

CONFIDENTIAL ITEMS 2003 – MARCH 2022

#	Date	Item Title	Confidential Order Details	Item being kept confidential - Agenda/ Attachment/ Minutes	Reason regarding retention or recommend-action to release	Resolution Regarding Action	Last Review Date	Next Review Date	Date Released
156a	2 December 2020	Regional Sports Hub - Licence Negotiation Strategy	<p>Section 90 (3) (b) Order</p> <p>1. Pursuant to Section 90(3)(b) Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except, Deputy Chief Executive Officer / General Manager Governance (B Clancey), General Manager Community Services (G Parker), General Manager Infrastructure (P Burton), Mayor Ann Ferguson, Crs Seager and Orr, Senior Community Development Officer (P McGinn), Building and Recreation Manager (M Bell), Accountant (M Murawsky) and the Minute Secretary (V Pegler), be excluded from attendance at the meeting for Agenda Item 12.1 ( Regional Sports Hub – Licence Negotiation Strategy ).</p> <p>The Board is satisfied that pursuant to Section 90(3)(b) 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 Board is:</p> <ul style="list-style-type: none"> <li>- conducting business; or</li> <li>- proposing to conduct business; or</li> <li>- would prejudice the commercial position of the Council</li> </ul> <p>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 continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Board is</p>	Agenda item, attachments and minutes	<p>The Board is satisfied that pursuant to Section 90(3)(b) 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 Board is:</p> <ul style="list-style-type: none"> <li>- conducting business; or</li> <li>- proposing to conduct business; or</li> <li>- would prejudice the commercial position of the Council</li> </ul> <p>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 continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The</p>	Retained in confidence until all Licence Agreements have been executed or such lesser period as may be determined by the Board Executive Officer	6 Sep 21	Within 12 months	<i>Report, Attachment and Minutes released on website 16 March 2022</i>

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			<p>satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of the Board/Council's commercial position may severely prejudice the Board/Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.</p> <p>Pursuant to Section 90 (3) (b) That having considered Agenda Item 12.1 (Regional Sports Hub Licence Negotiation Strategy), in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Board pursuant to Section 91(7) of the Act orders that the Board agenda item, attachments and minutes be retained in confidence until all Licence Agreements have been executed or such lesser period as may be determined by the Board Executive Officer.</p>		<p>Board is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of the Board/Council's commercial position may severely prejudice the Board/Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.</p>				
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**12. CONFIDENTIAL REPORTS**

**12.1 REPORT TITLE: CONFIDENTIAL ITEM: REGIONAL SPORTS HUB - LICENCE NEGOTIATION STRATEGY**

**DATE OF MEETING: 2 DECEMBER 2020**

**FILE NUMBER: DOC/20/160161**

**ATTACHMENTS: ATTACHMENT NO. 1  
DOC/20/165536 – DRAFT RSH LICENCE  
NEGOTIATION STRATEGY**

**Key Contact** Greg Parker, General Manager

**Manager/Sponsor** Andrew Stuart, Chief Executive Officer

**Community Plan 2020-2035****Community Wellbeing Objective 1.2**

Encourage efficient use of existing facilities including joint community/school use models where appropriate.

**Annual Business Plan:**

5.1 Capital Project or Initiative (Regional Sports Hub Stage 1)

**Regional Sports Hub Board Terms of Reference (DOC/18/108381):**

2.2.5 The Board will be responsible for the establishment and subsequent review of management and lease/licence agreements with RSH users.

**Purpose:**

To seek the Board's approval of a negotiation strategy for licence (user) agreements.

**Summary – Key Issues:**

1. The construction of the RSH Facilities should be completed early in the 2021 calendar year.
2. User (licence agreements) need to be urgently negotiated.
3. Contribution to soccer pitch renewal has been an ongoing issue hindering the negotiation with Football SA.
4. COVID (and to a lesser extent the Cudlee Creek Bushfire) has heavily impacted on the sports ability to raise revenue in 2020 and the impact will endure into 2021.

