



SHIRE OF RAVENSTHORPE

Ravensthorpe Cultural Precinct

Cost Benefit Analysis

DECEMBER 2019

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1 EXECUTIVE SUMMARY

This cost-benefit analysis has been prepared for the Shire of Ravensthorpe to identify and quantify (where possible) the likely economic and social impacts of undertaking the Ravensthorpe Cultural Precinct project (the Project). The report is intended to provide an evidence-based justification for the capital expenditure required for the project and to underpin the development of a Building Better Regions Fund (BBRF) grant submission.

The potential benefits of the project are assessed against the base case, under which a 'do-nothing' approach is taken, and the redevelopment does not occur.

1.1 Need for the Project

The Shire of Ravensthorpe faces many challenges with a reliance on Mining employment that has waned in recent years and an ongoing drought. The WA government has declared the area water deficient, providing water via truck for much of this year.¹ Several agricultural industries dominate the region with a focus on crop growing and livestock farming. Given the Shires reliance on the fluctuating mining industry and the potential for climate change to further aggravate the drought conditions, it is important to engender a more resilient community by diversifying the local economy and improving the liveability of the Ravensthorpe town centre.

A large number of current community facilities in Ravensthorpe are scattered around the town and require extensive renovation and redevelopment to meet the demand and provide high-quality services to residents and tourists. The Project intends to consolidate and co-locate community infrastructure with the Shire offices in the heart of the town, improving the tourism offering, and allowing for program expansion and creation of new services, while also reducing operational expenditure.

The Project has been designed with the following objectives in mind:

- Agglomeration and co-location of uses to create a central hub of activity in the town of Ravensthorpe
- Revitalisation of the Ravensthorpe town centre to provide a more attractive place for residents and tourists
- Provision of essential amenities (such as digital connection, e-services, training services, etc.) to improve liveability
- Promotion of long-term sustainability of the precinct

These objectives are intended to:

- Improve the town's liveability and vibrancy that will aid in retaining residential population and
- Attract additional visitors generating the driver for growth in the tourism industry

The projects can be a catalyst for regenerating the town and securing its future sustainability.

¹ Master Reference 15: Countryman News Article 2019, *Bone Dry Outlook for Ravensthorpe Farmers*

1.2 Employment

Construction Phase Employment

The Project will inject \$6.4 million into the local economy over two years, creating five Full-Time Equivalent (FTE) direct jobs each year and indirectly stimulating up to 22 jobs in the broader economy. The project is not specifically aimed at employing Indigenous people, however, since 2.4% of the Shire's residents are Indigenous, it is likely that at least 0.13 direct FTE and 0.52 indirect FTE employment opportunities will be Indigenous.



Direct Employment

5 FTEs
Incl. 0.13 Indigenous

Indirect Employment

22 FTEs
Incl. 0.52 Indigenous

Operating Phase Employment

Additional employment opportunities arising from the retained population will result in 23 direct long-term employment opportunities in the town. It is estimated that in at least 0.6 long term employment opportunities will be Indigenous. Indirect employment in the broader economy is estimated to be 19 FTE in the long-term, of which 0.46 FTE are expected to be for Indigenous people.



Direct Employment

23 FTEs
Incl. 0.6 Indigenous

Indirect Employment

19 FTEs
Incl. 0.46 Indigenous

1.3 Economic Benefits

The potential economic and social impacts were assessed through impact pathways development, describing the process by which value is created through the Project. The identified impacts are then monetised using the 'benefit transfer' method – drawing values from high-quality studies and applying them to the context in question. Due to the nature of the benefits associated with the Cultural Precinct, only certain benefits can be successfully expressed in monetary value, therefore the total benefits of the project are expected to be higher than those quantified. The project is expected to generate the following economic benefits²:

Economic Benefits		Present Value
	Additional tourism expenditure	\$2,310,000
	Hiring income	\$383,000
	Co-location cost savings	\$455,000
	Retained residential expenditure	\$14,961,000
Total Economic Benefits		\$18,109,000

² For details please see Section 7 Valuing Ongoing Impacts

1.4 Social Benefits

The Project is expected to generate the following social benefits³, resulting from increased liveability:

Social Benefits		Present Value
	Town vibrancy and liveability	Qualitative
	Volunteering benefits	\$1,006,000
	Future employment development	Qualitative
Total Social Benefits		\$1,006,000

1.5 Project Value for Money

Cost-benefit analysis assesses the value for money of the project in relation to the development expenditure associated with the project. The project Benefit Cost Ratio (BCR) is estimated to be 3.33, with a Net Present value estimated at \$13 million. For every dollar invested in the Project there is approximately \$3.33 of social and economic benefits generated for the regional community, making it an appropriate investment for the Federal Government.

Total Present Value Benefits	\$19,115,000
Total Present Value Costs	\$5,737,000
Net Present Value	\$13,378,000
Benefit Cost Ratio	3.33

³ For details please see Section 7 Valuing Ongoing Impacts

2 INTRODUCTION

This cost-benefit analysis (CBA) report has been prepared for the Shire of Ravensthorpe for the purpose of identifying and quantifying the likely economic and social benefits of the Ravensthorpe Cultural Precinct project (the Project). This report is intended to underpin the case for applying for a Building Better Regions Fund (BBRF) grant and provide an evidence base for the economic and social benefits the project is expected to create.

2.1 Project Context

The Shire of Ravensthorpe (the Shire) is one of nine Local Government Authorities (LGA) located within the Goldfields-Esperance region, the largest region in Western Australia. The Shire is located approximately halfway between the city of Albany and the town of Esperance, and 530km south-east of Perth. The area was first settled in 1868 and the following gold rush resulted in the development of gold and copper mining in or around Ravensthorpe Range. In recent years the local industry has shifted towards lithium production.

Figure 1. Shire of Ravensthorpe Location

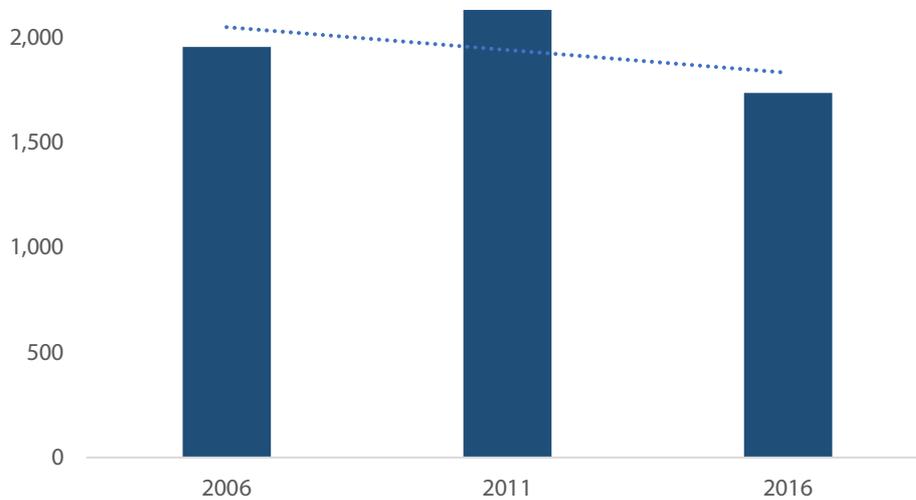


Source: Regional Development Australia Goldfields Esperance

The town of Ravensthorpe is at the heart of the Shire, surrounded by four settlements – Fitzgerald, Hopetoun, Jerdacuttup and Munglinup. The main industries are concentrated around mining, wheat, sheep, and cattle

farming. The Shire's population has fluctuated over the years with the cyclical nature of the mining industry. At the 2016 Census, the Shire recorded 1,733⁴ residents, 18% less than in 2011 (Figure 2).

