



**Draft Report - Mogo Trails and Batemans Bay Coastal
Headlands Walking Trail**

Eurobodalla Council

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DRAFT

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Executive Summary

This report focuses on the implications and impacts resulting from the construction of the Mogo Trails and Coastal Headlands Walking Trail on Council, both now and looking forward to the operation and maintenance of these assets. The broad social and economic benefits to the Eurobodalla community of both projects are well documented in strategies and masterplans. The report does not attempt to assess or weigh the costs to Council and the benefits to the community. Rather it examines strengths and weaknesses in the project process, including those that impact on the project management and delivery phases, and the operationalisation of the projects.

1.1 Project Management

Eurobodalla Shire Council does not have an organisational wide approach to managing projects, supported by training and tools. Both projects are delivering significant budgets but the project management approach is one that has led to risks and challenges.

It is recommended that Council:

- 1.1.1. Adopt a standard Project Management Framework, templates and tools.
- 1.1.2. Adopt a formal governance model as part of the Project Management Framework to monitor projects, resolve escalated problems and resolve any internal conflicts and priorities.
- 1.1.3. Establish a 'hybrid' Project Management Office to oversee the framework, support project managers, provide training and project oversight. Project Managers would still be drawn from relevant directorate staff or contractors.
- 1.1.4. Provide project management training for key project delivery staff. This would include staff delivering major capital projects and other high-risk projects such as events or IT system projects as examples.
- 1.1.5. Have ELT regularly monitor priority projects to resolve conflicts or remove barriers to projects to ensure overall organisational priorities are met.
- 1.1.6. Develop a number of shovel ready projects that can be commenced immediately, with few risks, should grant funding become available.
- 1.1.7. As part of becoming approved as shovel ready, the operational impacts and whole of life costs are understood and modelled in the Resourcing Strategy.

1.2 Mogo Trails

The Mogo Trails project was thoroughly researched, scoped, master planned, and the construction costed and controlled. The project management controls are well documented and the project well planned. The main challenge for the Mogo Trails project is that the whole of life costs of the Trails are not understood and the governance, management and operational models have not been determined. The operational budget for the Mogo Trails has not been confirmed. Had these costs been known prior to implementation this may have influenced Council's decision on scope.

Recommended project improvements include:

- 1.2.1. Adopt an interim Council led governance model with a view to either, seeking expressions of interests from a commercial operator to take over the Mogo Trails operation or transferring the Mogo Trails operation to an Association or similar. Council needs to be the driver of this change.

- 1.2.2. Prepare a full operational budget including whole of life costs and internal overheads.
- 1.2.3. Recruit and appoint an Operations Manager or Executive Officer to manage Mogo Trails. The first trails will be operational in July 2024, so this role is urgent. The role should:
 - 1.2.3.1. Develop and implement the budget and management plan.
 - 1.2.3.2. Maintain the relationships with key stakeholders including the Batemans Bay Mountain Bike Club (BBMTBC).
 - 1.2.3.3. Develop and oversee the implementation of revenue opportunities.
 - 1.2.3.4. Undertake the reporting required for Council and Forestry Corporation NSW (FCNSW).
- 1.2.4. Appoint a marketing officer with specific responsibilities for Mogo Trail marketing, sponsorship and events.
- 1.2.5. Complete the Memorandum of Understanding with BBMTBC and be clear about accountabilities, responsibilities and processes.

1.3 Coastal Headlands Walking Trail

The Coastal Headlands Walking trail was not fully scoped or designed prior to it being funded, and major challenges only became apparent at design. Some of these issues have delayed the project, others have not been actively managed. The Project Manager is juggling a number of projects and therefore, has not had time to apply the same project rigor as is applied to Mogo Trails.

Recommended project improvements include:

- 1.3.1. Develop a number of shovel ready projects that can be commenced immediately, with few risks, should funding become available.
- 1.3.2. As part of becoming approved as shovel ready, the whole of life and operational impacts of the project are understood and modelled in the Resourcing Strategy
- 1.3.3. Adopting a Project Management Framework to guide the project management responsibilities for major projects.
- 1.3.4. Adopt a formal governance model as part of the Project Management Framework to monitor projects, resolve escalated problems, and resolve any internal conflicts and priorities.
- 1.3.5. Where projects are of a significant size and complexity such as the Coastal Headlands Walking Trail, ensure that the project managers workload is such that they are able to devote sufficient time to manage the project. The Coastal Headlands Walking Trail project would have benefited with a sole project manager.
- 1.3.6. Investigate a community committee to partner in the operation of the Coastal Headlands Walking Trail.

2 Introduction

2.1 Background

The Council commenced two major projects, Mogo Trails and Batemans Bay Coastal Headlands Walking Trail, which have been under construction for the past 24 months and due for completion at the end of this year, 2024.

The purpose of this report is to undertake a mid-point review and obtain learnings from the construction of these projects that will aid in operationalising the projects and undertaking major projects in the future.

It is beyond the scope of this review to comment or review the costs and benefits of both projects and the merits of the investment decisions. There are clear economic, social, community and health benefits that arise from both projects. We received many comments from stakeholders and supporting documentation that provided robust justification for proceeding with the projects. There is without doubt considerable belief in the benefits and local support for both.

This review focuses more on the adequacy of the information and processes supporting these projects from preplanning, through to construction, and the projects subsequently becoming operational.

2.2 Context

2.2.1 The Eurobodalla Shire

The Eurobodalla Shire is located on the South Coast of NSW and supports a permanent population of approximately 41,000 residents. The Shire is some distance to major capital cities and is bounded by Shoalhaven City in the north, the Tasman Sea in the east, Bega Valley Shire and the Snowy Monaro Regional Council area in the south, and the Queanbeyan-Palerang Regional Council area in the west.