**Recommendation:**

That the Board:

**Section 90 (3) (b) Order**

1. Pursuant to Section 90(3)(b)

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except Chief Executive Officer, Deputy Chief Executive Officer / General Manager Governance, Strategic Projects and Wastewater/Recycled Water, General Manager Planning and Development, Chief Financial Officer, General Manager Council Services, Strategic Property and Projects Manager, Manager Community Wellbeing, Senior Community Development Officer and the Minute Secretary, be excluded from attendance at the meeting for Agenda Item 12.1 ( Regional Sports Hub – Licence Negotiation Strategy ).

The Board is satisfied that pursuant to Section 90(3)(b) 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 Board is:

- conducting business; or
- proposing to conduct business; or
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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 continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Board is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of the Board/Council's commercial position may severely prejudice the Board/Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.

3. Authorise the Board Executive Officer and the Chair to amend the draft Licence Negotiation Strategy (Attachment 1) based on points agreed at the Board meeting and to progress the strategy on behalf of the Board.

**Section 91(7) Order**

4. Pursuant to Section 90 (3) (b)

That having considered Agenda Item 12.1 (Regional Sports Hub Licence Negotiation Strategy), in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Board pursuant to Section 91(7) of the Act orders that the Board agenda item, attachments and minutes be retained in confidence until all Licence Agreements have been executed or such lesser period as may be determined by the Board Executive Officer.

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**Background:**

1. The original RSH Business Case was noted by Council on 15 Jan 2018.
2. Business Case Addendum 1 was adopted by Council on 6 May 2019 .
3. Business Case Addendum 2 was endorsed by Council on 14 October 2019.
4. The Business Case Addendum 2 provides the Board with some guidance from Council on what it seeks to achieve for the RSH from a financial point of view.
5. The current estimate on when the surfaces will be able to be used for their designated sports are:-
  - football (soccer) = late January 2021
  - Australian Rules Football = April 2021
  - Cricket = October 2021

**Discussion:**

6. The current financial estimates indicate that in a full year of operation the RSH net expenditure could align closely to the Business Case Addendum 2. With further Board scrutiny of both revenue and expenditure there is potential to further improve the facility's performance, albeit the facility is not yet open.
7. It is proposed there are 3 Licence Agreements to be negotiated
  - Football SA (FSA)
  - Hills Football League (HFL)
  - SACA
8. **Football SA Key points**
  - FSA have offered to run the facility on behalf of the Board/Council ie
    - pay all operating / outgoings (excluding Board fees; Council's insurance)
    - collect all revenue (refer Sponsorship Policy for exclusions)
    - maintain the soccer pitches (approx. \$40k total pa)
    - seeking a 5 year term with an option to extend for a further 5 years.
    - securing annual pitch renewal contributions is critical
    - FSA have indicated projected usage of the 2 pitches would be approximately 40 hours a week

**9. Hills Football League Key Points**

- the current estimated premier oval maintenance cost is \$70k (see SACA key points below)
- HFL's key revenue stream will be ticketing of senior games
- Users would retain bar/canteen revenue
- Council staff are currently assessing the options associated with ensuring patrons pay to see key games scheduled at the facility
- in-kind contributions towards cleaning the building and the day to day management of the facility can be offset against a higher turf maintenance contribution.
- Strategy to link the licence fee to turf maintenance contribution

**10. SACA Key Points**

- cricket associations and clubs are not usually as financial as football or soccer due to lack of spectator bar/canteen revenue.
- cricket pitch curation is estimated to be \$15k per annum
- SACA provide (at user cost) pitch curation services at other ovals around the State
- SACA potentially could have a staff member on site playing a facility manager role
- in kind contributions towards cleaning the building and the day to day management of the facility can be offset against a higher pitch curation contribution.

11. The COVID-19 pandemic and associated restrictions on sports activities and associated food and beverage service has significantly impacted all 3 codes in 2020. The codes are predicting that 2021 will also be a year of recovery with potential further impact. Licence fees in year 1 may need to be fully or partially rebated in line with other recent Council decisions.

12. The Sponsorship Policy (when endorsed by Council) will be a mechanism for the Board to manage and monitor its revenue streams if licence fees are reduced. (refer agenda item 10.1).