Figure 2. Population Change



Source: ABS Census 2016, 2011, 2006

The demographics have changed over the last decade with a higher proportion of persons in the retiree cohort and a decline in younger working population cohorts, likely associated with changes in employment opportunities. In the 2006 Census, mining represented 11% of the employment and grew to be the dominant industry in 2011 with a 32% share. The most recent data shows mining remains the biggest industry in the Shire, employing 31% of the population, followed by Agriculture with 24%⁵. In 2011 the industry hit a major downturn and the closure of BHP's high-profile Ravensthorpe Nickel Mine had a significant impact on local population. Despite this, opportunities exist with the opening of new mines in the region. In 2017, Galaxy Resources began shipping lithium concentrate from its Mt Cattlin mine, located just four kilometers north of the town of Ravensthorpe. On the back of heightened demand for nickel and cobalt, First Quantum Minerals have announced in July 2019 that they have plans for restarting the Ravensthorpe Nickel Mine in early 2020.⁶ These recent developments could potentially create new opportunities for residents and attract new population.

Tourism is another important component of economic activity in the Shire. Situated along the South Coast Highway, the Shire forms part of the Fitzgerald Coast tourist region. The main appeal of this region lies within the Fitzgerald River National Park, one of the largest and most botanically significant National Parks in Australia. Home to nearly 20% of Western Australia's floral species, many occur only within the National Park itself.⁷ The park's varied landscape provides opportunities for bushwalking, camping, fishing, canoeing, whale

⁴ Master Reference 1: ABS 2016 Census QuickStats. Ravensthorpe (S)

⁵ Master Reference 2: ABS 2006, 2011, 2016 Census, *Place of Work – Counting Persons*

⁶ Master Reference 3: ABC News 2019, *Galaxy Resources Waves Off First Lithium Shipment from Mt Cattlin Mine*

⁷ Master Reference 4: Parks and Wildlife Service 2019, *Fitzgerald River National Park*

watching, swimming and surfing. There is an opportunity to support and grow the tourism industry with a view to diversify the local economy.

Like many small regional towns, Ravensthorpe faces challenges in retaining residential population due to limited amenities and the volatile nature of employment. Diversifying the economy and generating permanent residential population growth is a challenge for the Shire. To retain and potentially attract population, the Shire must balance the growth and diversification of the local economy with the needs of current and future population.

2.2 Project Overview

The idea for a cultural precinct development originated from discussions between Ravensthorpe District Art Group and the Ravensthorpe Community Resource Centre. Both groups had plans to redevelop or renovate their existing buildings in an attempt to continue meeting community services demand.

In 2013, the Ravensthorpe Community Resource Centre Group completed a proposal for a Ravensthorpe Cultural Precinct (the Plan).⁸ To develop the Plan, a series of community consultations were conducted regarding the revitalisation of buildings such as the Community Resource Centre, Dunnart Art Studio, Fitzgerald Coast Visitor Centre, Jubilee Park and other central locations. Creation of the vibrant central precinct that consolidates commercial, retail and cultural opportunities supporting the tourism industry was highlighted as a priority.

In line with this finding, the Ravensthorpe Community Resource stakeholders have identified benefits that will result from the construction of a central tourist/cultural precinct within the Ravensthorpe town centre. This Report formed a supporting document to the Shire's Economic Development Strategy wherein this cultural precinct in central Ravensthorpe was identified as a high priority action.⁹

In 2019, community stakeholders resolved to contribute funds towards the revitalisation and co-location of existing infrastructure into a cultural precinct and started the process of seeking external funding.

The Project has been designed with the following objectives in mind:

- Agglomeration and co-location of uses to create a central hub of activity in the town of Ravensthorpe
- Revitalisation of the Ravensthorpe town centre to provide a more attractive place for residents and tourists
- Provision of essential amenities (such as digital connection, e-services, training services, etc.) to improve liveability
- Promotion of long-term sustainability of the precinct

The proposed site location is in the heart of the town of Ravensthorpe on the South Coast Highway (also known as Morgan Street). The Shire of Ravensthorpe Council Building, Ravensthorpe Community Resource Centre, Ravensthorpe Regional Arts Council, Dunnart Studio Gallery, Youth Club, existing Jubilee Park and Ravensthorpe Community Centre, are all currently located at the proposed site. The central location makes it

⁸ Master Reference 5: Ravensthorpe Community Resource Centre 2013, *Proposal for a Ravensthorpe Cultural Precinct*

⁹ Master Reference 6: Goldfields-Esperance Development Commission 2012, *2011-2021 Strategic Development Plan*

the perfect site to establish the precinct, naturally enhancing the town centre and increasing usage by residents and tourists.

Figure 3. Project Location



Source: Google Maps 2019, Pracsys 2019

The project involves the following elements (Figure 4).

Figure 4. Project Elements

Community Resource Centre	Relocation and expansion, new programs
Accredited Visitor Centre	New
Shire Offices	Expansion
Senior Citizen Buildings	Relocation and expansion
Creche and Playgroup Space	New
Youth Club	Relocation and expansion
Conference and Meeting Rooms	New
RVs and Caravans carpark	New
Dunnart Studio Gallery	Relocation and expansion, new programs

Source: Shire of Ravensthorpe 2019, Pracsys 2019

3 PROJECT NEED

The Shire of Ravensthorpe is in a drought-stricken area that has been declared water deficient by the WA government and has been receiving water via truck for much of this year.¹⁰ The region is home to a number of agricultural industries including crop growing and livestock farming. Given the fluctuations in mining employment and the potential for climate change to further aggravate the drought conditions, it is important to engender a more resilient community by diversifying the local economy and improving the liveability of the Ravensthorpe town centre.

3.1 Tourism Opportunity

The Shire of Ravensthorpe population has fluctuated following the changes in the mining industry. In 2012 the mining employment contracted in the region due to a transition from construction phase to operational phase for many mines and a general decrease in exploration. The population trends in the Shire have followed, with an 18% decline in population.¹¹ These trends present uncertainties in population-driven employment, expenditure base for local businesses and a rates base that influences the Shire's ability to fund community projects.

Figure 5. Population and Mining Employment 2006-2016



Source: ABS 2006, 2011, 2016 Census

The future economic viability of the Shire depends on retaining and supporting current economic opportunities while creating avenues for employment generation. In the Shire of Ravensthorpe Strategic Community Plan¹², diverse economic and employment options are highlighted as key to retaining current

¹⁰ Master Reference 15: Countryman News Article 2019, *Bone Dry Outlook for Ravensthorpe Farmers*

¹¹ Master Reference 7: ABS Census 2006, 2011, 2016 – *Counting Persons and Place of Work*

¹² Master Reference 8: Shire of Ravensthorpe, Strategic Community Plan 2014 - 2024

residents and attracting more people. The tourism industry is one of the key future economic development avenues.

Tourism is an important component of economic activity in the Shire and has the potential to grow. The pristine coast, vast beaches and sheltered camping areas attract artists, photographers and more adventure/nature orientated travellers. Some of the unique attractions of the region include:

- Fitzgerald River National Park is home to one of the best whale watching shows
- The region is renowned for its native flowers with 20% of the States native flowers located in the park – in spring hundreds of visitors from around Australia flock to the annual wildflower show.

Tourist accommodation is in high demand during summer and autumn with three caravan parks, two motels and two hotels.