Eurobodalla Shire is a rural and growing residential area. The main towns are Batemans Bay, Moruya and Narooma, with numerous other small villages. Most of the population is located along the coastal fringe or living beside the lakes and rivers. The Shire encompasses a total land area of over 3,400 square kilometres, of which about three-quarters is national park or state forest. The major industries are tourism, timber production and dairy farming, including milk, butter and cheese production.

Tourism continues to grow in the Shire and Eurobodalla is recognised as a visitor destination for its picturesque coast and beaches, as well as its water and land based recreational activities.

2.2.2 Mogo Trails

The Mogo Trails Project comprises 130km of mountain bike trail in the state forests around Mogo. The project is being built using a \$5 million grant from the NSW and Australian Governments' Bushfire Local Economic Recovery Fund, and a \$3 million grant from the NSW Government's Growing Local Economies Fund (Restart NSW). Planning commenced in April 2019 and construction is expected to finish by the end of 2024.

2.2.3 Coastal Headlands Walking Trail

The Batemans Bay Coastal Headlands Walking Trail comprises 14.5km of natural trails on public land linking headlands between Batehaven and Mackenzies Beach. The project is being built using \$6.5 million in grant funding from four different funds, predominantly \$5.25m from the Bushfire Local Economic Recovery Fund.

Planning commenced late 2021 and construction is expected to finish late-2024.

2.3 Project objective and deliverables

In December 2023, Morrison Low was engaged by Council to undertake a mid-project review of both the Mogo Trails and Coastal Headlands Walking Trail projects. The objectives and deliverables for this review were:

- A comprehensive review of all aspects of these projects, the risks and liabilities posed to Council.
- The Mogo Trails review should provide recommendations for a preferred management model on completion, including options for potential transition away from Council management (trust, committee, etc) and review of the draft management plan.
- For both projects, assess the suitability of an existing project management approach, and underlying systems and processes.
- Identify lessons and improvements for Council in the delivery of program and project management.

2.4 Acknowledgements

We wish to thank Council staff and other stakeholders for their assistance, cooperation and courtesy extended to us over the course of our review, especially providing information, attending online meetings and during our site visit to the Eurobodalla Shire from Monday 5 to Tuesday 6 February 2024.

2.5 Limitations and restrictions

In preparing this report, Morrison Low has relied on:

- Information provided in-confidence by Council,
- Feedback provided by Council's staff,
- Feedback provided in-confidence by external stakeholders,
- Publicly available information, and
- Our own analysis.

3 Project Management

3.1 Positives

Council was able to supply good documentation concerning both projects, although the quality of documentation differs between projects. We found project staff very committed to the projects with which they are involved. The Coastal Headlands Walking Trail in particular has more staff directly involved and all staff praised the collaboration amongst the team to get the desired outcome.

3.2 Issues and challenges

During the course of this review, we noted that Council has no formal Project Management Framework and no one person or team responsible for Council's project approach. Both projects have been managed differently. In recent years there has been a recognition that a council's project spend is significant and good project management is critical to project success and cost management. We have been involved with more councils in adopting formal frameworks, training and embedding consistent project management processes in their organisations.

Project Management is recognised as a highly qualified profession and while some university qualifications offer papers on project management, these are not as extensive. In our experience, council staff often see project budgets as a target spend to reach rather than an upper limit, that through good project management delivers the project well under budget.

Some councils have established Project Management Offices, and these vary from offices that undertake all major project management and reporting, to those that just provide tools, templates, advice and quality assurance. We would see the latter as being more practical for Eurobodalla Shire Council.

An adopted framework enables tailored training in Council's processes and tools to all staff managing projects, whether they be large construction projects, events or, systems implementations as examples.

Where Council does not have appropriately skilled inhouse project managers, we recommend outsourcing this via a panel arrangement. In many Eurobodalla projects, project managers act more as project officers who get things done rather than follow or apply formal processes to the project. Feedback during our interview process suggested that Council tended to under resource the project management component of project delivery. This manifests itself in poor controls of costs, timeframes, scope creep and lowering of deliverable quality and value.

Through our interviews and on-site discussions, we understand that projects and project management can be siloed between directorates. Competing priorities means that projects do not always get the required level of organisational buy-in, leadership and directors are often left to drive their own projects.

In the past, the Executive Leadership Team's commitment to individual projects varied and there does not appear to be a documentation of priority projects where the leadership oversees progress and resolves differences between competing projects. There does not appear to be a collective ownership and responsibility for priority projects.

A review of both projects reflected different approaches to project management and planning. One of the projects has more documentation that gives a level of confidence that the project is well planned while the other is still planned, but contains less project documentation and therefore, creates more scope for

individual interpretation and risk. This lack of a consistent approach leads to varying skills being applied to manage projects. Project sponsors have identified limited reporting and risk analysis can frustrate them in fulfilling their role.

Another challenge is projects entering the delivery pipeline as concepts, which are not fully scoped and planned projects. This is not unusual in local government where external pressure often comes to bear to start a project because it becomes a priority for Commonwealth or State government, or funding becomes available before scoping and design is undertaken. The challenge is that much of this funding is provided to meet an immediate purpose which can rush a project from concept to delivery without proper planning, and place constraints on timeframes for delivery that do not enable sufficient planning to occur.

The project management focus for both projects has been more on the construction phase and not on a holistic approach that incorporates scoping, governance, engagement, communications and designs.

