

**ADDENDUM REPORT TO ORDINARY MEETING OF
GREATER HUME SHIRE COUNCIL
TO BE HELD AT COUNCIL CHAMBERS, BALFOUR STREET, CULCAIRN
ON WEDNESDAY, 16 SEPTEMBER 2015**

OFFICER'S REPORT – PART A – FOR DETERMINATION

ENVIRONMENT AND PLANNING

1. TENDERING THE LEASEHOLDS OF JINDERA AND WALLA WALLA SWIMMING POOLS FOR THREE SWIMMING SEASONS

Report prepared by Director Environment and Planning – Colin Kane

REASON FOR REPORT

This additional report provides Council with sufficient details of the tenders that were received from a tender process that was conducted for the leasehold of the Jindera and Walla Walla Swimming Pool. In accordance with Clause 178 of the Local Government Regulation 2005 Council can either accept a tender or decline to accept any of the tenders.

REFERENCE TO DELIVERY PLAN

Strategy 5.11: To maintain and improve our sports and recreation facilities.

DISCUSSION

As mentioned in the main report a tender process has been commenced to investigate the viability of appointing a new lessee to control and operate the swimming pools at both Jindera and Walla Walla.

The subject tender closed on the 9 September 2015 and the tenderers were accessed from TenderLink at 3.15 on that day. There were two prospective tenderers which are listed below:

- Online Custom Framing – QLD
- Terry Melbourne Pool Management Services.

The submission from Online Custom Framing – QLD was unacceptable as it contained none of requisite information and so no further information on this tender is provided.

A tender with the requisite information was provided from Terry Melbourne Pool Management Service (Terry Melbourne) who submitted the following prices.

Service Description	Years	Fees \$ (exc GST)	Discount Offered for Management of both Pools 2.5%	Discounted price (exc GST)
Management and Operation of Walla Walla Pool.	2015/2016	\$55978	\$1400	\$54578
	2016/2017	\$57657	\$1441	\$56216
	2017/2018	\$59387	\$1485	\$57902
Management and operation of Jindera Pool.	2015/2016	\$53648	\$1340	\$52308
	2016/2017	\$55257	\$1381	\$53876
	2017/2018	\$56915	\$1422	\$55493

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TENDERING THE LEASEHOLDS OF JINDERA AND WALLA WALLA SWIMMING POOLS FOR THREE SWIMMING SEASONS [CONT'D]

Council at the 20 August 2014 Ordinary Meeting received a report on the leasing of the Jindera, Walla Walla, Culcairn, Henty and Holbrook swimming pools which is **ANNEXURE 1** to this report. The financial analysis contained in this report is pertinent because it found that at the offered prices the increase to Council operating budget would be \$11,000.

The following table depicts the current situation with the offered prices of Terry Melbourne Pool Management Services.

	2014/2015 Accepted Tender Price	2015/2016 Price Terry Melbourne Pool Management Services
Jindera Swimming Pool	\$38,000	\$54,578
Walla Walla Swimming Pool	\$38,000	\$52,308

Based on the abovementioned information the financial impacts on Council's recurrent budget from accepting the tender of Terry Melbourne would be \$41,886 less the indexation that has occurred in the adoption of the 2015/2016 management plan.

Accepting a tender will have a detrimental effect on Council's budget position and therefore the alternative is for Council to operate the swimming pools utilising day labour which was the situation for the majority of the 2015/2016 swimming pool season. Day labour places an additional burden on Council staff, however when contracting cannot provide a cost effective alternative than there is no other acceptable alternative.

Council has the option under the tendering provision of the Local Government Regulation 2005 to undertake further negotiation with Terry Melbourne Pool Management Services. However, Council does not have the ability to adjust the specified works so that the tenderer could potentially offer a lower price for a lesser service. Rather, the negotiations would be requesting Terry Melbourne Pool Management Services to consider offering a lower price for provision of the same service and such negotiation undermine the principles of tendering.

BUDGET IMPLICATIONS

The acceptance of a tender would have a detrimental effect to Council's 2015/2016 budget position of \$41,886.

CONCLUSION

In undertaking the tender process for the leasehold of the Jindera and Walla Walla Swimming Pools, Council has tested the viability of utilising contract services relative to Council undertaking the function using day labour. In this instance the process has revealed that day labour is the most financially prudent option.

