
To:	FRAC Authority Board	From:	Executive Officer
Subject:	Adjourned matter – Confidential - FRACA000138 Draft Operational Management Key Performance Indicators 2018-19		
Meeting date:	18 May 2018	Item:	4.1
Reference(s):	FRAC Authority Charter		
Consultation:	Area Manager, YMCA SA		
Attachments:	Nil		

PURPOSE

The purpose of this report is to seek endorsement from the Fleurieu Regional Aquatic Centre Authority (Authority) Board of the draft Key Performance Indicators for YMCA South Australia for management and operations of the Fleurieu Aquatic Centre for 2018-2019.

RECOMMENDATIONS

That the Authority:

- 1) Under the provisions of Section 90(2) of the Local Government Act 1999 make an order that the public be excluded from the meeting, except for Ms Leonie Boothby, Executive Officer; and Ms Elizabeth Williams, General Manager Organisation & Community, Alexandrina Council; in order to consider in confidence a report relating to Section 90(3)(d) of the Local Government Act 1999:
(d) commercial information of a confidential nature (not being a trade secret) the disclosure of which—
(i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
(ii) would, on balance, be contrary to the public interest;
relating to the consideration of draft Key Performance Indicators for YMCA South Australia for management and operations of the Fleurieu Aquatic Centre for 2018-2019, being information that must be considered in confidence in order to ensure that the Authority does not disclose commercial information of a confidential nature (not being a trade secret); and
- 2) Accordingly, on this basis, the Authority is satisfied that public interest in conducting meetings in a place open to the public has been outweighed by the need to keep the information and discussion confidential to prevent the disclosure of commercial information of a confidential nature (not being a trade secret).

Substantiation:

The matter of the agenda item being consideration of draft Key Performance Indicators for YMCA South Australia for management and operations of the Fleurieu Aquatic Centre for 2018-2019 pursuant to Section 90(3)(d) of the Local Government Act 1999 ("the Act") being information that must be considered in confidence to ensure that commercial information of a confidential nature (not being a trade secret); is not divulged.

There is strong public interest in enabling members of the public to observe the Authority's transparent and informed decision-making. This helps to ensure accountability, maintain transparency of public

Confidential Board Report

expenditure, facilitate public participation, assist public awareness and allow for the scrutiny of information. Attendance at a meeting of the Authority is one means of satisfying this interest. The public will only be excluded from a meeting of the Authority when the need for confidentiality pursuant to Section 90(2) of the Act outweighs the public interest of open decision-making.

In this matter, the reasons that receipt, consideration or discussion of the information or matter in a meeting open to the public would be contrary to the public interest are that discussion will include discussion pertaining to the disclosure of commercial information of a confidential nature (not being a trade secret) that may prejudice the commercial position of the person who supplied the information or confer a commercial advantage on a third party.

On balance, the above reasons which support the need for confidentiality pursuant to Section 90(2) of the Act outweigh the factors in favour of the public interest of open decision making.

- 3) **That the Authority endorse the Key Performance Indicators for YMCA South Australia for management and operations of the Fleurieu Aquatic Centre for 2018-2019 (as detailed in the report for Agenda Item 9.2 Draft Operational Management Key Performance Indicators 2018-2019).**
- 4) Having considered this matter in confidence under Section 90(2) and 90(3)(d) of the Local Government Act 1999, makes an order pursuant to Section 91(7) and (9), that the agenda report, associated documents and minutes in relation to the 18 April 2018 confidential item 9.2, *Draft Operational Management Key Performance Indicators 2018-2019*, be kept confidential and not available for public inspection other than information required to be released in accordance with any relevant requirements of Section 91(8) of the Local Government Act 1999; and

In accordance with (3) above and Section 91(9)(c) of the Local Government Act 1999, authorises the Executive Officer to review and revoke the order.

INFORMATION

The Management Agreement between the Authority and YMCA South Australia (YMCA) provides:

4.1 Performance Criteria & Key Performance Indicators

4.1.1 The Manager must, during the Term, provide the Services through achievement of the Performance Criteria.

4.1.2 Other than during the first year, at least four months prior to the start of each financial year during the Term, the Manager must provide the Authority with draft Performance Criteria for consideration and approval.

