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REPORT FOR:	Council		
MEETING DATE:	22 January 2019		
REPORT FROM:	Director – Corporate and Community Services		
REPORT TITLE:	Further Update – Miriam High Special Needs Centre Divestment Process		
FILE NAME:	F17/217	RECORD NO:	AR18/51370

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 a further update on the Miriam High Special Needs Centre divestment process following discussions with interested parties.

RECOMMENDATION

Council:

1. Concludes the current Expression of Interest process noting that no formal offers have been received from interested parties.
2. Commences a new Expression of Interest process in relation to Miriam High Special Needs Centre in February 2019.

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.

Following the Council resolution in April 2018, quotations were sought from suitably qualified consultants for the provision of divestment support in accordance with 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 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.

At the Council meeting on 24th September 2018, it was resolved to continue discussions with all four interested parties, with a further report to be submitted to the new Council following conclusion of Local Government Elections.

DISCUSSION

As per the Council resolution from 24th September 2018, Ansell Strategic continued discussions with interested parties. Ansell Strategic has provided a summary of the regarding the outcome of these discussions in [attachment 1](#).

Unfortunately, no organisation has progressed to a formal offer for Miriam High Special Needs Centre as a 'going concern'.

Recently, a local business has made contact with Council wishing to discuss the future of the Miriam High Special Needs Centre building. The business was advised that discussions could not take place due to the expression of interest process that was in progress at that time, which the business had not responded to.

As stated in Ansell Strategic's summary attached, the roll out of the NDIS has not progressed as planned and there have been delays to full transition.

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The Centre must register with the National Quality and Safeguards Commission by 31st January 2019 and work towards the new Quality and Safeguards Framework. This involves transitioning from the current accreditation system of "Service Excellence" and ensuring that policies and practices meet the new NDIS Quality and Safeguards Framework. It will take some staff time to work through this process.

Issues that will trigger an immediate review of the operation of the Centre include:

- Availability of staffing
- Availability of non NDIS funding sources
- Numbers of children attending the Centre

Availability of Staffing

With the call for Expressions of Interest, some staff have chosen to seek more secure employment elsewhere. This has impacted on the availability of staff at the Centre. A recent period of illness of a permanent part time staff member placed additional strain on the ability of the Centre to provide a quality service to children. Council recently advertised for a casual relief therapy aide to provide support during periods of leave. If the Centre was to close, there are two permanent long term staff members (one full time and one part time) who would need to be redeployed within Council.

Availability of non NDIS funding sources

Council is waiting on the outcome of Ministerial Advisory Committee: Students With Disabilities (MAC:SWD) funding for 2019. In previous years, the Centre has received \$70,000 per calendar year to support children not eligible for other funding sources to attend the Centre. If this funding is not available in 2019, this will severely impact on the viability of the Centre, in particular the ability to provide a service to children who are not able to be funded through the NDIS. The HACC School Holiday program funding of \$51,553 per annum (2018/19 amount) is in place until 30th June 2019, after which time it is expected that children will require funding available in their NDIS plan to attend school holiday programs.

Numbers of children attending the Centre

The Centre currently has 24 children enrolled, with approximately 18 attending per week (4-5 each day). In January 2019, 14 of these children will commence school. This will leave 10 children enrolled at the Centre. Only 4 of these children attend with the support of funding through the NDIS. The Centre was in a similar position at the start of 2018, however enrolments increased early in the year.

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Child	Funding Source	Funding per week	Sessions per week	Comments
Ca	NDIS	\$ 139.50	1 per week	would like to increase to 2 sessions per week but insufficient funds in plan.
Je	MAC:SWD		1 per week	May not qualify for NDIS. Yet to go through process
Ka	MAC:SWD		1 per week	irregular attendance. May not qualify for NDIS
Ty	MAC:SWD		1 per week	Yet to go through NDIS process
Bro	NDIS	\$ 139.50	1 per week	Also has NDIS funding for 2 sessions per week during school holidays
Od	NDIS	\$ 279.00	2 days per week	Also seeking NDIS funding for 2 sessions per week during school holidays
Ha	NDIS	\$ 139.50	1 day per week	would like to increase to 2 sessions per week but insufficient funds in plan.
Kae	MAC:SWD		1 day per week	irregular attendance. Yet to go through NDIS process
Bra	MAC:SWD		1 day per week	Yet to go through NDIS process
So	MAC:SWD		1 day per week	Yet to go through NDIS process

It is suggested that Council conducts another expressions of interest process in February 2019. This will enable a decision on the future of the Centre to be made prior to the new financial year.

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 AR18/51370 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, and that the order be reviewed every 12 months.

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.