3.3 Recommendations

It is recommended that Council:

- 3.3.1. Adopt a standard Project Management Framework, templates and tools.
- 3.3.2. Adopt a formal governance model as part of the Project Management Framework to monitor projects, resolve escalated problems and resolve any internal conflicts and priorities.
- 3.3.3. Establish a 'hybrid' Project Management Office to oversee the framework, support project managers, provide training and project oversight. Project Managers would still be drawn from relevant directorate staff or contractors.
- 3.3.4. Provide project management training for key project delivery staff. This would include staff delivering major capital projects and other high-risk projects such as events or IT system projects as examples.
- 3.3.5. Have ELT regularly monitor priority projects to resolve conflicts or remove barriers to projects to ensure overall organisational priorities are met.
- 3.3.6. Develop a number of shovel ready projects that can be commenced immediately, with few risks, should grant funding become available.
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4 Mogo Trails

4.1 Project General

The research, investigation, and strategy work undertaken prior to commitment to this project appears comprehensive and supports the decision to proceed with this project. There is sufficient detail, with case studies to identify the key benefits, costs, and scope.

It was clear during our onsite interviews that this project is driven by a passionate group of stakeholders and staff, supported by staff who see the Trails potential to the region and community. Since the mid-point review commenced, Sea Otter Australia announced it has signed a 10-year licence with Rocky Trail Entertainment to host the event at Mogo Trails. This event will create a significant benefit to the community but also impose a responsibility on Council to maintain and operate the trails at a level that supports an international event of this stature.

4.2 Project Planning

The Mogo Trails Project has been managed formally and has the normal project management documents you would expect to find. These are, for the most part, stored in Council's G Drive or Smartsheet. These documents and records include both strategic documents, project management documents and operational documents.

Document Name	Stage	Owner
TRC Mogo Adventure Trails Hub Strategy	Issued	TRC Tourism
DirtArt - Mogo Adventure Trails Master Plan	Issued	Simon French
Investment Prospectus	Draft	
Project Management Plan	Draft	Shane Spicer
Project Risk Assessment	Draft	Shane Spicer
Quality Management Plan	Draft	Shane Spicer
Project Schedule	Live Document	Shane Spicer
Trail Inspection Checklist	Issued	Shane Spicer
Trail Audit Log	Live Document	Shane Spicer
Exhibition Submission List	Summary	Felicity Richards
Mogo Adventure Trails - Stakeholder Meeting Notes 29052019	Issued	Felicity Richards
MATHS-Consultation Comments and Responses	Draft	Felicity Richards
Stakeholder Engagement Plan	Issued	Joe Mullan
Project Management Plan	Issued	Joe Mullan
Trail Maps	Draft	Marcelo Cardona
Program of Works	Live Document	RTD

Document Name	Stage	Owner
Action Register	Live Document	RTD
Decision Register	Live Document	RTD
Issues Register	Live Document	RTD
Risk Register	Live Document	RTD
RTD Public Liability CoC	Issued	Martin Wisata
RTD Professional Indemnity CoC	Issued	Martin Wisata
NLMTB Workers Comp CoC	Issued	Marcelo Cardona

A Project Control Group (including the funding body, landowner, Public Works Advisory and Council staff) has been established to oversee the project. We have sampled the comprehensive meeting notes that are kept including:

- Governance and project records
- Progress reports (construction, schedule and expenditure)
- Risks and issues
- Actions – completed and outstanding.

These records suggest the projects construction phases, stakeholder engagement and grant acquittal are well managed in a transparent manner.

4.3 Issues and challenges

While from a project management perspective the project has been well managed, there are other issues and challenges that have emerged, and these are discussed in this section.

4.3.1 Culture

During our interviews a recurring theme highlighted internal cultural or behavioural issues with some projects including Mogo Trails. It was reported that there has been a varying level of support for some projects, no buy-in within the organisation as a whole. Some sectional silos exist where parts of the organisation with technical expertise were unwilling to assist. This may be in part due to their own workload and lack of resourcing. Some internal stakeholders who did not see the project as the priority it was accorded, made implementing the decision difficult and therefore, the project was often under interrogation or scrutiny. A formal project management framework is likely to have prevented these cultural issues from developing.

4.3.2 Permits

The Council has a permit to construct, operate and maintain Mountain Bike Trails from the FCNSW in prescribed areas of the Mogo State Forest. The permit places responsibilities on Council for maintenance activities.

The permit places requirements on Council to pay fees, however these fees are subject to a 100% waiver. The Council must record participant numbers, takings, expenditure and activities and these must be available for inspection or audit by FCNSW from time-to-time.

The Council is required to provide FCNSW with written annual reports on participant numbers, daily use trends and demographic breakdown of participants. These obligations place an administrative and systems burden on Council in addition to its maintenance and operational obligations.

The council is required to ensure the trails are managed in accordance with international best practice and Australian guidelines, Auscycling's Code of Conduct is upheld, a Trail Management Plan is developed, and a Trail Audit process is adopted. The permit conditions are onerous, and it is difficult to foresee how these can be achieved without dedicated resources and systems.

The permit specifically excludes Council from running significant events without a separate permit. We understand the BBMTBC had a separate permit for events. It will be important for Council to clarify with the BBMTBC roles, responsibilities, cost and revenue apportionment as part of the proposed Memorandum of Understanding.

Nothing in the permit appears to prevent Council from making an access charge, although we note from other similar operations, FCNSW do charge commercial operators e.g. shuttle operators. Council will need to clarify with FCNSW of any expectations for revenue sharing should Council introduce usage fees or other charge under its 'operational' authority.

We note that the Permit places a significant administrative burden on Council, which will need to be resourced.

4.3.3 Governance

The project has proceeded without formal agreement to an ongoing governance structure. The need for a formal governance structure was raised in early reports where case studies of typical governance arrangements were highlighted¹. A draft report was prepared in 2020 outlining a selection of governance options which included:

- Option A: Partnership (Section 355 Committee)
- Option B: Partnership (MOU)
- Option C: Sole Entity (Council)
- Option D: Sole Entity (other).

