

**CITY OF MARION
GENERAL COUNCIL MEETING
16 DECEMBER 2003**

CONFIDENTIAL

**REPORT RELATING TO:
KRA 1 - Leadership**

Originating Officer: Lisa Mara, Senior Governance Officer
Manager: Pauline Koritsa, Manager Governance
Item: Review of Confidential Items
Report Title: State Aquatic Centre (GC281003F01)
Reference Number: GC161203F02c

BACKGROUND:

The confidential order pertaining to the attached report, *State Aquatic Centre*, is due for review – refer Appendix 1. On 28 October 2003 Council resolved that the documents pertaining to this be made confidential and the following reasons were noted in the minutes at the time of making the order:

**State Aquatic Centre
Ref No: GC281003F01**

“That Pursuant to Section 90 (3)(b) of the Local Government Act, 1999 Council orders the public be excluded, with the exception of Council officers present, on the basis that the report contains information the disclosure of which:

- (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
- (ii) would, on balance, be contrary to the public interest;

and the Council is satisfied with the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter by the need to keep the receipt/discussion/consideration of the matter confidential.”

Council's Manager Strategic and Economic Projects, Mr John Valentine, has advised that the report should remain confidential for the following reasons:

- the process of going to the market place for the development of the State Aquatic Centre has not been finalised between the State and Council
- the State's confidence in dealing with sensitive commercial matters Council would be seriously eroded
- release of information relating to possible State and Council subsidies would compromise both the State's and Council's financial interest
- Council has signed a confidentiality agreement with the State and the release of either of the two reports would be a clear breach of the terms of the confidentiality agreement.

RECOMMENDATION:

That:-

1. Pursuant to Section 91 (7) of the Local Government Act 1999 the confidential order pertaining to the discussion and documentation associated with the report, *State Aquatic Centre* reference number GC260803F01, be retained on the basis that it contains information the disclosure of which:-:

90 (3) (b) (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and

(ii) would, on balance, be contrary to the public interest;

90 (3) (g) breach a duty of confidence

2. The confidentiality order be reviewed in December 2004.

Appendix 1: Report *State Aquatic Centre*

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**CITY OF MARION
GENERAL COUNCIL MEETING
28 OCTOBER 2003**

CONFIDENTIAL ITEM

**REPORT RELATING TO:
KRA 1 - Provide Leadership**

Originating Officer: John Valentine,
Manager Strategic and Economic Projects

Director: Terry Bruun, Director Organisation

Subject: State Aquatic Centre

Ref No: 281003F01
File No: 79/05/09

RECOMMENDATION

If the Council so determines, this matter may be considered in confidence under Section 90 of the Local Government Act on the Grounds included in the Report Ref No: GC281003F01.

Mark Searle
Chief Executive Officer

1. That Pursuant to Section 90 (3)(b) of the Local Government Act, 1999 Council orders the public be excluded, with the exception of Council officers present, on the basis that the report contains information the disclosure of which:
 - (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
 - (ii) would, on balance, be contrary to the public interest;and the Council is satisfied with the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter by the need to keep the receipt/discussion/consideration of the matter confidential.

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CORPORATE OBJECTIVES:

- 1.3 Significantly enhance the Marion Regional Centre as the focal point for community activity.*

BACKGROUND:

The State Government, (through the Office for Recreation and Sport), invited the City of Marion to put a bid to the State Government by 31 August 2003 for the development of a State Aquatic Centre (SAC).

At the Council meeting of 26 August 2003 Council resolved to submit a bid to the State Government for the possible development of the SAC at the Domain. At the 26 August meeting Council resolved that the bid comprise provision of the vacant land, the development rights associated with the Council car park at the Domain, and an annual subsidy of \$200,000 per annum. The resolution also authorised the closure of the Marion Swimming Centre should the SAC be developed.

Marion Council's bid for the SAC was the only bid received by the Government. The Office of Recreation and Sport offered to provide further financial information relating to the SAC. Council considered this at the Special Council meeting of 14 October and authorised the CEO to sign the 'Letter for the Disclosure of Information'.

In a second letter the State Government (through the Office of Recreation and Sport) has responded to Council's bid (refer attached letter from the Office of Recreation and Sport). The response to Council's bid deals with the following matters;

- Full Business Case – Release and Confidentiality
- Agreement (Memorandum of Understanding)
- Council's annual contribution;
- Development Plan;
- Westfield;

The focus of this report is on the Office of Recreation and Sport's position on Council's annual contribution. The other issues will be dealt with at subsequent Council meetings.