**Community Engagement:**

Informing only	Confidential at this stage
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Consultation comments:

Decision to be made	Licence Agreements to be negotiated
Key factors to be considered in decision (dot points)	Financial and community wellbeing and facility activation

Area of community influence	<p>Aspects that are fixed: The report discussed the points of negotiation.</p> <p>Key areas for community input: Volunteer and in-kind contributions. Sourcing and securing sponsors. Local knowledge of sporting fixtures and community capacity. COVID 19 Pandemic impacts</p> <ul style="list-style-type: none"> <li>•</li> </ul>
Method of consultation, informing community & cost	Direct negotiation with key users.
Feedback to stakeholders/Board /Council	Board and Council report
Timeframe for consultation	Nov '20 to Jan '21
Community input (post consultation only)	N/A
Recommendations (post consultation only)	N/A

**Policy:**

RSH Sponsorship Policy

Potentially Council is considering a policy regarding State Gov/Council/ User contributions to sports lighting and hard surface replacement.

**Long Term Financial Plan:**

RSH Operations is included in the LTFP in accordance with Business Case Addendum 2.

**Budget:**

5.1 Capital Project or Initiative (Regional Sports Hub Stage 1)

The licence negotiations will impact subsequent budgets.

The impact on 2020/21 is currently unknown and 2021/22 has not been formulated as yet.

The estimated legal costs associated with preparing Agreements will be in the order of \$10k - \$15k to be funded by 2020/21 RSH set-up budget.

**Statutory/Legal:**

N/A

**Staff Resource Requirements:**

Current staff resources allocated to preparation to operations is 1.75 FTE (dedicated).

**Environmental:**

N/A

**Social:**

The optimal usage of the facilities will deliver strong community wellbeing outcomes for the regional community.

**Risk Assessment:**

Unsigned agreements will pose a risk to facility utilisation and therefore a risk to Council's reputation.

High licence fees will discourage users from contributing to facility care and maintenance.

**Asset Management:**

The main football (soccer) licence consideration relates to pitch renewal contribution.

**Conclusion:**

The attached Licence Negotiation Strategy will enable the negotiation team to pursue agreements with users that achieve both maximisation of the use of the asset and alignment with the Council endorsed RSH business case.

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Previous Decisions By/Information Reports to Council

Meeting Date	Nil	HPRM Reference	DOC/
Title			
Purpose			





**MOUNT BARKER**  
**DISTRICT COUNCIL**

# Regional Sports Hub Board Confidential Informal Gathering Draft Licence Negotiation Strategy

**Greg Parker and Alex Oulianoff**  
**2 December 2020**



# Purpose

- To inform and allow the Board to discuss the negotiation strategy with the targeted potential licensees in the context of the approved Council business case (Addendum 2)



# History of Business Case Development

- Business Case noted by Council on 15 Jan 2018
- Business Case Addendum 1 adopted by Council on 6 May 2019
- Business Case Addendum 2 endorsed by Council on 14 October 2019

RELEASED



# Recap of Financial Estimates

*	BC1 17/1/19	BC2 14/10/19 Council approved	Estimate Presented to Board 14/10/20	Revised Staff Estimate Nov 20
	\$k	\$k	\$k	\$k
Expenditure	163	233	268	249
Income	(107)	(61)	(45)	(86)
Net Cost of Operations	56	172	223	163
Depreciation	433	512	512#	512#
Total Net Op Cost				

- BC = Business Case
- See handout for detailed breakdown
- Both BC addendums assume soccer pitch maintenance is FSA responsibility
- # depreciation is a pre-construction estimate

# Soccer Pitch Renewal and FSA Licence Fee

- Desktop review indicates \$800k to renew (in today's dollars) in year 11 (\$400k per pitch)
  - Council's practice in recent years for hard surface replacement is accessing Office for Rec and Sport Community Recreation and Sports Facility Program Grant typically with the following funding split
    - State Gov      50%
    - Council        33%
    - Users          17%
- (see next slide)*



