

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



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# **Part A – Background and Consultation**

# 1 Background and Purpose

## Background and Context

Public aquatic leisure centres can transform and bring together communities – they offer opportunities for people to improve their health and wellbeing, places for socialisation and provide employment opportunities for residents. However, aquatic leisure facilities are among the most expensive services a Council can provide to its residents and community. The City of Sydney (the City or Council) has continued to invest in the operation of the facilities as they generate significant health, social and economic benefits for the broader community.

In 2021, the Royal Life Saving Society of Australia and PWC<sup>1</sup> undertook research to identify the estimated benefits of the 2,114 aquatic leisure facilities across Australia. The research identified that an estimated \$9.1B of social (\$3.8B), health (\$2.5B) and economic (\$2.8B) benefits are generated from aquatic leisure facilities annually. More specific to the City, the research found that capital cities realised a social benefit of \$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.

The City's aquatic leisure facilities provide a multitude of benefits to the broader community including:

- Water safety and swimming lessons
- Recreational swimming
- Aquatic fitness and conditioning (i.e. lap swimming, aqua exercise)
- Rehabilitation and therapy services for those with a disability, injury or mobility issues
- Health and fitness programs and services
- Social sporting competitions
- Competitive sporting events (i.e. water polo, underwater hockey, carnivals etc.)
- Community-based events (i.e. Yabun, community open days etc.)
- Family-focused programs and services
- Socialisation opportunities that connect people and reduce feelings of isolation
- Respite from extreme heat conditions
- Employment opportunities, leadership development and training

Prior to the expiration of its two (2) aquatic leisure services contracts, the City of Sydney (the City or Council) has committed to undertaking a detailed Aquatic Leisure Services Management Options Evaluation (the Project or Evaluation). This Evaluation aims to assess and explore the different management models available in the market.

At the May 2021 Council Meeting, a resolution was made to extend the two (2) aquatic leisure contracts for a further two (2) years until 31<sup>st</sup> March 2024. The principal reasons for the contract extensions were the uncertainty and risk in the market as a result of the ongoing impacts of the COVID-19 pandemic and the short operating history of Gunyama Park Aquatic and Recreation Centre, to ensure competitive responses for a tender.

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

## **Project Purpose**

The Evaluation incorporates the following aquatic and leisure facilities in the order outlined in the project specification:

- Andrew (Boy) Charlton Pool.
- Prince Alfred Park Pool.
- Victoria Park Pool.
- Cook and Phillip Park Aquatic and Fitness Centre.
- Ian Thorpe Aquatic Centre.
- Gunyama Park Aquatic and Recreation Centre.

The project's purpose is to provide independent advice on the most appropriate management model for the City's existing aquatic leisure facilities. Harbour water bodies that are used and accessible are excluded from the scope of this evaluation.

This will provide the following:

- An overview of the current operational performance of the facilities under the outsourced management model.
- A detailed comparison of potential options for the future management and operation of the Aquatic Leisure Facilities.
- High-level financial projections for the facilities for each of the potential management models.
- Recommendation/s on a preferred management model for the future operation of the centres when the current contracts expire.

As part of the project, guiding principles and strategic objectives were developed to inform the decision-making on the most appropriate management model for the facilities.

## **Process Background**

The project and the associated analysis have been undertaken independently with consideration of the City of Sydney's project brief. The operational performance evaluation has been based on the information provided by City Officers from the incumbent, industry data, insights from Council Officers and other independent research.

In relation to the projected future performance of the Aquatic Leisure Facilities, pre-COVID-19 performance data has been used to assist in evaluating different management model scenarios.

For context, for the evaluation, the financial projections have been developed to represent the 'Contract Cost' of operating the facilities and not the 'Service Cost' to Council to provide the service. Outlined below is the differentiation of costs:

- **Contract Cost** - is the cost to operate the facilities based on the agreed contract structure with the incumbent management group. The contract costs include all operational income and operational expenses, incorporating aquatic maintenance and contract expenses (from the operator), and exclude facility maintenance, utilities, contract support (Council officers), corporate service costs, asset renewal and depreciation.
- **Service Cost** - is the cost to operate the facilities and the additional costs of facility maintenance and utilities (excluded from the current contract). The service costs exclude contract support (Council officers), corporate service costs, asset renewal and depreciation.

## 2 Management Options Evaluation Overview

An overview of the potential management models that form part of the Aquatic Leisure Services Management Options Evaluation is outlined below:

- a) **Council Managed (In-house Model)** – Under this option, Council would manage the facilities by appointing a suitably qualified manager and staff. The manager and staff would be engaged as salary and wage employees while Council would provide the corporate services function (i.e. human resources, finance and information technology support). In most instances of in-house management, the structure within the Council would enable the service to be managed as a business unit with delegated authority. While the in-house option provides greater control over the management of centre operations, particularly from a strategic alignment perspective, it can potentially come at a higher cost than other options.
- b) **Outsourced (Third-Party Management Group)** - This model, which is currently in place for the City's facilities, requires Council to accurately define its expectations and requirements through the development of a contract specification with an external provider appointed through a competitive tender process. [REDACTED]

An outsourced contract operating model may result in the potential for increased reputational risk and less operational and strategic control than the other models. Dependent on the type of contract arrangement implemented (i.e. guaranteed lump sum or fee for service), the model may also result in less operational and financial risk to Council. Based on the current arrangement for the City, a fee-for-service contract, the majority of the financial risk is vested with Council.

Under this model, there are minimal internal resources applied to centre operations; however, there is a need for adequate resources allocated for contract and asset management.

- c) **Council Company (Stand-alone Company)** - As the only shareholder, Council would appoint the Company's directors and determine the constitution. The appointed Directors are responsible for the Company's operation with a responsibility to the Company and not a particular stakeholder constituency. A General Manager would oversee the Company's day-to-day operation and be accountable to the Board to manage the Company following the policies determined by the Board. This model is still in its relative infancy in the leisure management space; hence there are some unknowns, including the capability of the CEO or General Manager to operate a Company and community facility successfully. A Council Company is still obliged to comply with the requirements of the Local Government Act and importantly from a process perspective, establishing a Council Company requires Ministerial approval and the development of a detailed business case.
- d) **Other (Hybrid)** – Three (3) Hybrid models have been identified as part of the evaluation, which are i) a mix of outsourced and in-house operated facilities, ii) a Council Company supported by Council's corporate services unit, and iii) a Labour-hire model supported by Council's corporate services unit. The models are considered relatively unconventional for large-scale contracts, with several examples of outsourced and in-house facilities and one (1) Council Company supported by Council's corporate services unit. The Labour-hire model is untested for larger-scale contracts and facilities.

## 3 Strategic Context

### 3.1 Community Profile

The City of Sydney has an estimated total of 211,632 'usual residents' for 2021 (ABS Census), which is an increase of 1.53% compared to the 2016 Census results. This increase is notably lower than the variance between the 2016 and 2011 Census results, which was 18.65% over the equivalent period.

The City has a large multicultural population, with over 48% of the population born overseas from non-English speaking countries. Compared to the 2016 Census, the City in 2021 reduced overseas visitations by 22K or 96%, principally due to the border restrictions.

The City of Sydney is ranked 18<sup>th</sup> (1,027) on the SEIFA disadvantage rankings and has several highly affluent areas.

The median age for the City is 34 years, compared to the Greater Sydney median of 37 years. Based on the 2021 Census, 32.2% of the population was aged between 25 and 34 years, and 24.3% was aged between 35 and 49 years, compared with Greater Sydney, which was 15.5% and 21.5%, respectively. Outlined below is a summary of the population (usual residence) by age group and their categorisations:

City of Sydney - Total persons (Usual residence)	2021		
	Number	%	Greater Sydney %
Service age group (years)			
Babies and pre-schoolers (0 to 4)	7,460	3.5	6.0
Primary schoolers (5 to 11)	6,368	3.0	8.8
Secondary schoolers (12 to 17)	4,240	2.0	7.1
Tertiary education and independence (18 to 24)	24,820	11.7	8.8
Young workforce (25 to 34)	68,112	32.2	15.5
Parents and homebuilders (35 to 49)	51,505	24.3	21.5
Older workers and pre-retirees (50 to 59)	20,400	9.6	12.0
Empty nesters and retirees (60 to 69)	15,070	7.1	9.8
Seniors (70 to 84)	11,633	5.5	8.7
Elderly aged (85 and over)	2,037	1.0	2.0
<b>Total</b>	<b>211,632</b>	<b>100.0</b>	<b>100.0</b>

**Table 1: 2021 Age Cohorts of the City of Sydney Population**

The City has approximately 73.5K local businesses, and approximately 15.2% of the residents work and live there. Approximately 5.1K people within the City are identified as needing assistance to live, and an estimated 2.5K Aboriginal or Torres Strait Islander People reside in the City of Sydney.

Based on the City's demographic profile, the future of facilities' programs, services, and components need to consider the high percentage of 0-49 year olds (compared to Greater Sydney). The younger demographic represents an opportunity for continued growth in learn-to-swim, health and fitness and social sports.



## 3.2 Policies and Strategies

The Consulting Team has undertaken a review of the Council's strategies, plans and policies to inform the review's findings and recommendations. Outlined below is a summary of the Council's strategies, plans and policies relevant to the review:

Document	Overview
<p>Sustainable Sydney 2030—2050 Continuing the Vision</p>	<p>The City of Sydney's <i>Sustainable Sydney 2030-2050 Continuing the Vision</i> document is the overarching strategy that guides the future direction of the municipality. The Vision for the City is to ensure 'Our communities support our green, global and connected city'.</p> <p>Underpinning the Vision are three (3) strategic themes, being:</p> <ul style="list-style-type: none"> <li>• <b>Green</b> – ensuring a sustainable future by responding, as a City, to the climate emergency and the environmental conditions of the planet.</li> <li>• <b>Global</b> – Every person has an opportunity to participate in economic, social and cultural life and reach their full potential and business, government and communities are part of global networks.</li> <li>• <b>Connected</b> – People feel socially, physically, culturally and economically connected to their city and to one another.</li> </ul> <p>Supporting the strategic themes are six (6) Guiding Principles that have been developed with the community, being:</p> <ol style="list-style-type: none"> <li>1. <i>We are accountable to the voices and elevate the knowledge and cultures of Aboriginal and Torres Strait Islander peoples.</i></li> <li>2. <i>We respond to the climate emergency.</i></li> <li>3. <i>We build the resilience of our society and economy.</i></li> <li>4. <i>Our communities are engaged in the governance of their city.</i></li> <li>5. <i>We lead through stewardship and collaboration.</i></li> <li>6. <i>Our organisation is governed responsibly and sustainably.</i></li> </ol>
<p>Community Strategic Plan Delivering Sustainable Sydney 2030-2050</p>	<p>The City's Community Strategic Plan (2030 - 2050) has been developed based on the community's vision for a 'more sustainable future'. The Community Plan is an extension of the Sustainable Sydney – Continuing the Vision, providing the framework and actions to deliver on the Vision.</p> <p>The Plan focuses on the City's sustainable growth, tackling climate change, encouraging creativity and driving innovation. The Plan also strongly emphasises developing social, business, cultural and physical connections and ensuring people, and the City, reach their full potential.</p> <p>The Plan is underpinned by 10 Strategic Directions, being:</p> <ul style="list-style-type: none"> <li>• Direction 1: Responsible governance and stewardship.</li> <li>• Direction 2: A leading environmental performer.</li> <li>• Direction 3: Public places for all.</li> <li>• Direction 4: Design excellence and sustainable development.</li> <li>• Direction 5: A city for walking, cycling and public transport.</li> <li>• Direction 6: An equitable and inclusive city.</li> <li>• Direction 7: Resilient and diverse communities.</li> <li>• Direction 8: A thriving cultural and creative life.</li> <li>• Direction 9: A transformed and innovative economy.</li> <li>• Direction 10: Housing for all.</li> </ul> <p>The Community Strategic Plan has been developed in alignment with State Government's economic, social, environmental, cultural, transport and land-use strategies and plans.</p>

Document	Overview
<p>City for All - Social Sustainability Policy &amp; Action Plan 2018 - 2028</p>	<p>The City for All – Social Sustainability Policy and Action Plan defines the City’s aspirations to be more socially sustainable, acknowledging the need to strengthen the community’s wellbeing and resilience.</p> <p>The focus of the Policy is to ensure the City is socially just and resilient, where people ‘can live, work, learn, play and grow’, in addition to being a City that is inclusive and equitable and provides people with opportunities to reach their full potential.</p> <p>The City has developed four (4) Strategic Priorities that support the intention of the Policy, being:</p> <ol style="list-style-type: none"> <li>1. Inclusive city: social justice and opportunity.</li> <li>2. Connected city: diverse, cohesive communities.</li> <li>3. Liveable city: quality places and spaces.</li> <li>4. Engaged city: good governance and active participation.</li> </ol>
<p>Resourcing Strategy 2022</p>	<p>The City’s Resourcing Strategy provides a long-term resourcing approach to delivering on the Community Strategic Plan. The activities outlined in the Resourcing Strategy have been developed to ensure that the City has adequate resources to maintain its assets effectively and deliver on the communities’ priority areas. The activities within the Strategy are reviewed annually to ensure direct alignment with the annual Operational Plan.</p> <p>Embedded within the Resourcing Strategy are five (5) individual plans or strategies, being:</p> <ol style="list-style-type: none"> <li>1. Long-Term Financial Plan.</li> <li>2. Asset Management Plan.</li> <li>3. People Strategy.</li> <li>4. Information and Technology Strategy.</li> <li>5. Community Engagement Strategy.</li> </ol> <p>Outlined below is a summary of the intention of each of the plans or strategies and their associated objectives, principles or focus areas:</p> <p><b>Long-Term Financial Plan</b></p> <p>The Long-Term Financial Plan acknowledges the financial commitments and requirements to continue to provide high-quality facilities, infrastructure and services for the community while ensuring the commitments made in the Community Strategic Plan and Sustainable Sydney Strategy are delivered. The Long-Term Financial Plan also incorporates the Council’s set fees and charges, which are reviewed annually.</p> <p>Fundamental principles that underpin the financial planning and modelling process are:</p> <ul style="list-style-type: none"> <li>• Financially sustainable.</li> <li>• Maintain diversity of income sources.</li> <li>• Generate significant operating surpluses.</li> <li>• Maintain tight control over expenditure and staff numbers.</li> <li>• Deliver best value services, facilities and infrastructure.</li> <li>• Effective and efficient utilisation of funding sources to fund capital works and asset acquisitions.</li> <li>• Prudent financial investment.</li> <li>• Consider appropriate use of debt, internal borrowing and private financing arrangements.</li> </ul> <p><b>Asset Management Plan</b></p> <p>The assets play a critical role in providing essential services to the community. The City’s Asset Management Plan defines the key activities and initiatives to ensure Council’s infrastructure is maintained to a high standard. The Plan outlines the appropriate standards for maintaining and renewing the Council’s</p>

