



City of
Whittlesea

AGENDA

OF CONFIDENTIAL SPECIAL COUNCIL MEETING

HELD ON

TUESDAY 9 JANUARY 2018

AT 6:00PM

SUMMONS

You are advised that a Special Meeting of Council has been called by the Chief Executive Officer on Tuesday, 9 January 2018 in Council Chamber, 25 Ferres Boulevard, South Morang at 6:00pm for the transaction of the following business.

S OVERLAND
CHIEF EXECUTIVE OFFICER

COUNCILLORS

KRIS PAVLIDIS MAYOR, SOUTH WEST WARD

LAWRIE COX SOUTH WEST WARD

STEVAN KOZMEVSKI SOUTH WEST WARD

CAZ MONTELEONE SOUTH WEST WARD

EMILIA LISA STERJOVA DEPUTY MAYOR, NORTH WARD

TOM JOSEPH NORTH WARD

RICKY KIRKHAM NORTH WARD

SAM ALESSI SOUTH EAST WARD

ALAHNA DESIATO SOUTH EAST WARD

NORM KELLY SOUTH EAST WARD

MARY LALIOS SOUTH EAST WARD

SENIOR OFFICERS

SIMON OVERLAND

CHIEF EXECUTIVE OFFICER

JANE PRICE

ACTING DIRECTOR COMMUNITY SERVICES

STEVE O'BRIEN

DIRECTOR PLANNING AND MAJOR PROJECTS

NICK MANN

DIRECTOR CITY TRANSPORT & PRESENTATION

HELEN SUI

DIRECTOR CORPORATE SERVICES

LIANA THOMPSON

DIRECTOR PARTNERSHIPS & ENGAGEMENT

MICHAEL TONTA

MANAGER GOVERNANCE

ORDER OF BUSINESS

The Chief Executive Officer submits the following business:

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Note:

At Council's discretion, the meeting may be closed in accordance with Section 89 of the Local Government Act 1989. The provision which is likely to be relied upon to enable closure is set out in each item. These reports are not available for public distribution.

6. CONFIDENTIAL BUSINESS**6.1 COMMUNITY SERVICES****6.1.1 MILL PARK LEISURE CENTRE REDEVELOPMENT STAGING PLAN****File No:** 193379**Attachments:**
1 YMCA concerns and mitigation strategies - Confidential [⇒](#)
2 Financial Analysis of Options One and Two - Confidential [⇒](#)**Responsible Officer:** Director Community Services**Author:** Aquatic Infrastructure Development Coordinator**CLOSED TO PUBLIC**

This report is presented to Council as a confidential document on the basis that it contains details relating to contractual matters, in accordance with Section 89(2)(d) of the Local Government Act 1989.

REPORT**EXECUTIVE SUMMARY**

The Mill Park Leisure Centre (MPLC) Redevelopment is scheduled to commence in July 2018. In February 2017, Council approved a variation to the original scope of works. Prior to the approval of additional scope and construction works, the existing 25m pool was expected to remain open throughout the proposed works. The additional scope requires the closure of the 25m pool for 12 months and has expanded the overall works program up to 30 months.

Officers have raised concerns around MPLC staff and patron safety during the works, combined with difficult circumstances to maintain participation at the centre during the works. This report presents Council with two alternate staging options for the planned works and recommends (Option One) that the facility be fully closed during the redevelopment period. This recommendation is based on the associated risks, negative user experience, ability for the construction program to be completed early and significant financial savings as a result of the full closure.

BACKGROUND

Redevelopment of the MPLC was identified in Council's Major Leisure and Aquatic Facility Strategy (2014). At its meeting on 23 February 2016, Council endorsed the MPLC Feasibility Study, cost estimates, concept plan and draft budget of \$21,500,000 (excluding the cost of the car park) associated with the redevelopment.

At the 28 February 2017 Council meeting, Council approved that construction works on the MPLC Redevelopment were to be deferred to July 2018 and a variation in scope totalling \$3.5M to include the addition of:

- Ramp and extension to the existing 25m pool and building
- Additional changing places change room and access hoist
- Dry program area change rooms refurbishment

- LED lighting upgrades
- Cost associated with project delay, escalation and management fees.