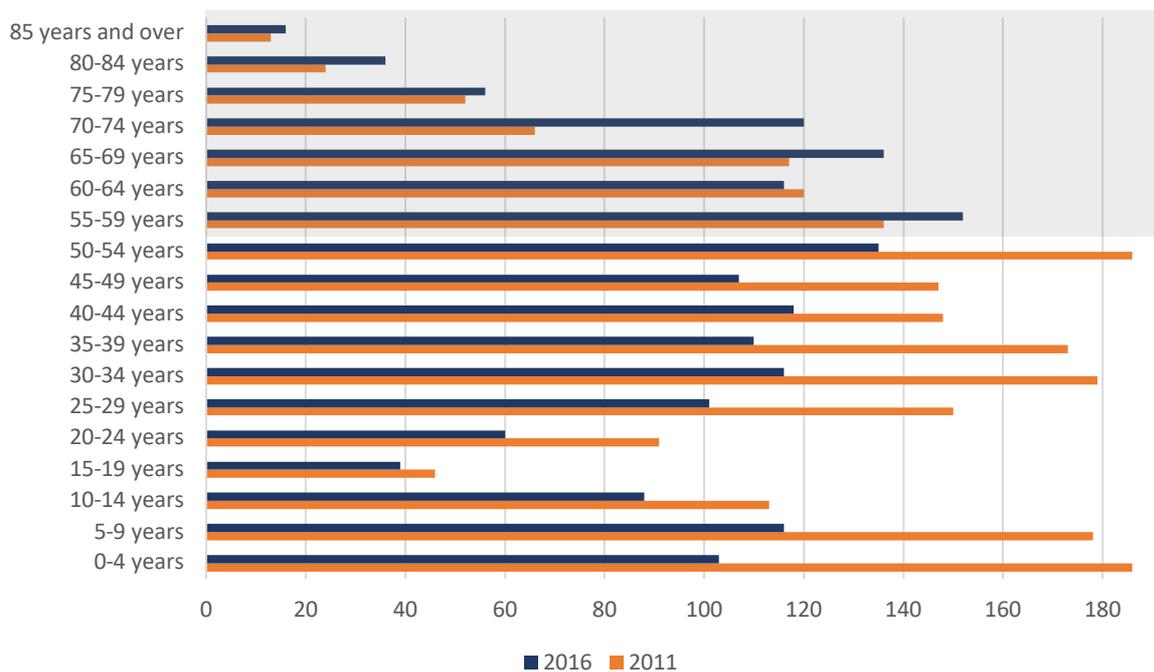
Tourism can provide a valuable source of additional income, additional employment opportunities and act as a driver for population growth/retention, which brings its own additional expenditure and flow-on effects, such as increased need for education, health and community services.

Acknowledging this important economic opportunity, the Shire is committed to optimising tourism infrastructure investment and improving the quality and experience of existing products. The new visitor centre, located in the heart of the town, will provide a full range of services including RVs and Caravan stops, dump point, information on accommodation, local attractions and historical walk trails. The centre is targeted towards increasing the number of visitors that stop in town and increasing the length of stay of current visitors, creating a driver for expanded business investment and employment growth.

3.2 Liveability Challenge

Like many regional towns in Western Australia, Ravensthorpe faces demographic challenges of an ageing population and youth migration. Although overall the population has decreased in the last census period, there was major growth in older population age groups (Figure 6). An aging population requires high quality community services and accessibility to ensure people are not unnecessarily displaced as they age.

Figure 6. Change in demographics



Source: ABS Census 2011, 2016

On the other hand, retention and potential growth in working age population and their families will depend not only on available employment opportunities but also on enhancing liveability and improving their quality of life. High quality community infrastructure and services are critical. Currently community buildings are outdated and do not have capacity to adapt and improve their services.

The Shire has very little infrastructure or activities for young people. The research shows that there is a need for more outdoor spaces and indoor facilities that are easily accessible and support affordable unstructured activities for young people in Ravensthorpe. The major barriers to participation in both structured and unstructured activities are the limited options on offer and difficulty accessing existing activities. Strategically located outdoor and indoor spaces will help to address these constraints.¹³

Sense of community is particularly important in the Shire where 30% of the population¹⁴ are volunteers responsible for operating the many clubs and groups that exist in the region.

The project will create the following community infrastructure, each addressing an important challenge within the town.

Co-located Community Resource Centre

Co-location with the Shire offices and other community groups on the main street will foster a community-led development. The Community Resource Centre will be able to provide a wider range and higher quality of services and programs. The new building will allow the centre to commit resources towards community

¹³ Master 9: Shire of Ravensthorpe Official Website 2019, *Children, Youth and Education*
¹⁴ Master 10: Shire of Ravensthorpe Official Website 2019, *Shire Profile*.

projects rather than aged building maintenance. The latest telecommunication technologies will be available within the Centre.

Co-located and Expanded Senior Citizen Space

The new precinct will allow for the expansion of current senior programs such as Stay On Your Feet and Tai Chi. There are also plans to introduce new cooking workshops through the Community Resource Centre or external service providers like Western Australian Country Health Service. The amalgamation of the space and human capital opens further opportunities to introduce other workshops (IT, Devices Workshop) to the senior's groups.

Youth Club

A youth drop in centre will be created for disadvantaged youth that will run a range of programs. This is enabled through the co-location of activities that will allow the new facility to operate on a more consistent basis.

Crèche/Playgroup

The construction of a separate crèche/playgroup and playground will allow parents to attend courses and services provided by the Community Resources Centre. Currently, parents' attendance to courses and services are hindered unless children are registered and have placements in the Childcare centre. It is also expected that a crèche will provide respite for parents in the community. The existing playground will be converted into an amphitheatre, coordinated in conjunction with the Ravensthorpe District Art Council and will hold events for the wider community. The amphitheatre will complement the current Community Centre building in order to expand on current workshops by utilising indoor and outdoor spaces.

Accredited Visitor Centre

A new, accredited visitor centre will be located in the heart of the community and will link major tourism offerings by being on the historical walk trail. The trail will take visitors past cafes and other major retail venues in the town, including the museum. The Centre will provide a range of visitor information and services. There will also be an opportunity to sell merchandise through the new Visitor Centre that is not currently possible.

Carpark with RV and Caravan Spaces

The project will also incorporate a new carpark next to the Community Resource Centre building. This space will give RVs and Caravans the opportunity to stop and use the Dump Point. The new carpark will be the starting point for the proposed circular walk trail extending around the town for one kilometre, encouraging greater activation of the town.

Expanded Shire Offices

Expansion of Shire Offices will provide an improved work environment and will result in higher productivity. Existing office rooms are designed to cater for one Council employee but are utilised by three. Expansion is expected to minimise staff turnover. Additional office spaces will allow the Shire to provide work programs to trainees, that are currently declined, through the District High School. Increased capacity will further allow the

Shire to partner with the Community Resource Centre to support a yearly Traineeship in Tourism and Business Administration.

Conference and Meeting Rooms

Newly constructed conference and meeting rooms will be available for hire, with interest already existing from a range of local community and business groups. Rooms will also be available for hire by firms providing Will, Superannuation and Accounting Services. There is also interest from mining companies looking to hire private rooms to conduct interviews and meetings.

Co-location of active community groups will assist with sharing resources and ideas strengthening the community and securing sustainable outcomes for the future.

4 PROJECT COSTS

4.1 Construction Costs

The Shire of Ravensthorpe has had a Quantity Surveyor prepare a detailed costing based on the Cultural Centre design. It is estimated that the redevelopment will occur across 2021 and 2022, with an overall capital expenditure of \$7,034,400.

Figure 7. Project Cost

Expenditure Item	Cost (\$ - ex GST)
Existing Shire office	430,000
Existing CRC Building	85,000
New Cultural Precinct	3,500,000
External Works	1,336,000
Preliminaries 10%	535,000
Design Contingency 2%	118,000
Construction Contingency 4%	236,000
Professional Fees 8%	515,000
Escalation	89,400
Loose Furniture and Equipment	190,000
TOTAL	7,034,400

Source: HW & Associates 2019

4.2 Operation Costs

The new facility will be managed and maintained by the Shire. As many of the project elements already exist under the Shire's management, and there are cost savings associated with the co-location of facilities, it is expected that total operating and maintenance costs will be reduced as discussed in Section 7.4 – Co-location Benefits.

5 CONSTRUCTION PHASE IMPACT

The construction impact of developing the project has been assessed using ABS National Input-Output tables at an Input-Output Industry Group (IOIG)¹⁵ level. The methodology involves estimating the total direct and indirect employment and output arising from the Project.

