance with community infrastructure and shared use policy.

4. Ranges Community Health Centre – Belgrave (owned by Ranges Community Health)

- The Ranges Community Health Centre in Belgrave is located in the precinct with Council's Youth Services (separated by a car park) over the road from the Belgrave Library and Tin Shed.
- The site and facility is owned by Ranges Community Health and is occupied principally by the Ranges Community Health service and associated (visiting) services. It is used Mon-Fri 8.30am-5pm.
- Ranges Community Health have indicated that the facility is no longer fit for the scale of operation needed to be delivered in Belgrave to meet community needs. The current facility limits service delivery and prevents much further service expansion.
- The functionality of the current building limits service delivery resulting from poor design. There is poor connectivity into and between areas within the facility.
- The second house on the site is not suitable for service delivery.
- The existing facility is currently preventing Ranges Community Health from expanding the breadth and extent of services delivered at this site, including services delivered by itself and other service providers.
- Ranges Community Health have outgrown facility capacity in Belgrave and currently have a waiting list.
- While the existing facility is dated and has some accessibility and functionality limitations, this facility is in reasonable condition and could continue to provide services at a reduced scale into the future.

- The key concerns with the current facility is size, accessibility and functionality and an inability to accommodate growth in services.
- While the facility could continue to service some community health needs within Belgrave into the future, it would not accommodate or enable the delivery of an expanded service base. Some of the services that Ranges Community Health would look to provide in Belgrave from an expanded facility include:
 - After hours medical clinic - evening and out of hours
 - One off health services eg visiting from Lilydale
 - Space for private health service providers to compliment and link into the community health services provided by Ranges.

The construction of a new facility is believed to be the best option to ensure that the building meets both current and future needs of the community and service providers. It will also allow Council to consolidate its facilities and demolish those that have been slated for demolition since 2001.

5 PROJECT SITE OPTIONS

The options for siting the Yarra Ranges Council Belgrave Multipurpose Facility were identified by the Project Control Group using the following assessment matrix.

Site Options	Centrality	Accessibility	Proximity to public transport	Proximity to other transport	Proximity to People	Prominence & ease of ID	Encumbrances to site	Site Capacity	Site Orientation	Security	Appropriate Site Usage	TOTAL
Belgrave Youth Services Site	4	5	4	5	4	5	5	3	4	4	5	48
James Street Car Park	4	5	4	5	4	5	5	3	4	4	5	48
Inspiro Site	4	5	4	5	4	4	5	3	4	4	5	47
Hayes Street Car Park	5	5	5	5	5	5	5	5	5	5	0	50
Tin Shed & Library Site	3	2	3	4	3	4	2	2	2	4	4	33
DRERS Site	4	3	4	4	4	5	1	1	3	5	4	38
MCH Preschool Site	1	5	1	4	1	2	4	1	3	2	3	27

The Hayes Street Carpark appears to be a good option for the Yarra Ranges Council Belgrave Multipurpose Facility, based on the assessment matrix totals, except for this option not being an appropriate or strategic use of the site. The Belgrave Town Centre Study (2010) nominates a combined retail, public space carpark usage for this site.

If more appropriate sites are required, the three collocated sites of the Belgrave Youth Services site, the James Street Carpark Site and the Inspiro Site all represent good opportunities, according to the assessment matrix.

The preferred option is a combined site of the Belgrave Youth Services site, the James Street Carpark Site and the Ranges Community Health Site that would be better as a joint site. This combined site also has the additional benefit of offering a credible staging approach. The new buildings could be built on the existing Belgrave Youth Services site combined with the James Street Carpark.

Redeveloping the combined sites of the Belgrave Youth Services site, the James Street Carpark Site and the Ranges Community Health Site into a new Yarra Ranges Council Belgrave Multipurpose Facility with carparking would represent a major improvement for the utilisation of these important sites.

6 COST BENEFIT ANALYSIS

6.1 KEY ASSUMPTIONS

There are a number of assumptions that underpin the cost benefit analysis, these are:

- The existing buildings of the Youth Services house, the Tin Shed, DRERS building and the Inspiro buildings will be demolished either during or at the end of construction of the new facility.
- Yarra Ranges Council will be the owners of the build and Inspiro will maintain ownership of their land which will be used for the carpark.
- Inspiro will be the facility manager of the new multipurpose health hub and will enter into a Lease/Licence agreement with Council.
- Council is responsible for building and public liability insurance for the facility.
- Tenant fees and charges will align with Council's fees and charges register and increase at an annual rate of CPI.
- All costs and fee and charges incomes will be borne equally by Council and Inspiro.
- CPI increases is assumed on average to be 2.6% from Year 2 to Year 10, with an additional 1.4% additional increase every year for salary upgrades.
- For electricity, gas and water a CPI increase of 10% is assumed.
- Business growth is assumed that at Year 3 it is at 100%, with Year 2 reduced to 90% and Year 1 reduced to 80%.¹
- The benefits apportioned to the community for this project, is the community of Dandenong Ranges and the surrounding areas including Seville, Knox North-East, Cardinia North and Berwick.²

¹ Refer to the Belgrave Multipurpose Facility Business Plan June 2014 for the detailed financial assumptions.