# Sports Infrastructure Renewal – MBDC Examples

Project Name	Total Cost to Replace/Renew	State Government Funding	Council	Other funding partner	Club	Date of Completion
Adelaide Hills Hockey Club Lighting	\$215k	\$100k / 47%	\$95k / 43%	\$10k / 5%	\$10k / 5%	24/07/17
Adelaide Hills Hockey Club Synthetic Pitch	\$966.5k	\$641k / 66%	\$330k / 34%	In kind \$3.5k / 0.03%	\$15k / 0.15%	26/06/19
Hahndorf Bowling Club Lighting	\$30k	\$10k / 33.3%	\$10k / 33.3%		\$10k / 33.3%	29/8/19
Hahndorf Bowling Club Green Renewal	\$153k	Funding application unsuccessful	\$50k / 33.3%		\$103k / 67%	29/10/20
Hahndorf Soccer Club Lighting	\$231.5k	\$115.7k / 50%	\$68.7k / 29.7%	\$12k in kind / 5.2%	\$35k / 15.1%	Estimated date early December 2020
Macclesfield Tennis Club Lighting	\$30k	\$10k / 33.3%	\$10k / 33.3%	\$10k / 33.3%	\$10k / 33.3%	13/12/16
Meadows Bowling Club Lighting	\$48k	\$24k / 50%	\$12k / 25%		\$12k / 25%	27/03/19
Meadows Bowling Club Green Renewal	\$167k	\$82.5k / 49%	\$77k / 46%		\$7.5k / 5%	29/07/17



# Soccer Usage/Revenue Calculation

- Hours per week = 40; weeks/year = 48; rate per hour \$30 = \$57,600 x 2 pitches = \$115,200
- Minus cleaning \$13,000
- Minus Pitch maintenance \$40,000
- Minus other sundry maintenance say \$10,000
- Minus facility management (FSA staff) say \$50,000





# Strategy and FSA Licence Fee Recommendation

- Recommendation – Given FSA's business model passes costs to Users recommend commence negotiation as Licence Fee (ie\$20k pa)

That is FSA \$20,000 annual licence fee

- Principle - pitch renewal contribution (\$13,333) plus contribution to operating costs



# Pitch Renewal Contribution Terms

- Fee to be indexed/escalated (rise and fall) based on indexation and annual check of
  - industry pricing on renewal
  - wear and tear assessment
- Payment terms - quarterly
- 5 year term implies the same Licence Fee needs to be passed on to the next Licensee
- Licensees and Council to share the risk of not securing State Gov grant for renewal (to be included in the Licence Agreement)
- Revenue to be credited to a reserve account for specific purpose (with interest accrued)



# FSA Licence Fee/Pitch Renewal Strategy

## Risks

- Inaccurate estimating of replacement cost
- Inaccurate estimating of timing of replacement

Risk mitigation strategy – cost and timing of replacement reviewed annually as part of rent (licence fee) review



# FSA Licence Term

- 5 years with a right to extend for 5 (or 10)
- FSA commentary that after 5 years the Users should be mature (financial capacity) enough to take over the Licence.

RELEASED



# FSA Licence Benefits/Disbenefits

- +ve FSA take on all operating costs including pitch maintenance
- +ve FSA manage the facility on behalf of the Board
- +ve FSA manage usage and collect and retain user fees
- -ve Licence fee will be passed straight on to Users
- -ve User fees potentially pay for FSA staff facility management costs



# Surface Mtce and Renewal Comparison

## 5 year Analysis \$'000

	Surface Maintenance	Surface Renewal	Water	per year	5 years
Premier Oval (AFL/Cricket)	85	0	18	103	515
Club Contribution	(15)			(15)	(75)
net cost to Council	70	0	18	88	440
Soccer Oval (FSA)	40	80	0	120	600
Club Contribution	(40)	(20)		(60)	(300)
net cost to Council	0	60	0	60	300
	5 years	10 years	funding %		
pro rata soccer oval renewal	400	800			
ORS 50% contribution	(200)	(400)	50%		
FSA contribution	(100)	(200)	25%		
net cost to Council	100	200	25%		
*based on revised estimate/current forecast as at November 2020					
*assumes that synthetic fields \$800k replacement depreciated over 10 years = \$80k/year					
*mix of recycled and SA water used for premier oval					
*assumes that ORS will contribute 50% to renewal of synthetic soccer pitches in 10 years					
*assumes that FSA annual fee of \$20k is used to fund renewal of pitch					