Document	Overview
	<p>key assets. The Plan also provides assessments of the condition of the City's key assets and manages the demand for future assets.</p> <p>The City's framework for asset management planning is based on three (3) fundamentals, being:</p> <ul style="list-style-type: none"> <li>• Council's overall vision and goals and supporting asset management vision and goals.</li> <li>• Sustainable Asset Management Policy.</li> <li>• Infrastructure Asset Management and Service Delivery Strategies.</li> </ul> <p><b>People Strategy</b></p> <p>The People Strategy outlines workforce needs for the City, now and into the future. The major focus of the Strategy is to ensure the City has the human resources to support the delivery of the Community Strategic Plan. A critical area underpinning the ability to provide the workforce requirements for delivering on the Community Strategic Plan is ensuring the City can attract and retain skilled and talented staff.</p> <p>The Strategy has been developed based on three (3) core objectives:</p> <ol style="list-style-type: none"> <li>1. Energising our people and our workplaces by fostering a 'people first' culture.</li> <li>2. Adapting our ways of working for the future.</li> <li>3. Strengthening our employee value proposition and recruitment experience to attract and retain diverse, skilled people.</li> </ol> <p><b>Information and Technology Strategy</b></p> <p>The Information and Technology Strategy outlines the activities and plans to further develop and use IT services within the City over the next four (4) years. The Strategy acknowledges the changing workforce and community needs for digital and technology services, particularly due to the COVID-19 pandemic.</p> <p>Underpinning the City's Strategy are three (3) key areas of focus:</p> <ol style="list-style-type: none"> <li>1. Developing community-centric services.</li> <li>2. Managing information and data for public good.</li> <li>3. Optimising technology and communications infrastructure for service delivery.</li> </ol> <p>The City intends to provide user-centric digital and technology services, ensuring the services are robust, have an improved customer experience, and are in line with technological advancements.</p> <p><b>Community Engagement Strategy</b></p> <p>The Community Engagement Strategy provides a framework for how the City engages with the community on meaningful projects that help shape the City into the future. The Strategy defines the legislative requirements and the types of activities and channels used to collaborate with the diverse community of Sydney. The Strategy also articulates the community's critical role in informing the decision-making on key activities or projects for the City.</p> <p>Supporting the City's approach to community engagement are four (4) guiding principles, being:</p> <ol style="list-style-type: none"> <li>1. Our engagement processes have integrity.</li> <li>2. Our engagement activities are inclusive and accessible.</li> <li>3. Our engagement is two-way.</li> <li>4. Our engagement influences the decisions we make.</li> </ol>

Document	Overview
<p>Delivery Program (2022 – 2026) &amp; Operational Plan (2022 – 2023)</p>	<p>The Delivery Program provides a 4-year roadmap to deliver the City’s strategies and plans. The Program outlines the key actions and activities that will be undertaken using the resources identified in the Resourcing Strategy. The Program also incorporates the four-year budgets and financial estimates for the City.</p> <p>The Delivery Program is the conduit between the City’s Community Strategic Plan and the annual Operational Plan.</p> <p>The Delivery Program and the annual Operational Plan are underpinned by the 10 Strategic Directions, as defined in the Community Strategic Plan 2030 – 2050.</p>
<p>Environmental Strategy (2021–2025)</p>	<p>The Environmental Strategy outlines the key activities and measures to assist the City in being more sustainable and building resilience to combat the impacts of climate change. The Strategy is critical in the City delivering on the Sustainable Sydney 2030 – 2050 Continuing the Vision’s strategic theme of ‘Green’.</p> <p>The City has committed to reducing carbon emissions in the local area by 70 per cent by 2030 and achieving net zero emissions by 2035. To assist in delivering on the commitments, the Environmental Strategy outlines four (4) strategic directions, being:</p> <ul style="list-style-type: none"> <li>• Smart and resilient City operations.</li> <li>• Efficient, future-proof buildings and transport powered by renewable energy.</li> <li>• Regenerative and inclusive city.</li> <li>• Strong foundations for delivery.</li> </ul>
<p>Inclusion (Disability) Action Plan (2021–2025)</p>	<p>The Inclusion Action Plan defines the activities and actions required to deliver on the City’s commitment to being ‘truly inclusive and welcoming’. The Plan identifies the need to ensure the City’s services, programs, or events are inclusive for all.</p> <p>Supporting the Action Plan are four (4) key directions that guide the City in being more inclusive and accessible for everyone:</p> <ol style="list-style-type: none"> <li>1. Direction 1: Positive community attitudes and behaviours.</li> <li>2. Direction 2: Liveable communities.</li> <li>3. Direction 3: Meaningful employment.</li> <li>4. Direction 4: Equitable access to mainstream services.</li> </ol>
<p>Stretch Reconciliation Action Plan (2020 – 2023)</p>	<p>The Stretch Reconciliation Action Plan focuses on building and strengthening meaningful relationships with Aboriginal and Torres Strait Islander communities and increasing equity for the First Nations people. The Action Plan intends to support the social, cultural, spiritual and economic aspirations of the City’s Aboriginal and Torres Strait Islander communities.</p> <p>The Action Plan defines four (4) focus areas, underpinned by 28 actions. The four (4) focus areas are:</p> <ul style="list-style-type: none"> <li>• Relationships.</li> <li>• Respect.</li> <li>• Opportunities.</li> <li>• Governance.</li> </ul>
<p>Open Space and Recreation Needs Study 2016</p>	<p>The Open Space, Sports and Recreation Needs Study was initially developed in 2007 and updated in 2016. The Study identifies recommendations and strategic direction for the City’s future open space and recreation facilities provision.</p> <p>To assist Council in the decision-making of the City’s future provision, a set of nine (9) Strategic Directions have been developed:</p>

Document	Overview
	<ol style="list-style-type: none"> <li>1. More Open Space for a Growing Population.</li> <li>2. Better Parks, Sport and Recreation Facilities.</li> <li>3. Improve the Provision and Diversity of Sport and Recreation Facilities.</li> <li>4. Access to Recreation in the City will be Inclusive and Accessible for All.</li> <li>5. Linking the Network.</li> <li>6. Involving the Community.</li> <li>7. Recreation will be Environmentally Sustainable.</li> <li>8. Looking After Our Parks, Sport and Recreation Facilities.</li> <li>9. Beyond the Boundary.</li> </ol> <p>Although the City has no intention to expand on the existing network of Aquatic Leisure Facilities, the Strategic Directions provide a strong insight into Council's vision for open spaces and recreational facilities.</p>
Procurement and Contract Management Policy (2019)	<p>The City of Sydney's Procurement and Contract Management Policy has been developed as a framework for providing goods, services, works and facilities, in addition to Council's management of contracts. The framework focuses on six (6) key principles:</p> <ul style="list-style-type: none"> <li>• Value for money.</li> <li>• Compliance with legislation.</li> <li>• Probity, transparency and accountability.</li> <li>• Appropriate use of public funds.</li> <li>• Appropriate risk management.</li> <li>• Sustainable outcomes.</li> </ul> <p>The Policy also outlines the minimum requirements for the procurement of goods or services, with a tender process being required for over \$250K and the need to be in line with the Local Government Act 1993 (section 55 -1).</p>

**Table 2: Relevant Council Policies and Strategies**

Based on the review undertaken, outlined below is the Strategic Framework informing the project's Strategic Objectives and Guiding Principles.



**Image 1: Project Strategic Framework**

### 3.3 Strategic Framework and Guiding Principles

To ensure the recommendations arising from the Options Evaluation align with Council's key strategic plans and policies, a set of Guiding Principles and Strategic Objectives have been developed. The Guiding Principles are based on the themes, objectives and directions from the relevant Council strategies and plans, and are adapted to best align with the project purpose and intent. The Strategic Objectives and Guiding Principles have been formulated in consultation with the Executive Team and the Project Working Group, and are outlined below.

Strategic Objectives		
<ul style="list-style-type: none"> <li>• Community Health.</li> <li>• Social Benefit.</li> <li>• Community Connection.</li> </ul>	<ul style="list-style-type: none"> <li>• Access and Inclusion.</li> <li>• Financial Performance.</li> <li>• Environmental Sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational Excellence.</li> <li>• Asset Management.</li> </ul>
Guiding Principles		
<p><b>Community Benefits</b></p> <ul style="list-style-type: none"> <li>• <b>Community Health and Wellbeing</b> - Offering programs and services that improve the physical, social and mental wellbeing of the community.</li> <li>• <b>Inclusiveness</b> - Maximising opportunities, access and equity through the provision of a broad range of affordable programs and services.</li> <li>• <b>Social Benefit and Community Connection</b> - Facilitating opportunities for social connection and providing a sense of belonging through programs and services, partnerships and employment opportunities.</li> </ul> <p><b>Operational Factors</b></p> <ul style="list-style-type: none"> <li>• <b>Financial Performance</b> - Deliver sustainable financial performance enabled by strong governance and management of financial risk to maximise community benefits and operational effectiveness.</li> <li>• <b>Asset Management</b> - Providing high-quality and well-maintained facilities that meet the needs of the diverse community.</li> <li>• <b>Quality Management and Operational Delivery</b> - Delivering well-planned and managed facilities, operated by skilled personnel and aided by high-quality systems, processes and supporting resources.</li> <li>• <b>Environmental Sustainability</b> - Fostering environmentally sustainable practices that support the City's emission and energy targets.</li> </ul>		

Table 3: Strategic Objectives and Guiding Principles

### 3.4 Background and Context Key Findings

Outlined below are the key findings associated with the background and strategic context of the project:

- The City's population growth (usual residents) has declined significantly over the past five (5) years compared to the preceding five (5) years, with a decline of 17.1% for the equivalent timeframes. The decline is likely to be attributed to COVID-19 impacts. This is expected to have operational implications for the operational recovery of the facilities.
- The timeframes associated with implementing any of the preferred management models likely result in the two (2) current contracts needing to be extended. The current contracts expire on 31st March 2024, with this Evaluation expected to conclude in approximately May 2023. The estimated timeframes for the potential models are:
  - Outsourced: 18 to 24 months.
  - In-house: 18 to 24 months.
  - Council Company: 24 to 30 months (including Ministerial requirements/approval).
- The City of Sydney is policy and strategy 'rich' at a general level, but there is an absence of a guiding strategy or policy for the aquatic leisure facilities, which potentially will have an impact on how the facilities are being operated; in particular, the balance between improving community health and the cost to operate the facilities. A specific strategy or policy for the facilities would also be beneficial in assessing the optimal level of provision for the City in the future. In the absence of a strategy or policy, consideration should be given to using the Guiding Principles to inform the direction of the facilities until a strategy or policy is formulated.

## 4 Current Situation

Below is an overview of the City's Aquatic Leisure Facilities, including a summary of the facility components, facility locations, financial and participation analysis, contract status, the management models implemented in surrounding municipalities and industry benchmarking.

### 4.1 Facility Overview

Outlined in the table below is an overview of the components within each of the facilities:

Facilities	Components
Andrew (Boy) Charlton Pool (ABC) Seasonal operation from September to April	<ul style="list-style-type: none"> <li>• Outdoor 50m heated pool.</li> <li>• Outdoor heated leisure pool.</li> <li>• Covered grandstand seating.</li> <li>• Multipurpose studio.</li> <li>• Café and Kiosk.</li> </ul>
Prince Alfred Park Pool (PAP) All year operation	<ul style="list-style-type: none"> <li>• Outdoor 50m heated pool.</li> <li>• Covered grandstand seating.</li> <li>• Splash pad.</li> <li>• Café and Kiosk.</li> </ul>
Victoria Park Pool (VP) All year operation	<ul style="list-style-type: none"> <li>• Outdoor 50m heated pool.</li> <li>• Outdoor heated toddler pool.</li> <li>• Health club.</li> <li>• Multipurpose studio.</li> <li>• Creche.</li> <li>• Café.</li> </ul>
Cook and Phillip Park Aquatic and Fitness Centre (CPP) All year operation	<ul style="list-style-type: none"> <li>• Indoor 50m heated pool.</li> <li>• Indoor heated leisure / wave pool.</li> <li>• Indoor heated hydrotherapy pool.</li> <li>• Health club.</li> <li>• Group exercise studio.</li> <li>• Indoor sports court.</li> <li>• Café.</li> </ul>
Ian Thorpe Aquatic Centre (ITAC) All year operation	<ul style="list-style-type: none"> <li>• Indoor 50m heated pool.</li> <li>• Indoor heated leisure pool.</li> <li>• Indoor heated program pool.</li> <li>• Steam room and Sauna.</li> <li>• Health club.</li> <li>• Group exercise studios.</li> <li>• Café.</li> <li>• Carpark.</li> </ul>
Gunyama Park Aquatic and Recreation Centre (Gunyama) All year operation	<ul style="list-style-type: none"> <li>• Outdoor 50m heated pool.</li> <li>• Indoor 25m heated pool (with a moveable floor).</li> <li>• Indoor aqua play.</li> <li>• Indoor heated hydrotherapy pool.</li> <li>• Health club.</li> <li>• Group exercise studios.</li> <li>• Meeting rooms.</li> <li>• Café and Kiosk.</li> <li>• Synthetic sports field.</li> </ul>

**Table 4: City of Sydney Aquatic Leisure Facilities Overview**



## 4.2 Facility Management History

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.

