

7.7 FLOREAT ATHENA FOOTBALL CLUB INC. - LITIS STADIUM LEASE - PROGRESS REPORT

TRIM Ref: D19/85010
 Author: Michael Quirk, Executive Director Community and Business Services
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 Attachments: Nil

RECOMMENDATION:

That Council:

1. **NOTES** the following progress by Floreat Athena Football Club Inc. towards the specific initiatives as determined by Council in November 2017:

Facility Management Plan	Submitted
Community Benefit Statement	Submitted
Financial Plan	In Progress
Investigate Facility Options	In Progress
Implement Club Development Plan	In Progress

2. **REQUESTS** that the Chief Executive Officer form a Working Group comprising City of Vincent, Football West and Floreat Athena Football Club Inc. representatives to determine alternative tenure arrangements for Litis Stadium that better align with the Club's organisational and financial capabilities while maximising community accessibility; and
3. **REQUESTS** that the Chief Executive Officer works collaboratively with Floreat Athena Football Club Inc. and the Australian Government to secure \$3 million through the Community Development Grants Program towards shared Club and community priority capital works at Litis Stadium and Britannia Reserve

PURPOSE OF REPORT:

To provide Council with an update on progress by Floreat Athena Football Club Inc. towards a range of organisational, financial and facility management initiatives that will provide the basis for any future lease at Litis Stadium.

BACKGROUND:

At the Ordinary Council Meeting held on 14 November 2017, Council resolved as follows:

1. *RECEIVES* the Litis Stadium Master Plan as prepared by Floreat Athena Football Club Inc.;
2. *ADVISES* Floreat Athena Football Club Inc. that the Litis Stadium Master Plan does not provide the following information as requested by Council and deemed necessary to consider any long term lease arrangements:
 - 2.1 Facility Management Plan;
 - 2.2 Community Benefit Statement; and
 - 2.3 Financial Plan demonstrating that the Club has the capacity to fund the project.
3. *NOT ENTER* into any long-term lease for Litis Stadium with Floreat Athena Football Club Inc. on the basis that the Club has not demonstrated an ability to meet the financial and management implications of the capital improvements, asset management and lease

obligations relating to the existing facility and the facility proposed within their Master Plan;