5.1 Input-Output Tables Methodology

Input-Output tables provide information about the supply and disposition of commodities in the Australian economy as well as the structure and inter-relationships between industries.¹⁶ The National Input-Output tables were used to derive total multipliers, which consider the total supply-chain of goods and services for the activity in question. Impact multipliers were calculated for employment and output. The obtained multipliers were then combined with annual construction expenditure data to estimate the direct and indirect economic effect of the project on the economy. It is noted that this method has been applied for the quantification of indirect impacts only, and does not affect the Project BCR.

Assumptions and Limitations

The following assumptions and limitations apply to the model:

- Results of the model represent the gross impacts in the absence of capacity constraints
- National Input-Output table approximates the actual patterns of linkages between industries in the regional economy
- Analysis assumes that the industrial structure of the economy is fixed. Considering the scale of the project, it is likely that this assumption stays true
- Estimates the employment impact based on the average output per Full Time Equivalent (FTE) employee. It is likely a significant component of the impact will result in an increase in the number of hours worked by existing employees, with some additional employment created

¹⁵ Master Reference 11: Industry grouping used by the ABS for constructing National Input-Output Tables

¹⁶ Master Reference 12: ABS, 2016, *Australian National Accounts: Introduction to Input-Output Multipliers, Information paper*, pg.v.

5.2 Construction Output Impact

The construction phase economic impact was calculated based on the estimated cost of \$6.4 million.¹⁷

This expenditure was applied to the appropriate industry sector based on the breakdown of costs by construction activity (Figure 8).

Figure 8. Construction Type and Corresponding Industry

Construction Activity	Industry
Existing Shire office	Non-Residential Building Construction
Existing CRC Building	Non-Residential Building Construction
New Cultural Precinct	Non-Residential Building Construction
External Works	Heavy and Civil Engineering Construction
Preliminaries	Construction Services
Professional Fees	Professional, Scientific and Technical Services

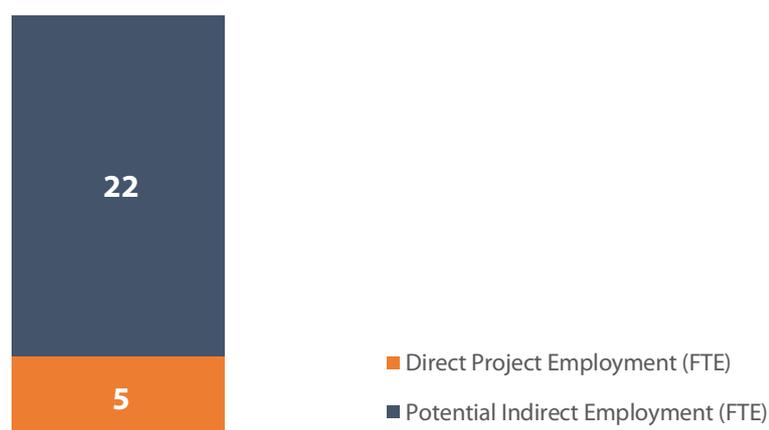
Source: HW & Associates 2019

The costs are concentrated over two years with the construction directly injecting approximately \$6.4 million into the local economy. This will lead to an estimated \$20.6 million in total output for the broader economy. This large multiplying effect on total output is indicative of the significant amount of industry-to-industry inputs within the construction sector e.g. purchasing of materials that must be manufactured within Australia.

5.3 Construction Employment Impact

Employment generation associated with the project has been estimated through national average output per Full-Time Equivalent (FTE) estimates in relevant industries (Figure 9).

Figure 9. Number of FTE Employees over Construction Period



Source: ABS I-O Tables (2012-13); Pracsys, 2019

¹⁷ Master Reference 13: HW & Associates Quantity Surveyors – Capital costs excluding contingencies, escalation, and loose furniture and equipment costs.

The project is expected to create 5 direct FTE employment opportunities per year of construction in the local area. The total impact of the construction phase is estimated to be 27 FTEs in the broader economy, with 22 indirect FTEs.

The Shire of Ravensthorpe provides opportunities to be employed to people from range of different cultures including people with Aboriginal heritage. The project is not specifically aimed at employing Indigenous people, however, since approximately 2.4% of the Shire residents are Indigenous, it is likely that at least 0.13 direct FTE and 0.52 indirect FTE employment opportunities will be Indigenous.¹⁸

¹⁸ Master Reference 7: ABS Census, 2016, *Place of Usual Residence: Counting Persons*

6 ONGOING IMPACT PATHWAYS

6.1 Methodology Overview

Impact Pathways are central to the economic and social impact assessment. Impact Pathways are a method of summarising the process by which value is created through a Project (Figure 10).

Figure 10. Impact Pathways Approach



Source: Pracsys (2017) based on the SROI Network International's Guide to Social Return on Investment 2015

The identified impacts are then monetised by using the 'benefit transfer' method – drawing values (through financial proxies) from high-quality studies and applying them to the context in question. The consistent quantification of metrics allows the direct comparison of project costs and benefits, summarised in the Benefit Cost Ratio (BCR).

6.2 Critical Assumptions

Costs and Timeframe

The capital and operating costs are as per the Section 4 Project Costs. It is assumed that the project will progress as per the project plan with construction occurring over two years 2021 - 2022.

Additional Costs and Benefits

For the purposes of the analysis, only the additional costs and benefits that would not have occurred but for the project were evaluated. This means that only the benefits for additional tourists (above the projected business-as-usual level) and additional impacts on current and future residents were included in the report.

Discount Rate and Present Value

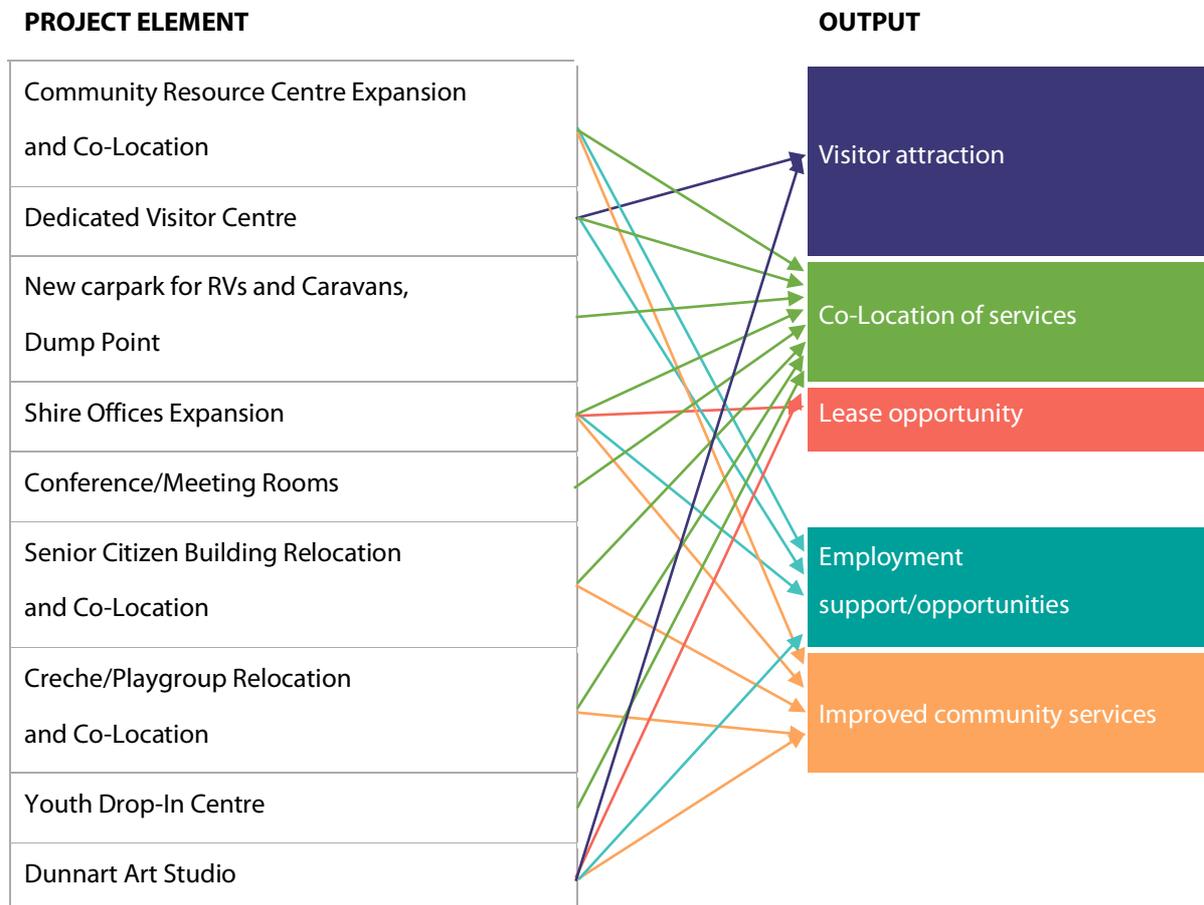
For monetised flows to be directly comparable in a CBA, future costs and benefits need to be discounted back to current dollar terms. This reflects society's preferences, which place greater weight on consumption occurring closer to the present, and the opportunity cost of the investment. In the analysis, all future costs and benefits are discounted to obtain the present value of benefits and costs. A standard 20-year timeframe was set for this analysis; after 20-years, present value costs and benefits become very minor.