Prior to this variation, the existing 25m pool wasn't impacted by the redevelopment program. By including alterations to the 25m pool into the adjusted project scope the entire aquatics area will be impacted during the redevelopment. The initial staging plans for the redevelopment program were adjusted to reflect the changes. The current staging plan assumes the existing 25m pool would remain open for the first 18 months of the construction works and be closed for an estimated 12 months in the second half of the program. The current staging plan has previously been communicated to existing MPLC members and program users.

Significant impacts to the centre operations have been identified as a result of the expanded scope of works. This will result in a poor user experience and potential Occupational Health & Safety risks to staff and patrons. Patrons will be exposed to significant noise, vibration, dust and reduced access to the car park and the centre noting it will be a construction site during this period. These factors will be detrimental to the patrons' experience during the works.

The concern surrounding the impacts to centre users was identified as a significant issue that necessitated a review of the current staging plan. An opportunity exists for Council to manage the impact to the users by proactively adjusting the staging plan to avoid or minimise the extent of the impacts to patrons and reduce the risk to Council and the Centre's reputation during the works. It is anticipated that working with the users and operators of the Centre now will enable the consideration of the use of alternate facilities in a planned manner, rather than the need to expedite any relocations in an ad-hoc manner once works have commenced. As the 25m pool is already anticipated to close for up to 12 months, there is an opportunity to extend this closure. By doing so, this will reduce the overall works period to provide access to the redeveloped facilities sooner.

Taking into consideration the variation to the 25m pool operations, the significant impacts of the works to the centre operations and the customers' experience, Council officers have worked collaboratively with the current operators of the facility, the Whittlesea YMCA (YMCA) and developed two alternative staging options.

Option One: Full Shutdown

All facilities and programs close completely, allowing the construction works to occur more effectively and efficiently over approximately 20 months (from July 2018 to February 2020) and open ten months sooner than the current staging plan. This option removes a large component of the construction risk and includes significant project time and cost savings to Council with earlier access available to the new facilities when completed.

Option Two: Aquatics Shutdown only

Pool areas close and aquatic programs discontinued while gym and group fitness (dry program) areas remain in operation during the construction period over an estimated 24 month period (from July 2018 to June 2020) and open six months sooner than the current staging plan. This option helps retain dry program participation and memberships at a reasonable base at the end of the redevelopment program, but the gym and group fitness areas will incur disruption and relocation for up to 10 months in the second half of the works program. Along with on-going exposure to noise, dust and reduced access to the car park and centre during the works, these issues are likely to provide an overall negative experience to the members/users. It is recognised that some members may prefer the inconvenience associated with the staged works over a complete closure of the facility.

PROPOSAL

This report seeks Council's consideration of two alternate redevelopment options for the MPLC.

CONSULTATION

A number of meetings were held with the YMCA CEO throughout October to December 2017, to discuss the closure options and associated contractual matters. Throughout this process Council officers and the YMCA identified a range of impacts or issue with both staging options. These concerns can be categorised into two themes: Community Impacts and Contractual Issues:

1. Community Impacts - to some community members and patrons (especially seniors, youth and Work Cover recipients) due to lack of affordability and/or access to programs.
2. Contractual Issues - including the effects on the current contract/s with Council and on-going employment opportunities for a number of existing MPLC staff.

In response to identified community impacts, Council officers and the YMCA have collaboratively developed mitigation strategies to assist with a smooth transition of patrons from the MPLC. Actions to support the most at-risk members could include:

- Offer current MPLC members discounted access to Thomastown Recreational Aquatic Centre (TRAC) during the construction phase and a subsidised membership when MPLC re-opens (for those whom remain members through the construction phase).
- Investigate opportunities to run alternate classes at available community facilities in the Mill Park area with the same instructors running the classes.
- Provide transport assistance to TRAC for interested groups.
- Implement transition and communications plans, providing information and regular updates to members and the wider community during the closure.

Further details regarding the YMCA's concerns with both alternate staging options and the suggested mitigation strategies are included in attachment one.

Throughout the development of the City of Whittlesea Major Leisure and Aquatic Facility Strategy (2014) extensive consultation was also undertaken with MPLC users and broader community members. From these consultations it is known that the community support the planned redevelopment of the facility.

Following Council's decision on this matter further consultation with the users would occur around the transition planning to assist with the relocation of MPLC patrons. Decisions on the transport options, venues, program types and times to be offered to patrons will all need to be considered to make the planning effective. Ongoing contract negotiations will also be held between the YMCA and Council.