² Refer to the Belgrave Hub Demographics Report 2014 for the detailed definition of the affected community.

6.2 COSTS - SUMMARY

Category	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Income										
Room Hire	\$45,106	\$52,064	\$59,352	\$61,505	\$63,728	\$66,026	\$68,401	\$70,854	\$73,389	\$75,297
Total Income	\$45,106	\$52,064	\$59,352	\$61,505	\$63,728	\$66,026	\$68,401	\$70,854	\$73,389	\$75,297
Expenses										
Reception	\$82,890	\$84,962	\$87,086	\$89,263	\$91,495	\$93,782	\$96,127	\$98,530	\$100,993	\$103,518
Total salaries and wages	\$82,890	\$84,962	\$87,086	\$89,263	\$91,495	\$93,782	\$96,127	\$98,530	\$100,993	\$103,518
Building Maintenance	\$35,400	\$36,320	\$37,265	\$38,234	\$39,228	\$40,248	\$41,294	\$42,368	\$43,469	\$44,599
Photocopiers	\$12,000	\$12,312	\$12,632	\$12,961	\$13,298	\$13,643	\$13,998	\$14,362	\$14,735	\$15,118
Consumables	\$7,000	\$7,182	\$7,369	\$7,560	\$7,757	\$7,959	\$8,165	\$8,378	\$8,596	\$8,819
Stationery/Office Equipment	\$2,000	\$2,052	\$2,105	\$2,160	\$2,216	\$2,274	\$2,333	\$2,394	\$2,456	\$2,520
Telephone/Wifi	\$10,000	\$10,260	\$10,527	\$10,800	\$11,081	\$11,369	\$11,665	\$11,968	\$12,279	\$12,599
Security/cash collection	\$4,000	\$4,104	\$4,211	\$4,320	\$4,433	\$4,548	\$4,666	\$4,787	\$4,912	\$5,039
Electricity	\$30,000	\$32,220	\$34,604	\$37,165	\$39,915	\$42,869	\$46,041	\$49,448	\$53,107	\$57,037
Cleaning	\$35,000	\$35,910	\$36,844	\$37,802	\$38,784	\$39,793	\$40,827	\$41,889	\$42,978	\$44,096
Gas	\$6,000	\$6,156	\$6,316	\$6,480	\$6,649	\$6,822	\$6,999	\$7,181	\$7,368	\$7,559
Waste Charges	\$5,000	\$5,130	\$5,263	\$5,400	\$5,541	\$5,685	\$5,832	\$5,984	\$6,140	\$6,299
Insurance Allowance	\$5,000	\$5,125	\$5,253	\$5,384	\$5,519	\$5,657	\$5,798	\$5,943	\$6,092	\$6,244
Total other direct expenses	\$161,400	\$167,756	\$174,438	\$181,465	\$188,859	\$196,643	\$204,842	\$213,483	\$222,594	\$232,205
Total expenses	\$244,290	\$253,992	\$264,154	\$274,803	\$285,964	\$297,668	\$309,945	\$322,828	\$336,353	\$350,556
Net Operating Profit/Loss	(\$199,184)	(\$201,929)	(\$204,802)	(\$213,298)	(\$222,236)	(\$231,642)	(\$241,544)	(\$251,974)	(\$262,964)	(\$275,259)
Asset /Replacement	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000
Net Position	(\$373,184)	(\$375,929)	(\$378,802)	(\$387,298)	(\$396,236)	(\$405,642)	(\$415,544)	(\$425,974)	(\$436,964)	(\$449,259)