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TENDERING THE LEASEHOLDS OF JINDERA AND WALLA WALLA SWIMMING POOLS FOR
THREE SWIMMING SEASONS [CONT'D]

RECOMMENDATION

That:

1. in accordance with Clause 178 (1)(b) of the Local Government Regulation 2005 Council refuse to accept any tender for the lease of the Jindera and Walla Walla swimming pool.
2. Council advise the tenderers the outcome of Council's decision
3. for the 2015/2016 swimming season Council resolve to operate the Jindera and Walla Walla swimming pools by day labour.

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2. LEASING OF GREATER HUME SHIRE COUNCIL POOLS

Report prepared by Manager Waste & Facilities – Andrew Shaw

REASON FOR REPORT

To advise councillors that two tenderers submitted complying tenders for the leasing of Greater Hume Shire Council's swimming pool complexes and in accordance with Clause 178 of the Local Government General Regulation 2005 it is necessary for Council to determine the tenders.

DISCUSSION

For many years Council has leased the Jindera Swimming Pool to Mr Chris Peters and has been satisfied with the service that has been provided. Three years ago Council also leased to Mr Peters the Walla Walla Swimming Pool and one year after that the Culcairn Swimming Pool was then leased to him for a two year period. It is considered that leasing the pools has improved the level of service and the swimming experience at each site. This leasing arrangement has reduced Council's time and effort in the day to day running of the swimming pool complexes and resulted in a steady increase in the number of pool users who report with positive feedback.

As all existing lease agreements are currently concluded Council has recently prepared and advertised a tender offering all its swimming pool complexes for lease for three years with a one year option. It is considered that the lease will reduce the input of Council resources whilst reducing risk and improving the swim experience at all sites. Some of the requirements of the new leases for the lessees is listed below:

- Maintain all lawns and gardens;
- Supply all consumables for the season, toilet rolls, soaps, sun block etc.;
- Perform minor maintenance and supply and fit items up to the value of \$300.00;
- Undertake cleaning;
- Ordering of chemicals;
- Supply fully trained lifeguards, developing rosters and handling staff issues/performance;
- Responsibility for canteen staffing;
- Encourage more community activities and opportunities to increase swimmer numbers and liaise with pool committees and schools;
- Actively increase swim participants; and
- Supply all insurances.

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LEASING OF GREATER HUME SHIRE COUNCIL POOLS [CONT'D]

In response the advertising of the tender submissions were received from two tenderers who both have experience in running Council owned pools. Details of the price of their offered tenders are shown in the following table:

	Terry Melbourne	Chris Peters	Chris Peters
		Option 1	Option 2
Holbrook	42,690		
Culcairn	36,600	38,000	
Henty	44,100		
Walla	53,800	38,000	
Jindera	47,100	38,000	38,000
	\$224,290		
All Pools discounted	\$213,075		

As a summary of the above table it is apparent that the best value scenario for Council is to offer the Jindera and Walla Walla pools to Chris Peters and the Holbrook, Henty and Culcairn pools to Terry Melbourne and the cost for this arrangement is listed below:

T Melbourne	Holbrook	\$42,690
T Melbourne	Culcairn	\$36,600
T Melbourne	Henty	\$44,100
Chris Peters	Walla	\$38,000
Chris Peters	Jindera	<u>\$38,000</u>
		\$199,390

BUDGET IMPLICATION

Terry Melbourne has offered a discount for all pools of 5% and a discount for 3 pools of 2.5%. The following table shows the best value option from the tenders against Council's cost for operating the pools for the 2013/2014 swimming pool season:

		GHSC 2013/14 wages and lessee costs	2013/14 GHSC mgt supervision of pools	2013/14 GHSC Maint. & Repairs	Mowing costs	
Holbrook	41622	46370	10117	20632		
Culcairn	35685	32630	10117	14200		
Henty	42997	34035	10117	17980	2800	
Walla	38000	31000	10117	7880	(Henty)	
Jindera	38000	31000	10117	17683		
	\$196,304	\$175,035	\$50,585	\$78,375	\$2,800	Total
						\$306,795

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LEASING OF GREATER HUME SHIRE COUNCIL POOLS [CONT'D]

From the table based on the 2013/14 pool season Council's costs will increase by \$21,269 and also under the offered tender conditions Council will forgo \$28,800 of income from Holbrook and Henty swimming pools. However these costs will mostly be offset by savings provided by the terms and conditions of the lease. For example there will be fewer requirements of Council's management and a halving of the maintenance and repair costs. Overall the increase to the pool budget will be approximately \$8,240.00 and the following table depicts how this figure is derived from changes to the 2013/2014 operational budget.

