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| REPORT FOR: | Strategic Management Committee | | |
| MEETING DATE: | 17 September 2018 | | |
| REPORT FROM: | Director – Corporate and Community Services | | |
| REPORT TITLE: | Update – Miriam High Special Needs Centre Divestment Process | | |
| FILE NAME: | F17/217 | RECORD NO: | AR18/35255 |

COMMUNITY VISION & STRATEGIC PLAN OUTCOMES

4 We Care

- 4.1 Encourage and support our community to care for themselves and for each other.
- 4.2 Facilitate services and develop partnerships to enable appropriate care for people in our communities.

6 We Achieve

- 6.5 We use and manage our financial resources in the best interests of our community, and to ensure financial sustainability and organisational efficiency now and into the future.

PURPOSE

The purpose of this report is to provide an update on the Miriam High Special Needs Centre divestment process following advertisements for Expressions of Interest.

RECOMMENDATION

Strategic Management Committee recommends:

1. That **Council** receives and notes the Update – Miriam High Special Needs Centre Divestment Process (AR18/35255)
2. That **Council** continues discussions with interested parties, as outlined in the attached memorandum from Ansell Strategic, with a further report to be submitted to the new Council following conclusion of Local Government Elections.

BACKGROUND

At a Council meeting held on 23 April 2018, Council resolved:

1. Approves calling for Expressions of Interest in relation to Miriam High Special Needs Centre with responses to include commentary in relation to:
 - a. Retention of the current philosophy of the Centre;
 - b. Preference for purchase or lease arrangement;
 - c. Use of the hydrotherapy pool by community;
 - d. Potential interest in the Port Augusta Childcare Centre;
 - e. Retention of majority of staff

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2. Delegates authority to the CEO and Director Corporate & Community Services to appoint a suitably qualified external contractor to effectively manage the Expression of Interest process.
3. Supports informing staff and families of both the Miriam High Special Needs Centre and the Port Augusta Childcare Centre of the progress of the EOI process.
4. Receives a report detailing responses to the Expressions of Interest to determine next steps.

DISCUSSION

Following the Council resolution in April 2018, quotations were sought from suitably qualified organisations for the provision of divestment support as per Council's Purchasing, Contracts & Tendering Policy (1.1.09). Subsequently, Council appointed Ansell Strategic in late May 2018 to undertake the divestment process.

Following appointment, Ansell Strategic worked with Council to further understand the strategic objectives and desired outcomes of the divestment process. This included a site visit to Port Augusta, a meeting with the author of the report on the viability of the Miriam High Special Needs Centre under the NDIS, and initial meetings with potential interested parties.

A comprehensive Information Memorandum was then developed with sufficient detail to provide an overview to prospective operators of the Miriam Special Needs Centre, historic trading results, capture its long term business value and the conditions of a sale/lease. It also presented key features of the business and its advantages to potential operators and prospective buyers.

The call for Expressions of Interest was advertised in the Transcontinental on 11 July 2018, the Advertiser over a 4 week period commencing 14 July 2018 as well as e-mailed directly to identified disability organisations, with responses due by 10 August 2018

The timeframe was deliberately quite tight due to the desire to have a potential resolution prior to Council moving into caretaker mode.

Whilst responses were received from four organisations, these responses did not translate into non-binding indicative offers.

This may be due in part to the delay in the full roll out of the NDIS in South Australia which has resulted in disability organisations remaining in a state of instability. There is also a significant number of mergers occurring within the sector due to the concern regarding viability across organisations of all sizes.

Responses from interested parties did not indicate a desire to explore ownership of the Port Augusta Childcare Centre.

It is noted that several of the organisations commented that they consider they would not be in a position to operate the Miriam High Special Needs Centre in its current capacity unless Council provided ongoing support.

Ansell Strategic has provided a summary of the responses in [attachment 1](#).

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CONFIDENTIALITY PROVISIONS

Council is satisfied that, pursuant to Section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business, or proposing to conduct business, or would prejudice the commercial position of the Council.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in circumstances because the release of third party commercial-in-confidence details prior to Council completing negotiations would be detrimental to the outcome for the Council and community.

That having considered report AR18/35255 in confidence under Section 90(2) & 3(d) of the Local Government Act 1999, the Council, pursuant to Section 91(7) of the Act orders that the report, discussions and minutes concerning this agenda item, be retained in confidence until a divestment process is finalised.

RISK MANAGEMENT

1: Financial/Budget/Asset Management

Financial information regarding Miriam High Special Needs Centre is available in the 2018/2019 Annual Business Plan & Budget.

Previous reports have outlined the financial risk in relation to the Miriam High Special Needs Centre.

2: Legal/Policy

If either property is to be sold, a sub-division will need to occur to ensure that the boundary alignment incorporates existing structures relevant to the Centres.