4.1.5 The Manager must, within 30 days of the Commencement Date, provide the Authority with draft Key Performance Indicators for consideration and approval.

Criteria for annual Key Performance Indicators (KPIs) is set out in Annexure C to the Management Agreement; YMCA has provided draft KPIs for Authority Board consideration in line with that criteria.

The Performance Criteria is reviewed annually. No changes are anticipated for 2018-2019. Existing Performance Criteria (as set out in the Management Agreement) is provided for information as **Appendix A**.

Draft Key Performance Indicators (KPIs) for 2018-19 have been developed in line with criteria set out in the Management Agreement and key parameters of the draft 2018-19 Budget. Current forecast results against KPIs set for 2017-18 are included in the table below.

Confidential Board Report

Draft Operational Management KPIs 2018-2019:

KPI	Source	What we are measuring	Description	2017/18 target	2018/19 Target
Attendance growth	Total attendance level forecast by YMCA in revised 2018/19 operational budget	Community impact / Centre Performance	Cumulative growth – monthly comparison to previous year (same month) as well as year to date growth in total centre attendance	[REDACTED]	[REDACTED]
Member growth	Membership target forecast by YMCA in revised 2018/19 operational budget	Community impact / Centre Performance	Cumulative growth – monthly comparison to previous year (same month) as well as (financial) year to date growth	[REDACTED]	[REDACTED]
Member retention	YMCA indicative benchmark	Community impact / Centre Performance	Percentage of current members with length of stay greater than 12 months	[REDACTED]	[REDACTED]
Swimming lesson growth	Enrolment target forecast by YMCA in revised 2018/19 operational budget.	Community impact / Program Performance	Number of enrolments – monthly comparison to previous year (same month) as well as (financial) year to date growth	[REDACTED]	[REDACTED]
Swimming lesson occupancy	YMCA indicative benchmark	Program Performance	Total enrolments as a % of total available capacity	[REDACTED]	[REDACTED]
Swimming lesson wage cost ratio	YMCA indicative benchmark <30%.	Financial / Program Performance	Total swimming lesson wage costs as a % of swimming lesson income	[REDACTED]	[REDACTED]
Net operating result	Target net FAC operating result forecast by YMCA in revised 2018/19 budget	Financial performance	Net FAC operating result for each month as well as end of year position	[REDACTED]	[REDACTED]
Secondary spend profit margin	YMCA indicative benchmark	Financial performance	Gross profit margin (income net of cost of sales) for secondary spend (café and merchandise) – cost of sales as a % of income	[REDACTED]	[REDACTED]

Confidential Board Report

KPI	Source	What we are measuring	Description	2017/18 target	2018/19 Target
Wage cost ratio	YMCA indicative benchmark <55% (aspirational target).	Financial performance	Total salary and wage costs (excluding on-costs) as a % of total income	[REDACTED]	[REDACTED]
Incidents per 1000 visits	YMCA indicative benchmark <1	Safety performance	Number of incidents / injuries that occurred divided by the total number of visits – monthly result as well as year to date performance	[REDACTED]	[REDACTED]
Facility Hazard management	Monthly Facility Hazard Inspection completed and any non-conformances addressed in a timely manner	Safety performance	Electronic audit completed monthly and report provided	[REDACTED]	[REDACTED]
Royal Life Saving Society - Facility Safety Assessment	Assessment completed in 2016/17 with result of 90% or greater (YMCA indicative benchmark). Assessment undertaken biennially thereafter with result of 90% or greater.	Safety performance	Assessment completed as scheduled and report provided	[REDACTED]	[REDACTED]

DISCUSSION

The Audit and Risk Management Committee considered the draft KPIs at its meeting on 22 March 2018 and resolved as follows:

Moved: Ms Alison Kimber

Seconded: Mr John Coombe

FRACA-ARMC0013

The Committee recommend that the Fleurieu Regional Aquatic Centre Authority endorse the Key Performance Indicators for YMCA South Australia for management and operations of the Fleurieu Aquatic Centre for 2018-2019 (as detailed in the report for Agenda Item 9.1 Draft Operational Management Key Performance Indicators 2018-2019).