Reconciliation of total costs

	2014/2015	2013/2014	Variances
Lease/Salary Costs	\$196,304.00	\$175,035.00	(\$21,269.00)
Foregone Income		\$28,800.00	(\$28,800.00)
Reduced Maintenance Costs (50% of \$78,375)		\$39,187.50	\$39,187.50
Mowing Costs		\$2,800.00	
Estimated Crown Land Costs	\$1,841.00		1,841.00
			\$8,240.00

It is considered that the increase in the budget is justified because there are other benefits arising for Council such as removal of potential compensation costs for Workplace Health & Safety claims from pool staff and a better utilisation of Council maintenance, managerial and payroll staff. For example the Manager of Waste & Facilities would be able to assist the Engineering Department with project management activities as well as forward planning and implementation of maintenance activities for Council assets. Following is a list of intangible benefits arising to Council:

- Motivated lessee
- Incentive to increase usage by the lessees
- Greater efficiencies for GHSC customer service staff and HR Department
- Eliminates staffing issues (sick days, theft, resignations, etc)
- Lift the reputation and profile of the facility.

Holbrook, Henty, Culcairn and Jindera pool complexes is Crown Land held under trusteeship to Greater Hume Shire Council, Council is required to obtain permission from the Crown Lands Division of NSW Trade and Investment to extend the lease in accordance with the Crown Lands Act 1989 - Sec 102 (d) which states:

"A reserve trust may not sell, lease or mortgage land, or grant an easement or a licence (except a temporary licence) in respect of land, comprising the whole or any part of the reserve unless:

(d) the Minister has consented in writing to the proposal."

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The minimum rental for Crown Reserves is currently set at \$451.00 per annum plus GST, despite the requirement for market rent, the rental will be considered by the Crown Lands Division prior to obtaining the Ministers Consent. As shown in the abovementioned table there is a provision allowing for the payment to Council of lease fees totalling \$1841.

CONCLUSION

The leasing of the pools is in line with the goals established by Council to continually improve its swimming complexes by providing a better quality of swim experience. Although there will be an increase to the budget of approximately \$11,000 this will be partially offset by staffing efficiencies and reduced maintenance activities. Leasing of Greater Hume Shire Council pools is in keeping with contemporary asset management strategies and will be of increased benefit to the Greater Hume Shire Council's pool users.

RECOMMENDATION

That in accordance with Clause 178 of the Local Government Regulation 2005, Council offer for a three year period with a one year option (nominated period) the management and lease of:

1. the Jindera and Walla Walla Swimming Pool Complexes as described in the tender documents to Mr Chris Peters.
2. the Holbrook, Henty and Culcairn Swimming Pool Complexes as described in the tender documents to Mr Terry Melbourne trading as Terry Melbourne Pool Management.
3. Council resolve to enter into a lease of the Culcairn swimming pool complex, being part of Reserve 89299 Lots 1-4 DP 758315 to Mr Terry Melbourne trading as Terry Melbourne Pool Management for the nominated period,
4. Council resolve to enter into a lease of the Walla Walla swimming pool complex, being Lot 2-5 DP 1096897 to the Mr Chris Peters for the nominated period,
5. Council resolve to enter into a lease of the Holbrook swimming pool complex, being Reserve 82247 Lot 1 Sec 42 DP 758522 to the Mr Terry Melbourne trading as Terry Melbourne Pool Management, for the nominated period,
6. Council resolve to enter into a lease of the Jindera swimming pool complex, being part Reserve 620028 Lot 2791 DP 1056143 to the Mr Chris Peters, for the nominated period,
7. Council resolve to enter into a lease of the Henty swimming pool complex, being part Reserve 6453 Lot 701 DP 94252 to Mr Terry Melbourne trading as Terry Melbourne Pool Management, for the nominated period,

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8. correspondence be forwarded to the Crown Lands Division of NSW Trade and Investment seeking approval from the Minister to enter into a lease for the land described in 3,5,6,&7 of this resolution to the person or entity described in those resolutions for the nominated a period.
9. the Mayor and General Manager be authorised to sign the lease as described within 3,4,5,6 and 7 of this resolution under the Common Seal of Council.
10. the Mayor and General Manager be authorised to sign the contracts that constituted the tender documents for the lease as described within 3,4,5,6 and 7 of this resolution under the Common Seal of Council.