

CONFIDENTIAL

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REPORT FOR:	Strategic Management Committee		
MEETING DATE:	21 August 2017		
REPORT FROM:	Director – City & Cultural Services		
REPORT TITLE:	Unsolicited Proposal – Operation and Management of Council Facility		
FILE NAME:	F17/284	RECORD NO:	AR17/30306

COMMUNITY VISION & STRATEGIC PLAN OUTCOMES

1 We Thrive

- 1.3 Develop partnerships to attract investors in business proposals and new developments that contribute to a diversified and robust economy.
- 1.4 Maintain and develop tourism attractions and visitor services.
- 1.5 Develop and maintain effective infrastructure connections that support economic and social development.

2 We Create

- 2.1 Provide facilities and programs that support creativity and excellence in recreation, sport and the arts.

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 Elected Members with information regarding an unsolicited proposal that has been received from YMCA South Australia for the operation and management of the Ryan Mitchell Swim Centre in partnership with the Port Augusta City Council. Following consideration of the proposal and the information outlined within this report it direction is sought from Council as to whether this proposal should be progressed.

RECOMMENDATION

Strategic Management Committee recommends Council:

- 1. Endorse 'in principle' the proposal submitted by YMCA South Australia in relation to the management and operation of the Ryan Mitchell Swim Centre.
- 2. Approves commencing Stage Two of the Unsolicited Proposal process – Policy 2.3.14.

BACKGROUND

In March 2017, an unsolicited proposal was forwarded to Council from YMCA South Australia in relation to investigating an opportunity to establish a partnership between Council and the YMCA for the ongoing operation and management of the Ryan Mitchell Swim Centre.

DISCUSSION

YMCA South Australia, as outlined within the attached proposal, is a not for profit organisation, and are focussed on working with local communities to deliver outcomes in key service delivery areas.

One area of YMCA's expertise is in the management and operation of indoor and outdoor pools/recreation leisure centres, and currently, Nationwide, they operate 713 multipurpose facilities. As at 30 June 2016, YMCA's in Australia employed 12,000 staff members, engaged 3,978 active volunteers and had a financial turnover of \$412,183,649 with assets under management valued at more than \$1 billion.

The context of the partnership, as outlined in the proposal, is for Council to enter into a non-guaranteed contract for the management and operation of the Ryan Mitchell Swim Centre. Council would still be responsible for the continued funded of the Ryan Mitchell Swim Centre and would pay an agreed management fee of 15% of the total agreed expense on an annual basis.

A non-guaranteed contract is a contract that would provide flexibility in the financial management and operation of the facility. Council remains the responsible entity to fund the Ryan Mitchell Swim Centre, however the day to day management and operation is undertaken by YMCA South Australia, rather than Council workers.

A budget would be determined in consultation with Council and YMCA annually, which would basically cover the same budget structure that Council current uses such as salaries, staff entitlements, insurance, training, maintenance, utilities and other ancillary costs. The 15% management fee would be built into the budget and YMCA would invoice Council on a monthly basis, based on the actual revenue/expenditure figures for the month. For example if the facility made a loss of \$2,500 for one month Council would be required to pay this amount to YMCA, however if the facility made an overall profit of \$500 for the month, Council would be reimbursed this amount.

A monthly report would be provided to Council detailing the management and operation outcomes for the particular month, which is also used as a report tool against ongoing budget position.

YMCA South Australia is a specialist organisation providing community services which they tailor based on a thorough understanding of a communities demographics, operational requirements, current and potential customer groups, stakeholders and performance indicators.

Directors Anne O'Reilly and Lee Heron (Steering Committee) met with YMCA's Chief Executive Officer Hadyn Robins on Thursday 3 August 2017, and he stated that YMCA South Australia has a comprehensive 'back of house' service, including marketing expertise, WHS staff, training specialists and other administrative services such as IT, payroll, accounts payable, receivable and so on that support their management and operation functions. YMCA South Australia also manage and operate facilities in line with industry standards and have flexible Enterprise Bargaining Agreements for staff remuneration and entitlements.

The management and operation structure as proposed by YMCA South Australia, does not remove the ongoing financial impost on Council's budget for the Ryan Mitchell Swim Centre, as Council will still be responsible for fully funding the service. **YMCA South Australia have indicated that they do not purchase facilities, only manage and operate facilities for an agreed fee.**

Unsolicited Proposal process:

Stage One:

A Steering Committee is established to assess the proposal submitted and following consideration of the information provided, a report is prepared to Council to ascertain if Council will endorse the proposal 'in principle' and move to Stage 2 – Detailed Proposal.

Stage Two:

During this stage further investigation would be undertaken on the feasibility of the proposal, and information would be sourced from other Councils managing and operating their facilities under the same or similar circumstances to ascertain any pros or cons.

The proponent would also be given an opportunity to provide any additional information required to enable a comprehensive report to be prepared and submitted to Council.

At the conclusion of Stage Two Council will be required to determine if it will proceed to Stage Three on an exclusive consideration basis or a competitive bidding process or alternatively conclude negotiations and not continue to Stage Three.

Step Three:

Contract negotiations will be undertaken and submitted to Council for approval.

Based on the proposal submitted by YMCA South Australia and the Unsolicited Proposal process outlined in Council's Policy 2.3.14 – it is recommended that Council endorse 'in principle' the proposal and approve moving to Stage Two on the Unsolicited Proposal process to enable a full investigation into the management and operation of the Ryan Mitchell Swim Centre by YMCA South Australia.

It should be noted that the Ryan Mitchell Swim Centre is an outdoor pool and operates on a seasonal basis (October-March during the warmer months) and that it would be the intention that this proposal be assessed and decided upon between now and the commencement of the 2018/2019 season. The expectation would be that if following consideration of the proposal (Stages One and Two), if Council resolved to enter into an arrangement with YMCA South Australia, this would have to be completed in line with the Council Members' Caretaker role during Election Period Policy 1.1.03.

It is not envisaged that if Council did proceed with this proposal submitted by YMCA South Australia, that they would take over responsibility until the 2018/2019 season.

CONFIDENTIALITY PROVISIONS

The 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 commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information.

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 the circumstance because information has been provided in good faith and the release of that information, until negotiations have been completed, could result in this proponent and others in the future not willing to negotiate with Council. This could be detrimental to the community as the proponent may not be willing to negotiate terms with Council if this information is made public before negotiations have been completed.

That having considered this agenda item – Unsolicited Proposal – Management and Operation of Council Facility, in confidence under Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the documents captured within the agenda item be retained in confidence until negotiations have been finalised either through the execution of a Contract or termination of negotiations by Council or the proponent.

RISK MANAGEMENT

1: Financial/Budget

The Ryan Mitchell Swim Centre's total estimated expenditure for 2016/2017 was \$453,289 (excluding depreciation) with estimated revenue of \$174,931 being achieved (subject to final audited statements). Based on these figures Council deficit funded the facility to the value of \$278,358

The facility attracted 34,961 patrons during the 16/17 season, which based on the above figures equates to a Council subsidy of approximately \$7.90 per person attending the pool during the 2016/2017 season.

2: Legal/Policy

Section 36 of the *Local Government Act 1999* provides that Council has the legal capacity of a natural person and may enter into any kind of contract or arrangement.

Council Unsolicited Proposal Policy 2.3.14 outlines the process that Council will follow upon receipt of an unsolicited proposal.

3: Environment/Planning

Not applicable.

4: Community

4.1 General

The report and proposal are confidential at this time, so no community consultation has been undertaken.

4.2 Aboriginal Community Consultation

Not applicable.

Lee Heron
03/08/2017