The report outlined the advantages and disadvantages of each option and concluded that the Council governed entity was the best option.

Both Options A and B still require a significant involvement from Council. A Section 355 Committee is deemed to be part of Council. The financial accounts and volunteers are legally part of Council. Council has an obligation to include the 355 Committee's accounts within Council's financial accounts, as well as ensure the volunteers are equipped, trained and managed as though they were Council employees.

Our research suggests that different governance models provide different costs and benefits (Appendix A) and a summary of other trail governance models follows.

Derby

We interviewed the General Manager of Dorset Council in Tasmania. As one of the most significant

¹ Mogo Adventure Trails Hub Strategy, TRC, August 2019

comparable mountain bike trails in 2023, Derby transitioned from a totally Council owned and operated asset to transferring the governance of the Trail to the Blue Derby Foundation (Appendix B). Previously Council undertook all tasks including brand management, marketing, accommodation bookings, social media, tracks operations and maintenance. This placed a considerable burden on Council staff and the General Manager performed a number of hands-on tasks as part of this process.

Under the current model the Blue Derby Foundation governs the trail, day to day operations and manages fundraising, marketing and brand management. The Foundation employs an Executive Officer and part time Marketing Officer. The Foundation is set up as a charitable trust (but not tax deductible) to enable it to market and receive income from the Derby trails. The Foundation is effectively Council's fundraising arm, raising money to cover its own cost and Council's maintenance costs. The Foundation comprises key business people in Derby who have a strong personal interest in the success of Blue Derby. The Council is still responsible for all maintenance and employs six FTE staff to undertake maintenance on 135km of trails.

A foundation was established primarily for two reasons:

- To remove the brand and ownership from local government politics, and
- To make it easier to raise funding outside of Council.

Bright

Up until recently Mystic Ranges Trails in Bright was a volunteer led incorporated society. The society comprised a number of stakeholders including Council businesses and land owners. The society employed an Executive Officer, Part-time Park Manager and maintenance staff. The main revenue sources came from grants and member subscriptions. Although successful, the society model was proving to be unsustainable, and Council recently took over operations.

The Gorge (NZ)

At the other end of the spectrum, we interviewed the Operations Manager of The Gorge. Initially a private park in 2008, the Nelson Mountain Bike Club took over operations in 2016 after receiving gifting of some land and securing a 40 year lease of the balance. The Club runs the Park commercially and employs a 4 day per week Operations Manager who coordinates maintenance with volunteers and contractors. A review of the Clubs annual accounts suggests the Club is financially successful with a small contribution from grants.

A summary of other trails governance models is shown in Appendix A. The conclusion from this research is that;

- Most successful Mountain Bike Trails operate under some form of non-Council public governance model.
- Governance models change over time and they vary in the roles they undertake.
- Most governance models directly employ staff as a minimum to manage the operations, grants and marketing while the approach to trail maintenance varies between paid contractors, staff and volunteers.

We are of a different view from the Draft Mogo Trails Management Plan (prepared by Council) in that while the Council governed option may be the best option from a user perspective, from a Council perspective the risks and costs are considerable, and another entity presents the best long term solution. As noted in the governance discussion above, many mountain bike trail complexes have demonstrated that they can either run commercially or are capable of securing a combination of sponsorship revenue and grants to operate successfully. In our view, while Council plays an essential role in the trails planning, the sourcing of grants

funds and overseeing construction, it is not in the best interests of either the Council, community or users for it to remain significantly involved in the longer term. The General Manager of Dorset noted during our discussion that he receives regular inquiries from other trail builds all competing for world class status like Derby, and that competition is growing, which means ongoing investment is required.

The under construction, Yarra Ranges Trail Governance Report prepared by TRC in 2017 reviews governance options against a set of objectives. This concluded that of the seven options, an incorporated association is the model that meets the most criteria while a Council run option meets the least.

In our view, if feasible, the Mogo Trails are best run by an independent Association or Trust for the following reasons:

- Council has a capped rating revenue which limits its ability to respond to maintenance and renewal requirements because of broader demand on its finances.
- As an asset, Council will need to plan for its maintenance and renewal in its Asset Management Plans. Part of the asset may need to be depreciated in Council's annual accounts.
- Unless clarified, Council's ability to source revenue for use of the Trails is uncertain. There are various stakeholders that are permitted by FCNSW to operate events and potentially other activities on the site.
- Councils are seen by the public and external bodies as having substantial financial capacity and resources. Sponsors and other funders are less likely to contribute to the operational cost of a council run facility on this basis. Conversely, stakeholder and users are more likely to seek fee waivers, discounts or avoid paying fees because of a council's financial capacity.
- Traditionally, councils are not experienced and controlled when it comes to operating assets commercially. Most councils do not attribute full overheads and costs to services and exercise less rigorous control over costs, revenue and operations.
- Mogo Trails will be subject to the ebbs and flow of Council's politics and future elected Councillors may not see the Trails in the same positive light that the current Council does.

An Association or Trust governed model is unlikely to be achieved before the trails start to become operational in July 2024, therefore a governance model driven by Council will be required in the first instance.

4.3.4 Operations

Responsibility for the asset and the assets performance, operations, maintenance and marketing once built are yet to determined.

A draft Mogo Trails Management Plan has been prepared and while we understand this was referred to the Council Executive in late 2023, no decision has been made due to the significant workforce and financial implications the Plan has. Setting aside the question of the most appropriate governance model, there are a number of other key decisions that need be made before July 2024.