## 4.3 Management Model Landscape

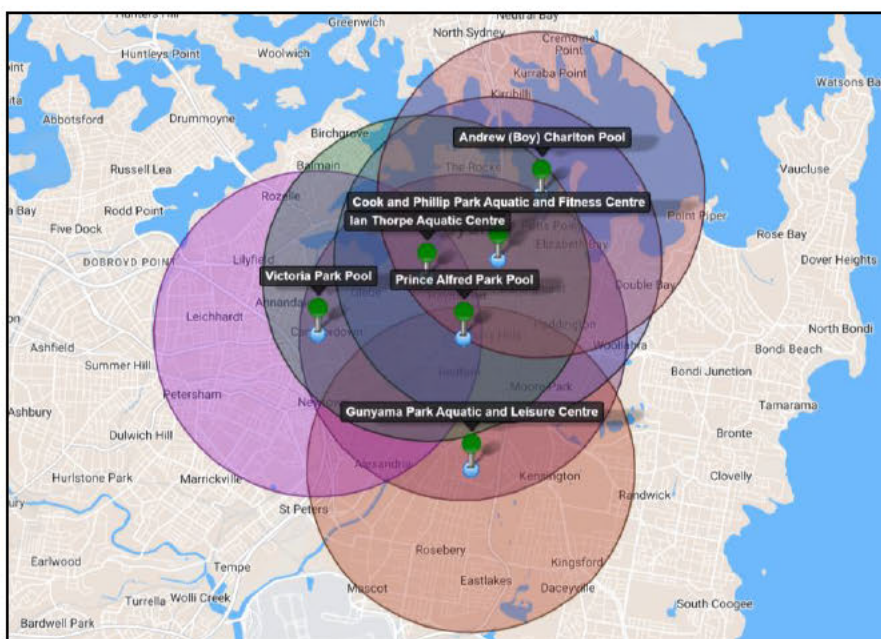
The City of Sydney borders four (4) other municipalities in the Greater Sydney area: Woollahra, Inner West, Randwick and Bayside. As identified in Table 5, all surrounding municipalities barring Woollahra, have in-house operations. The Woollahra Municipal Council does not currently have aquatic and leisure facilities within their municipality.

Municipality	Management Model	Operator	Aquatic Facilities
Inner West Council	In-house	Council operated	1 x Seasonal Outdoor Pool 3 x Year-round Aquatic Centres 1 x Ocean Bath 1 x Water Park
Woollahra Municipal Council	No aquatic leisure facilities	Not Applicable	Not Applicable
City of Randwick	In-house	Council operated	3 x Year-round Aquatic Centres
Bayside Council	In-house	Council operated	1 x Seasonal Outdoor Pool 1 x Year-round Aquatic Centres

**Table 5: Management Models – Neighbouring Municipalities**

## 4.4 Facility Locations

The map below (Map 1) depicts the locations of the City's Aquatic Leisure Facilities with a 3km catchment applied for each centre. As can be seen, there is considerable cross over between the catchment areas, particularly for ITAC, CPP and PAP.



**Map 1: Location of City of Sydney Aquatic Leisure Facilities**

The City's facilities have a significant level of competition that directly or indirectly competes with the services offered at the six (6) facilities. Research undertaken by ActiveXchange has identified 185 facilities or venues within a 20-minute 'drive-time' catchment of the facilities; these include 150 gyms, 14 pools and 11 synthetic sports fields. This represents a high level of competition for the health and fitness areas of the City's aquatic leisure facilities, and to a lesser extent, the level of competition for the aquatics programming.

## 4.5 Management Status

The City currently outsources the management and operation of their aquatic leisure centres through a third-party management group, Belgravia Leisure. The management and operation of the facilities refer to the day-to-day operation of the six centres and delivering on the requirements of the two contracts in place. This includes the financial management of the facilities, incorporating all income received and all operational expenditures, excluding utilities and facility maintenance, which the City oversees. The table below outlines the contract or agreement type, the incorporated facilities, the management group and the tenured period:

Contract Name	Contract Type	Facilities	Management By	Contract Period
Contract #1107 - Management of Aquatic and Leisure Facilities	<ul style="list-style-type: none"> <li>Guaranteed Lump Sum Contract (currently Fee for Service model, based on the COVID-19 implications)</li> </ul>	<ul style="list-style-type: none"> <li>Andrew (Boy) Charlton Pool</li> <li>Prince Alfred Park Pool</li> <li>Victoria Park Pool</li> <li>Cook and Phillip Park Aquatic and Fitness Centre</li> <li>Ian Thorpe Aquatic Centre</li> </ul>	<ul style="list-style-type: none"> <li>Belgravia Leisure</li> </ul>	Initial Term: 4-years & 2-months Extension Terms: 2 x 3-year terms* Commencement Date: 5 December 2011 Contract Conclusion: 31 March 2024
Contract #3462 for the Management and Operation of Gunyama Park Aquatic and Recreation Centre	<ul style="list-style-type: none"> <li>Fee for Service</li> </ul>	<ul style="list-style-type: none"> <li>Gunyama Park Aquatic and Recreation Centre</li> </ul>	<ul style="list-style-type: none"> <li>Belgravia Leisure</li> </ul>	Term: 28 months Commencement Date: 28 October 2019 Contract Conclusion: 31 March 2024

**Table 6: Aquatic Leisure Facilities Contract Overview**

\*As part of a Council Resolution dated 21<sup>st</sup> May 2021, the management agreements were extended until 31<sup>st</sup> March 2024, primarily to navigate the challenges of COVID-19 and to allow for the opportunity to complete the Management Options Evaluation (project).

## 4.6 Operational Overview

The service is a large and complex, customer-facing and market-driven service. The aquatic leisure facilities form a network that provides significant access to services for the City of Sydney community, operating approximately 98 hours per week. The facilities are open 363 days a year, closing only for Good Friday and Christmas Day. Incorporating a mix of year-round and seasonal facilities, the five (5) centres under Contract #1107 had over 1.71M visitations for the 2018/19 financial year (pre-COVID-19). With the inclusion of Gunyama, which opened in February 2021, the City's facilities had a total of 1.06M visitations in the 2021/22 financial year, significantly lower than the pre-COVID-19 attendances, with [REDACTED] and [REDACTED] experiencing the highest decline between the periods. For the 2022/23 financial year, the total forecasted visitations for the six (6) facilities are approximately 1.75M.

Similarly to the majority of aquatic and leisure facilities across Australia, the operational performance of the City of Sydney's aquatic leisure facilities has been immensely impacted by the COVID-19 pandemic. Unique to the City of Sydney is the slow recovery that both the City and the aquatic leisure facilities have experienced, particularly regarding office occupancy and student return rates. These impacts have resulted in significant and atypical financial losses for the City's aquatic leisure facilities and an inability to provide services during lockdown periods that support the health and wellbeing of the community.

As part of the Options Evaluation, the Consulting Team has undertaken a detailed review of the financial and attendance data for the past six (6) completed financial years to provide an overview of the current situation and inform the project's financial projections. The Consulting Team has also included the 2022/23 forecasted financial result (COVID Recovery period) provided by Belgravia Leisure, based on the end-of-month results for March 2023. The forecasted attendances for 2022/23 are based on actuals at the end of March 2023 and the targeted figures for the remaining three (3) months.

In undertaking the financial assessment, the following factors have impacted the ability to draw direct comparisons between the facilities and financial years:

- COVID-19 lockdown periods and the operational restrictions associated with social distancing and capacities.
- Gunyama had not had a full year of unimpacted operations.
- JobKeeper and JobSaver payments.
- Lack of detail within profit and loss statements provided by Belgravia Leisure for the wage allocations for the specific operational areas.

Outlined below is an operational overview of each of the City's aquatic leisure facilities:

### **Andrew (Boy) Charlton Pool (ABC)**

- The ABC is a seasonal facility, open between September and April annually. It has been operated by Belgravia Leisure since 2002.
- The ABC services the City's northern area and has been operating since 1846.
- The facility was fully redeveloped in 2002 and has undergone multiple upgrades since then, with the most recent renewal works completed in 2011.
- In the three (3) years before COVID-19, the ABC averaged approximately [REDACTED] visits per season, while over the past three (3) pandemic-impacted seasons and forecasted results for 2022/23, the Pool averaged [REDACTED] per annum. This increase in visitations is likely influenced by the less stringent social distancing regulations imposed on outdoor venues compared to indoor aquatic leisure centres and the outdoor facilities reopening prior to the indoor centres during the COVID period.
- Although the attendances were higher in the most recent period, the income was notably lower than pre-COVID-19 levels, likely due to reciprocal membership access across the facilities and the allocation of income for the multi-visit passes. The expenditure averages for the periods remained relatively similar.

- The financial performance (excluding utilities and facility maintenance) for the three (3) years prior to COVID-19 was an average operating surplus of approximately [REDACTED], while the years since COVID-19 commenced have had an average operational deficit of approximately [REDACTED] per annum.

#### **Prince Alfred Pool (PAP)**

- The PAP is a year-round outdoor facility operated by Belgravia Leisure since 2013.
- The PAP underwent a major redevelopment between 2008 – 2013 and is the parkland's centrepiece.
- In the three (3) years prior to COVID-19, the PAP had averaged approximately [REDACTED] visits per annum, while over the past three (3) pandemic-impacted seasons and for the 2022/23 forecasted period, the Pool has averaged [REDACTED] per annum or a [REDACTED] reduction.
- The income was reduced by an average of approximately [REDACTED] per annum for the past four years, compared to the previous three (3) years non-COVID impacted period, while the expenditure remained similar between the periods. The reduction in income is approximately [REDACTED], principally due to a [REDACTED] reduction in fitness attendance over the equivalent periods.
- The financial performance (excluding utilities and facility maintenance) for the three (3) years prior to COVID-19 was an average operating surplus of approximately [REDACTED], while the COVID-19-impacted years and the forecasted result for 2022/23 have had an average operational deficit of approximately [REDACTED].

#### **Victoria Park Pool (VPP)**

- The VPP is a year-round facility operated by Belgravia Leisure since 2012.
- The VPP opened in 1953 and has undergone several upgrades, primarily to the building structures.
- In the three (3) years prior to COVID-19, the VPP averaged approximately [REDACTED] visits per annum, while in the past four (4) years (including forecasts), the Pool has averaged [REDACTED] per annum.
- The income has reduced by an average of approximately [REDACTED] per annum since COVID-19 commenced, compared to the pre-COVID years, while the expenditure was reduced by approximately [REDACTED] per annum over the equivalent period.
- The financial performance (excluding utilities and facility maintenance) for the three (3) years prior to COVID-19 was an average operating deficit of approximately [REDACTED] per annum, while the COVID-19-impacted years and the forecasted result for 2022/23 have had an average deficit of approximately [REDACTED] per annum.

#### **Cook and Phillip Park Aquatic and Fitness Centre (CPP)**

- CPP is a year-round aquatic leisure centre operated by Belgravia Leisure since 2016.
- CPP opened in 1999 and has undergone several upgrades between 2007 and 2019, including major repairs to the infrastructure.
- Over the three (3) COVID-19 impacted years, and the forecasted year for 2022/23, CPP averaged [REDACTED] visits per annum, compared to approximately [REDACTED] visits per annum for the three (3) years before COVID-19. This equates to a [REDACTED] reduction in average annual visitations.
- The income for CPP has reduced by an average of approximately [REDACTED] per annum for the COVID-19 impacted years and 2022/23 forecasted year, compared to the previous three (3) years, while the expenditure was reduced by approximately [REDACTED] per annum during the impacted and forecasted years.

- The financial performance (excluding utilities and facility maintenance) for the three (3) years prior to COVID-19 was an average operating deficit of approximately [REDACTED], while the COVID-19 impacted years and the forecasted result for 2022/23 have been an average deficit of approximately [REDACTED] per annum.

#### **Ian Thorpe Aquatic Centre (ITAC)**

- ITAC is a year-round aquatic leisure centre operated by Belgravia Leisure since 2016.
- ITAC opened in 2007, and until Gunyama, it was the City's premier aquatic leisure centre.
- In the three (3) years prior to COVID-19, ITAC averaged approximately [REDACTED] visits per annum, while over the past three (3) pandemic-impacted years and the current forecasted year, it has averaged [REDACTED] per annum.
- The income for ITAC was reduced by an average of approximately [REDACTED] per annum for the COVID-19 impacted period and 2022/23 forecasted year, compared to the previous three (3) years, while the expenditure was reduced by approximately [REDACTED] per annum during the COVID-19 impacted period and the forecasted year.
- The financial performance (excluding utilities and facility maintenance) for the three (3) years prior to COVID-19 was an average operating surplus of approximately [REDACTED], while for the COVID-19 impacted years, and the 2022/23 forecasted year, there was an average deficit of approximately [REDACTED] per annum.

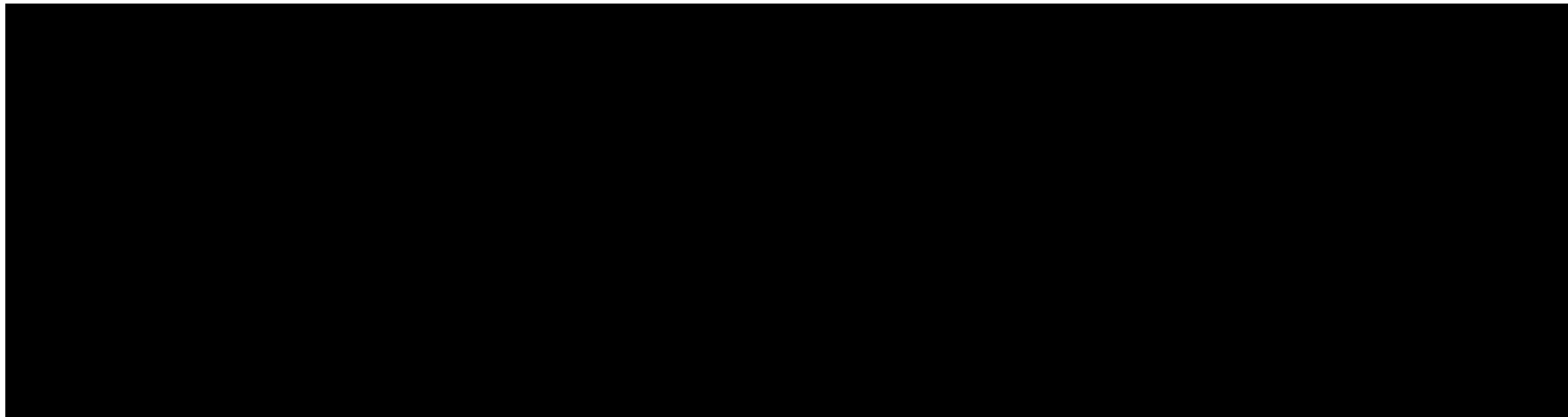
#### **Gunyama Park Aquatic and Recreation Centre (Gunyama)**

- Gunyama is a year-round aquatic leisure centre operated by Belgravia Leisure since opening in February 2021 and has been impacted by COVID-19 since its commencement.
- Gunyama had five (5) months of operations in the first year and notable closure periods in the second year. The current financial year will be the Centre's first full year of operations.
- Gunyama had [REDACTED] visits for the first year of operation, [REDACTED] visitations for the second year and is forecasted to have [REDACTED] visits for 2022/23.
- The financial performance (excluding utilities and facility maintenance) for the first year was an operating deficit of approximately [REDACTED], while the second year saw a deficit of approximately [REDACTED]. It should be noted that year one was for five (5) months of operation, while year two was for nine (9) months. The forecasted result for 2022/23 is a deficit of [REDACTED].