4. *REQUESTS that Administration now investigate the future use, management and development of Litis Stadium as part of the Britannia Reserve Master Plan Review scheduled for completion in 2019/20;*
5. *APPROVES a 2 year lease to Floreat Athena Football Club Inc. from 1 January 2018 to 31 December 2019 plus a further 1 year option from 1 January 2020 to 31 December 2020 for Litis Stadium, 41 Britannia Road, Leederville on the following key terms:*
 - 5.1 *Term: 2 years plus 1 year option at the City's absolute discretion;*
 - 5.2 *Rent \$5,000 plus GST (indexed to CPI) per annum;*
 - 5.3 *Rates & Taxes: Lessee to pay including rubbish bin charges and ESL;*
 - 5.4 *Outgoings: Lessee to pay;*
 - 5.5 *Repairs & Maintenance: Lessee responsible for all repairs and maintenance and to keep premises clean and in good condition, this includes repair of damage due to fair wear and tear and structural maintenance. Lessor not responsible for any structural repair.*
 - 5.6 *Minimum Level of Service: Lessee to pay for cost of statutory compliance, and pest inspections and treatment;*
 - 5.7 *Insurance: Lessee to effect a public liability policy with cover not less than \$20 million, and pay premium for building insurance policy;*
 - 5.8 *Indemnification: Lessee to indemnify the City against all costs and claims;*
 - 5.9 *Permitted Purpose: Sporting, recreational and community activities;*
 - 5.10 *Shared Use: Lessee permitted to hire out clubrooms, function rooms and football pitch at its discretion provided that the use is consistent with the Permitted Purpose;*
 - 5.11 *Alterations: Not without the prior approval in writing of the Lessor;*
 - 5.12 *Capital Works: Not without the prior approval in writing of the Lessor and subject to the conditions stated;*
 - 5.13 *Lessor's Covenant: Lessor will provide Lessee with quiet enjoyment of the premises for the term of the lease;*
 - 5.14 *Payment Without Delay: Lessee must duly and punctually pay all rent, rates and taxes, outgoings, costs and interest on the terms specified by the Lessor;*
 - 5.15 *Nuisance and Incidental Use: Lessee must submit a Management Plan for approval in writing by the Lessor for any events commencing from and continuing beyond 5pm, any events with amplified or live music, and any national/international sporting events;*
 - 5.16 *Parking & Traffic Management: Lessee must submit a Parking and Traffic Management Plan for approval in writing by the Lessor for any events with an estimated attendance above 1,000 people; and*
 - 5.17 *Sporting Club Health Check: Lessee must submit a fully completed Sporting Clubs & Community Groups Health Check each year of the lease term upon request from the Lessor.*
6. *Subject to satisfactory negotiations being carried out by the Chief Executive Officer AUTHORISES the Mayor and Chief Executive Officer to affix the common seal and execute the lease in 5 above;*
7. *RECOMMENDS that Floreat Athena Football Club Inc. in collaboration with Football West progress the following initiatives over the term of the proposed new lease for Litis Stadium:*
 - 7.1 *Investigate facility options that meet National Premier League Requirements, ensure long term financial and organisational sustainability, and maximise the use of community assets through co-location;*
 - 7.2 *Prepare a Facility Management Plan that outlines strategies to effectively manage the Stadium and meet lease obligations;*
 - 7.3 *Prepare a Financial Plan to determine organisational viability and capability as the basis for any future facility tenure arrangements; and*
 - 7.4 *Implement strategic planning, governance, business model and community engagement initiatives as identified within the 'Club Development Plan – Progress Report' as submitted with the Litis Stadium Master Plan; and*
8. *REQUIRES Administration to present a further report to Council no later than June 2019 providing an update on progress by Floreat Athena Football Club Inc. towards:*

- 8.1 *Provision of the information referenced in Recommendation 2; and*
- 8.2 *Completion of the initiatives identified within Recommendation 7; as the basis for decision making regarding the further 1 year lease option from 1 January 2020 to 31 December 2020.”*

It is now necessary for Administration to present a report to the Ordinary Council Meeting in June 2019 providing an update on progress by Floreat Athena Football Club Inc.

DETAILS:

Administration has liaised with the Club over the last 18 month period regarding the current and future management of Litis Stadium. The timeline below provides a snapshot of activities over this period:

- **January 2018** – meeting between Administration and Football West to discuss the Club, Litis Stadium and co-location options;
- **May 2018** – meeting between Administration, Club representatives and their Consultant to reaffirm the requirements as per Council’s 2017 resolution, and seek a progress update. Administration determined that limited progress had been made;
- **August 2018** – urgent meeting between the Mayor, Administration and Club representatives regarding the imminent announcement of Australian Government funding towards the Club’s Litis Stadium Master Plan;
- **August 2018** – announcement by Senator Georgiou that the Australian Government will commit \$3 million to the Club towards their Litis Stadium Master Plan;
- **September 2018** – meeting between Administration, Club representatives and their Consultant, Football West, and Department of Local Government Sport and Cultural Industries to reaffirm the requirements as per Council’s 2017 resolution, and seek a progress update. Administration determined that limited progress had been made;
- **October 2018** – Administration facilitated a meeting between the Club, Little Athletics WA and Mt Hawthorn Primary School regarding the potential for a little athletics club to be established at Litis Stadium/Britannia Reserve;
- **October 2018** – the Club implemented a new interim Board;
- **November 2018** – the Club’s new Board identified a range of organisational and financial concerns including a significant debt, and sought urgent assistance from members and sponsors to maintain immediate financial sustainability;
- **February 2019** – the Club sought in principle approval for a five year lease in order to meet the Australian Government Community Development Grants Program requirements;
- **March 2019** – Council resolved to reaffirm the intention to enter into a further 1 year lease option, and suitable tenure arrangements beyond that date, subject to the Club satisfactorily completing the requirements as resolved in November 2017;
- **March 2019** – the Club submitted information to the Australian Government Community Development Grants Program albeit without any prior dialogue with Administration as requested by Council. Funding was sought towards new change rooms, grandstand undercroft refurbishment to accommodate other community groups, and installed of a synthetic turf pitch;
- **June 2019** – Club submitted a Community Benefit Statement and Asset Management Plan. Administration attended a meeting with Club Board representatives to seek a progress update on other requirements as per Council’s November 2017 resolution;