CRITICAL DATES

Construction works are due to commence in July 2018. Tendering for the construction is planned for early 2018, with tender evaluation anticipated from March/April 2018. Council's direction regarding the staging of works is required before January 2018 to enable the planned tendering process.

FINANCIAL IMPLICATIONS

Financial analysis based on the formula used throughout the development of the MPLC Feasibility Study (2016) was undertaken. The assessment identified a range of financial implications for Options One and Two which differed significantly to the former staging plan due to:

- Reduced construction costs (due to shorter timeframes).
- Reduced or no expenditure and contract management fees depending on whether the YMCA were retained throughout the construction.
- Savings in on-going centre operations costs if the centre was closed (maintenance, gym equipment, utility charges and staff and overhead costs).

As identified in Table 1, the financial modelling for the first 12 months of construction identified that Option One (full shutdown) incurs the least cost to Council of \$195K due to being closed and minimising most operational expenses with the lowest construction costs. By comparison, two alternate scenarios for Option Two were considered by comparing the variance in costs to Council against Option One for 12 months demonstrated by the MPLC projections (Option 2a) at \$1.118M and the YMCA's proposal (Option 2b) at \$455K. These results would need to be extrapolated to 24 months to gain a full cost comparison for Option Two.

All comparisons include MPLC operational losses, communication and transition plan allowances and maintenance fees (see attachment two for detailed financial analysis), but differ from the previous figures presented to Council in the 1 November Councillor Forum and 30 November memo. The previous tables compared the three options originally discussed (including the current staging plan), but equivalent comparisons have not been completed in this report as Council has not received equivalent data from the YMCA. Table 2 now simply reflects the differences in costs to Council between the current 2016/17 actual results for Options One and Two based on financial data available from the YMCA and the revised MPLC Projections for 12 months. Also excluded from the figures presented in this Report is any increase in patronage and income at TRAC. While it is estimated that there will be transfer of patronage from MPLC of between 10 - 20%, particularly in the aquatic usage, no estimated amount has been included in these figures, to enable a 'like with like' comparison between Options 2a and 2b.

Some of the savings made by Council due to the reduction in operating costs through Options One and Two would be redirected back to supporting MPLC patrons as identified by the communication and transition plan allowances. It would be preferable to re-invest back into the Centre's patrons so they are well informed and accommodated to reduce any negativity associated with the redevelopment project.

Table 1 – Financial Modelling of Options One and Two for 12 months of operations

COST DESCRIPTION	1	2a	2b
	Option One - Full Shutdown	Option Two: Aquatics shutdown – MPLC Projections*	Option Two: Aquatics shutdown – YMCA Proposal
CONSTRUCTION TIME	20 months	24 months	24 months
Additional construction costs	N/A – least cost	\$200,000	\$200,000
12 month financial comparison			
Additional Operational loss (compared to 2016/17 actuals)	N/A – centre closed, no costs incurred	\$1,063,000	\$400,000
Communication and Transition Plan allowances*	\$195,000	\$50,000	\$50,000
TOTAL COST TO COUNCIL	\$195,000	\$1,313,000	\$650,000

Variance to Option One (Full Shutdown)	N/A	\$1,118,000	\$455,000
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** MPLC Projections financial modelling undertaken by industry consultants and updated by City of Whittlesea Officers.*

The YMCA proposal to operate MPLC throughout the construction period under Option Two (Aquatics closure) differs significantly to the MPLC Projections (\$663K variance). This is due to a more ambitious member/income retention target (which anticipates losing 5% of current members in the first 6 months, increasing to 10% for the balance of construction works). The YMCA is not prepared to guarantee the proposed returns outlined.

As noted, discussions have recently been undertaken with the YMCA to further seek their perspective on the likely performance of the centre during its redevelopment. The YMCA has provided limited financial projections for the lead up to (pre) construction, the construction period and the establishment period after (post) construction. As details have not been comprehensive, full comparisons are not possible.

It is acknowledged that any changes to the services of the centre in the lead up to construction are likely to impact on the MPLC financial performance pre construction and the YMCA’s ability to achieve budget targets in the last six months of the current contract up to 30 June 2018. It has been proposed to amend the contract to a non-guaranteed period accordingly.