## 4.7 Financial Performance Summary - Seven Year Overview

Below is a summary of the annual financial performance of each facility (excluding Gunyama, which is for the past three financial years) for a seven (7) year period, which includes the year-to-date results and forecasted position for 2022/23. The table identifies the contract costs for the 'Business as Usual (BAU)' financial years of 2016/17 to 2018/19, the 'COVID-19 Impacted' financial years of 2019/20 to 2021/22 and the 'COVID Recovery' period of 2022/23. Over the seven (7) year period, the facilities have an operational deficit of [REDACTED], with the 2017/18 and 2018/19 performances being in surplus for the contract (excludes utilities and facility maintenance).

Notes: The data has been taken from the profit and loss statements provided to Council by Belgravia Leisure. The operating results outlined in Table 7 below do not include utilities or proactive (facility) maintenance delivered by Council (Ventia); they do include proactive and reactive (aquatic) maintenance delivered by Belgravia Leisure, contract expenses and management fee/s. JobKeeper and JobSaver payments received in 2019/20 and 2020/21 totalling [REDACTED] are also included. The 2021/22 financial year is for approximately nine operating months while the 2022/23 financial year is based on the March 2023 actuals plus forecast figures provided by Belgravia Leisure. This background highlight the significant differences in circumstances between each of the years reported below.



[REDACTED]

### 4.7.1 Financial Performance Analysis

Prior to the impacts of COVID-19, the five (5) facilities operated at a consolidated surplus of [REDACTED] for three (3) years, whereas over the next three (3) years (COVID-19 impacted), they operated at a deficit of [REDACTED]. Including Gunyama, the deficit for all six (6) facilities was [REDACTED] for the COVID-19 impacted period.

Based on the above information, it is identified that over the seven (7) year period:

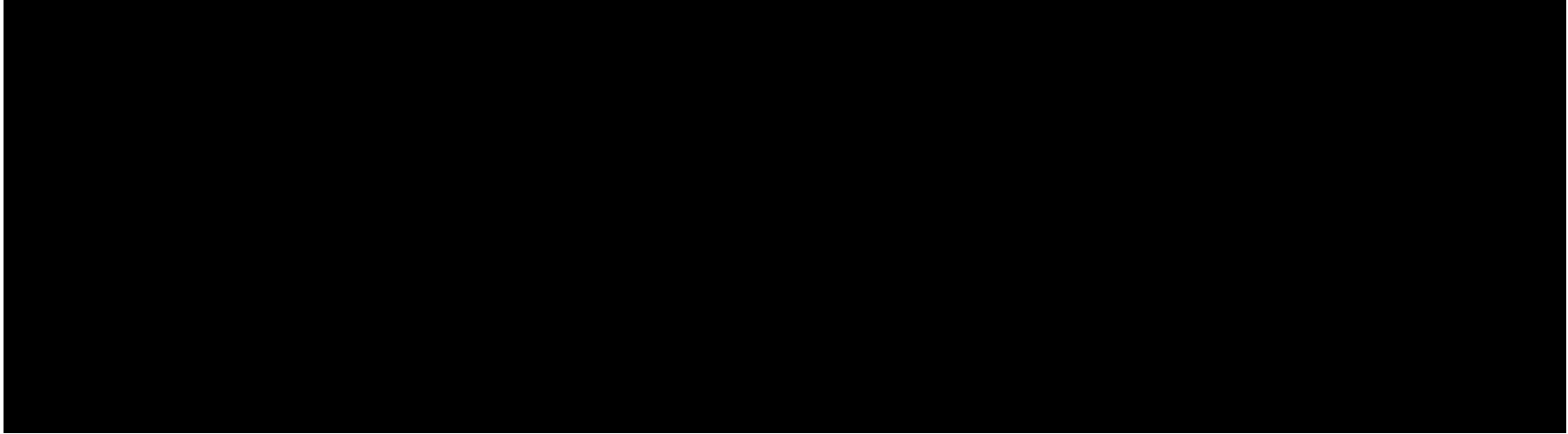
- Across the five (5) aquatic leisure facilities, the net result for the period was a deficit of ██████, which excludes utilities and facility maintenance.
- ITAC is the only facility with a cumulative surplus ██████ for the period, while all other Centres operated in a deficit. A key factor in ITAC's surplus was the JobKeeper and JobSaver payments of ██████.
- Gunyama operated for five (5) months in the first year of operations, approximately eight and a half (8.5) months in the second year and will have a full year of operations in year three. Over the three (3) financial years, the Centre has shown a deficit of ██████ or ██████ of the total aquatic leisure facilities' deficit for the seven (7) years.
- CPP had the largest operating deficit over the period ██████, making up ██████ of the total deficit for all facilities.
- Over the 2019/20 and 2020/21 financial years, the facilities could obtain JobKeeper and JobSaver payments totalling ██████. As JobKeeper payments were only available to outsourced operations, the deficit would have been approximately ██████ for the seven (7) years had the model for the City been either a Council Company or an in-house model.

Graph 1 below demonstrates the significant decline in the operations over the COVID-Impacted period. Additionally, the graph includes the forecasted net result for 2022/23 and the budgeted result for 2023/24. The results represent the consolidated net operating result, excluding utilities and facility maintenance.



## 4.7.2 Financial Performance (Including Utilities and Facility Maintenance)

Table 8 below outlines the cost to Council to operate the aquatic leisure facilities. The financial performance summary includes operational performance, utilities and facility maintenance, but excludes internal contract management costs, corporate service allocations, asset renewal, and depreciation. The financial performance for 2022/23 (COVID Recovery) for each facility is based on the forecasted results (provided by Belgravia Leisure) and the forecasted facility maintenance and utilities (provided by Council).



Based on the above information, it is identified that over the seven (7) year period:

- The total net performance for the six (6) facilities over the period represents a deficit of [REDACTED], which includes utilities and facility maintenance. [REDACTED] accounted for the most significant deficit [REDACTED] and is notably more the next closest, ITAC [REDACTED]. It should be noted that the considerable increases in utility costs over the past three years have further impacted the centre's performance.
- The COVID-Impacted period accounted for [REDACTED] or [REDACTED] of the deficit, which included the operational commencement of Gunyama [REDACTED].
- The deficit reduction in 2020/21 was primarily due to the JobKeeper and JobSaver payments received, equating to [REDACTED] for the year.



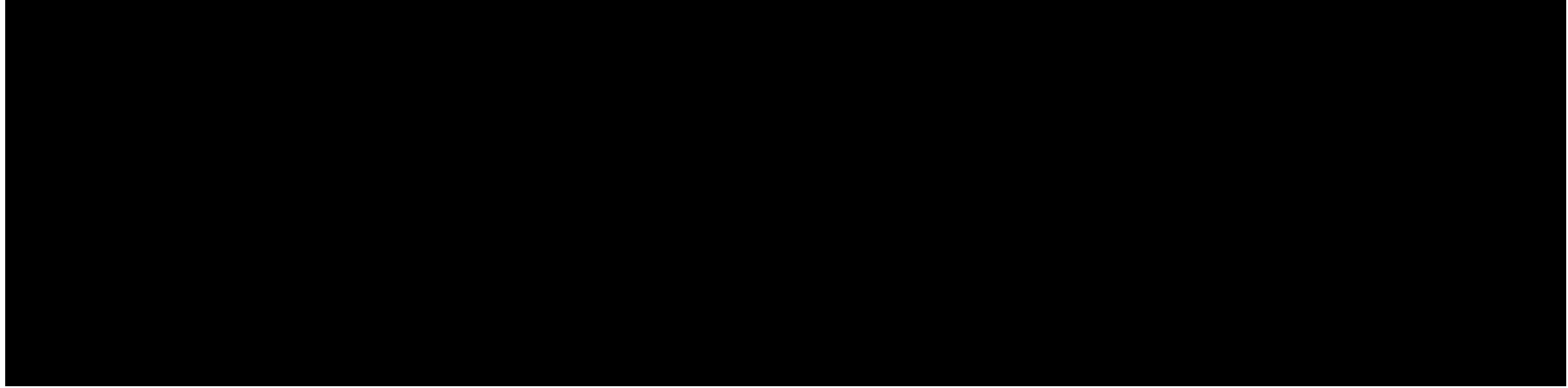
Graph 2 below demonstrates the significant decline in the operations over the COVID-Impacted period. Additionally, the graph includes the forecasted result for 2022/23 and the budgeted result for 2023/24. The results represent the consolidated total net performance, including utilities and facility maintenance. The utilities and facility maintenance allocations for 2022/23 are based on forecasts provided by Council, and for 2023/24, a CPI increase has been applied to the previous forecast, as the budget allocations were unavailable.

Note: The budget used to inform 2023/24 overall net performance was provided by Belgravia Leisure in November 2022, and at the point of developing the report, any revised budgets were not ratified by Council.



### 4.7.3 Financial Performance – Seven Year Overview by Centre

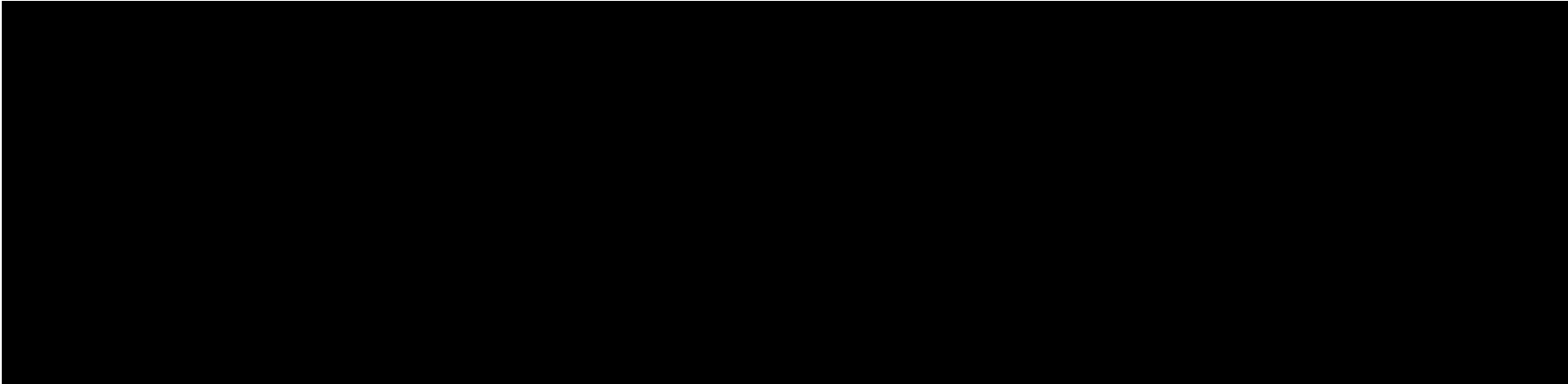
The tables below summarise each aquatic leisure facility's income, expenditure and net result, including aquatic plant and equipment maintenance, contract expenses and JobKeeper/JobSaver payments. The table also includes the facility maintenance and utility costs borne by Council, providing a total net result for each facility. The COVID Recovery period (2022/23) for each facility is based on the forecasted results and the forecasted facility maintenance and utilities costs.

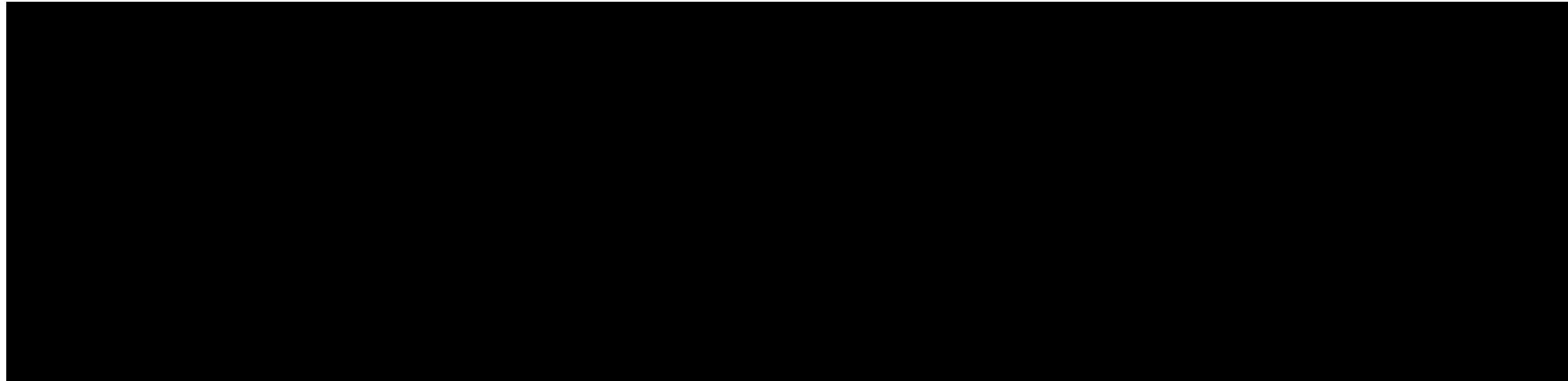
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[REDACTED]



[REDACTED]

Based on the above analysis, it is identified that over the seven (7) year period:

- The total cost of utilities and facility maintenance for the six (6) facilities was [REDACTED], with [REDACTED] of the costs attributed to [REDACTED] and [REDACTED].
- The total cost (or deficit) to operate the facilities, including operating results, utilities and facility maintenance, was [REDACTED], with [REDACTED] accounting for [REDACTED] or [REDACTED] of the total deficit.

