

CITY OF SYDNEY
AQUATIC LEISURE SERVICES MANAGEMENT OPTIONS EVALUATION
EVALUATION SUMMARY (FINAL – MAY 2023)
COMMERCIAL IN CONFIDENCE



Purpose

The Aquatic Leisure Services Management Options Evaluation project provides Council with independent advice on the most appropriate management model for the City's Aquatic Leisure Facilities. The project's key objective is to provide a recommendation/s on a preferred management model for the future operation of the centres when the current contract expires. Consideration has been given to the outcomes of the evaluation process in the context of rising service delivery costs, reduction in and changing customer demand due to the impact of COVID-19, escalating cost of living pressures, and the overall affordability within Council's current and future budget.

Current Situation

The City of Sydney has a history of providing public swimming pools dating back to 1858 with the provision of Corporation Baths at Woolloomooloo, what is now the Andrew (Boy) Charlton Pool. Additional pools were built around the time of the Melbourne Olympics at Victoria Park and Prince Alfred Park in the 1950s, with three additional facilities (Cook and Phillip Park Aquatic & Fitness Centre, Ian Thorpe Aquatic Centre and Gunyama Park Aquatic and Recreation Centre) built in the period from 1999 to 2021. The operation of the pools has sat with both City of Sydney and South Sydney Councils as they amalgamated and de-merged several times during the 1900s. The operation of the pools has been predominantly outsourced since 1999.

The City currently has six aquatic leisure facilities, which are Andrew (Boy) Charlton Pool, Prince Alfred Park Pool, Victoria Park Pool, Cook and Phillip Park Aquatic and Fitness Centre, Ian Thorpe Aquatic Centre and Gunyama Park Aquatic and Recreation Centre. These facilities are currently operated under two separate management contracts, Gunyama Park Aquatic and Recreation Centre as a stand-alone contract (Contract #3462 since October 2019) and the remaining five facilities clustered under another contract (Contract #1107 since December 2011). Both contracts are scheduled to expire on 31st March 2024, after a two-year extension to the contracts was approved by Council in May 2021.

In 2021-22 the six aquatic leisure facilities had a total of 1.06M annual visits, which equates to approximately five visitations per head of usual residents (excluding office workers and students etc.). The combined income for the two contracts was ██████████, and the net deficit was ██████████. It is important to note that this performance information is from a COVID-19 business-impacted period (nine-month operation).

A detailed review of the current situation identified that the City of Sydney aquatic leisure facilities face specific and unique operational and management challenges, unlike other Greater Sydney municipalities. These challenges include:

- The City's slow recovery, particularly regarding office occupancy and student return levels and the associated uncertainty of this on longer-term participation levels at the aquatic leisure facilities.
- The overall reduction in income since 2019, from ██████████ to ██████████ in 2021-22 (excluding Gunyama Park Aquatic and Recreation Centre), and the implication of this given the relatively high fixed costs regardless of if the aquatic leisure facilities are operational or not.
- The age, condition and functionality of several assets, including extensive capital and renewal work required for the Cook and Phillip Park Aquatic and Fitness Centre, Andrew (Boy) Charlton Pool and Victoria Park Pool, needing to be undertaken to maintain the existing service levels.
- While the City is policy 'rich', there is a lack of a specific service strategy or policy that articulates the purpose and vision for the aquatic leisure facilities.
- The five facilities aquatic leisure services facility management specification was initially developed in 2011 and has now been superseded within the industry, creating a misalignment between the two contracts, relating to the focus of outcomes towards narrowing health inequalities, business planning and performance frameworks and operational expectations.

The City's aquatic leisure facilities provide significant social, health and economic related benefits to Sydney residents and the broader community. Research undertaken in 2021 by the Royal Life Saving Society of Australia and PWC¹ identified that from the 2,114 aquatic leisure facilities across the nation, an estimated \$9.1B of social (\$3.8B), health (\$2.5B) and economic (\$2.8B) benefits are generated annually. The research also identified that for facilities located in capital cities, the social benefit realised equated to \$4.87 for every \$1 spent for operating the facilities, compared to \$2.18 for the equivalent spend for regional facilities. The report also estimated that approximately 33,600 full-time equivalent positions are required to support aquatic leisure facilities across Australia.

Management Model Options

Following extensive research, including internal and external consultation, four management options were identified for the evaluation process: i) An Outsourced Model, ii) An In-house Model, iii) A Council Company, and iv) A Council Company with Council Corporate Service Support.