The rate that converts future values into present values is known as the discount rate. The office of Best Practice Regulation (2016) requires the calculation of present values at an annual real discount rate of seven percent (7%). This is consistent with NSW Treasury (2007) and USOMB (2003). As with any uncertain variable, sensitivity analysis was conducted, so in addition to the 7% 'central' discount rate, the net present values were also calculated with real discount rates of 3% and 10%.

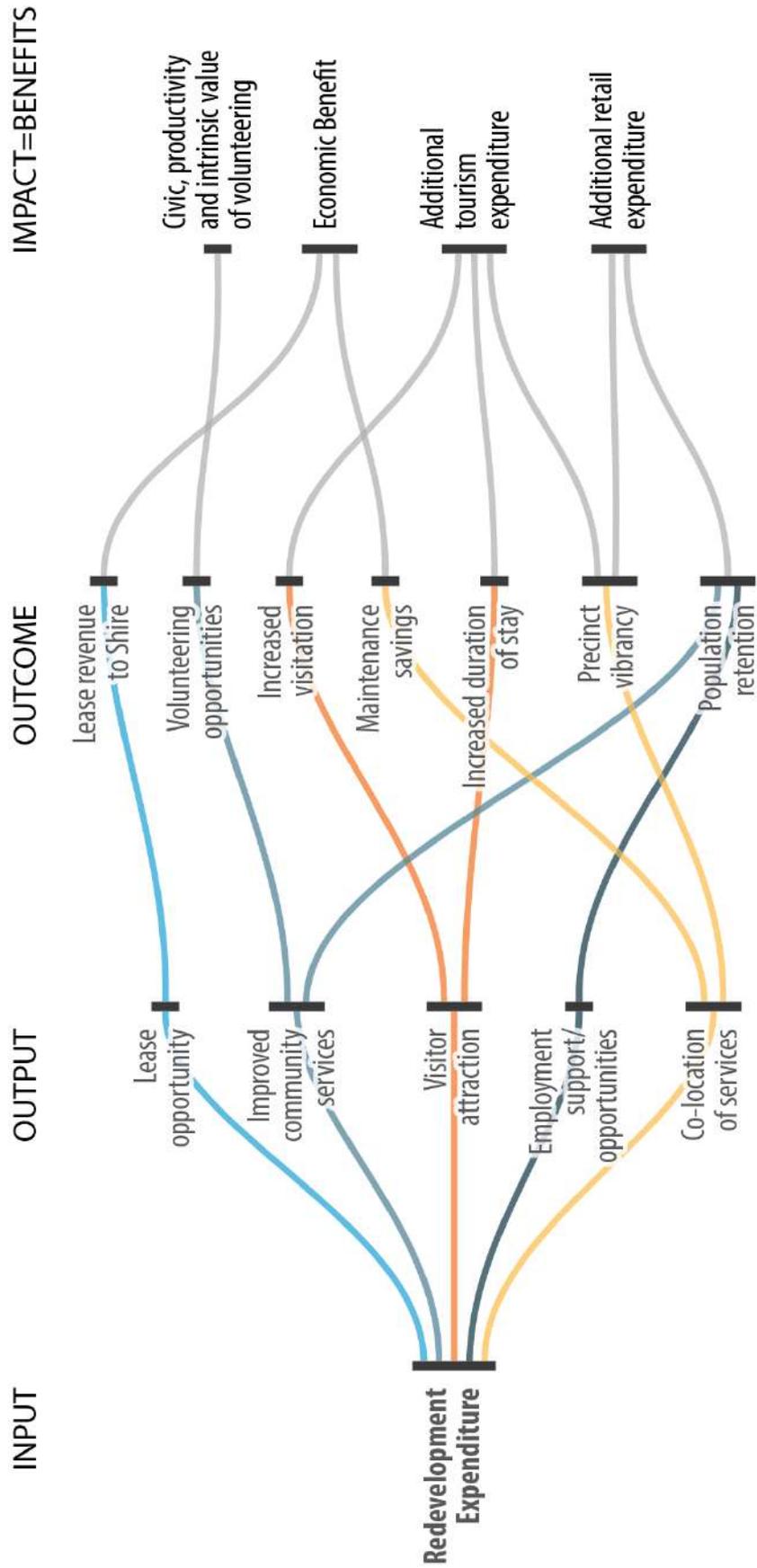
6.3 Impact Pathways

The direct investment in each element of the Project allows for a number of outputs to be created that in turn trigger positive changes (outcomes) within the Shire.

Each element of the project has a potential to create specific outputs that address the needs of the residents and tourists. Overall the project will create an activity hub that support the following outputs.



Each project output is associated with specific positive changes in the community. The process through which specific outcomes are achieved is mapped over-page.



7 VALUING ONGOING IMPACTS

This section of the report aims to discuss and quantify, where possible, the impacts (benefits) associated with each outcome identified in Section 6. Ongoing Impact Pathways.

Due to the nature of the benefits associated with the Ravensthorpe Cultural Precinct, only certain benefits can be successfully expressed in monetary value, therefore the total benefits of the project are expected to be higher than those quantified. All benefits were assessed over a 20-years period using a 7% discount rate to determine the present value of future benefits.

7.1 Town Vibrancy and Liveability

There is an opportunity to revitalise the town centre and provide a more attractive and liveable place for local residents that can also entice tourists and passing trade to interact with the town. Creating a strong sense of amenity and safety is important catalyst for regeneration, making the town attractive to private investment and visitors. The co-location of cultural, community and tourism facilities will deliver a concentrated community hub that can attract greater commercial activity from tourists and make the town more liveable.

Public realm improvements can naturally aid the prevention of crime. As per the 'broken window theory'¹⁹, lower quality urban environments are directly related to the increase of anti-social behaviour, such as vandalism and other crime that increases the feeling of insecurity in residents. The project will contribute to a greater feeling of safety in the town centre through creating an active space that is activated.

The project is expected to stimulate the local economy and activation due to the increased visitor levels and concentration of footfall in one area. This in turn creates a more attractive and hence profitable commercial environment while also increasing the opportunity for social transactions and contributing to a greater sense of community in the town centre.

The increased activation, greater sense of community and improved safety all contribute to enhancing the liveability of the town. Liveability is a key factor in assisting regional towns in attracting and retaining population.

7.2 Additional Tourism Expenditure

Ravensthorpe Tourist Visitation

The Shire has reported a steady increase in visitor numbers over the past five years and has seen 5,065²⁰ visitors walk through the doors of the Fitzgerald centre in 2018. The average annual grow rate in the last five years was around 17%. It is likely that majority of these visitors are WA residents stopping over in the Shire. It was conservatively assumed that the number of visitors will continue to grow at the same rate as the WA population.