The Office and Recreation and Sport advises that the State Government is seeking Council to match, on a \$1 for \$1 basis, the State Government's contribution of an initial \$375,000 per annum and a further \$125,000 per annum if required. This suggested rate of contribution by the State Government does not recognise the value of the Domain land that Council is prepared to contribute (\$5.3m).

There are a number of options and consequences that Council can consider in relation to its potential subsidy to the SAC, they are:

- The unavoidable costs that Council faces with the replacement of the Marion Swimming Centre in 2016;
- Council's initial bid adopted at the 26 August Council meeting;
- A higher bid, (Revised bid);
- The Government's requested bid.

Each of these options have consequences financially, for the type and timing of swimming facilities in Marion and outcomes for the Domain. These consequences are summarised in the table below.

Options	Contribution to the operating cost of the SAC	Cost expressed in 2003 dollars (net present value)	Swimming facilities outcome	Domain outcome
Unavoidable cost (benchmark)	N/A	\$7.3m	MSC continues, indoor regional facility developed in 2016	Developed progressively for other purposes
Initial Council bid	\$200,000 p.a.	\$7.05m (including value of the land)	Not sufficient to attract the SAC	Developed progressively for other purposes
Revised bid \$250,000 + \$125,000 (if required)	\$375,000 p.a.	\$9.325m	More likely to secure the possible SAC at Domain in 2006	If proceeds, SAC and other uses developed at the Domain
Government requested bid	\$500,000	\$10.95m	More likely to secure the possible SAC at the Domain in 2006	If proceeds, SAC and other uses developed at the Domain

Unavoidable Cost

The confidential report to Council on 26 August advised that Council has an unavoidable cost to deal with regardless of whether the SAC is developed. The unavoidable cost is the replacement of the existing Marion Swimming Centre with an indoor regional aquatic facility in 2016 when the existing Marion Swimming Centre site would be 40 years old. If Council is required to redevelop the MSC earlier the unavoidable cost could be higher.

This unavoidable cost (expressed in 2003 dollars and taking into account all costs and revenue) is \$7.3m. The cost of \$7.3m is recommended as a benchmark in considering Council's contribution to the State Aquatic Centre.

Initial bid

The cost of Council's adopted contribution (26 August meeting) of land (\$5.3m) and an annual subsidy of \$200,000 is \$7.05m, (expressed in 2003 dollars and taking into account all costs and revenue), which is below the \$7.3m unavoidable cost that Council must deal with in replacing the Marion Swimming Centre in 2016.

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Revised bid

In considering a revised bid Council is aware that its initial bid of land and \$200,000 has not been accepted and is not sufficient to possibly attract the SAC. Similarly Council is aware that the net present value of the Government's requested bid (\$500,000 p.a.) is \$10.95m. The Government is seeking initially a total combined (Government and Council) contribution of \$750,000 p.a., with a further \$250,000 p.a. contingency subsidy if required. Council is also aware that the Government has allocated \$500,000 p.a. in the forward estimates of the 2003 / 2004 budget for its potential subsidy to the SAC.

If Council were to adopt a bid of an initial \$250,000 p.a. (with a matching contribution of \$500,000 from the State Government) and a further \$125,000 (if required), with the State Government matching the \$125,000, there would be a total subsidy available of \$1,000,000, assuming *that the Government agrees to such an arrangement*.

The value of the Domain land (\$5.3m) and \$375,000 p.a. subsidy is \$9.325m, (expressed in 2003 dollars and taking into account all costs and revenue).

If the option of contributing the Domain land and \$375,000 (\$9.325m) is accepted by the State Government this would represent a value of \$2.025m (expressed in 2003 dollar terms or net present value) greater than the \$7.3m unavoidable cost to replace the Marion Swimming Centre in 2016. This additional \$2.025m would deliver a higher standard facility in 2006 rather than 2016. It could bring forward the redevelopment of the Oaklands Park rail station and surrounds and improvement of the Diagonal Road and Morphett Road intersection and rail crossing. The SAC would also enhance the regional significance of the Marion Regional Centre and the Marion region generally.

Government request

The Government is seeking an additional contribution from Council to a total of \$500,000 per annum comprising a commitment to \$375,000 per annum and, if required, a further \$125,000 per annum. The value of the land and a total contribution of \$500,000 p.a. is \$10.95m, (expressed in 2003 dollars and taking into account all costs and revenue). This amount clearly exceeds Council's unavoidable cost of \$7.3m.