3: Environment/Planning

Not applicable.

4: Community

4.1 General

It is acknowledged that this will be a very emotive issue within the community as the Miriam High Special Needs Centre has a long and proud history in Port Augusta. Engagement with the community on this issue will be imperative.

4.2 Aboriginal Community Consultation

A copy of this report will be made available to the Port Augusta Aboriginal Advisory Committee for information.

ANNE O'REILLY

12/09/2018

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MEMORANDUM

PRIVATE AND CONFIDENTIAL

DATE: 12 September 2018
TO: Anne O'Reilly – Director Corporate & Community Services, Port Augusta City Council
FROM: Daniel Lee - Manager – Advisory, Ansell Strategic
RE: Miriam High Special Needs Centre and Port Augusta Child Care Project Update

1. INTRODUCTION

We would like to provide an update on the Miriam High Special Needs Centre (MHSNC) project subsequent to the submission offer deadline on 10 August 2018 and further discussions with the Port Augusta City Council (PACCC) with regards to the next steps forward.

2. REQUEST FOR FURTHER INFORMATION

Following further discussions with the PACC, it was agreed for Ansell Strategic to return to three of the Proponents that replied to the process (Orana, Novita and Uniting Country SA) requesting for them to provide details of what is required to enable them to be in a position to submit an offer in relation to MHSNC. All three Proponents indicated that they were not interested in the Port Augusta Child Care Centre at this stage.

Communication was initially made with these three parties in the week commencing 13 August with follow up emails sent in the week after. In addition to these Proponents, disability provider Scosa (who Ansell Strategic previously attempted to make contact with during the sale process), responded to our email indicating they were still interested in exploring the opportunity and had not had a chance during the advertising stage due to IT issues and moving head office.

Ansell Strategic received email responses from Orana, Novita and Uniting Country, however Scosa did not respond subsequent to our initial and follow up attempts to contact them. The PACCC was updated on the delay in responses from Proponents during the process through our teleconference on 24 August.

Responses have been broadly summarised in the table below.

Table 1: Further Responses

| Proponent | Summary |
|-----------|--|
| Orana | <ul style="list-style-type: none">▪ Uncertainty regarding how the Port Augusta City Council would see itself working with Orana.▪ Highlighted uncertainty of NDIS environment within South Australia.▪ Comprehensive due diligence of current services in order to provide a proposal to Port Augusta City Council.▪ Proposal would be aimed at salvaging the services for the future children of Port Augusta, establishing long term viability and implementing the 'paradigm shift' necessary for the current environment. |

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| Proponent | Summary |
|--------------------|--|
| Novita | <ul style="list-style-type: none">▪ Currently focused on improving our own operational performance and doesn't see Novita having capacity to be able to look MHNC for another 3-4months.▪ At a high level Novita struggles to see how we could make this work short of having the property transferred to us at no cost (MHNC Only).▪ One of our biggest hurdles is generating an understanding with the State Government with regard to their plans to compete in the space and there is no clear view at this point in time. |
| Uniting Country SA | <ul style="list-style-type: none">▪ Believe that Uniting Country SA is a good fit to provide services to these children, however there is significant concerns about the viability of the centre and level of ongoing funding that may be provided through NDIS.▪ Initial questions raised by the Uniting Country SA Board:<ul style="list-style-type: none">- Would the PACC have ongoing support and input in to the Centre?- What is the actual value of the current PACC in kind support?- What is the need for a Full Time Manager for MHSNC?- What specific insurance requirements are there for the spa pool?- What are the specific maintenance requirements for the spa pool?- What have the actual maintenance costs for the spa pool been over the past three years? And what maintenance has occurred?- Is the Manager part of the 1:3 ratio of staff to children in the service model?- Can you provide a breakdown of Admin and utility costs?- What ongoing financial support is available for children not eligible for NDIS?- What do the "Worker reimbursements" consist of?- Will Annual leave, Sick leave and long service leave provisions come across to the new organisation with the staff?- What is the difference between each child's actual NDIS funding amount compared to the block funding amount that was received?▪ The Board will consider the responses to questions at the September meeting with a view to putting a proposal to Council after that. |
| Scosa | <ul style="list-style-type: none">▪ No response received |

3. SUGGESTED NEXT STEPS

In summary, sector uncertainty with the rollout of the NDIS combined with establishing long term viability were key concerns raised by all three Proponents. Notwithstanding these concerns, we believe there is still an opportunity to enter further discussions with Uniting Country SA and Novita with the intention to further clarify and seek a formal offer from these organisations.

Following a lack of formal responses from the sales process, we are now seeking approval from the Council to proceed in continued negotiations with these parties. This would involve further clarification of requirements from Novita and formally responding to Uniting Country SA's initial questions.

We would appreciate any additional feedback and await further instructions following the Council Meeting on 17 September 2018.