The following table provides an update regarding the Clubs progress towards the range of organisational, financial and facility management initiatives that Council has advised will guide any future lease at Litis Stadium:

1.	<p>Prepare a Facility Management Plan that outlines strategies to effectively manage the Stadium and meet lease obligations</p>	<p>An Asset Management Plan has been submitted to Administration comprising Club asset objectives and principles, scenario planning, agreed levels of service, and required asset management practices.</p> <p>While a lifecycle cost analysis has been prepared it has not yet been integrated with a Financial Plan to confirm the Club’s capacity to deliver upon the Asset Management Plan. No detailed audit has been conducted to confirm</p>
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		the existence, condition, value or associated costs of the Litis Stadium assets.
2.	Prepare a Community Benefit Statement	<p>A Community Benefit Statement has been submitted to Administration comprising current Club membership details, junior development initiatives, various community activities that take place at the Stadium, and benefits of sports participation.</p> <p>Notably, junior membership has increased by 46% over the last 12 months to 290 with girls participation increasing from 9 to 27.</p>
3.	Prepare a Financial Plan to determine organisational viability and capability as the basis for any future facility tenure arrangements	<p>A Financial Statement has been submitted to Administration identifying the Club's current financial position.</p> <p>Administration has met with representatives from the new Club Board and given the dire financial circumstances uncovered in November 2018 their recent focus has been on paying any outstanding debts and delivering a balanced budget. In addition, the new Board has introduced a number of accounting practices and financial processes to the Club.</p> <p>A longer term Financial Plan demonstrating the Clubs long-term sustainability is still to be progressed.</p>
4.	Investigate facility options that meet National Premier League requirements, ensure long term financial and organisational sustainability, and maximise the use of community assets through co-location	<p>The Club and Administration has been liaising with Football West regarding National Premier League facility requirements. This has confirmed that Stadium perimeter fencing is not a specific requirement for clubs participating in the National Premier League WA competition albeit all current clubs do have such fencing. In addition, spectator seating for a minimum of 120 people is required whereas the Stadium currently provides seating for 900 people.</p> <p>More than twenty other user groups have accessed the Stadium over the last 18-month period.</p>
5.	Implement strategic planning, governance, business model and community engagement initiatives as identified within the Club Development Plan Progress Report submitted with the Litis Stadium Master Plan	<p>The Club Development Plan includes a broad range of initiatives. Specifically, school football clinics have been implemented over the last 18-month period involving 120 local primary school aged children. Discussions have also been progressed with potential co-tenants and refurbishment of the grandstand undercroft to accommodate these tenants included within the Clubs Australian Government Community Development Grants Program submission.</p>

The new Club Board and the challenging financial circumstances they face has impacted the Club's ability to progress the abovementioned organisational, financial and facility management initiatives. Given the limited capabilities and resource capacity it will be difficult for the Club to complete these initiatives at a standard necessary to support Council consideration of a long term, exclusive lease for Litis Stadium.

On that basis, Administration recently met with Club Board representatives to discuss possible alternative tenure options for Litis Stadium that better align with their organisational and financial capabilities while also maximising community accessibility. Key options that now require further investigation include:

- The Club being provided with an exclusive lease for their clubroom only. The length of any lease term should acknowledge that the clubroom was constructed by the Club and has been operated by them for more than 40 years;
- The Club being provided with access to the Stadium pitch through a seasonal licence or standard seasonal ground allocation (with associated fees and charges);
- The Club being provided with access to Britannia Reserve through a seasonal licence or standard seasonal ground allocation (with associated fees and charges);
- The City potentially maintaining the Stadium pitch and controlling access by other user groups as well as the general community;
- The Club maintaining responsibility for sport specific infrastructure necessary for the National Premier League such as perimeter fencing surrounding the pitch and spectator seating;
- The City assuming responsibility for the Stadium surrounds with a focus on improving the interface with Britannia Reserve (removal of fencing and partial removal of mounds subject to heritage considerations), and rationalising any non-essential assets;
- The Club and the City working collaboratively with the Australian Government to successfully obtain \$3 million through the Community Development Grants Program towards adjusted facility priorities.