Discussion

Whilst the comparison of costs, (\$7.3m, \$9.325m, \$10.95m) are evident the outcomes are not directly comparable. The unavoidable cost of \$7.3m would deliver Council a regional indoor aquatic facility in the year 2016. The \$7.3m takes into account the existing Domain vacant land being sold for a range of commercial / service activities.

The higher costs (\$9.325m, \$10.95m) could deliver an international standard State Aquatic facility at the Domain, in 2006, and commercial, service and retail activities on the balance of the Domain land. The SAC at the Domain would be consistent with Council's vision for the Domain and represents the optimum potential development that has been identified for the Domain land. The development of the SAC at the Domain could lead to a number of other benefits such as the upgrade of Oaklands Park rail station and surrounds, and improvement of the Morphett Road and Diagonal Road crossing. There is also the benefit of a further State significant facility (SAC) in the Marion region in addition to the existing regional and State significant activities of Marion Westfield, Mitsubishi, Flinders University and Flinders

Medical Centre. These possible benefits are real but difficult to estimate and a dollar value has not been ascribed to them.

Whilst the Government has put a position to Council that the possible subsidy for the SAC be on a dollar for dollar basis there is nothing to preclude Council from putting a different position back to the Government.

Other options for putting a different bid include providing the land on a lease basis or offering a rate reduction.

Land on a lease basis

Offering the land on a lease basis would not create the conditions for the private sector to invest some \$50m to develop the SAC and the commercial, retail and service developments. If the land is on a lease basis the private sector would not invest \$50m, as their investment would not be secure.

Rate Reduction

A rate reduction is not a transparent process and it is in effect a subsidy by another means. The advantage of offering a subsidy is that it can be clearly targeted to a range of performance requirements and is directly payable to the financier of the SAC as opposed to individual operators associated with the SAC development.

REPORT OBJECTIVE:

To consider presenting a revised bid to the State Government for the development of the State Aquatic Centre at the Domain.

IMPLEMENTATION:

If Council resolves to adopt a different level of contribution to the SAC this will be communicated to the State agencies as soon as possible.

CONSULTATION:

This matter has been reviewed by the Chief Executive Officer, Director Organisation, Director Finance and the Manager Strategic and Economic Projects.

BUDGET IMPLICATIONS:

The financial impact of the revised bid (if adopted) is likely to occur in 2006 / 2007. A review of the current five year financial plan indicates that Council would be in a position to finance the revised bid of \$250,000 plus \$125,000 subject to the achievement of the assumptions contained in the five year financial plan.

ENVIRONMENT:

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Council will have the opportunity to consider environmental issues and opportunities should the project proceed to the next stage.

CONCLUSION:

A revised bid of \$375,000 (\$250,000 plus \$125,000) for the operating subsidy of the SAC is the recommended option at this stage. Although it is greater than the benchmark financial position the Council would be in a position to finance the revised bid. In addition the outcome would provide a net gain in community benefit with the possible SAC developed in 2006 with facilities that deliver a significantly greater community benefit than a regional indoor swimming facility developed in 2016.

RECOMMENDATIONS:

That:

- 1. Council contributes, at no cost, the balance of the Council owned Domain vacant land together with the development rights associated with the Council owned car park at the Domain to the development of the State Aquatic Centre on terms and conditions that will ensure the operation of the State Aquatic Centre for a minimum term of 23 years and at a level of operation agreed between the Council and the State Government and otherwise on terms and conditions to be negotiated, agreed and incorporated into a Memorandum of Understanding between the State Government and Council;**
- 2. Council increases its subsidy for the State Aquatic Centre to \$250,000 (indexed) per annum and that Council contribute a further \$125,000 per annum (indexed), on a dollar for dollar basis if required, towards the operating of the Centre for a period of 23 years from the date of the opening of the State Aquatic Centre.**
- 3. Council authorises the Chief Executive Officer to communicate recommendations 1 and 2 (above) to the Government and its agencies and to negotiate on behalf of Council the possible terms and conditions for Council's contribution to the State Aquatic Centre within the limits of recommendations 1 and 2 (above).**
- 4. Council orders under Section 91(7) and (9) of the Local Government Act, that the Report reference no. G281003F01 in this matter relating to the State Aquatic Centre together with all annexures and the relevant minutes be kept confidential until 1 December 2003 after which time the order will be reviewed.**

Appendix 1: Letter from Office of Recreation and Sport