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If funding for the Centre is not available through external sources, the current expenditure of \$334,700 would need to be fully funded by Council through rate revenue. This equates to a rate increase of approximately 2%

If the Centre is to be separated from the Port Augusta Childcare Centre, a sub-division will need to occur to ensure that the boundary alignment incorporates existing structures relevant to the Centres. A quote for this work is currently being obtained.

A community engagement plan is to be scoped and costed.

2: Legal/Policy

As per above, a sub-division will need to occur to ensure that the boundary alignment of Miriam High Special Needs Centre incorporates existing structures relevant to the Centre.

3: Environment/Planning

Not applicable.

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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. A community engagement plan will be developed.

4.2 Aboriginal Community Consultation N/A

ANNE O'REILLY

14/12/2018

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MEMORANDUM

PRIVATE AND CONFIDENTIAL

DATE: 13 December 2018
TO: Ms Anne O'Reilly – Director Corporate & Community Services, Port Augusta City Council
FROM: Daniel Lee – Manager – Advisory, Ansell Strategic
RE: Miriam High Special Needs and Port Augusta Child Care Project Update

1. INTRODUCTION

Following our previous memorandum, we would like to provide an update on the Miriam High Special Needs Centre (MHSNC) and Port Augusta Child Care Centre (PACCC) project.

On 19 September 2018, Council resolved to continue discussions with all four interested parties as outlined in our memorandum dated 13 August 2018.

2. CONTINUED DISCUSSIONS

As instructed by the Port Augusta City Council, Ansell Strategic resumed discussions with the identified South Australian disability services providers Novita, Orana and Uniting Country SA. Due to being awarded the acquisition of the Department of Human Services SA's ASSIST Therapy Services, Minda Incorporated informed us that they would not be progressing with the MHSNC acquisition prospect.

Over the course of September and October, discussions were held with Novita, Orana and Uniting Country SA with an aim of formalising an offer from one of these parties. While parties initially indicated further interest in pursuing MHSNC, all three organisations became less responsive during the process and were not able to provide a firm offer or credible commitment to exploring the opportunity with the Council further.

A summary of the discussions held with each of the providers are outlined in the table below.

Proponent	Details
Orana	Orana has been progressing with the development of their new 'Learning and Lifestyle Community Centre' in Port Augusta. The organisation envisages for this new centre to provide programs which address unmet need in the community.
Novita	Upon resuming discussions with Novita, they expressed that they had agreed to focus on improving their own operational performance. As such they did not believe they had the capacity to look at the opportunity for another 3-4 months. Subsequently, Novita resumed conversations with Ansell Strategic and indicated that they were open to continuing discussions with the Port Augusta City Council around what a transition of services might look like and strategy forward subject to discussion at their weekly executive meeting. No response was received from the organisation upon follow up attempts to discuss the outcome of their weekly executive meeting.

Ansell Strategic Pty Ltd

+61 89468 7520 | info@ansellstrategic.com.au | ansellstrategic.com.au

WA 210 Bagot Road, Subiaco WA 6008 | NSW Lvl 13, 60 Castlereagh St, Sydney NSW 2000

ABN: 55 163 955 806

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Proponent	Details
Uniting Country SA	Initial discussions with Uniting Country SA revealed that they were interested in discussing the opportunity further with PACC and would need to discuss this with their Board and provide us with an update. However, upon subsequent follow up attempts to communicate with them, they were unresponsive.
Minda Incorporated	Minda Incorporated stated they would not be progressing with exploring the acquisition of MHSNC as a result of focusing on the acquisition of the Department of Human Services SA's ASSIST Therapy Services.

3. NEXT STEPS

We believe the lack of genuine interest in the MHSNC and PACCC opportunity has been as a result of providers transitioning to the NDIS in South Australia over 2018. With the timeline of the full transition to the NDIS extended to the end of December 2018, operators are focussing internally on transitioning and strengthening their own operations and services. As a result, operators have appeared hesitant in submitting a formal offer and committing to acquiring new services given the level of uncertainty in the sector. Other factors such as the condensed timelines due to Council elections may have also influenced operator's attitudes towards the opportunity.

Given the operator sentiment and the current climate of the disability sector, we suggest the Port Augusta City Council (PACC) should formally conclude the existing EOI process and reevaluate the opportunity and conditions attached to a divestment of MHSNC and PACCC approximately mid-next year once the sector has stabilised following the full transition to the NDIS in South Australia.

Potential options the PACC may wish to consider include (but are not limited to):

- Commence new EOI process for only MHSNC with altered conditions/criteria;
- Directly approach new operators that did not originally participate in the initial EOI process;
- Explore partnership opportunities with operators; and
- Closure of MHSNC and transfer of services (least preferred outcome).

We are available to discuss the above and other potential options with PACC executive team and Council upon request.