- Responsibility for ensuring the overall performance expectations of the Trails are delivered, including all day-to-day decision making regarding financial performance (both cost management, grants and revenue generation), visitation, operations, asset management, managing contractors, commercial operators, risk management, emergency response events and reporting. The area would also be responsible for stakeholder relationships.
- Responsibility for day-to-day operational, maintenance operations, trail inspection and maintenance.
- Responsibility for marketing and promotion.

Council’s strategic goals from the development of the trails are largely economic and increasing visitors in the shoulders and off peak to the regional. The management of the trails will require someone with more commercial skills rather than technical activity or asset management skills. For these reasons the overall responsibility best sits within the area of Council responsible for economic strategy or Council’s commercial business units, managed as a standalone business unit.

The Trails physical maintenance operation can be undertaken by the Infrastructure or Parks teams and the Mountain Bike Club. The draft Mogo Trail Management Plan recommends a Trail Manager and three FTE to maintain the trails, but we note Blue Derby with fewer kilometres of trails has six FTE in its maintenance crew. The plan rightly notes other established trail destinations managed by local government without a skilled work force has resulted in a deterioration of trail experience with trails losing variation (type and difficulty) resulting in a loss of visitation. An unskilled maintenance crew will create safety, financial and reputational risks for Council.

We note the FCNSW permit requires Council to report usage on a regular basis and a system of some type (electronic counter, membership or admission process) will be required to achieve this.

Potential cost and revenue budgets for Mogo trails operation are outlined in the next section including some cost comparisons with the case study trails.

4.3.5 Financial

Expenses

The decision to build Mogo Trails without an understanding of the whole of life cost is in our view an unfortunate oversight. Eurobodalla Shire is not alone in raising the capital cost through grants and proceeding with the project without considering the whole of life costs.

The draft Mogo Trails Management Plan uses an amount of \$2.15 per metre for the calculation of planned maintenance costs to produce the budget below

	Year 1	Year 2	Year 3	Year 4	Year 5
	23/24	24-25	25-26	26-27	27/28
Mogo Trails Manager	\$53,000.00	\$109,180.00	\$112,455.40	\$115,829.06	\$119,303.93
Trail Maintenance	Construction	NLTMB Maintenance period	\$322,500.00	\$322,500.00	\$322,500.00
Vehicle	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00
Insurance	NA	NA	NA	NA	NA
Total	\$ 69,000.00	\$125,180.00	\$450,955.40	\$454,329.06	\$457,803.93

For the first two years, the Trails are maintained by the contractor as part of the handover.

By comparison to the budgeted per metre rate proposed by Council:

- Blue Derby’s current maintenance budget is approximately \$640,000 for 135km of trails at \$4.74 per metre.
- Mystic Ranges total expenses are approximately \$711,000² of 50km of trails - \$1,400 per km. it is unclear what this cost comprises but is likely to include trail renewal after the bush fires.
- The Gorge budget is approximately \$3.30 per metre per annum for maintenance on top of volunteer support.

Given this most recent information it is mostly likely that, after the maintenance period ends, Council will need to budget in the order of at least \$4 per metre or approximately \$520,000 per annum for maintenance excluding management and marketing costs.

The table below estimates the additional costs likely to be incurred in the of Mogo Trails based on the \$4 per metre projection, and additional staff. The table also signals there will be additional whole of life costs for depreciation (to fund renewals) and corporate overheads.

	Year 1	Year 2	Year 3	Year 4	Year 5
	23/24	24-25	25-26	26-27	27/28
Mogo Trails Manager³	\$73,140	\$150,668	\$155,188	\$159,844	\$164,639
Marketing Manager (Part-time)⁴	\$27,600	\$110,400	\$114,816	\$118,680	\$124,200
Trail Maintenance⁵	Construction	NTMB Maintenance period	\$696,000	\$722,000	\$748,000
Vehicle	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
Insurance	NA	NA	NA	NA	NA
Depreciation	TBC	TBC	TBC	TBC	TBC
Allocation of Corporate overheads	TBC	TBC	TBC	TBC	TBC
Total	\$116,740	\$277,068	\$982,004	\$1,016,524	\$1,052,839

² Annual report from Alpine Community Plantation 2023

³ Includes salaries on cost.

⁴ Includes salaries on cost.

⁵ Includes on cost estimated wages component.

This year Blue Derby are going through a rebuild of their main trail at a cost of \$230,000 for approximately 20km (\$115 per metre). The Gorge budget is \$25 per metre for regular rebuilds. Both managers point to the need for regular investment in their trails to remain a strong brand to maintain the Trails reputation, attract and retain events and visitation.

Revenue

The draft Mogo Trail Management Plan identified revenue opportunities and these are summarised in the table below.

	Year 1	Year 2	Year 3	Year 4	Year 5
	23/24	24-25	25-26	26-27	27/28
Sponsorship¹	NA	\$155,000.00	\$155,000.00	\$155,000.00	\$155,000.00
Events²	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00
Merchandise³	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Donations⁴	\$21,900.00	\$43,800.00	\$43,800.00	\$43,800.00	\$43,800.00
Commercial Operations⁵	\$33,750.00	\$37,125.00	\$40,921.00	\$44,921.00	\$49,413.00
Grants	Unknown	Unknown	Unknown	Unknown	Unknown
Advocacy	Unknown	Unknown	Unknown	Unknown	Unknown
Total	\$101,650.00	\$256,652.00	\$256,654.00	\$256,656.00	\$256,658.00

It is difficult to compare forecast revenues as most operating models vary.

The Mogo Trails budget forecasts 54% of the revenue will be derived from sponsorship while events, merchandise and commercial operations are expected to make up between 13% to 15% each. The Council has developed a draft Mogo Adventure Trail Hub Opportunities Document to promote investment in the trails and in the community in general.