## 4.7.4 Financial Performance – Projected COVID-19 Impacts

As part of the financial analysis, the Consulting Team have assessed the potential income loss and the increased operating deficit due to the COVID-19 pandemic. The assessment includes Belgravia Leisure's forecasted results for 2022/23, the 2023/24 budgeted figures and the preceding six years of operations.

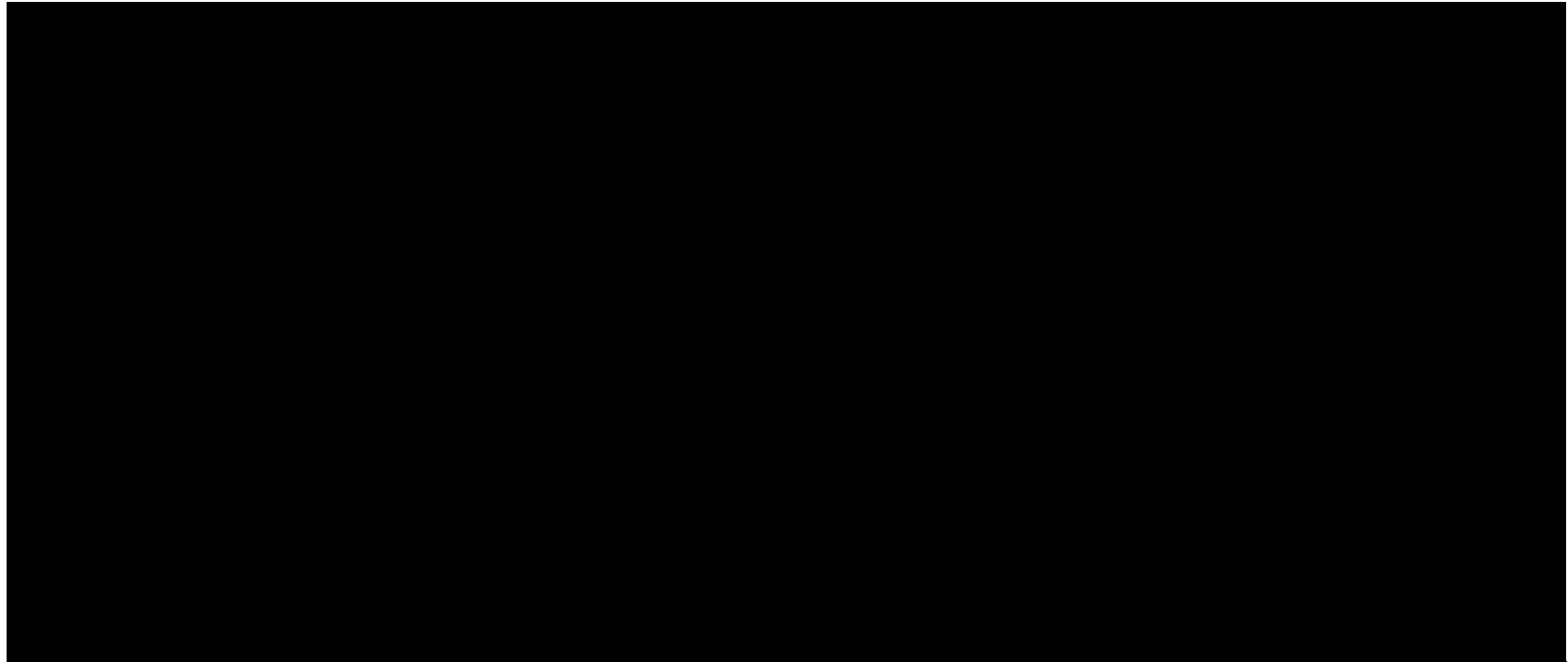
### 4.7.4.1 Consolidated Income Impacts

Graph 3 below demonstrates the potential income losses experienced as a result of the COVID-19 pandemic. The assessment is separated into two (2) scenarios, as outlined below:

- Scenario 1 (Blue Line) - The income is based on actuals for the three (3) years prior to COVID-19 and the three (3) years of COVID-19-Impacted results, with Belgravia Leisure's forecasted income for 2022/23 and the budgeted income for 2023/24.
- Scenario 2 (Green Line) - The income is based on actuals for the first three-(3) year period, with projected income from 2019-20 onwards, assuming the COVID-19 pandemic did not occur. To calculate this, the following assumptions were applied:
  - A CPI of 3% was applied to the 2018-19 results to calculate the 2019-20 estimated income level.
  - Based on Gunyama commencing operations in February 2021, the Consulting Team has used the financial projections produced by Belgravia Leisure in December 2018 and assumed that based on the Centre opening in peak operational months, 50% of the 2020-21 projected income has been applied [REDACTED]. CPI of 3% has been applied to the previous year for the remaining five (5) facilities.
  - For the 2021-22 and 2022-23 financial years for Gunyama, the Consulting Team has utilised Belgravia Leisure's projected income from the 2022-23 and 2023-24 COVID-19-Impacted budgets. This is based on the 'ramp-up' in performance likely to occur in the second and third year of operations for a greenfield site.
  - For the 2023-24 financial year, a CPI of 3% on the previous year has been applied for all facilities.



- Scenario 1 (Blue Line) - The results are based on the actual net results for the three (3) years prior to COVID-19 and the three (3) years of COVID-19-Impacted actual net results, with Belgravia Leisure's forecasted net deficit for 2022-23 and budgeted result for 2023-24 (final two (2) financial years).
- Scenario 2 (Green Line) - The results are based on the actual net results for the first three-year period, then the projected net results had the COVID-19 pandemic not occurred. To calculate this, the following assumptions were applied:
  - CPI of 3% was applied to the 2018-19 results to calculate the 2019-20 estimated net result for the five (5) facilities.
  - Based on Gunyama commencing operations in February 2021, the Consulting Team has used the financial projections produced by Belgravia Leisure in December 2018 and assumed that, based on the Centre opening in peak operational months, the total 2020-21 projected net result for Gunyama has been applied [REDACTED], due to the timing of the opening. A CPI of 3% was applied to the previous year for the remaining five (5) facilities.
  - For the 2021-22 and 2022-23 financial years, the Consulting Team has utilised Belgravia Leisure's projected net result for Gunyama (December 2018) and applied a 3% CPI increase to the previous year for the remaining five (5) facilities.
  - For the 2023-24 financial year, a CPI of 3% on the previous year has been applied for all facilities.

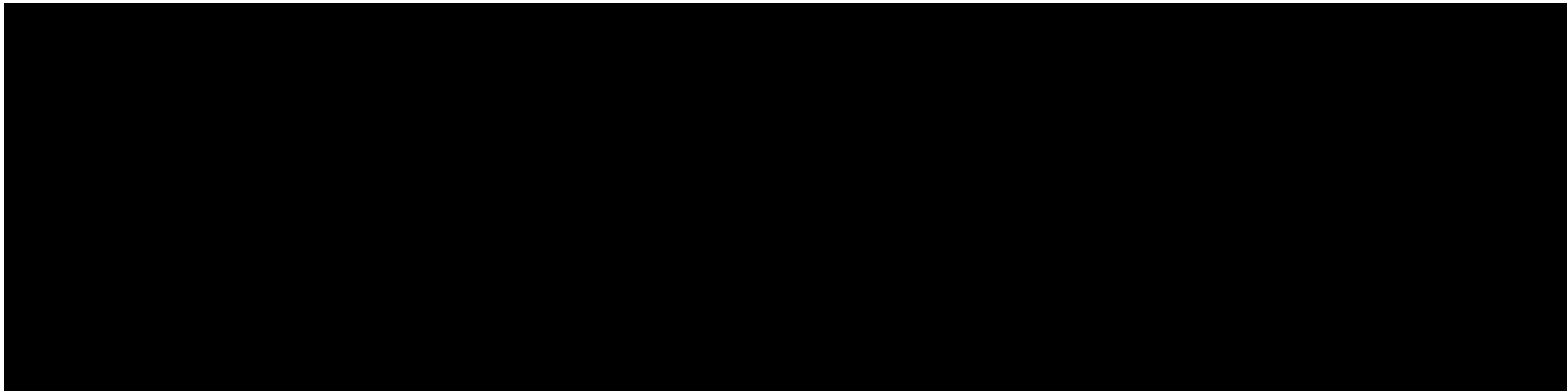


Based on the above information, it is identified that over the eight (8) year period:

- The anticipated BAU net result (green line) equates to a total operating surplus of [REDACTED] (excluding utilities and facility maintenance), while the equivalent period, inclusive of COVID-19 impacts, equated to a deficit of [REDACTED] (blue line), which equates to a variance of [REDACTED].
- It should be noted that COVID-19 impacted actuals (blue line) of 2019 to 2021, incorporating JobKeeper and JobSaver payments of approximately [REDACTED], which would have expanded the deficit to approximately [REDACTED] or a variance of approximately [REDACTED], had the facilities not been under an outsourced model.

#### 4.7.5 Contract Expenses Overview

The table below represents the total contract expenses (management fee/management support/head office support) for all facilities over the seven (7) year period. The table also outlines the contract expenses as a percentage of the total operating income and expenditure.



Based on the above information, it is identified that over the seven (7) year period:

- The total contract expenses for all facilities were [REDACTED], with an average annual expense of approximately [REDACTED].
- Overall, the total contract expenses equate to [REDACTED] for the facilities. Similar contracts of this scale have contract expenses from around [REDACTED].



## 4.8 Facility Attendance Summary

The table below provides an overview of each facility's total annual attendance for the BAU, COVID-19 impacted, and COVID Recovery periods. The 2022/23 attendances have been calculated using actuals as of the end of March, plus the budgeted target for the remaining three (3) months.

All Facilities	BAU			COVID-19 Impacted			COVID Recovery	Total (7 Years)
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Combined Total Attendances</b>	<b>1,790,123</b>	<b>1,662,207</b>	<b>1,711,634</b>	<b>1,243,756</b>	<b>1,292,413</b>	<b>1,062,141</b>	<b>1,751,988</b>	<b>10,514,262</b>

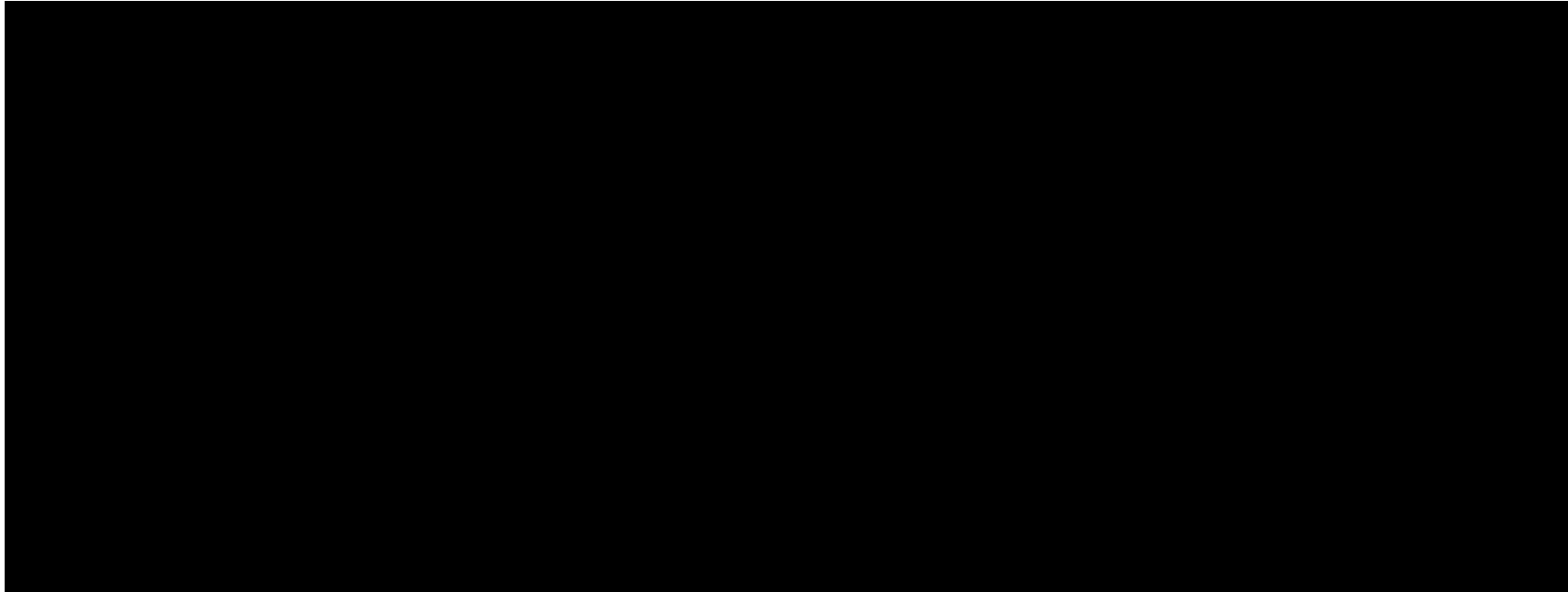
Table 19: Annual Attendance Summary

Based on the above information, it is identified that over the seven (7) year period:

- The total attendances for all facilities were 10.5M, with an average annual attendance rate of 1.5M visitations.
- Gunyama accounts for [REDACTED] of the 10.5M visitations, with ITAC being the most attended facility with [REDACTED] visits, and for the three (3) years before the pandemic, it had an average of [REDACTED] visits per annum.
- Based on the City of Sydney's estimated 2016 usual residents of 208,374 (ABS Census), the number of visits per head of population to the five (5) facilities in 2016 was 8.59, compared to 2022/23, which is forecasted to be 8.27 visits for the six (6) facilities (based on the 2021 population estimation of 211,623). As a comparison, a major Greater Sydney Council with four facilities in 2018 was 5.42 visits per head of population.
- The total forecasted attendances for 2022/23 represents an increase of [REDACTED] visitations, with Gunyama accounting for [REDACTED] of the attendances.