A comparative financial analysis of the revised MPLC and YMCA projections for Options One and Two are included as attachment two.

POLICY STRATEGY AND LEGISLATION

There is an existing policy and legislative framework within both the Victorian government and City of Whittlesea that support initiatives the delivery of Leisure and Aquatic Facilities across the municipality.

Active Victoria: A strategic Framework for Sport and Recreation in Victoria 2017-2021

Active Victoria provides a strategic framework for a strong and connected sport and active recreation system that helps make Victorians healthier, creates economic growth and jobs, builds community cohesion and contributes to our liveability.

City of Whittlesea: Major Leisure and Aquatic Facility Strategy (2014)

The main purpose of the Major Leisure and Aquatic Facility Strategy (2014) is to clearly identify:

- What Council facilities are required or require redevelopment.
- Where facilities should be located.
- Identify the costs of potential facilities or redevelopments of facilities.
- Assessing in the planning and construction of facilities.

LINKS TO THE COUNCIL PLAN

Council Priority	Planning and Infrastructure
Future Direction	Places and spaces to connect people
Theme	Leisure and recreation
Strategic Objective	We can access recreation facilities and open spaces that reflect and respond to local need

DECLARATIONS OF CONFLICTS OF INTEREST

Under section 80C of the Local Government Act 1989 officers providing advice to Council must disclose any interests, including the type of interest.

The Responsible Officer reviewing this report, having made enquiries with the relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

CONCLUSION

Whilst Option One (full shutdown) proposes an impact to the service levels in all areas of the centre, the aim is to remove the anticipated negative experience for patrons during the redevelopment program and assist in allowing the construction program to finish as quickly as possible, enabling a return to full operation.

While impacting patron access in the short term, Option One will offer improved facilities in a reduced timeframe and potentially an improved experience rather than subjecting patrons to considerable noise and inconvenience while reducing risk to the project and patrons.

RECOMMENDATION

THAT Council resolve to adopt option one (full shutdown) for the Mill Park Leisure Centre Redevelopment project.

6.2 CITY TRANSPORT AND PRESENTATION

6.2.1 PRACC FUTURE DIRECTIONS

File No: PR/148276

Attachments: 1 PRACC Presentation to Forum August 22, 2017 [⇒](#)

Responsible Officer: Director City Transport & Presentation

Author: Manager Major Facilities

CLOSED TO PUBLIC

This report is presented to Council as a confidential document on the basis that it contains details relating to personnel matters, in accordance with Section 89(2)(a) of the Local Government Act 1989.

REPORT

EXECUTIVE SUMMARY

The department of Major Facilities completed a review of the potential operating models for the Plenty Ranges Arts & Convention Centre (PRACC) assessed against community and financial outcomes. The objective of the review was to determine an operating model that would provide Council with best value from both a community and commercial perspective.

A full analysis was undertaken, with the financial year of 2015/16 used as a benchmark for modelling purposes, and presented to Councillors at a Forum on 22 August 2017.

From an initial group of 10 operating models the options were reduced to 2 recommended models namely that of outsourcing the full operation of PRACC to a service provider and maintaining in-house operation of the whole facility, with a restructured team. All models were independently tested by the Nous Group. The assessment recommended the best value model (based on a combination of community amenity, operational feasibility and financial sustainability), being the in-house model coupled with a significant restructure of operations.

BACKGROUND

On 22 August 2017 officers presented a comprehensive report on the performance and operating model options for PRACC (summarised in Appendix 1). The key findings of this review covered the following areas:

- Community use
- Financial analysis
- Non-financial performance
- Benchmarking
- Assessment of Council use
- Alignment with Council's strategic imperatives
- An analysis of the Arts and Convention sector
- A review of the in-house catering operation

Ten different operating models (shown in Appendix 1) were assessed in the review against a broad range of criteria covering community amenity, operational feasibility and financial sustainability. These models were then further reduced to two preferred models namely that of maintaining in-house operation with a restructured team and operations, and the outsourcing of the centre to a single external operator.

These models were independently assessed by the Nous Group who concurred with officers that the restructured internal model provides best value to Council considering community and commercial outcomes. The in-house restructured model involves a reduction in employee numbers to improve operational efficiency while significantly improving sales and marketing capacity of the team in order to facilitate increased community and commercial utilisation.