Based on the risks for Council and challenges associated with the models, the Consulting Team, in consultation with the Officers, removed the management model options of a mix of In-house and Outsourced management and the Labour-hire Model supported by Council's Corporate Services Unit from the evaluation process.

An assessment of the management models of the Metropolitan Sydney municipalities identified that in-house managed aquatic leisure facilities (year-round facilities) are the most prevalent model, with 59% (29) of the total aquatic leisure facilities being operated under an in-house model, 30% (15) of the facilities operated under an outsourced model, while 10% (5) are operated under Council Companies. Within the Metropolitan Sydney area, there are only two municipalities with in-house operations of a similar scale to that of the City of Sydney: Inner West Council and Canterbury City Council.

Further research identified that the minimum transitional time to a new model (including a status quo option) is 18 months to 24 months; hence an extension from the current expiry of 31st March 2024 will be required to ensure a sufficient transitional and establishment period for the recommended model.

Strategic Framework

In response to the unique City of Sydney circumstances, the process has involved the development of Guiding Principles to strengthen the strategic planning framework. It has also involved the development of a customised evaluation process that incorporates the following criteria: i) Guiding Principles, ii) Risk, iii) Responsiveness, flexibility and influence, iv) Implementation and establishment plan implications, and v) Financial performance.

In assessing each management model option, a multi-faceted approach to the evaluation framework was developed in consultation with the City Executive Team and Officers. This consisted of forming the Guiding Principles, which align with Council's relevant strategies, plans and policies, a review of the Level of Risk for Council associated with each model, an assessment of the Responsiveness, Flexibility and Influencing of each model in meeting the unique challenges faced by the facilities, an Implementation and Establishment Planning and the Financial Performance.

A summary of relevant City strategies and plans informing the strategic framework is provided below.

¹ *The Social, Health and Economic Value of the Australian National Aquatic Industry (July 2021)*



Chart: Relevant City Strategies and Plans

Evaluation Framework

A summary of the evaluation criteria is provided below.

Alignment to Guiding Principles (40% of Total)

- Community Health and Wellbeing - Offering programs and services that improve the physical, social and mental wellbeing of the community.
- Social Benefit and Community Connection (and Inclusiveness) - Facilitating opportunities for social connection and providing a sense of belonging through programs and services, partnerships and employment opportunities. Maximising opportunities, access and equity through the provision of a broad range of affordable programs and services.
- Asset Management - Providing high-quality and well-maintained facilities that meet the needs of the diverse community.
- Quality Management and Operational Delivery - Delivering well-planned and managed facilities, operated by skilled personnel and aided by high-quality systems, processes and supporting resources.
- Environmental Sustainability - Fostering environmentally sustainable practices that support the City's emission and energy targets.
- Financial Performance (refer below).

Level of Risk (10% of Total)

- Assessment of Overall Level of Risk (100%).

Responsiveness, Flexibility and Influence (15% of Total)

- Operational Control (100%).

Implementation and Establishment Plan Implications (5% of Total)

- Establishment Costs (60%).
- Transitional Planning (40%).

Financial Performance (30% of Total)

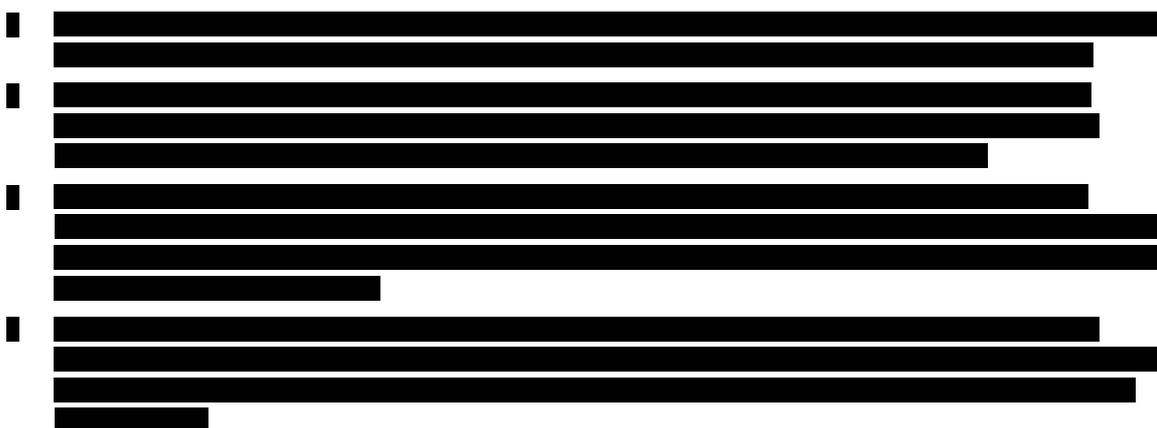
- Financial Assessment (100%).