#### 4.8.1 Facility Attendance Summary by Business Driver

Graph 5 below demonstrates the number of centre attendances across all sites and the aquatic and fitness-based attendances. The 2022/23 is based on actual attendance at the end of March 2023, plus the targeted attendance for the remaining three months.

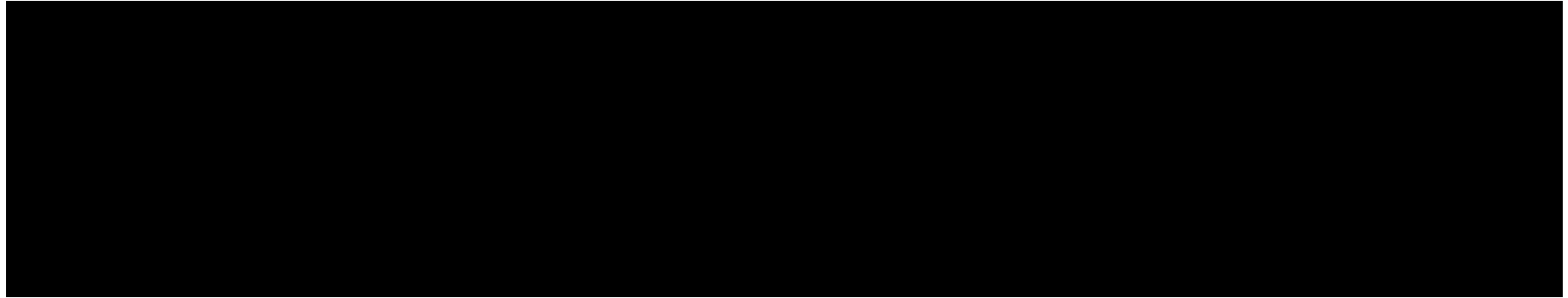


Based on the above information, it is identified that over the seven (7) years:

- Aquatics accounted for [REDACTED] of the total attendance for all facilities, followed by health and fitness, which accounted for [REDACTED] of the attendance.
- Although the pandemic significantly impacted operations through social distancing and lockdown requirements, there was only a minor variance in the percentage of aquatic and health and fitness attendances compared to the total attendances for the BAU period and the COVID-19 impacted periods. Aquatics was [REDACTED] of the total attendances in the BAU period compared to [REDACTED] during the COVID-19 impacted period, and health and fitness were [REDACTED] and [REDACTED], respectively. This indicated that the overall attendance reductions were relative to the two business driver areas of aquatics and health and fitness.
- For the 2022/23 period, there has been a notable shift in the profiling of attendances, with aquatics making up [REDACTED] and health and fitness increasing to [REDACTED]. This is primarily related to the shortage of learn-to-swim teachers and a higher than expected return of health and fitness members.

## 4.8.2 Subsidy Per Visit

Table 20 below represents the subsidy per visitation to the facilities for the past six completed financial years and the forecasted subsidy for 2022/23. The subsidy per visitation includes the net operating result (incorporating aquatic maintenance), facility maintenance and utility costs.



████████████████████

Based on the above information, it is identified that over the past seven (7) years:

- Significantly, between the periods for the five (5) facilities, the subsidy per visit averaged ██████ (BAU) and ██████ per visit (COVID-19 Impacted and COVID Recovery), an increase of ██████. With the addition of Gunyama, the average subsidy per visit for all sites reduces slightly to ██████ for the COVID-19 impacted and COVID Recovery periods.
- The significant increase in 2021/22 resulted from JobKeeper payments being removed, Gunyama not having a full year of operations and only nine (9) months of operations.
- ██████ represents the highest average subsidy per visit ██████, while ██████ had the lowest subsidy ██████ over the seven-year period.
- Excluding maintenance and utility costs borne by Council, ██████ was the best performing with an average subsidy per visit of ██████, while ██████ had the highest average subsidy per visit of ██████ across the seven (7) years.

## 4.9 Operational Overview Key Findings

The detailed analysis of the financials and attendance has identified the current and future challenges for the facilities, primarily due to the COVID-19 impacts, but is compounded by the City's slow recovery and the performance of the ageing assets, namely CPP and VPP. Based on the assessment of the potential net result of the facilities (excluding utilities and facility maintenance), it is presumed that had COVID-19 not occurred (actual performance and budget estimates), the performance would have had a financial improvement of approximately ██████ over seven (7) years. This result was improved by Belgravia Leisure being eligible for JobKeeper and JobSaver payments, equating to ██████.

Although the 2022/23 financial year has seen an increase in attendance, the forecasted total attendance is still below the pre-COVID levels, which did not include Gunyama. The lack of workers and students returning to the City has significantly impacted the performance of the facilities, with only 55% office occupancy levels as of June 2022, down from 67% in June 2021. With the trend of working from home regularly and universities only slowly increasing the intake levels for international students, aquatic leisure facilities will likely continue to be impacted, and performance is highly unlikely to return to pre-COVID levels over the next █ years.

The City's level of aquatic leisure provision means a crossover with catchment areas. This is likely to create challenges for the City, where the level of subsidy to maintain the assets will continue to increase, yet the population of 'usual residents' has been relatively stagnant over the past five (5) years, meaning some of the facilities will be 'cannibalising' from others in the network.

Below are the key findings associated with the aquatic leisure facilities' operational performance.

- Excluding utilities and maintenance, the five (5) facilities operated at a surplus of ██████ for the three (3) years pre-COVID-19, conversely over the three (3) COVID-19 impacted years and the 2022/23 forecasted year, the five (5) facilities have operated at a deficit of ██████. With the introduction of the Gunyama, the deficit for all six (6) facilities is ██████ for the past three (3) COVID-19-impacted years and the COVID recovery year (2022/23).
- Inclusive of utilities and maintenance for the COVID-19 impacted years and the 2022/23 forecasted year, the deficit for the six (6) facilities is ██████, whereas, for the three years pre-COVID-19, the deficit was ██████ (excludes Gunyama).
- The increasing deficits have resulted in the subsidy per visit growing to ██████ per visit for the COVID-impacted period and 2022/23 forecasted year (inclusive of Gunyama) from an average of ██████ pre-COVID-19. Of most concern is ██████, which had an average subsidy per visit over the seven (7) years of ██████, primarily due to a significant reduction in attendance ██████ and ongoing maintenance costs to support the ageing facility.
- The ageing assets of CPP and VPP will require significant investment from the City to maintain the assets. ██████ has operated with the highest deficit of any of the facilities over the seven (7) year period ██████, significantly higher than the next highest, ██████ ██████. The ageing assets will continue to impact customers' experience and likely influence their decision-making regarding value for money. A level of investment will be required to ensure the facilities have greater appeal and continue to deliver high-quality services, meet service levels, maintain and generate increased income levels, and deal with changing demand. Compounding this is the level of competition for health, fitness, and aquatics in the Greater Sydney area.
- Compared to the 2018-19 financial year (pre-COVID-19) forecasted attendance for 2022-23, the five facilities represent a decline of ██████ or ██████ visitations. Notably, ██████ and ██████ accounted for the decline with a combined reduction of ██████ visits.
- Based on Gunyama being located in a residential area and the facilities being state-of-the-art, particularly the leisure water park for children, which is a big attractor, the facility is likely to perform notably better than the other facilities. The ITAC, CPP and VPP will rely more on students and workers returning to the CBD to improve operational performance.

# 5 Internal and External Consultation

The consultation process for the project was undertaken in three (3) forms: a) Internal Scoping, which focused on the current arrangements, strategic alignment of the project, and the issues and opportunities for each model, b) Internal Workshops, which were undertaken to assess the internal capability and capacity to operate the facilities under an in-house model, and c) External Consultation, to obtain insights from LGAs that have implemented specific models, and a market sounding process with selected management groups.

## 5.1 Internal Scoping Consultation

A series of internal scoping sessions were undertaken with relevant Council Officers and Executive Team to understand the project expectations and requirements better.

The Consulting Team engaged a consultation group from varying positions and functions to ensure that insights and feedback relating to the aquatic leisure facilities' current arrangements and potential management model could be obtained.

Outlined below are the Council Officers and key stakeholders that participated in the consultation sessions for the project:

### Council Officers

Executive

Director City Services

Director People, Performance and Technology

Manager City Greening and Leisure

Manager Cultural Space and Sector Support

Financial Planning and Reporting Manager

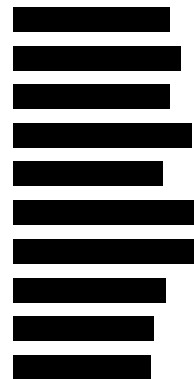
City Leisure Services Manager

Assistant Accountant – Reporting & Analysis

Contract Manager

Contract Manager

Leisure Contracts Relationship & Performance Manager



The consultation sessions provided the opportunity for the participants to offer feedback and comments on three (3) main areas, being:

- Current contract arrangements and performance of the operator.
- Strategic alignment and objectives for the project.
- Key issues and opportunities for the potential management model options.

### 5.1.1 Summary of Internal Scoping Consultation

Consistent feedback from Officers was that the project is timely and essential for the future of the aquatic leisure facilities, particularly relating to the challenging financial position.

The feedback highlighted the absence of a specific vision for the facilities, particularly regarding strategic alignment and differing views on the facilities' cost versus the community health benefits delivered by the centres. Depending on the role of the Council Officers consulted, the perspective of cost and community outcomes often varied.

The current contract arrangement, being an outsourced model, was viewed by most of the interviewed Officers as challenging but potentially more convenient for Council operationally. The outsourced model was viewed as less of an impost on Council's resources than an in-house model.



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

The Officers, particularly Executive, identified concerns about the potential implementation of a Council Company model for the facilities. [REDACTED]  
[REDACTED]  
[REDACTED]

It was also highlighted through the consultation process that Bayside Council is currently attempting to establish a Council Company for their aquatic and leisure facilities, which has been highly problematic. The process for Bayside Council commenced approximately two (2) years ago, and to this point, the Minister has not signed off approval, which is a pre-requisite for the establishment of a Council Company. The Bayside Council is currently continuing to proceed with establishing a Company and has commenced the transition to operating the service in-house, pending approval of the company.

The Officers provided mixed feedback regarding a potential in-house model to operate the aquatic leisure facilities. Although all Officers believed Council had the capability and capacity to manage the facilities, which would be more in line with the surrounding municipalities, it was highlighted that the impacts of the higher wage rates under a State Award would further increase the operating deficit of the centres. It should be noted that some Councils have chosen to introduce their own enterprise agreement to lower the wage costs. A more comprehensive assessment is outlined in section eight (8) of the report to obtain a deeper understanding of the internal capability of the Corporate Services team.

The Officers were also provided with an opportunity to offer feedback on hybrid models, which were i) a Labour-hire model supported by Council's Corporate Services, ii) a Council Company supported by Council's Corporate Services, or iii) a mix of in-house and outsourced facilities.

There were varied views from the participants relating to the Labour-hire model, including concerns that the model is untested for a contract of this scale, as well as the potential challenges of a management group being able to attract and maintain staff. Conversely, the Labour-hire model was identified as an opportunity for Council to have greater control over the direction of the facilities with lower operational costs.

The Council Company model was viewed as a mechanism to have the Company operating more closely with Council, particularly relating to the vision for the facilities and aligning with Council's strategic direction and values. Concerns however, were made around the structures and controls in place around the balance of influence and decision-making relationship between Council and the Company.

It was identified that a mix of in-house and outsourced operated aquatic leisure facilities would likely be problematic due to varying wage structures between a Council award and the fitness industry award. It was also stated that there would be confusion in the market regarding who is managing the facilities, and the likely inconsistency in the marketing and promotion of the facilities to the broader community. This would also impact the ability to deliver a seamless reciprocal rights offer for memberships.

It was also stated through the consultation process that the cost and time associated with changing to a different model would be significant and should not be underestimated in the decision-making process.

Below is a summation of the responses from Executive and Council Officers:

**a) Contract arrangements**

- The review of the management model is a high priority for Council, primarily resulting from the COVID-19 impacts and the significant losses sustained during the pandemic.

- The City's slow recovery, particularly concerning the return of workers and students, is likely to have an ongoing impact, and there is uncertainty if the facilities will recover to pre-COVID-19 levels.
- The Contract #1107 for the five centres has not been market tested for an extended period and is not aligned with the more contemporary and community health outcomes focus of the Gunyama contract, that is balanced with the appropriate compliance focus to manage the City's diverse risks.
- Under the current fee-for-service model, there is tight and collaborative day-to-day oversight of the operations of the facilities.
- There have been ongoing concerns with the facilities not consistently being maintained to a high standard.
- There have been challenges with refocussing the key performance indicators to focus on the financial performance of the facilities and little relating to community health and impact.
- There are concerns over the staff shortages within the facilities.
- It was noted that the last few years had been very challenging as a result of the COVID-19 impact, the timing of the Gunyama opening, staff availability, changes to City worker numbers, etc.

**b) Strategic alignment and objectives for the project.**

- Accessibility and inclusion for all community members must be a strong focus for the facilities.
- A key focus of the management and operation of the facilities should be to ensure environmentally sustainable practices to assist in delivering on the 'Green' strategic theme.
- Financial sustainability is critical for the operation of the facilities, particularly given the previous and ongoing impacts of the pandemic.
- Concerns were raised that the facilities' operational performance will likely not return to pre-COVID-19 levels for at least the next 5 years.
- There is no facility-specific strategy or policy that articulates the purpose or vision for the operation and management of the centres, which is somewhat problematic for the operators.

**c) Key issues and opportunities for the potential management model options.**

Outlined below are the key issues and opportunities of the management models, which were identified by the participants in consultation process.