6.3 BENEFITS – SUMMARY

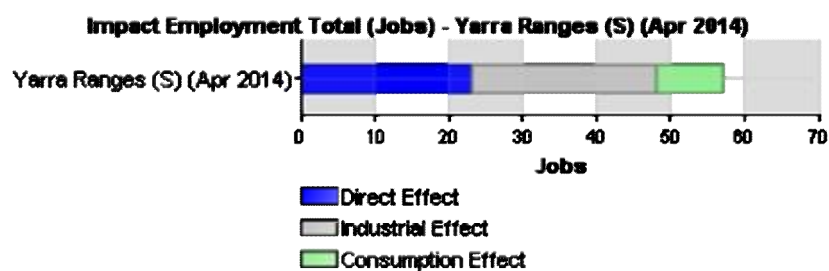
6.3.1 NON RECURRING BENEFITS

Belgrave Health Hub – Impact of Constructions

Impact Summary	Direct Effect	Industrial Effect	Consumption Effect	Total Effect	Type 1 Multiplier	Type 2 Multiplier
Output (\$M)	\$8.670	\$7.678	\$2.305	\$18.652	1.886	2.151
Employment (Jobs)	23	25	9	57	2.087	2.478
Wages and Salaries (\$M)	\$1.381	\$1.690	\$0.500	\$3.572	2.224	2.586
Value-added (\$M)	\$2.736	\$2.930	\$1.228	\$6.894	2.071	2.520

Source: Yarra Ranges Economic Profile –April 2014 based on the REMPLAN impact tool

From a direct increase in output of \$8.67 million, it is estimated that 23 direct jobs would be supported over the construction period. Flow on industrial effects in terms of local purchases of goods and services are also anticipated, which would correspond to a further 25 jobs for Yarra Ranges. The consumption effects as a result of the wages and salaries paid during the construction phase are estimated to further boost employment by a further 9 jobs, giving a total employment of up to 57 jobs, as a result of construction as indicated in the following graph.



Source: Yarra Ranges Economic Profile –April 2014 based on the REMPLAN impact tool

6.3.2 RECURRING BENEFITS

It is estimated for the \$1.98 million of direct expenditure by Belgrave Health Hub employees the local economy is estimated to benefit by a further \$0.607 million, once flow on industrial and consumption effects are taken into consideration. The increases in direct output would typically correspond to the creation of jobs in the economy. Corresponding to this change in employment would be an increase in the total wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated at \$0.985 million.

The estimated economic benefits associated with the operation of the Belgrave Health Hub for the Yarra Ranges economy in terms of output, employment, wages and salaries and value add are summarised in the following table. All benefits have been estimated in the context of fulltime, five day a week employment. While it is likely that the centre will have a number of staff operating on a pro-rata basis, estimates are based on the Hub operating at full capacity.

Estimated Economic Benefits

Impact Summary	Direct Effect	Industrial Effect	Consumption Effect	Total Effect	Type 1 Multiplier	Type 2 Multiplier
Output (\$M)	\$1.98	\$0.607	\$0.985	\$3.57	1.306	1.804
Employment (Jobs)	19	2	5	26	1.105	1.368
Wages and Salaries (\$M)	\$1.166	\$0.147	\$0.214	\$1.526	1.261	1.309
Value-added (\$M)	\$1.382	\$0.245	\$0.525	\$2.152	1.178	1.557

Source: Yarra Ranges Economic Profile –April 2014 based on the REMPLAN impact tool

6.3.3 NON QUANTIFIABLE BENEFITS

There are several benefits that can not be quantified in terms of direct dollar values. These benefits are summarised below:

- Compliance with the Disability Discrimination Act (DDA) – None of the existing buildings meet the current DDA requirements due to their age and that no substantive renovations have been undertaken. Thus these buildings are not readily accessible for people with mobility issues or parents with prams.
- A building that is fit for purpose – The existing buildings are old, non functional and are not able to accommodate future service growth or demand.
- A one stop shop for services – This will provide all community and Council health services in the one spot making it easier for the community to access these services. It will also dampen the stigma that can be associated with attending some services, such as emergency relief, as people will not know what services are being accessed inside the building.

7 COMPARATIVE COST/BENEFIT SUMMARY

The cost data on the previous page indicates that an expected operating loss of \$199,184 is anticipated from Year one (2017) and this cost will increase by CPI over the next 10 years. This cost will be shared equally by Yarra Ranges Council and Inspiro, as documented in the Business Plan and the Management Agreement (yet to be finalised).

The above benefit data highlights that over the construction period there will be a total effect of an additional \$6.894 million into Yarra Ranges from construction jobs, industrial flow on effects and consumption effects. On top of these construction benefits are the recurring, flow on benefits from staff employed in the facility, which are estimated to be in the region of \$0.607 million.

It can be seen from this information that although Council and Inspiro will incur an operating loss of \$199,184 this loss will be off set by the significant recurring benefit to the Belgrave and surrounding communities in the region of \$0.607 million.

Based on the cost-benefit analysis presented in this report, the following is recommended:

- The outcome of the analysed project validates Council's decision to construct the new Belgrave Health Hub.