

16.2 COUNCIL SWIMMING CENTRES

REPORT AUTHOR: Chief Financial Officer
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4548
FILE REFERENCE:
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to advise the Council of the Local Government Finance Authority's position in respect to the Council's proposal to potentially include a gymnasium as part of the Payneham Memorial Swimming Centre Redevelopment Project.

BACKGROUND

As Elected Members will recall, at the Special Council Meeting held 28 April 2025, a report was presented to the Council regarding an opportunity to incorporate a gymnasium at the Payneham Memorial Swimming Centre, to support the operations and financial sustainability by increasing revenue of the Centre.

The Payneham Memorial Swimming Centre does not currently incorporate or make provision to accommodate a gymnasium. A gymnasium allows for a customer to obtain a full-service aquatic and fitness membership and represents as a differentiator to other gymnasium offerings (e.g. the 24/7 self-service gym).

On this basis, over the last few months, investigations and financial modelling have been undertaken to assess the feasibility of including a gymnasium as part of the Centre.

The financial modelling that has been undertaken in respect to the 'Pool with Gymnasium' Model, forecasts stronger financial returns over time, illustrated through the higher Operating Surplus Ratio, indicating better long-term earning capacity.

Following consideration of the matter, the Council authorised the Chief Executive Officer to discuss the proposed gymnasium with the Local Government Finance Authority (LGFA), in the context of the Council's current borrowing limits and requested that the outcome of the discussion with the LGFA be reported back to the Council.

DISCUSSION

Discussions have been undertaken with the LGFA regarding the proposal to incorporate a gymnasium at the Payneham Memorial Swimming Centre.

Subsequent to the discussions, the LGFA has undertaken as part of the Payneham Memorial Swimming Centre Special Conditions Review, an assessment of the Council's Audited Financial Statements for the 2023–2024 financial year and the Payneham Memorial Swimming Centre Progress Report, as at March 2025.

The LGFA has advised that it issatisfied that the following conditions, as outlined in Section 2, Annexure A of Debenture No. 5, have been met:

- I. Adjusted Operating Surplus Ratio is greater than 0%;
- II. Total debt is less than \$110,000,000;
- III. Asset Renewal Funding Ratio is greater than 75%;
- IV. Quarterly reports, aligned with NPSP review cycle, PMSC budget versus actuals, includes any material approved variations; and
- V. On an annual basis illustrating compliance in line with NPSP's Treasury Management Policy.

In addition, the LGFA has undertaken a review of the Council's *Draft 2025-2035 Long-Term Financial Plan*, which incorporates the proposed gymnasium and have acknowledged that *the three key financial indicators, Operating Surplus Ratio, Net Financial Liabilities Ratio, and Asset Renewal Funding Ratio are all trending in a more favourable direction compared to the adopted LTFP for FY24–34. Importantly, no potential breaches of existing special conditions have been identified.*

Based on the information currently provided, LGFA does not identify any immediate concerns should NPSP choose to proceed with the PMSC gym expansion.

A copy of the letter dated 13 May 2025, from the Local Government Finance Authority is contained in **Attachment A**.

RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the *Local Government Act 1999* the Council orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

- (b) information the disclosure of which –
 - (i) could reasonably be expected to prejudice the commercial position of the Council; and
 - (ii) would, on balance, be contrary to the public interest;

by the disclosure of sensitive commercial and financial information of the Council's Swimming Centres and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

RECOMMENDATION 2

That the report be received and noted.

RECOMMENDATION 3

Under Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that the report, discussion and minutes be kept confidential until the matter is finalised.

Cr Holfeld moved:

That pursuant to Section 90(2) and (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Council staff present [Chief Executive Officer; General Manager, Governance & Civic Affairs; General Manager, Urban Planning & Environment; General Manager, Infrastructure & Major Projects; General Manager, Community Development; Manager, Governance; Chief Financial Officer and Administration Assistant, Governance & Civic Affairs], be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(b) information the disclosure of which –

- (i) could reasonably be expected to prejudice the commercial position of the Council; and*
- (ii) would, on balance, be contrary to the public interest;*

by the disclosure of sensitive commercial and financial information of the Council's Swimming Centres and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded by Cr Knoblauch and carried unanimously.

Cr Robinson moved:

That the report be received and noted.

Seconded by Cr Sims and carried unanimously.

Cr Robinson moved:

Under Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the report, discussion and minutes be kept confidential until the matter is finalised.

Seconded by Cr Granozio and carried unanimously.

Attachment A

Confidential

Council Swimming Centres

Released



13 May 2025

Mr. Mario Barone
Chief Executive Officer
City of Norwood Payneham & St Peters

via email: mbarone@npsp.sa.gov.au

Dear Mario

Re: Payneham Memorial Swimming Centre Redevelopment Project (PMSC) Special Conditions Review and Gym Expansion

The Local Government Finance Authority (LGFA) recently received an email enquiry from the City of Norwood Payneham & St Peters (NPSP) Council regarding the LGFA's assessment outcome on the special conditions applied to PMSC loans, as well as comments concerning the proposed PMSC gym expansion.

PMSC Gym Expansion

The LGFA notes the following key points from the correspondence received from NPSP:

- I. Financial projections developed by independent advice from BRM Advisory indicate that the proposed gym expansion is expected to be a profitable initiative
- II. The estimated capital cost for the gym expansion is \$5 million, which is to be funded through borrowings
- III. NPSP has forecasted peak debt, inclusive of the gym expansion, to reach approximately \$106 million in FY29 and FY30.

LGFA has also undertaken a review of NPSP's Draft Long-Term Financial Plan (LTFP) for FY25–35, which incorporates the proposed gym expansion and acknowledge that the three key financial indicators, Operating Surplus Ratio, Net Financial Liabilities Ratio, and Asset Renewal Funding Ratio are all trending in a more favourable direction compared to the adopted LTFP for FY24–34. Importantly, no potential breaches of existing special conditions have been identified.

Based on the information currently provided, LGFA does not identify any immediate concerns should NPSP choose to proceed with the PMSC gym expansion.

As communicated in our October 2024 correspondence LGFA would like the opportunity to reiterate that our preference continues to be that:

- Any grant funding obtained for the Parade Master Plan and Norwood Library Redevelopment be used to retire debt and not expand the scope of these projects; and
- NPSP considers staging the Parade Master Plan and Norwood Library Redevelopment projects so that the Council's Net Financial Liabilities Ratio (NFLR) returns below NPSP's target range of 100% within future iterations of its 10-year long term financial plan.

Should you have any further questions or require additional information, please do not hesitate to reach out.

Yours sincerely



Davin Lambert
CHIEF EXECUTIVE OFFICER

Released