By comparison, the last published percentage apportionment of revenue for Blue Derby was four years ago which identified the main revenue sources as: Sponsorship 45%, Grants 13%, Merchandise 11% and Commercial Operations 10%. This is likely to have changed significantly and will continue to do so under the Foundation model, so serves as a guide only.

Bright operates a 'pay to play' model where riders are required to be a member and daily, weekly or annual memberships are available. Their annual report identifies this as the biggest revenue source at approximately 45% of total income.

The Gorge revenue of \$550,000 in 2022 principally came from commercial operations (24%), and membership and grants of 21% each.

The Trails in Queenstown, New Zealand revenue for 2022/23 was approximately \$1 million, funded approximately 75% from Grants and 25% from donations and fundraising. The most recent annual report for

Rotorua Trails Trust (NZ) for 2021/22 shows the great majority (66%) of annual income of \$500,000 is derived for providing goods and services including maintenance and ranger services. Donations and memberships account for the majority of the balance. Both models have different approaches to funding from what is planned for Mogo Trails.

The following info graphic shows the Blue Derby sponsors as a guide.



In the sections on permits we noted that Councils has a permit from FCNSW to operate the Trails but will need to apply for a permit to hold events if Council is the organiser. Council may need work with FCNSW to understand if there are any revenue sharing expectation. Currently the Narooma Trails share revenue with FCNSW.

4.3.6 Marketing

Council has commissioned a brand strategy for Mogo Trails and this brand will be critical to the trail's success. As noted earlier, Sea Otter Australia have committed to 10-year licence with Rocky Trail Entertainment to host the event at Mogo Trails. This event will show case Eurobodalla and Mogo Trails as a world class venue. The trail managers we interviewed have all stressed how important brand and quality is to the success of their trails. Competition amongst mountain bike parks is strong and with new parks being developed across Australia, ongoing investment to maintain that quality is essential. In the view of one manager, without it the capital and operational investment is wasted.

The analysis shows that Council's revenue forecasts, although potentially high in some areas, are not unreasonable. Trails with significant revenue budgets all have in common that they employ a marketing resource in a full or part-time role to generate revenue. Council may be able to accommodate this with a role within its existing structure, but it is more likely that this will be an additional position.

4.4 Risks

The most significant remaining risks are:

- The lack of clarity on future operations:
 - Undetermined governance model
 - Undetermined operational model
 - Undetermined model for revenue generation
 - Undetermined roles and responsibilities
 - The absence of budget that includes the full life cycle cost and council overheads to operate a world class mountain bike park.
- The Memorandum of Understanding with the Batemans Bay Mountain Bike Club to determine roles, responsibilities, relationships and processes had not been completed.
- Commitments to future events have been made without understanding the costs and revenue opportunities associated with the events.
- The permits with FCNSW require regular renewal.

4.5 Recommendations

Recommended project improvements include:

- 4.5.1. Adopt an interim Council led governance model with a view to either, seeking expressions of interests from a commercial operator to take over the Mogo Trails operation or transferring the Mogo Trails operation to an Association or similar. Council needs to be the driver of this change.
- 4.5.2. Prepare a full operational budget including whole of life costs and internal overheads.
- 4.5.3. Recruit and appoint an Operations Manager or Executive Officer to manage Mogo Trails. The first trails will be operational in July 2024, so this role is urgent. The role should:
 - 4.5.3.1. Develop and implement the budget and management plan.
 - 4.5.3.2. Maintain the relationships with key stakeholders including the Batemans Bay Mountain Bike Club.
 - 4.5.3.3. Develop and oversee the developing of revenue opportunities.
 - 4.5.3.4. Undertake reporting required for Council and FCNSW.
- 4.5.4. Appoint a marketing officer with specific responsibilities for Mogo Trails marketing, sponsorship and events.
- 4.5.5. Complete the MoU with the BBMTBC and be clear about accountabilities responsibilities and processes.

5 Batemans Bay Coastal Headlands Walking Trail

5.1 Project timeline

The project timeline is outlined below.

- 2009 Council commissioned Concept Plan with grant funding
- 2010 Original Concept Plan developed by Gondwana Consulting
- 2010 Council Planning and Strategy Committee endorsed Concept Plan.

Project on hold until grant funding could be obtained.

- 2016 Council submitted EOI to NSW Growth Fund for \$3.3m (23km)
- 2019 Council re-submitted EOI to NSW Growth Fund for \$6.8m (30km).

Business Case included maintenance of \$135k, depreciation of \$135k per year, BCR of 1.9 with no direct income to Council.

- 2020 After the Black Summer bushfires, Council advocated for CHWT and Mogo Trails
- 2021 Council informed it would receive \$5.25m in funding from the BLER Fund (January) and resolved to accept (June) with no indication of other costs
- 2021 Construction started (December), end date 30 June 2023
- 2022 Council briefed on revised route length (14.5km + 5.5km in spurs)
- 2023 Extension granted to March 2024 (Feb)
- 2023 Requested extension to end 2024
- 2023 mid-point review commissioned.

5.2 Issues and challenges

Council and staff are well aware of the project challenges as these have previously been reported to Council and discussed at working group level. These challenges have included:

- Dealing with a larger number of adjacent private property owners and their concerns
- Community consultation
- The trail crosses across two Crown Land parcels with active aboriginal land claims (requiring permits and approvals).
- Significant Aboriginal Heritage considerations
- Illegal structures on Council land.
- Loss of internal staff and contractors
- Competing work programs for staff time and availability
- The complexity of different types of works across a long linear site
- The number of contractors and internal entities doing works
- Funding deadlines
- Public and staff safety.

In addition to these challenges, we have identified additional issues and challenges that have contributed to

the current situation.