WA Tomorrow has forecasted that West Australian population will grow at an annualised rate of 1.80% in the decade between 2021 and 2031. This growth has been applied to the current visitor numbers to estimate the

¹⁹ Broken window theory suggests that a neglected urban environment may encourage vandalism and crimes' escalation. Master Reference 14: Walkonomics, 2012, *How Walkable Streets Can Reduce Crime*

²⁰ Master Reference 16: Fitzgerald Coast Visitor Centre Ravensthorpe, 2019, Official Tourist Numbers

future visitation. It is therefore calculated that by 2023 when the new centre is operational around 5,800 people will visit the new centre.

Visitor Centre and Duration-of-Stay

Visitor centres play a critical role in informing and educating tourists about local areas and attractions. It has been found that visitor centres make an immediate financial contribution in their local area, and more broadly enhance the quality of visitor experiences and encourage future advocacy by visitors to the region.

Based on the Tourism Research Australia, 13% of Western Australia tourists who have stopped at a visitor centre have extended their stay in a location as a result.²¹ The proportion was even higher in the Golden Outback, particularly in more remote locations – 21% of tourist have increased their duration-of-stay due to the visitor centre.²² The average increase in length of stay was two nights.

Together with the increased amenity, dedicated RV and Caravan parking, cultural facilities and information on wider offering, a dedicated visitor centre has a potential to increase the length of stay for at least 21% of visitors.

The visitor centre will generate interest in Shire's attractions such as the historical walking trail and wildflower exhibitions. Users of visitor centres are more likely than non-users to visit national and state parks, heritage buildings or sites, museums and art galleries, and undertake an organised tour in the area visited.

Visitors also report improvements in their knowledge, perceptions and experience in an area as a result of their visitor centre stop, that can improve the overall image and perception of Ravensthorpe.

Additional Tourism Expenditure

Additional nights

Based on historical strong growth in tourists in the Shire and State population projections, it is expected that the number of visitors will continue to grow at around 1.8% per annum.²³ This means that in 2021 around 5,495 people would use a new visitor centre in Ravensthorpe. Based on the Tourism Research Australia study discussed above, it is estimated that 21% of (or 1,175) visitors would increase their length of stay by two nights.

Additional expenditure

Applying the average spend per overnight visitor in Western Australia of \$114²⁴, additional visitors will spend an additional \$268,000 in the first year. This number will grow in accordance with the estimated increase in the State population.

Applied over a twenty-year period, the present value of additional tourism expenditure is estimated at **\$2.9 million** in present value terms.

²¹ Master Reference 17: Tourism Research Australia, 2015, *The influence of Western Australian Visitor Centres on Tourist Behavior Summary*, pg. 5.

²² Master Reference 17: Tourism Research Australia, 2015, *The influence of Western Australian Visitor Centres on Tourist Behavior Summary*, pg. 4.

²³ Master Reference 18: WA Tomorrow, State Population Projection

²⁴ Master Reference 19: Tourism WA, *Domestic Visitation – Fast Facts 2018*, pg. 5.

Tourism – Employment Opportunities

The additional tourism expenditure will support employment opportunities in retail, food and beverage and accommodation industries. The ABS National Input Output tables provide estimates of the Output per Full Time Equivalent employee (FTE) for different industries. The related tourism industries have an average Output per FTE of approximately \$161,000.²⁵ The annual tourism expenditure will support approximately two additional FTE long term employment opportunities.

7.3 Population Retention

The project will provide additional amenity, services and opportunity to participate in activities, each of which improves the liveability of the Shire and contributes to attracting and retaining population. A number of elements of the project will contribute to improved liveability:

- The improved town centre
- Additional employment opportunities associated with tourism
- Additional high-quality community services
- Additional volunteering opportunities
- Increased arts and cultural activities
- Increased physical activities
- Training opportunities

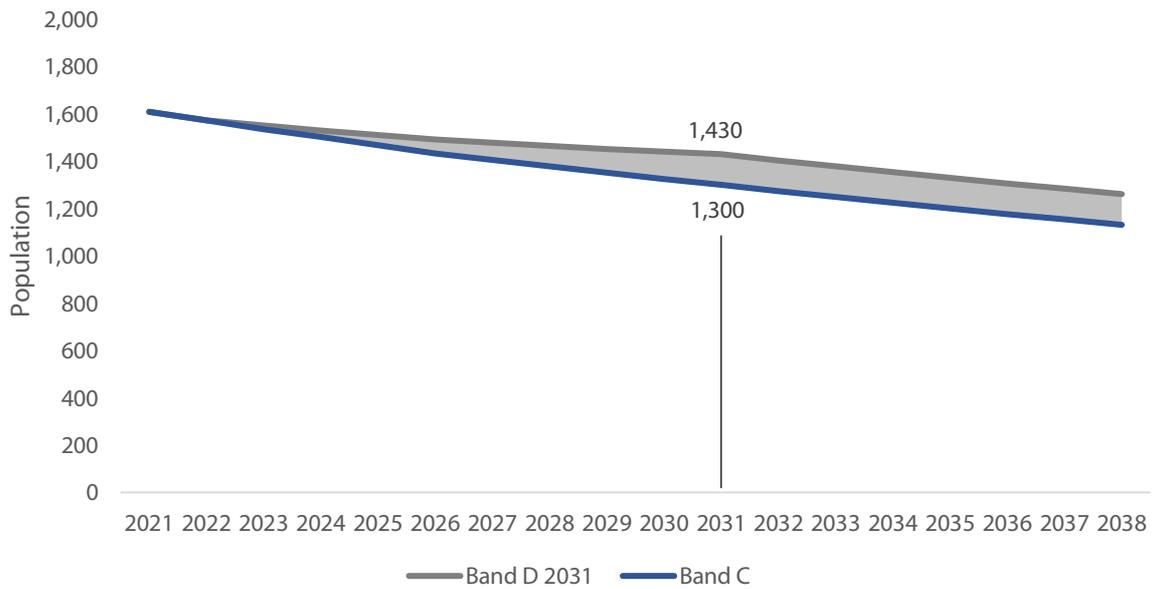
The analysis conservatively assumes that the improved liveability will reduce the rate of population decline that is projected in the long-term. By 2031, it is projected that the Shire's population will decrease to 1,300 persons under a medium growth scenario (WA Tomorrow Band C).²⁶ This is significantly lower than the 2016 population of approximately 1,785 persons. It has been assumed that the medium-high population projection of 1,430 persons (WA Tomorrow Band D)²⁷ can be achieved through the implementation of the project (Figure 11).

²⁵ Master Reference 11: ABS National Accounts, Input-Output Tables (Table 5 and Table 20)

²⁶ Master Reference 18: Department of Planning, Lands and Heritage 2019, WA Tomorrow Population Projections

²⁷ Master Reference 18: Department of Planning, Lands and Heritage 2019, WA Tomorrow Population Projections

Figure 11. Population Projections



Source: Department of Planning, Lands and Heritage 2019

Achieving the 2031 Band D projection equates to a total retention of approximately 130 residents (14 people per annum) from 2023 to 2031. This reduces the projected population decline from 485 to 355. Retaining population in the Shire will lead to a retention of spend at local businesses. This spend can be critical to supporting business particularly those reliant on tourism as it generates steady business activity, even in low seasons.

Of total household expenditure, retail expenditure is the most likely to be spent locally. Based on the Household Expenditure Survey, the average weekly household retail expenditure is around \$424 per week (\$2016)²⁸. That is \$22,642 (\$2019) per year per household. The present value of additional residents is estimated at **\$15 million** over 20 years.