Model	Issues	Opportunities
[REDACTED]	<ul style="list-style-type: none"> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> </ul>	<ul style="list-style-type: none"> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> </ul>





Model	Issues	Opportunities
	<ul style="list-style-type: none"> <li>I [redacted]</li> <li>[redacted]</li> <li>I [redacted]</li> <li>[redacted]</li> <li>I [redacted]</li> <li>[redacted]</li> <li>[redacted]</li> <li>I [redacted]</li> <li>[redacted]</li> <li>[redacted]</li> <li>I [redacted]</li> <li>[redacted]</li> <li>[redacted]</li> <li>[redacted]</li> </ul>	<ul style="list-style-type: none"> <li>I [redacted]</li> <li>[redacted]</li> <li>[redacted]</li> <li>I [redacted]</li> <li>[redacted]</li> <li>I [redacted]</li> <li>[redacted]</li> <li>[redacted]</li> <li>[redacted]</li> </ul>
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Table 21: Issues and Opportunities Summary by Management Model

## 5.2 Internal Capability Workshops

To assist in understanding the capability and capacity of Council to manage the aquatic leisure facilities, should Council opt for an in-house model operation, the Consulting Team undertook a variety of internal workshops from various departments.

Outlined below are the Council Officers and key stakeholders that participated in the internal workshops for the project.

### Council Officers

██████████	Chief Procurement Officer
██████████	Manager Customer Service
██████████	Principal Lawyer
██████████	Manager Risk & Governance
██████████	WHS Manager
██████████	Chief Marketing Communications Officer
██████████	Senior Marketing Communications Manager
██████████	Technology and Digital Manager

The capability workshops provided the opportunity for the participants to offer feedback and comments on four (4) primary areas, being:

- Issues and opportunities for an in-house model.
- Key activities required to be undertaken for the management of the facilities.
- Timeframes for transition to an in-house model.
- Projected level of FTE and required skills and knowledge to manage the facilities.

### 5.2.1 Summary of Internal Capability Workshops

There was a consensus view that the City has the capability and the capacity to oversee the management and operation of the aquatic leisure facilities, although there was also consistent feedback ██████████ and would likely require a significant organisational shift to support the facilities. Central to the feedback was that Council may not be as commercially focused as other models to operate the facilities, in addition to many of Council's departments (i.e., Corporate Services) needing to play a crucial role in supporting the operations.

The key insights and feedback received from the workshops are outlined below. Should this model be opted for, there were some gaps and concerns raised that would need to be addressed in case this model was Council's future. These include:

- Council has previously managed VPP in-house, but significant set-up would be required to establish the capability to operate the facilities.
- ██████████
- There is a significant lack of policies, procedures, processes, and systems currently available to support the services.
- Need to develop operational procedures, processes and systems would require large taskforce from the Corporate Service unit.
- Potential challenges with recruiting and retaining staff to support the operations.
- The compliance requirements for staff are sizeable for the scale of the staff teams, e.g., child protection training.
- Lack of agility is a concern, particularly regarding recruiting staff, undertaking marketing campaigns or implementing processes.

- Greater risk responsibility for Council under an in-house model, e.g., staffing issues, which has traditionally been the responsibility of a management group.
- Insurance premiums would increase significantly for the City, as the risk would be shifted entirely to Council.
- The level of Council compliance training to onboard staff would be significant, with more than 500 staff needing to be trained before commencement.
- The City is developing an integrated booking system that will support the majority of the Council services, including the aquatic leisure centres. The point-of-sale system will need to have the capability to integrate with the system to ensure a positive customer experience.
- Although it has been identified that the City already bears a considerable risk under the current model, the risk levels would be heightened under an in-house model due to staff safety and greater reputational risk.
- The implications on the City's insurance premium are expected to be extremely high, based on the heightened risk of directly managing the facilities.

#### **a) Key Activities and Resources Required**

Below is a summary of some key activities required to develop an in-house management model.

- Recruitment of additional Corporate Services staff to support the establishment phase and ongoing management [REDACTED].
- Train existing and recruited staff from the Corporate Services unit to increase their knowledge and skillset in aquatic and leisure services.
- Compliance training and onboarding of all operational staff.
- Development of all relevant policies, procedures and processes.
- Adjust insurance policies.
- Embed key systems, such as a CRM, to improve the customer experience.
- Refine customer-facing communication tools, e.g., social media, websites and feedback systems.
- Communicate to the broader community about the transition and new operational approaches.
- Establishment and integration of all digital and software-based systems.

#### **b) Timeframes for Transition**

Based on Corporate Service units' feedback, establishing an in-house management model will likely take 18 to 24 months. It was highlighted by the marketing and communications team that to deliver a transition that would ensure an improved level of customer experience would most likely take 24 months to 36 months, but most participants suggested approximately 18 months – 24 months.

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## **Part B – Research and Analysis**

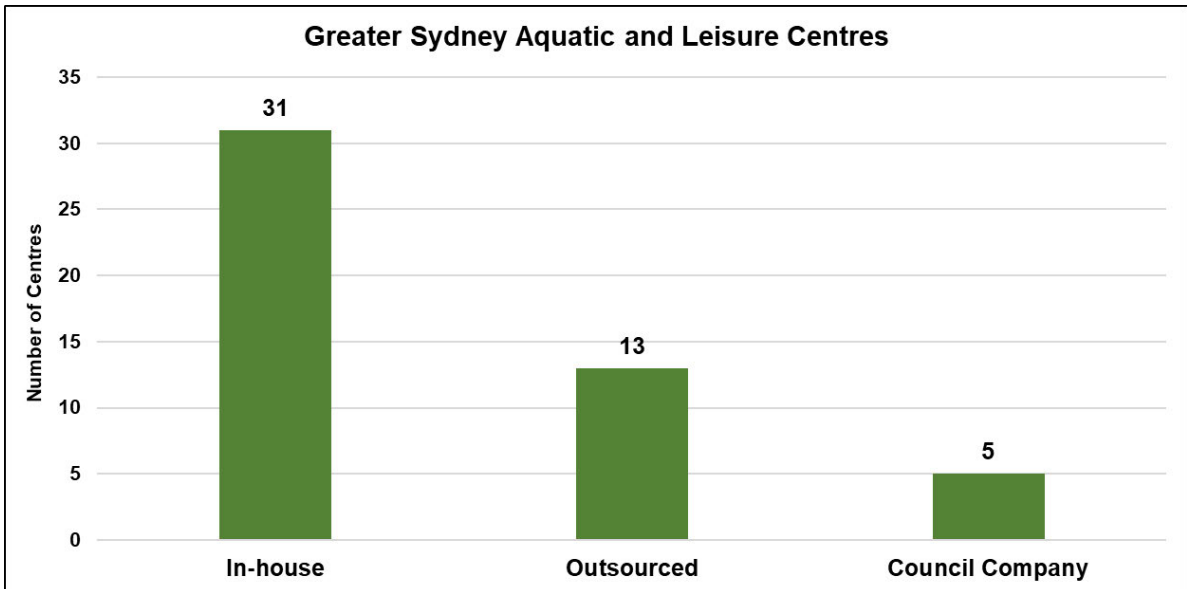
# 6 Industry Research

The following information provides an overview of key industry research relevant to the management model evaluation.

## 6.1 Management Models in Greater Sydney

[Redacted text]

A graph of the key findings is provided below.



Graph 6: Aquatic and Leisure Facilities by Management Model

Outlined in Table 22 below are each of the Greater Sydney municipalities and the management model in place for their aquatic and leisure centres. It should be noted that four (4) of the municipalities do not have aquatic and leisure centre provisions, and also, several of the councils have multiple management models in place to operate their facilities.

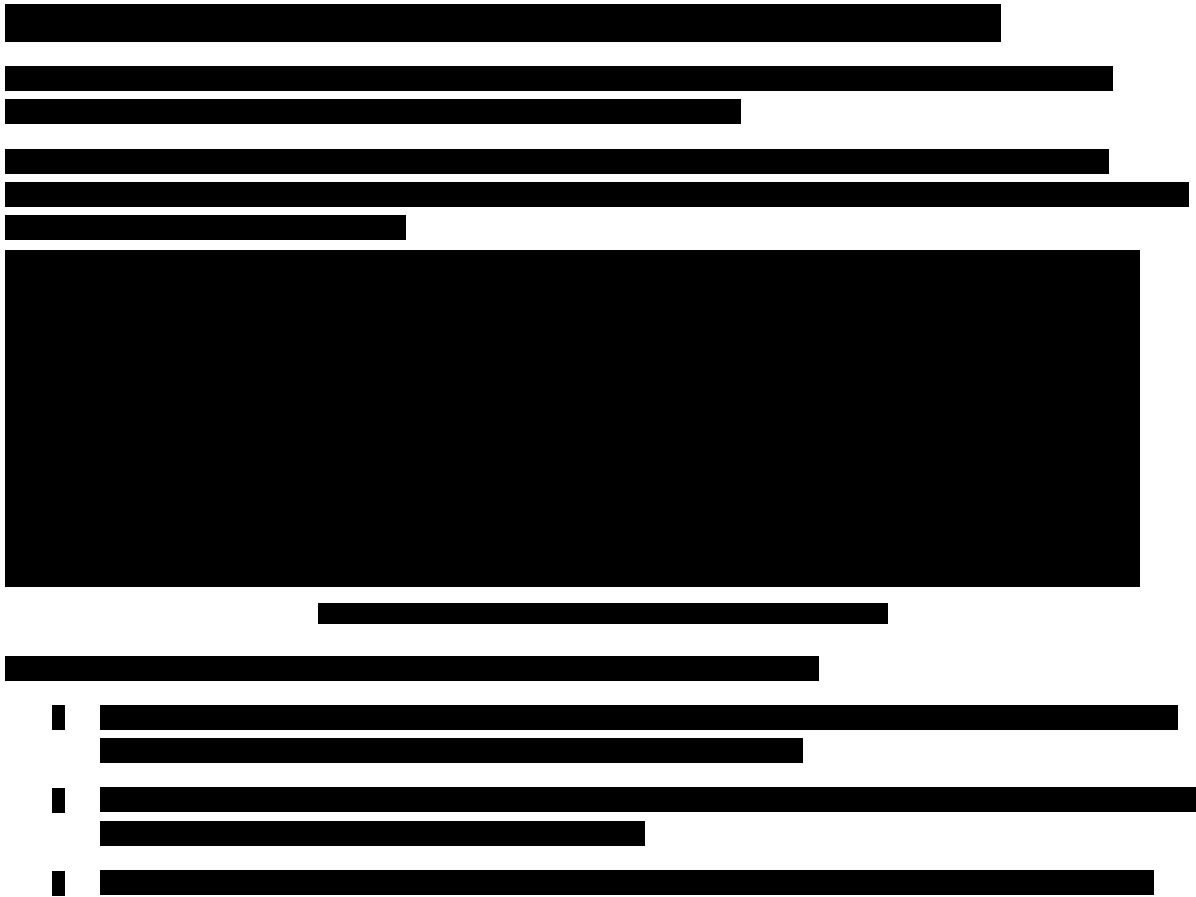
[Redacted text]





Table 22: Management Model Type by Municipality

■



The table content is almost entirely obscured by black redaction bars. The structure appears to be a list of municipalities, each followed by several rows of data. The redaction is complete for all data points, leaving only the structural layout visible.

[REDACTED]

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### 6.3 COVID-19 Implications and Learnings

COVID-19 has had a significant impact on the leisure industry, in particular capital city local governments. The most impacted capital cities have been, and remain to be, the City of Sydney and the City of Melbourne Councils. Underpinning the impacts is the change in workplace culture and worker expectations within city-based businesses and organisations. In addition, the slow return of international students has also impacted the Cities.

Research undertaken by the Property Council of Australia identified that the Sydney CBD has reduced office occupancy levels over the past 12 months, declining from 67% in June 2021 to 55% in June 2022. The Melbourne CBD recovery has been highly challenging, with only 38% office occupancy for June 2022. Research undertaken by the Royal Melbourne Institute of Technology (RMIT) has outlined that only 12.5% of workers have returned to their workplaces full-time in Melbourne's CBD.

When comparing the 2021-22 financial year income levels to pre-COVID levels (2018-19) for the aquatic leisure facilities of the City of Sydney and the City of Melbourne, the City of Sydney is notably lower at [REDACTED] (excludes Gunyama) versus approximately 62% for the City of Melbourne facilities. Although, it should be noted that the City of Melbourne had 89 days of lockdowns in the 2021-22 financial year, whereas the City of Sydney had 107 days of lockdowns, which would have further impacted the income levels.

The international student market is also considerably impacting the City of Sydney's recovery. According to a recent study undertaken by the University of Victoria, prior to the pandemic, there were approximately 580K international students living in Australia; as of October 2022, there were approximately 370K, a reduction of approximately 36%. However, at the time of this report there are currently 72K student visa holders not residing within Australia who are likely to return, which will still leave a notable reduction compared to pre-pandemic levels.

Whilst the impacts of the COVID-19 pandemic have been exceptionally challenging, some key learnings could enhance service provision in the future. These include responding to the increased well-being, general health and social inclusion needs of the community, providing a diverse range of services that increase community reach (e.g. online education, small group activities, virtual

programs, inclusion-based activities, stadium-based community programs) and driving a low-cost base to maximise affordability. From a management perspective, key considerations resulting from the COVID-19 situation include maximising flexibility and control of the operation to adapt to the rapidly changing landscape.

Below is a summary of the key learnings from Outsourced, In-house and Council Company models.

- a) Outsourced Model - the management groups have been heavily affected by the pandemic and associated lockdowns and restrictions. [REDACTED]
  
- b) In-house and Council Company – the overall implications were similar for the in-house model and Council Companies, both ineligible for JobKeeper (or JobSaver). The high fixed costs have been significant, and should further lockdowns occur in the future, the financial viability of many operations may be catastrophic. For example, in Victoria, where the 'lockdown' periods were extensive, one Council Company stood down most of its staff for an extended period while another Council redeployed staff to other areas.

The City of Sydney, under the outsourced model, benefited from the JobKeeper and JobSaver payments, which realised an improvement of [REDACTED] over the past three (3) financial years.