CARRIED

The Board discussed the draft KPIs at its 18 April 2018 board meeting and resolved as follows:

Moved: Mr David Cooke

Seconded: Ms Alison Kimber

FRACA000138 That Agenda Item 9.2 Draft Operational Management Key Performance Indicators 2018-2019 be adjourned to the next ordinary meeting of the Board on 18 May 2018 to allow further information to be sought by the Executive Officer for Board consideration.

CARRIED

Confidential Board Report

Following the Board meeting, the Executive Officer sought further information from YMCA.

The following further information has been provided by YMCA for Board consideration in relation to the 2018-19 KPI for Fleurieu Aquatic Centre (FAC) membership:

- The current monthly average for membership is 987 over the first nine months of 2017-18 (net of new memberships and cancellations); with peaks and troughs experienced across that period.
- The draft 2018-19 FAC budget reflects a monthly average for membership of 1063 over the 12 months; with an estimated 1104 members as at 30 June 2019 (recruitment of 338 new members and an estimate of 244 members ending contracts). YMCA has developed the forecast based on a number of industry measures (including the CERM Performance Indicators for Aquatic Centres) and YMCA experience.
- The centre, although modern in its design, has a number of limitations including limited space to expand, limited opportunities to add value through technology without significant expense, no separate group fitness room and limited class sizes (10-12 per class) when compared to a similar facility that would have capacity for 30-40 members per class.
- The original business case, based on the projected population, forecast member numbers at 500; even with slightly increased population FAC still has a limited target market and limited floor space to increase.
- Currently YMCA has budgeted a 15% increase in membership income and a 9.3% member base growth rate across the year; a significant increase year on year. The Ibis World report suggests the Australian market is growing at around 7.5%
<https://www.ibisworld.com.au/industry-trends/market-research-reports/arts-recreation-services/gyms-fitness-centres.html>
- The external market forces of competitors also need to be considered. The population is growing however there are local competitors in the market that are continuing to offer reduced price membership offers impacting potential market share.
- A 4.1% average fee increase is factored into the budget across all health club memberships to increase revenue and offset deficit; as previously flagged by YMCA, this could have a negative impact on membership numbers.

In line with the above further information, it is recommended that the base membership target as at 30 June 2019 remain at 1104 however a stretch target also be set of 1200 members.

RISK ASSESSMENT

Governance - the recommendation meets the requirements of the Charter and legislation. *Low risk.*

Financial – there is a risk that non-performance by YMCA in managing and operating the Fleurieu Aquatic Centre (reflected in non-achievement of set KPIs) will result in decreased financial performance, reduced services levels and safety for users of the centre. This risk will be managed by regular communication between the Authority Executive Officer and the YMCA Area Manager; monthly and quarterly reports from YMCA to the Authority as set out in the Management Agreement; and on-site review by the Authority Executive Officer as required. With these controls in place the risk is assessed as – *Low risk.*

BUDGET IMPLICATION

Nil.

PERFORMANCE CRITERIA	MEASURE
Objective: Operate facility effectively	
Customer service performance standards	Facility is open and operating during Operating Hours (no more than 1% non-achievement per annum)
	Facility is clean and free from uncontrolled hazards
	Employees are friendly and welcoming to all customers
	Employees are well trained and competent for their position
	Customer satisfaction survey indicates customer service charter is met
	Customer complaint handling is in accordance with agreed policy
Marketing plan is effective	Marketing complies with the Authority branding standards
Event planning is effective	Target levels of event attendance (as agreed between the Manager and the Authority) are met or exceeded
Programming is effective	Program participation targets (as agreed between the Manager and the Authority) are met or exceeded
Objective: Operate facility efficiently	
Cost effectiveness	Competitive procurement is undertaken
	Attendance meets or exceeds the Key Performance Indicators.
	Membership meets or exceeds the Key Performance Indicators
	Admission fees and charges are applied correctly
Business Planning and Reporting	Draft Annual Business Plan and budget submitted by 28 February each year
	Monthly Reports submitted on time with accurate data
	Quarterly Reports submitted on time with accurate data
	Annual Report submitted on time with accurate data
	Incidents are reported within the agreed time frames
Maintenance	Cleaning meets agreed standards and schedule
	Planned maintenance meets agreed schedule
Legislated performance standards	Swimming pool water maintained to legislated standards
	Café meets Food Handling regulatory requirements.
	Work Health Safety requirements for staff, customers and contractors are met