The Coastal Headlands Walking Trail was developed to a concept level only. Council had made an application to the NSW Gov's Regional Growth Environment and Tourism Fund.

The project was not 'shovel ready' by contemporary project management standards when it was selected and funded under the Bushfire Local Economic Recovery Fund in early 2021. Full design and planning were required and when undertaken, this identified a number of issues and challenges. It was only at design and planning that Council fully understood the issues and timeframes associated with key tasks (such as the Crown Land permit) when undertaking this project. Council signed a funding deed committing to the delivery of the project by June 2023 without understanding the full implications and requirements of the project.

There was political pressure and urgency as a result of the Black Summer bush fires to get money into disaster affected communities. This brought the project forward from concept to delivery before it was fully analysed and shovel ready. We understand that this decision was heavily influenced at a political level.

As the project was not fully planned prior to commencement the project has been subject to ongoing design, scope change and redesign. Challenges associated with the approvals, permit and Crown Lands were not identified and scoped before commitment was made to the project. The project approvals were undertaken by Public Works NSW. The PWA noted in their advice on October 2021 that among other approvals the project required "a referral to Native Title Service Corporation in accordance with the Native Title Act 1993, any requirements/comments provided in regard to the Proposal should be taken into consideration".

The Council project management effort has focused on the construction and interpretation elements of the scope. The project working group and its fortnightly meeting has worked well albeit in a cumbersome and resource intensive way of managing the project. The project has resources to record meetings, actions and follow up.

While the project is managed within the Infrastructure Directorate, we understand that on its inception there was a lack of internal ownership, sponsorship and support. The former General Manager stepped into this void but the project still lacked a formal project governance structure, approvals, issues escalation and management process.

Both the initial Project Plan and the Project Gantt Chart are high level for a project of this magnitude and complexity. There appears to be no detailed Project Plan that has been approved by a project sponsor or governance group. This would have been provided had Council adopted a formal project management framework and governance structure. It would also be improved by having an organisation wide project management quality assurance and accountability process.

The project is complex with many different skills set, unique elements, stakeholders and consents etc that all required direct coordination and management by the project manager. It would appear that due to a large workload, the project manager has been unable to allocate sufficient time to the management of this project. The Council has provided project engineering assistance but has not secured additional project management support. There are a number of project component owners who have generally been left to deliver their components independently with the working group coordinating between projects. The project manager has been responsible for delivering the built infrastructure elements.

5.2.1 Key findings

- The project was not sufficiently understood and scoped when funded,
- The operational cost implications, maintenance, renewal and depreciation were not identified at

scoping and design, or included in the Resourcing Strategy. This is most important for the Long Term Financial Plan and Asset Management Plan components to understand and budget full life cycle costs.

- There was pressure on Council to accept funding for the project and deliver the project within a constrained timeframe.
- The project has required scope changes due to the concept not having been fully developed and understood. The lack of initial planning and design resulted in the design and planning stage identifying approvals and scope changes that impacted timeframes and delivery.
- The project required a number of reports (Review of Environmental Effects and Aboriginal Heritage Impact Permits) and assessment to obtain the necessary permits and has taken longer than anticipated to obtain approvals.
- The Crown Lands permit required, although known, were not applied for until July 2023. The consequences of the requirements for a Crown Lands permit mean a large section of the track requires significant approval processes to be undertaken.
- Council has not been as proactive as it could have been in addressing and resolving these challenges earlier.
- Council project management effort appears focused more on the construction of the trail than the overall project components. The project management approach during construction has been to have regular fortnightly meetings of project stakeholders. Minutes are taken by the grants team and actions recorded and monitored.
- Council's Project Manager is managing multiple projects, and this project has not had the focus it should have. Efforts to provide additional experience for project management support have been unsuccessful. A project engineer and administrative support have been provided and while this has addressed some project resourcing challenges, the continuity of resourcing has been problematic.
- Operational handover has not been formalised, operational plans developed or formal budgets adopted. While it is assumed the Parks team will be responsible this has yet to be formalised and the whole of life costs calculated.

5.3 Risks

The most significant remaining risks are:

- The inability to secure a permit for the two Crown Land parcels to complete and acquit the grant within the approved time frames (end of 2024).
- The backup plan to relocate part of the trail away from the coast to avoid the Crown Land parcels removes the trails 'coastal' branded marketing potential and will result in reputational damage to Council.
- The unknown ongoing maintenance and renewal costs which are new costs that Council has to plan for under a capped general rate.
- Lack of a sole project manager to complete the project by the end of 2024.

5.4 Governance Models

Typically projects such as the Coastal Headlands Walking Trail will sit as activity managed and maintained by a section of Council and governed by the Council. Council incurs all costs and is able to determine the level of investment it chooses to make.

An alternative option includes forming a Section 355 Committee and transferring responsibility for

operations and maintenance to that committee. A Section 355 Committee would normally rely on public support through donations, grants and Council funding, sustain itself and would rely on a passionate group of local supporters. The Coastal Headlands Walking Trail is unlikely to generate any revenue of significance to reduce Council's costs other than gathering together a group of passionate volunteers to undertake trail maintenance. An example is Broken Hills Friends of the Flora and Fauna of the Barrier Ranges Community Committee⁶. The risks associated with a Section 355 Committee are largely associated with their employment status as the members are classed as employees, so Council has the same obligations for training, safety and supervision that it has for staff. At Broken Hill they address this by having a Ranger assigned to managing and supervising volunteers to ensure their safety.

A less formal option is a community committee, which may be of more relevant given the interest in the project from the Mogo Aboriginal Land Council. Dubbo Regional Council were successful in receiving grant funding to construct a Wiradjuri Tourism Centre. The Council formed a community committee to allow a public forum for Councillors and Council staff to consult with representatives of the local community. The aim of the Wiradjuri Tourism Project Committee is to support the strategic direction and provide cultural guide and for the development of the Wiradjuri Tourism Centre. The committee has formal terms of reference⁷. An informal committee may provide opportunities to engage with the community to support maintenance and trail activation.