While these options require further investigation to determine associated financial, asset management, and community accessibility implications they appear to better align with both Club capabilities and Council expectations. Importantly, these options align with a number of key actions within the City's Public Open Space Strategy:

- Reallocate active reserves and revise community lease arrangements to better accommodate sporting club growth trends and improve community accessibility to POS;
- Implement asset renewal and rationalisation in accordance with the City's broader Asset Management Plan;
- Review POS management policies and procedures, and implement contemporary practices that maximise accessibility and utilisation; and
- Prepare and implement Britannia Reserve Master Plan Review.

It should be noted that Administration has not yet investigated the future use, management and development of Litis Stadium as part of the Britannia Reserve Master Plan Review as this was deferred until 2020/21 within the City's Corporate Business Plan 2018/29 – 2021/22.

CONSULTATION/ADVERTISING:

Administration has been liaising with the Club and a range of other key stakeholders over the last 18 months including Football West and the Department of Local Government Sport and Cultural Industries.

LEGAL/POLICY:

Local Government Act 1995 section 3.58 - Disposing of Property, provides that a local government can only dispose of property (which includes to lease) in accordance with section 3.58(3) unless the disposition falls within the scope of section 3.58(5), which includes:

“(d) Any other disposition that is excluded by regulations from the application of this section.”

In accordance with Section 3.58(5), Regulation 30 of the *Local Government (Functions and General) Regulations 1996* provides a range of dispositions that are exempt from the application of Section 3.58 of the Act, including dispositions to:

“A body, whether incorporated or not the objects of which are of a charitable, benevolent, religious, cultural, educational, recreational, sporting or other like nature; and the members of which are not entitled or permitted to receive any pecuniary profit from the body's transactions.”

RISK MANAGEMENT IMPLICATIONS:

Medium: Administration has held concerns regarding the governance, financial sustainability, and asset management capabilities of Floreat Athena Football Club Inc. for some time. Recent dialogue with the Club Board has confirmed that much of the organisational, financial and facility management initiatives required by Council still need to be progressed. This dialogue also

confirmed that the Club has limited capabilities and resource capacity to deliver these initiatives at a standard necessary to support a long-term lease.

Any new, long-term lease for Litis Stadium will likely expose the Club to a number of financial and asset management risks. The benefits of Council granting such a lease to Floreat Athena Football Club appear to be limited particularly given that the Public Open Space Strategy identifies a need to maximise accessibility and utilisation.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Connected Community

Our community facilities and spaces are well known and well used.

Thriving Places

Our physical assets are efficiently and effectively managed and maintained.

SUSTAINABILITY IMPLICATIONS:

Nil.

FINANCIAL/BUDGET IMPLICATIONS:

The financial, asset management and community accessibility implications of alternative tenure arrangements at Litis Stadium will be further investigated by Administration, in collaboration with Floreat Athena Football Club Inc., and reported back to Council for consideration.

COMMENTS:

While Floreat Athena Football Club Inc. has been seeking a long-term lease for Litis Stadium following preparation of their Master Plan in June 2017 it has become increasingly evident that they may not have the organisational or financial capacity to do so. The Club's new Board has been diligently working to improve governance and financial practices, however this has impacted progression of the various plans and initiatives required by Council through its November 2017 resolution.

An alternative tenure arrangement for Litis Stadium that better aligns with Club capabilities and Council expectations may be a more appropriate option than a new long-term, exclusive lease arrangement. Through a Working Group comprising Administration, Football West and Club representatives, these options can be further investigated in order to determine the financial, asset management and community accessibility implications. A further report will then be presented to Council for consideration.