Councillors at this meeting subsequently sought further information which was presented at a Forum on the 24 October 2017. The additional information provided included:

- Key points of a 5 year business model
- Key aspects of a future marketing strategy
- Proposed operational structure
- Review of community charges
- Assessment of PRACC's current users
- Assessing food and beverage charges against other community facilities and commercial caterers
- Potential redundancy costs

In relation to the information requested, officers provided feedback on each item and advised that any business model or marketing study would not be credible if prepared by the incumbents. As such this should be completed by those employed as part of the restructure in order to be both robust and in turn owned by the team at PRACC. This work would then be supported by both a demand study and hire pricing schedule.

PROPOSAL

The analysis of the two shortlisted models of operation, being a fully outsourced model to a single external operator, or in-house service model coupled with an operational restructure, identified the latter as the preferred model on the basis that the in-house service model would:

- enable Council to control the types of performances and programs, conferencing and catering services offered to optimise community benefit;
- enable control of potential community discounts than can be provided to afford increased community access to the facility; and
- result in a similar financial return to Council compared to the outsourced model, particularly considering reductions in fixed cost overheads through a restructure and the management fee that Council would be required to pay a provider to run PRACC.

The comparison of each model is detailed in Appendix 1.

The stretch performance measure for the proposed model is to increase community and commercial utilisation of the facility, while maintaining a cost neutral position encompassing all operational costs including depreciation, within two years of the restructure implementation.

Initiatives that would be implemented as part of the restructured in house model to improve community access, and strengthen financial returns, include:

- modification of food offer to provide more affordable catering options;

- introduce seasonal pricing to increase utilisation during off peak periods;
- refinement of performing arts program to appeal to a broader community;
- improved engagement with the community and local commercial sector to better promote the facility and foster increased utilisation; and
- developing a smaller, and more appropriately skilled, PRACC operational team that can drive strategic improvements and realise operational efficiencies.

As outlined to Councillors in the Forum discussion held on 24th October 2017, a strategic approach to improve community utilisation, income and operational expenses will be developed following the preparation of:

- a 5 year business plan for PRACC with a set of performance indicators on both a short and medium term basis; and
- a detailed market assessment, and generation of reliable forward planning data, in order to create a marketing plan.

An approach to community discounts, that realises optimal increase of community utilisation and access balanced against financial effectiveness, will be produced (once the restructured model is in place), for Council’s future consideration.

CONSULTATION

Consultation was undertaken with a number of associations and operating groups including the Victorian Association of Performing Arts Centres and the Australian Performing Art Centres Association.

CRITICAL DATES

The operating model determined will help shape Council’s 2018/19 operating budget, with drafts of the budget being considered by Councillors in March 2018.

FINANCIAL IMPLICATIONS

The financial implications of the proposed restructure of in house operations were modelled as part of the previous forum reports, and in comparison to the other models provided the best balance between community offer, control, financial return and community utilisation.

Overarching aims of the Centre are to achieve a cost neutral community facility.

A sum of circa \$200,000 (salary only component) would be payable should all permanent staff change (4 permanent staff) as part of the restructure. In addition to this sum an unspecified amount of accrued time, holiday etc. would become payable.

LINKS TO THE COUNCIL PLAN

Council Priority	Planning and Infrastructure
Future Direction	Places and spaces to connect people
Theme	Community hubs
Strategic Objective	We have public spaces and community hubs that bring people together

Initiatives implemented through the proposed operating model will strengthen the function of PRACC as a hub for community events, conferences and artistic performance that will help to create a better connected community.

DECLARATIONS OF CONFLICTS OF INTEREST

Under section 80C of the Local Government Act 1989 officers providing advice to Council must disclose any interests, including the type of interest.

The Responsible Officer reviewing this report, having made enquiries with the relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

CONCLUSION

Maintaining the in-house operation in combination with a) a team restructure and improved operational practices to create cost efficiencies and b) initiatives to increase community utilisation, is the recommended operating model for PRACC. Of the models assessed, this maximises community benefit from the facility while generating sound commercial outcomes and delivering best value.

RECOMMENDATION

THAT Council resolve to implement the in-house restructured model for the operation of the Plenty Ranges Arts and Convention Centre.

7. CLOSURE