5.5 Recommendations

Recommended project improvements include:

- 5.5.1. Where projects are of a significant size and complexity such as the Coastal Headlands Walking Trail, ensure that the project manager's workload is such that they are able to devote sufficient time to manage the project. The Coastal Headlands Walking Trail project would have benefited with a sole project manager.
- 5.5.2. Investigate a community committee to partner with the operation of the Coastal Headlands Walking Trail.
- 5.5.3. Expedite the process to receive formal approval for the two Crown Land parcels to enable construction to commence as soon as possible.
- 5.5.4. Employ a sole project manager to complete the Coastal Headlands Walking Trail project.

⁶ <https://www.brokenhill.nsw.gov.au/Council/Committees/Friends-of-the-Flora-and-Fauna-of-the-Barrier-Ranges-Community-Committee>

⁷ <https://www.dubbo.nsw.gov.au/ArticleDocuments/10980/Terms%20of%20Reference%20-%20Wiradjuri%20Tourism%20Project%20Committee.pdf.aspx?Embed=Y>

Appendix A - Governance Models

	Network Size	Governance	Maintenance	Maintenance Expenses ⁸	Grants	Donations and other revenues	Comments
Blue Derby	135km	Foundation	Council	\$0.640m	Not identified but thought to be break even		Operation of the Trail is transitioning to the Blue Derby Foundation (charitable trust status) under a Memorandum of Understanding signed in June 2023. Council retains maintenance and the operating expenses per metre shown only include direct Council costs.
Mystic Ranges (Bright)	50+km	Council (took over Nov 2023)		\$0.711m ⁹	\$0.807m ¹⁰		Was a volunteer led incorporated society. Employed executive and part time park manager. Main revenue grants and member subscriptions. Council reports it will operate commercially.
Yarra Ranges	100+km						Under construction by Council
Rotorua (NZ)	332km ¹¹	Trust	Paid staff and volunteers	\$0.387m ¹²	\$0.102m	\$0.340	Multi use trails maintained by trust. Operated by mountain bike club.
Queenstown (NZ)	200km	Trust	Paid staff and contractors	\$1.880m ¹³	\$1.370m	\$0.639m	Multi use trails. Includes administration and marketing.

⁸ Maintenance expenses are drawn for Annual Reports or interviews. We have not validated how each organisation costs and records maintenance.

⁹ 02022/2023 Alpine Community Plantations Inc Assn.

¹⁰ Includes Bush Fire Recovery Grants

¹¹ 216km of mountain bike and shared trails

¹² 2021/2022

¹³ 2022/2023

	Network Size	Governance	Maintenance	Maintenance Expenses ⁸	Grants	Donations and other revenues	Comments
The George Nelson (NZ)	70+km	MTB club	Paid part time trail manager and volunteers	\$0.258m ¹⁴	\$0.119m	\$0.405m	Maintained and operated by mountain bike club. Main revenue sources; subscriptions, shuttles and trail fees.

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¹⁴ 2022/2023

Appendix B - Note to Dorset Council Annual Report 2022-23 Blue Derby Transfer

10.5 Transfer of Blue Derby Mountain Bike Trail Operations

The Blue Derby Mountain Bike Trails are a network of world-class mountain bike trails developed by World Trail which were opened to the public in February 2015. The network currently includes 130km of purpose-built mountain bike trails and caters to a range of skill levels from beginner to advanced, winning numerous awards including 'Trail of the Year' at the 2017 Australian MTB Awards and Trail of the Year at the 2017 and 2019 Enduro World Series.

In addition to the trails themselves, the township of Derby provides a range of complementary services and amenities for riders including bike hire, shuttle services, cafes, a floating sauna as well as many accommodation options. The commercial operators who facilitate these services are a key element in delivering a genuine rider experience and promoting the Blue Derby brand as a world class mountain biking experience. The Blue Derby Foundation (the BDF) was incorporated in early 2020, as a not-for-profit entity with the primary purpose of raising funds to enhance the township of Derby, including providing support for the maintenance of the trail network to ensure it remains at a world class standard.

In the October 2022 Council Meeting, a notice of motion was passed by Councillors instructing Council to commence negotiations with the BDF with the view to transfer operations of the Blue Derby Mountain Bike Trails over to them or a similar representative group of Derby businesses. A transition committee was established who developed a Memorandum of Understanding (MoU) and Deed of Assignment (DoA), which were both endorsed by Council in the March 2023 Council Meeting, formalising the transfer of the following activities from Council to the BDF:

- The licensing and commercialisation of the Blue Derby brand / intellectual property;
- The acquisition and management of commercial sponsorships of Blue Derby;
- The management of all Blue Derby marketing and social media; and
- Assume responsibility for Blue Derby endorsed events and other fundraising initiatives.

The transfer of these activities will work towards developing a sustainable funding model for the Blue Derby brand, whilst maximising community involvement and increasing transparency and accountability for all stakeholders. During the 2022/23 financial year, Council finalised the transfer of the Blue Derby trademarks and brand names to the Blue Derby Foundation for nil consideration, resulting in a loss on disposal of \$40,184 which has been recognised in the financial statements (see Note 2.8 and Note 6.3 for further details).

Moving forward, Council will continue to perform the function of public asset manager with respect to the management and maintenance of the Blue Derby Mountain Bike Trail network and in the event of insolvency or non-performance, all responsibility for the activities outlined above will be transferred back to Dorset Council as per Clause 6 of the MoU.