To ensure a level playing field, when analysing the financial performance of the four management alternatives, a corporate overhead has been applied to the In-house and Council Company with Corporate Support options. External providers will factor in the recovery of their own corporate overheads, applicable taxes and a return on investment when tendering for operating the service. For In house options, corporate overheads to recover include amounts for human resources, payroll, information management services, finance, procurement, legal, insurance and general management costs. The Council has not, under competitive neutrality guidelines, determined the provision of Aquatic Leisure Services to be a distinct business activity and does not apply a corporatisation model requiring tax equivalent regime payments and returns on capital invested to be included.

Key Findings

In undertaking the evaluation assessment, the Consulting Team and relevant Officers completed independent scores, and then the group determined consensus scores for each model. Outlined below is a summary of key findings relevant to the evaluation assessment process.

- The Outsourced model ranked the highest in the evaluation process, followed by the Council Company, the In-house model and lastly, the Council Company with Council Corporate Services Support.
- The In-house model ranked the highest in the qualitative criteria, being 'Guiding Principles' (which incorporates 'Community Benefits' and 'Operational Factors') and 'Responsiveness, Flexibility and Influence', while the Outsourced model ranked the lowest for those criteria.
- The Outsourced model had the lowest risk profile, as it was identified to have the least amount of risks considered high or above once mitigation activities were applied. The In-house model was ranked second, followed by the two Council Company models.



The scores and ranking for each management model are as follows: i) Outsourced Model: 56.6, ii) Council Company: 52.3, iii) In-house Model: 50.3 and iv) Council Company with Council Corporate Service Support: 46.3.

It is noted that the total evaluation scores are lower than similar processes undertaken by the Consulting Team. These lower scores are primarily an outcome of the City's unique challenges and the inability of each model to materially address all the identified challenges.

Recommendations

Based on the consultation, research and evaluation process, the following key recommendations for the Aquatic Leisure Services Management Options Evaluation project are provided.

- 1) Implement a consolidated Outsourced model under one contract for the following facilities, Andrew (Boy) Charlton Pool, Prince Alfred Park Pool, Victoria Park Pool, Cook and Phillip Park Aquatic and Fitness Centre, Ian Thorpe Aquatic Centre and Gunyama Park Aquatic and Recreation Centre.

The major benefits to the City of Sydney of an Outsourced model include the following:

- a. A single, combined contract improves programs and services consistency, enhances service delivery standards, realises greater contract management efficiency and streamlines the operations to be more contemporary and reduces reporting inconsistencies.
 - b. Minimal establishment costs to transition to a new contract, with most of the costs being the Officer resourcing to support the establishment and the specification development.
 - c. A model which has been tested by the City, meaning it simplifies the ability to predict potential challenges.
 - d. Based on the market-sounding process, there would likely be competitive tension through the tender process from the management groups.
- 2) Extend both contracts to 30th June 2025 to run concurrent to the City’s financial year, which allows for a minimum of 22 months of implementation and transitional period and means that any onboarding is undertaken at the quietest time of the year for aquatic leisure centres.
 - 3) As part of the contract, include an initial term of [REDACTED] years, which aligns with the average for the most recent large-scale contracts released. The expiration of the first term would be in June [REDACTED], with a subsequent [REDACTED]-year extension option available at the City’s discretion.
 - 4) Embed the Strategic Framework and Guiding Principles into the specification to inform the future direction of the facilities.
 - 5) Develop a draft Asset Renewal and Upgrade Plan for all facilities, to be completed by July 2024.
 - 6) Allocate the following additional temporary resources to support the full tender process: Project Officer support (18-month role in addition to existing staff), legal support and tender development, external consulting support and an independent Probity Auditor. The resource allocation is in line with similar large-scale contracts and ensures the management of the existing contracts is not impacted.
 - 7) Action the following Implementation Plan based on commencing a new contract on 1st July 2025. (Note: The Implementation Plan excludes the Asset Renewal and Upgrade Plan).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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