# Cricket/AFL Usage/Revenue Calculation (Indicative)

- AFL Hours per week = 25; weeks/year = 24; rate per hour \$30 = \$18,000
- Cricket Hours per week = 20; weeks/year = 24; rate per hour \$30 = \$14,400

RELEASED



# Negotiation - Licence Fees

- Cricket \$15,000 annual licence fee (\$5,000 min)
  - Principle – pitch curation contribution
- Football \$20,000 annual licence fee (\$10,000 min)
  - Principle – oval mtce contribution and hours of use cf cricket

Note: Codes will likely seek a rebate for Year 1 due to COVID and perhaps bedding in the operating model





# Negotiation – Other elements

- FSA
  - pay all operating and maintenance costs directly attributable to their facility and
  - collect all revenue excluding specific Board derived sponsorship and major events
  - if FSA seek a 2 –year no licence fee grace period for bedding in and COVID then build the loss in years 3-5  
(the key negotiation piece is the Licence Fee)
- HFL/Cricket potentially be responsible for or contribute to
  - cleaning Building (in lieu of a higher licence fee)
  - gardening (in lieu of a higher licence fee)
  - collect ticketing, bar, canteen and specified sponsorship revenue
  - facility management service (in lieu of a higher fee and reduction in the allocation of Council staff time)
  - % of gate fees could contribute to turf and grounds maintenance
- Utilities directly associated with facilities A and B to be paid by users



# Negotiation – Other elements

## Sponsorship Policy

- Council approves Policy
- Board implements and complies with Policy
- Corporate Naming Rights of the whole facility (in addition to the community chosen name) and associated revenue lies with the Board
- Specific asset naming rights eg building – requests go to the Board for consideration



# Negotiation Team

- Greg Parker and Alex Oulianoff
- Iain Evans and one other Board Member?

RELEASED



# Next Steps

1. Board Meeting on 2 December to formally and confidentially endorse the negotiation strategy with the 3 codes
2. Send licence component givens and negotiation elements as a heads up to Users
3. Set up licence negotiation meetings to work through



## **12. CONFIDENTIAL REPORTS**

<b>12.1</b>	<b>REPORT TITLE:</b>	<b>CONFIDENTIAL ITEM: REGIONAL SPORTS HUB - LICENCE NEGOTIATION STRATEGY</b>
	<b>DATE OF MEETING:</b>	<b>2 DECEMBER 2020</b>
	<b>FILE NUMBER:</b>	<b>DOC/20/160161</b>
	<b>ATTACHMENTS:</b>	<b>ATTACHMENT NO. 1 DOC/20/165536 - RSH LICENCE NEGOTIATION STRATEGY</b>

Moved Peter Scargill that the Board:

### **Section 90 (3) (b) Order**

#### **1. Pursuant to Section 90(3)(b)**

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except, Deputy Chief Executive Officer / General Manager Governance (B Clancey), General Manager Community Services (G Parker), General Manager Infrastructure (P Burton), Mayor Ann Ferguson, Crs Seager and Orr, Senior Community Development Officer (P McGinn), Building and Recreation Manager (M Bell), Accountant (M Murawsky) and the Minute Secretary (V Pegler), be excluded from attendance at the meeting for Agenda Item 12.1 ( Regional Sports Hub – Licence Negotiation Strategy ).

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Seconded Cr Jones

CARRIED  
RSH20201202.06

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Moved Jane Russo that the Board:

2. Authorise the Board Executive Officer and the Chair (or his nominee) to amend the draft Licence Negotiation Strategy (Attachment 1) based on points agreed at the Board meeting and to progress the strategy on behalf of the Board.

Seconded Paul Brown

CARRIED  
*RSH20201202.07*

**Section 91(7) Order**

Moved Cr Jones that the Board:

3. Pursuant to Section 90 (3) (b)  
That having considered Agenda Item 12.1 (Regional Sports Hub Licence Negotiation Strategy), in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Board pursuant to Section 91(7) of the Act orders that the Board agenda item, attachments and minutes be retained in confidence until all Licence Agreements have been executed or such lesser period as may be determined by the Board Executive Officer.

Seconded Jane Russo

CARRIED  
*RSH20201202.08*

MEETING DECLARED CLOSED AT 7.24PM

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CHAIRPERSON

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DATE

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