Retained population – Employment Opportunities

The retained population will contribute to retaining jobs in the Shire that would otherwise be lost. A number of industries are population driven and require a certain concentration of population. This includes key services such as allied health, education and aged care. Everyday goods and services are also impacted through retained expenditure; this analysis estimates the impact of retained expenditure on retail employment opportunities. The ABS National Input Output tables provide estimates of the Output per Full Time Equivalent employee (FTE) for different industries. The retail industry has an Output per FTE of approximately \$140,000.²⁹ The retained population will generate approximately \$2.9 million in retail expenditure per annum in the long term (by 2031). This level of expenditure will support approximately 21 FTE long term retail employment opportunities in the Shire.

²⁸ Master Reference 20: ABS, 2016, *Household Expenditure Survey, Australia: Summary of Results, 2015-16*.

²⁹ Master Reference 11: ABS National Accounts, Input-Output Tables (Table 5 and Table 20)

7.4 Co-Location Benefits

The new facility will be managed and maintained by the Shire. As many of the project elements already exist under the Shire’s management, and there are cost savings associated with the co-location of facilities, it is expected that total operating and maintenance costs will be reduced. The Shire has estimated the following operation cost and renovation cost savings.

Figure 12. Operation and Renovation Cost Savings

Maintenance Activities	Cost Savings
Ongoing Activity	
Dunnart Art Studio	\$10,000 per year starting 2023
Community Resource Centre	\$20,000 per year starting 2023
Library	\$1,200 per starting 2023
RPZ Compliance Testing reduction	\$1,000 per year starting 2023
Vacant land	\$2,400 per year starting 2023
Public toilets	\$4,800 per year starting 2023
Playground	\$7,000 per year starting 2023
One off Expenditure	
Youth Club (painting, window repairs, carpets)	\$17,900 in 2021
Seniors Building Upgrades (painting, window repairs, carpets, electrical works, toilets replaced)	\$28,500 in 2021
Youth Club kitchen and toilet upgrade	\$22,000 in 2021
Playground	\$6,200 in 2021
Dunnart major structural works	\$92,000 over 3 years starting 2021

Source: Shire of Ravensthorpe

Over a 20 year period, the Shire will save around **\$455,000** in present value.

7.5 Hiring Income

The proposed facility will provide the Shire with additional capacity to hire out spaces to local community groups and private corporations. This additional income will increase the ability of the Shire to provide services to the local community. Research has identified that money spent by Local Governments can lead to significant social and economic benefits, with a potential return of up to \$26.5 per dollar of Local Government investment.³⁰ This analysis takes a conservative approach and assumes the benefit of the additional spending capacity of the Shire is equal to the additional income. Based on the unmet demand for hiring facilities currently experienced by the Shire it is estimated that the new facility will generate an additional 23% in annual hiring revenue. This equates to an increase of \$50,000 in hiring revenue in the first full year of operation.³¹ Applied over a twenty-year period the present value for additional income is estimated to be **\$470,000**.

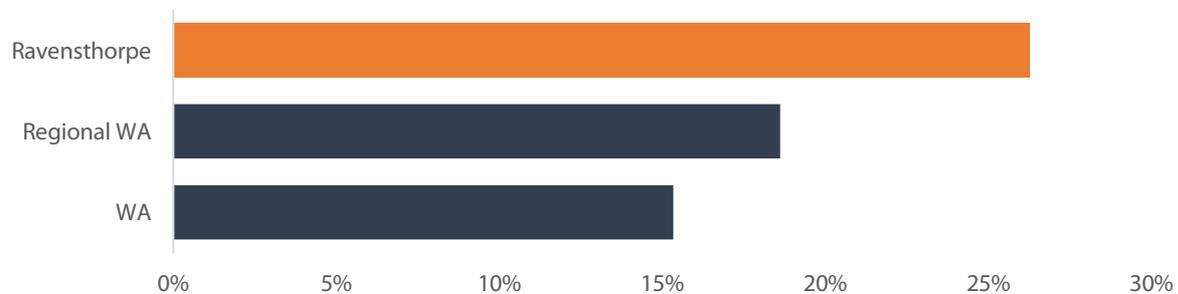
³⁰ Master Reference 21: NEF Consulting, Catalysts for Community Action and Investment 2010.

³¹ Master Reference 22: Shire of Ravensthorpe income Projections

7.6 Volunteering Benefits

Volunteering is an important part of the Ravensthorpe community. The rate of volunteering in the Shires is almost 50% higher than the regional average (Figure 13).³²

Figure 13. Rate of Volunteering Comparison



Source: ABS Census 2016

The project will play an important role in increasing volunteering in areas where there is currently a gap. These areas include:

- Provision of services to support disadvantaged youth – the project will see the creation of a youth drop in centre that will allow the CRC to access additional funding in association with the youth health club. This will increase both CRC services and volunteer hours.
- A new crèche will be developed that will support parents in the community, particularly those who cannot get their child a position in or afford childcare. The crèche service will extend part-time hours for childcare staff and create new volunteering opportunities

Maintaining and encouraging the high levels of participation in the community will be important with the projected decrease in population by 2031. The volunteering opportunities created by community centres has been found to contribute to building social capital. Volunteering is a form of civic participation that builds bridging capital, connecting people from different backgrounds.³³ Volunteering contributes to reducing the negative effects of disadvantage and is important in linking people with higher paying careers paths. Volunteering also contributes to improving community life through developing skills that allow people to problem solve in a collaborative manner.

Although the project will increase the opportunity for volunteering, the population in the Shire is projected to decline over time. This analysis assumes that the population which the community facility will help retain will contribute to retaining volunteers in the Shire. Applying the average volunteering rate of the Shire to the retained population, there will be approximately 34 retained volunteers by 2031. Volunteering provides productivity, civic and individual benefits to the society. Volunteering WA has estimated the value associated with each component of volunteering³⁴:

³² Master Reference 23: ABS Census 2016, Place of Usual Residence – Counting Population

³³ Master Reference 24: Australian Volunteering 2015, Key Statistics about Australian Volunteering. f

³⁴ Master Reference 25: Volunteering WA, 2015, *The Economic, Social and Cultural Value of Volunteering to Western Australian*, pg.108.

- Productivity benefit (benefits which consumers of volunteering receive, enabling them to be more effective and efficient in their chosen employment) - \$24 per hour spent volunteering in 2014 dollars
- Civic benefit (the cost of replacing volunteers to provide the same community-wide standard of living) - \$48 per hour spent volunteering in 2014 dollars
- Individual benefit (benefits of well-being and satisfaction) – \$25 per hour spent volunteering in 2014 dollars

Values have been adjusted to \$2019 and the average number of volunteering hours per annum were used to estimate total value of retained volunteers. Applied over a twenty-year period, the present value of volunteering is estimated to be:

- productivity benefit - \$284,000
- civic benefit - \$569,000
- Individual benefit – \$286,000

7.7 Future Employment Development

The Shire will be able to provide work experience opportunities to children from the local high school. They currently do not have the capacity to offer work experience programs, having to turn down requests. Work experience programs can lead to a number of positive outcomes for students including higher likelihood of upper school completion and improved employment transitions.³⁵ The advantage provided by such programs stems from skills development, real world experience and mentorship/networking.³⁶ Research has found that companies believe pre-collegiate internships provide students with an advantage when entering the work force, with 70% saying that they would very likely or completely likely to provide such a student with an internship. The Shire will offer two Administration/Business Work Experience positions each year.

The expanded office space will also enable the Shire to work with the CRC to provide a yearly Traineeship in Tourism and Business Development. Traineeships increase the likelihood of a participant entering into paid employment and Full-Time employment positions. Traineeships can be particularly effective in helping Aboriginal persons to enter into the work force with a 42% higher likelihood of being employed.

The traineeship program will offer two Administration/Business traineeships and one tourism traineeship per year. Once the Trainees have completed the traineeship and should a fulltime position exists they will gain fulltime employment. This is designed to retain corporate knowledge and reduce the current issues with attracting and recruiting staff. The training program will also be integrated with the work experience program, with student participants being encouraged to enter into the traineeship program. This approach is designed keep young people in the community and reduce families leaving the community.

