

Management report to Council

Agenda item 6.7a

Kensington Adventure Playground contract: No 3545**Council****Presenter:** Alison Duncan, Manager Community Services**31 May 2016****Purpose and background**

1. The purpose of this report is to award a contract for the operation and management of the Kensington Adventure Playground (KAP) to the Venny Inc. (The Venny) for one year with a two year extension option subject to negotiation of final issues.
2. On the 26 October 2015, The Venny which operated the KAP under a lease from the Council, advised Council officers that its current operating funding and service model was not viable in the long term, in the face of being unable to identify additional funding despite obtaining Deductable Gift Recipient status.
3. Council decided to increase the funding for the KAP to \$300,000 per annum (plus CPI) for three years and invite tenders for the service. The Venny was advised of this decision on 16 December 2015 and an additional \$63,000 for the period January – June 2016 was provided. Attachment 2 provides a history of the operation and funding of the KAP since the withdrawal of Australian government funding in 2014.
4. The tender was advertised on 6 February and closed on the 11 March 2016. Tender responses were assessed against criteria and tenderers were interviewed with process oversight by a probity adviser. Council awarded the contract to Save the Children Australia (STCA) in April 2016.
5. On 18 May 2016 Council was advised by STCA that they wished to withdraw from the arrangement as there was insufficient community support for them as a community development agency to take over the service. The withdrawal was agreed to by management respecting STCA's long track record running programs for children and its decision being made solely in the interests of the community.

Key issues

6. In light of STCA's withdrawal, Council officers met with members of board of The Venny who confirmed its commitment to its tender. There were two complying tenders. As one has withdrawn, Council is proceeding on the basis that the remaining tenderer should be the preferred tenderer.
7. In the evaluation of The Venny's tender the need for a more robust and sustainable operating and service model was evident. The board of The Venny has recognised these issues, commencing initial discussions with co-health, the community health service for City of Melbourne, but not yet progressing this to a formal agreement. There is also a need for compliance with necessary insurance and heightened expectations regarding the management of child safety, especially given the recent State Government's Child Safe Standards and related legislation.
8. Aside from the tender process, other identified issues include The Venny's long term financial viability and significant monetary reliance on Council and also governance challenges for the board of the Venny. Given the above issues and need for urgent improvement, management considers a shorter contract for one year provides The Venny the opportunity and impetus to address the issues both it and Council Officers have identified. Management recognises that the board of The Venny may require ongoing support to address each of the above areas and that Council may need to provide additional resources, subject to later Council approval. As one part of this support, Management proposes that an Independent Best Interest Advocate is engaged, at Council's cost, to work with Council management and The Venny to support effective discussions and ensure that the next steps for the service are managed in the best interests of the children who use the KAP.
9. Management also intends to work closely with board of The Venny to ensure that by December 2016 processes are in place whereby capability and commitment to meeting Council's expectations, deliverables and measures as outlined in the tender are clearly evident and there is regular communication with the broader Kensington community regarding achievements and challenges of operating the service as they arise.
10. In February 2017 a report will be provided to Council on the operation and management of the KAP which will incorporate a Kensington community survey. The findings will provide the basis for Council to determine if there is sufficient improvement for the two year extension in the proposed contract to be exercised.

Recommendation from management

11. That Council:
 - 11.1 awards the contract for the operation and management of the Kensington Adventure Playground contract No. 3545 to The Venny Inc. for one year commencing on 1 July 2016 with a two year extension option subject to negotiation of final issues
 - 11.2 notes a report from management will be presented to Council in February 2017 on the status of improvements made to the Venny Inc.'s governance, operating model and longer term financial viability.

Attachments:

1. Supporting attachment
2. Timeline

Supporting Attachment

Legal

1. Pursuant to section 186 of the *Local Government Act 1989*, before a Council enters into a contract for the purchase of goods or services to the value of \$150,000 or more (levels increased by Order in Council dated 7 August 2008), the Council must give public notice of the purpose of the contract and invite tenders from persons wishing to undertake the contract.

Finance

2. The cost to Council of appointing The Venny is \$300,000 for a 12 month period commencing 1 July 2016.
3. The cost of maintenance of the facility is already included in the building maintenance contract administered by Property Services.
4. There may be additional costs to Council in providing for the proposed Independent Best Interest Advocate and other support to the Board. These will be met through existing draft 2016–17 budget, or through additional funding requests to Council, as appropriate.

Conflict of interest

5. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

6. Since STCA's withdrawal, Council management has met with the Venny Inc board where a number of other issues, including some around governance, have arisen. These will be addressed with the board post the awarding of the contract.
7. Due to the withdrawal of STCA on 18 May 2016 and current grant funding to The Venny ceasing on 30 June 2016, there has not been opportunity to undertake community consultation in preparation of this report.
8. Community consultation will be undertaken in November 2016 as part of a review of the management and service delivery of The Venny.

Relation to Council policy

9. Activities currently delivered by 'The Venny' sit within *Melbourne for All People Strategy 2014-2017*.

Environmental sustainability

10. In developing this report it is expected that the current high level of environmental sustainability strategies which The Venny maintains in conjunction with City of Melbourne will be ongoing and incorporated into future activities.

Timeline Kensington Adventure Playground (KAP)

Date	Activity
	The Venny Inc. established 1981
2008	City of Melbourne (CoM) provides first grant to The Venny Inc.
2009	CoM provides four year grant to The Venny Inc. (\$119,000 pa)
2013	Grant funding extended for further 12 months (to accommodate creation of 2013-17 Council Plan strategic objectives)
June 2014	The Venny Inc notified that funding will be discontinued from Australian Government
2014	CoM provides two year grant (with possible 2 year extension) to The Venny Inc. (\$149,000 pa)
June 2014	CoM provides further \$63,000 bridging funding to The Venny Inc. to replace Australian Government withdrawal of funding pending The Venny fund raising.
January 2015	CoM provides further \$63,000 bridging funding to The Venny Inc.
June 2015	CoM provides further \$63,000 bridging funding to The Venny Inc.
October 2015	The Venny Inc. board informed Council management that 'current funding arrangements for The Venny are not viable in the short or long term'
November 2015	Council: a) resolve for services to KAP to be tendered based on requirements of the Local Government Act b) commit an additional \$63,000 of bridging funding from Jan-Jun16
16 December 2015	The Venny Inc. board notified of Council's decision to increase funding (to \$300k pa) and that a tender process would be undertaken. Also informed that grant will cease at 30 June 16 and lease will be terminated at this point.
January 2016	CoM provides \$63,000 bridging funding to The Venny Inc.
January 2016	Community engagement with children and families at The Venny and four local organisations identified in The Venny's 2014-15 business plan as partners. This information helped inform tender specifications
6 February 2016	Tender publicly advertised
April 2016	Council (confidential): endorses Save The Children Australia as successful tenderer

Note: until late 2015 a grant approach was used, reflecting the fact that there was significant funding received or expected from the Australian Government. Given the lack of success by The Venny Inc in raising substantive non-CoM funding, the fact that the service is on CoM owned land, and the fact that there was a 'market' of not for profit providers for this type of service, Section 186 of the *Local Government Act 1989* was applied from late 2015 with the result that the service was required to be tendered.