The additional capacity to provide work experience and traineeship opportunities will support the local population in accessing employment and becoming productive members of the community. It is planned in such a way that it will also contribute to retaining population.

³⁵ Master Reference 26: Science Direct 2019, *Economics of Education Review*

³⁶ Master Reference 27: Kudoswall 2019, *The Importance of Internships for High School Students*

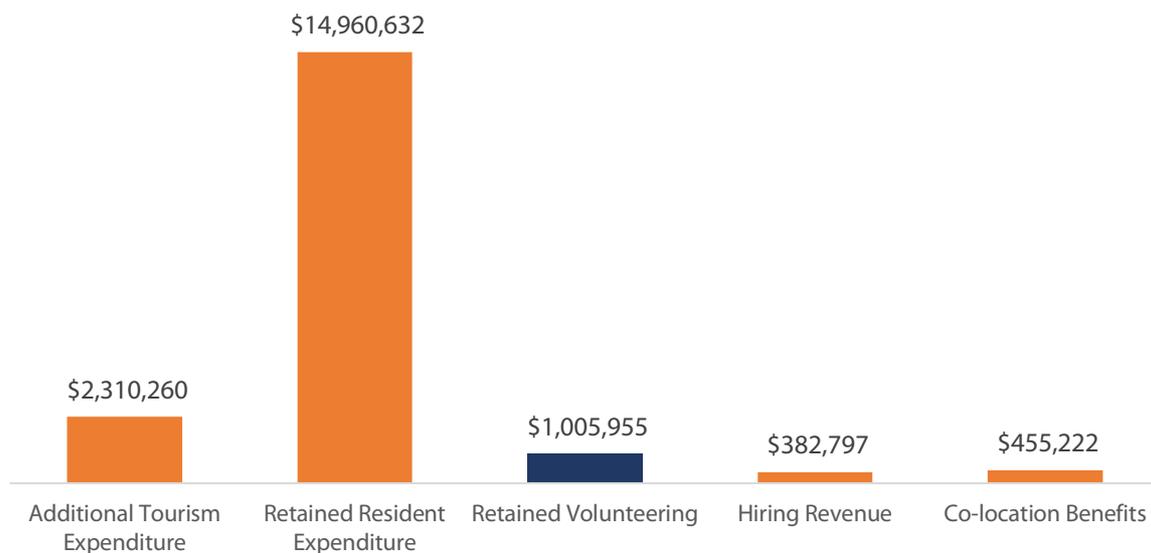
7.8 Aboriginal Employment Opportunities

The Shire provides opportunities to be employed to people from range of different cultures including people with Aboriginal heritage. The project is not specifically aimed at employing Indigenous people, however, since 2.4% of the Shire town residents are Indigenous, it is likely that at least 0.6 FTE long term employment opportunities will be available to Indigenous persons.³⁷ This will likely be realised through additional hours of work available to current employees. Indigenous employment opportunities realised through the project could increase as younger Indigenous persons have the opportunity to participate in the trainee programs, leading to a higher likelihood they will find employment.

7.9 Present Value Benefits Summary

The project has the potential to bring significant benefits to the regional community with tourism and residents retained retail expenditure benefits being the most substantial (Figure 14). In the figure below, economic benefits are highlighted in orange and social benefits in blue.

Figure 14. Comparison of Present Value Benefits (\$)



Source: Pracsys 2019

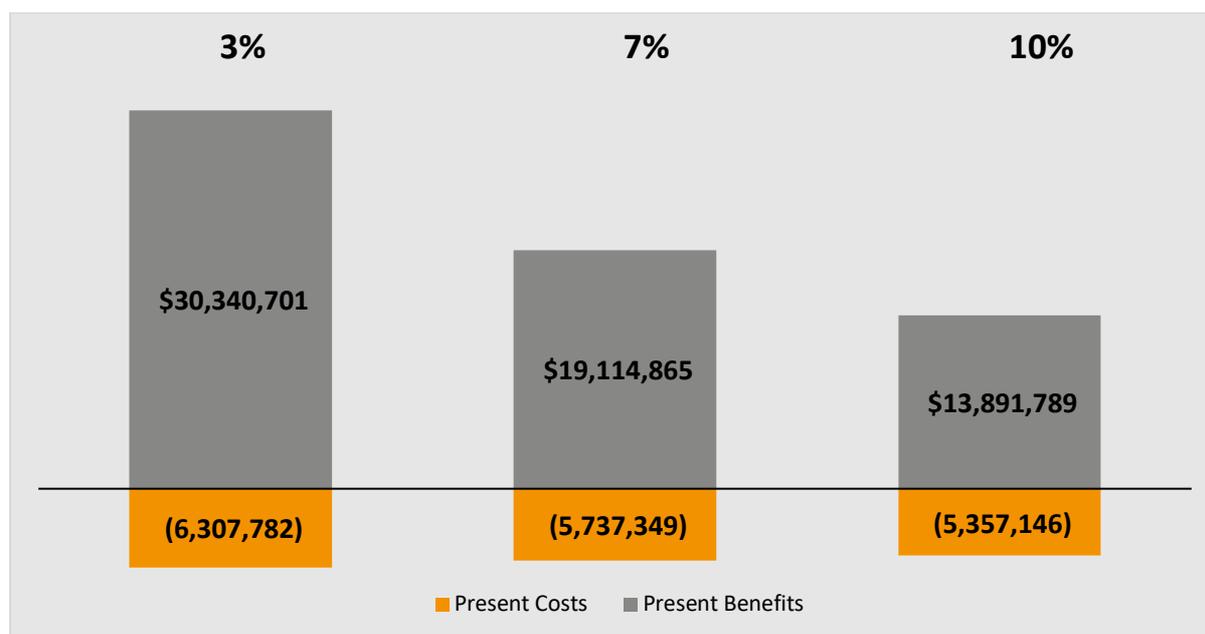
³⁷ Master Reference 1: ABS Quick State Ravensthorpe 2016

8 COST BENEFIT ANALYSIS

The present value of total costs has been compared to the present value of total benefits over a 20-year period to calculate the Net Present Value (NPV) of the project. As recommended by the Office of Best Practice Regulations (2016), present values are calculated at an annual real discount rate of 7%.

Sensitivity analysis was conducted to account for uncertainty using real discount rates of three and 10% (Figure 15). The project is likely to provide significant long-term benefits with an NPV of approximately \$13.4 million.

Figure 15. Sensitivity Analysis



Source: Pracsys 2019

Even at a 10% discount rate which represents a higher risk of not achieving the estimated benefits, the project delivers present value benefits higher than the estimated present value costs. The Benefit Cost Ratio (BCR) was calculated based on the ratio of present value benefits to present value costs (Figure 16).

Figure 16. BCR

	Discount Rate		
	3%	7%	10%
NPV (\$)	24,032,920	13,377,516	8,534,643
BCR Ratio	4.81	3.33	2.59

Source: Pracsys 2019

The analysis estimated a BCR of 3.33 for the project, indicating that for every dollar invested there is approximately \$3.33 of benefits generated for the regional community. There was a BCR of 2.59 even when a discount rate of 10% was applied, indicating that there is a relatively high level of certainty that the project will achieve a positive benefit outcome compared to costs.

9 CONCLUSION

The Ravensthorpe Cultural Precinct project intends to consolidate and co-locate community infrastructure with the Shire offices in the heart of the town, allowing for program expansion and creation of new services, while reducing operational expenditure. The Project will deliver an attractive and functional cultural centre that will activate the area and attract visitors and residents. The Project represents a flagship initiative for the Shire that has a potential to provide a catalyst for population retention and economic development through tourism.

There are clear social and economic benefits resulting from the project with an NPV of \$13 million, including the generation of 27 FTE positions in the construction phase (short term) and 43 FTE positions in the long term. A BCR of 3.33 indicates that the investment provides good value for money.

In summary, this is an entirely appropriate investment for the Federal Government, with a significant commitment already made by the local community.