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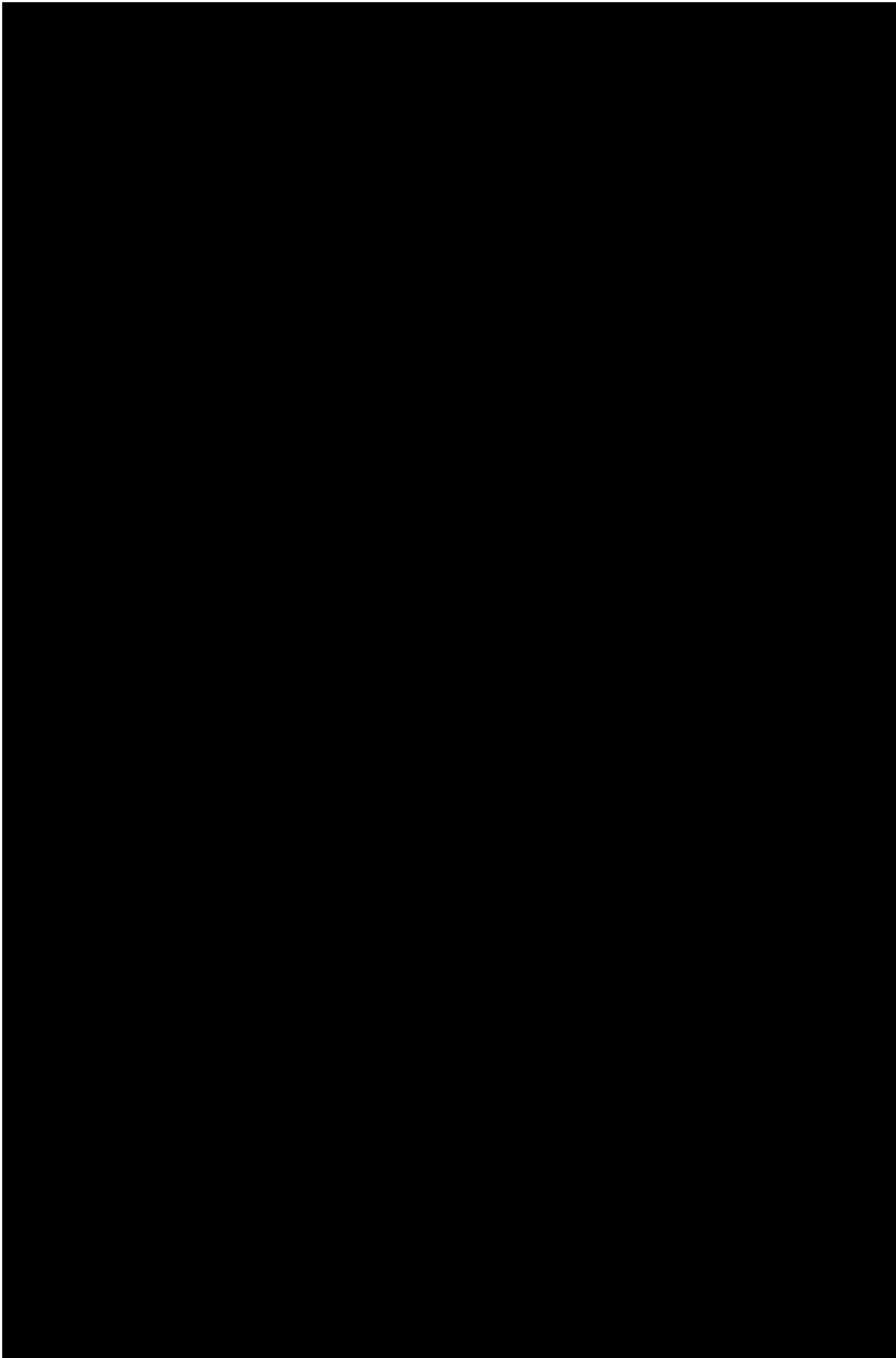
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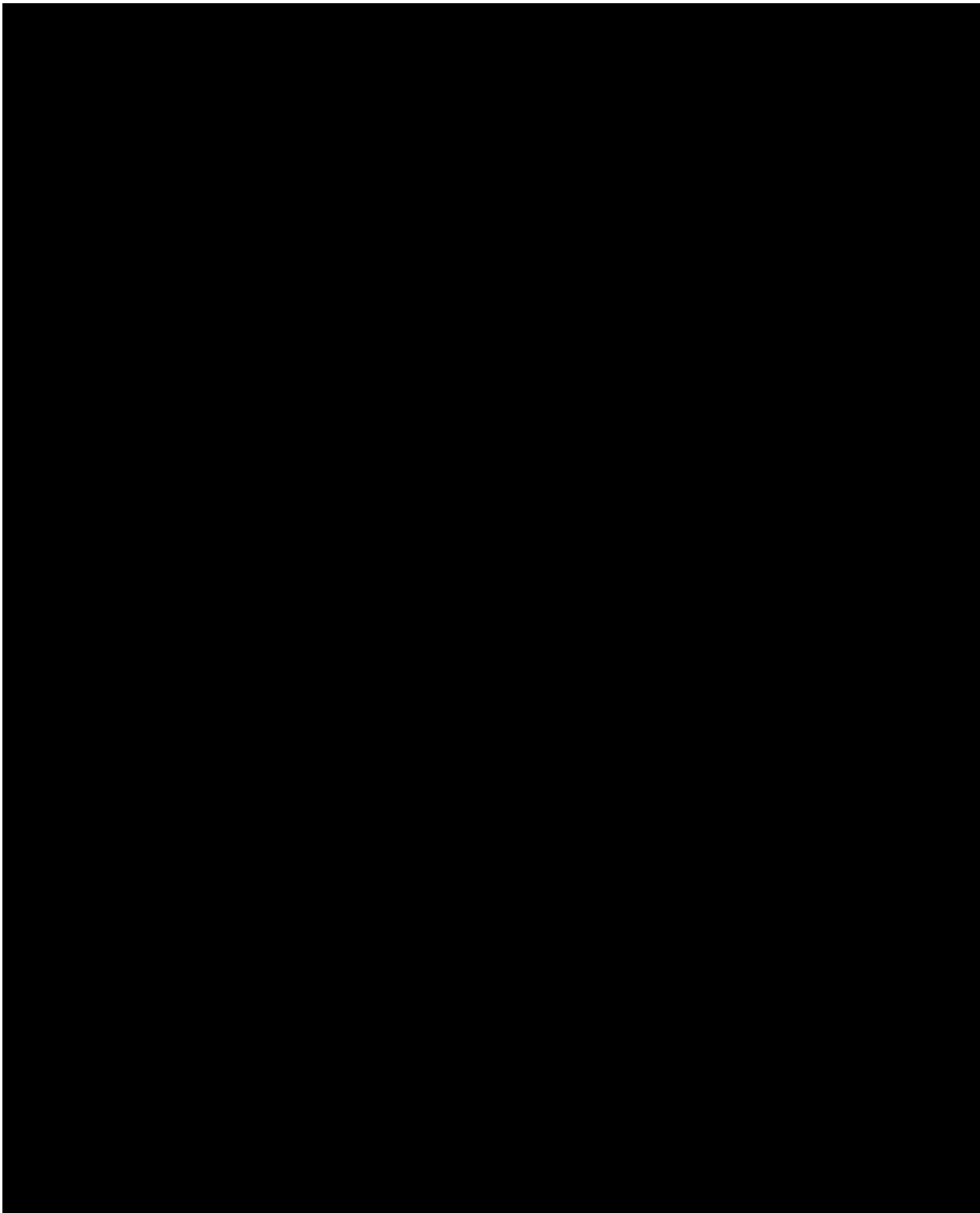
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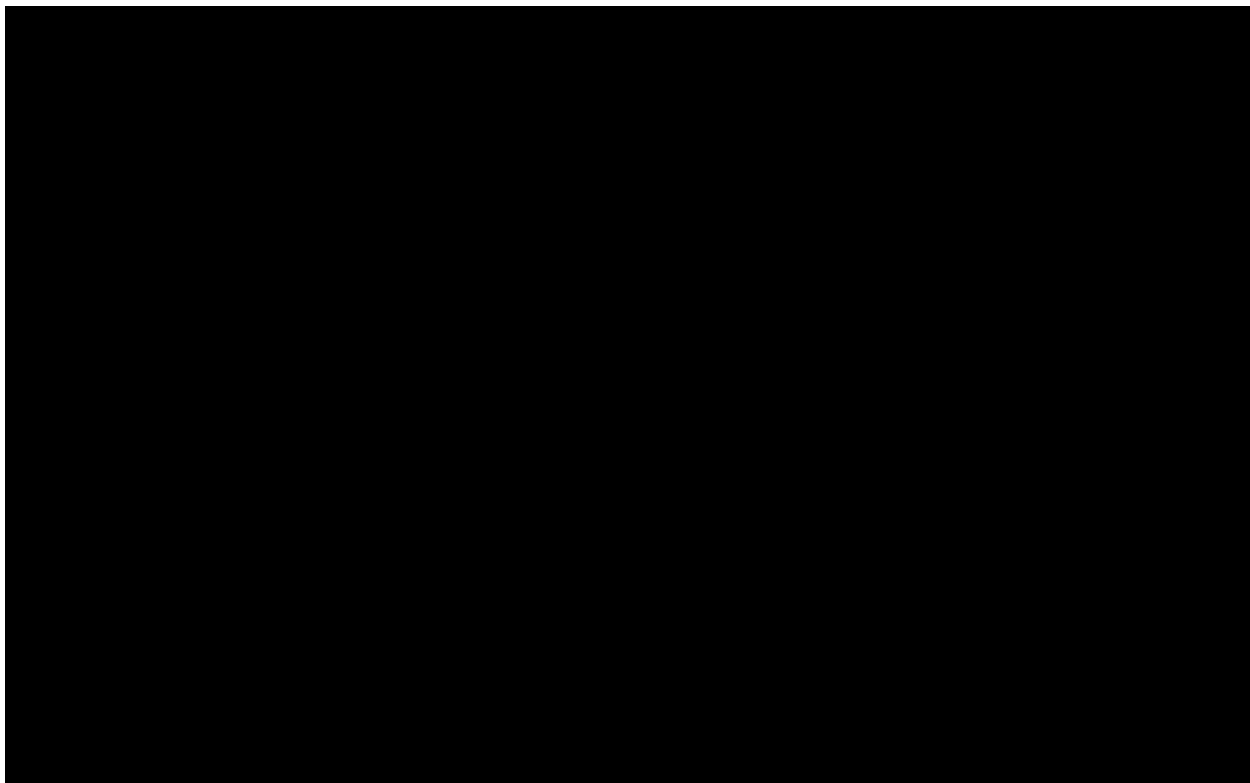
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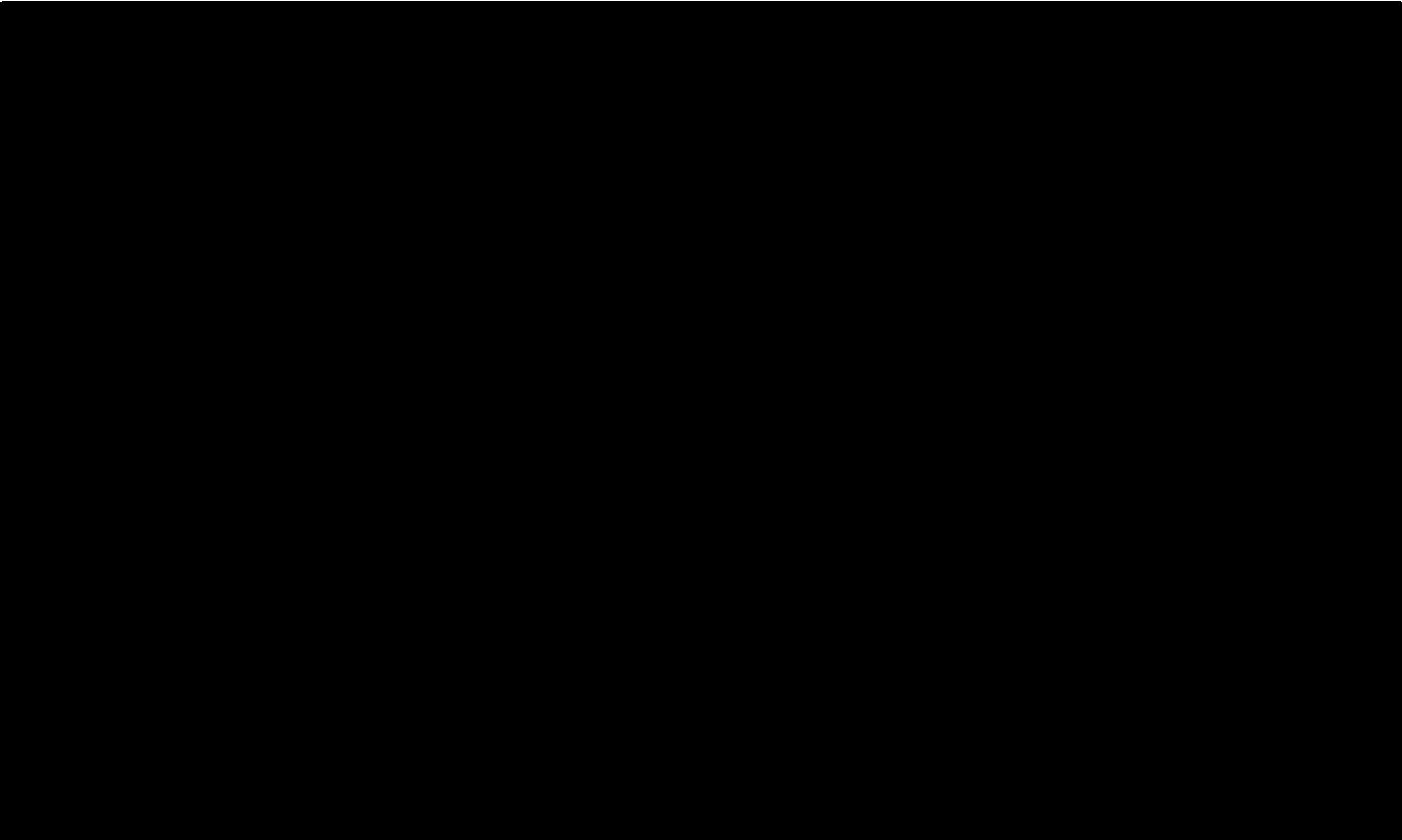


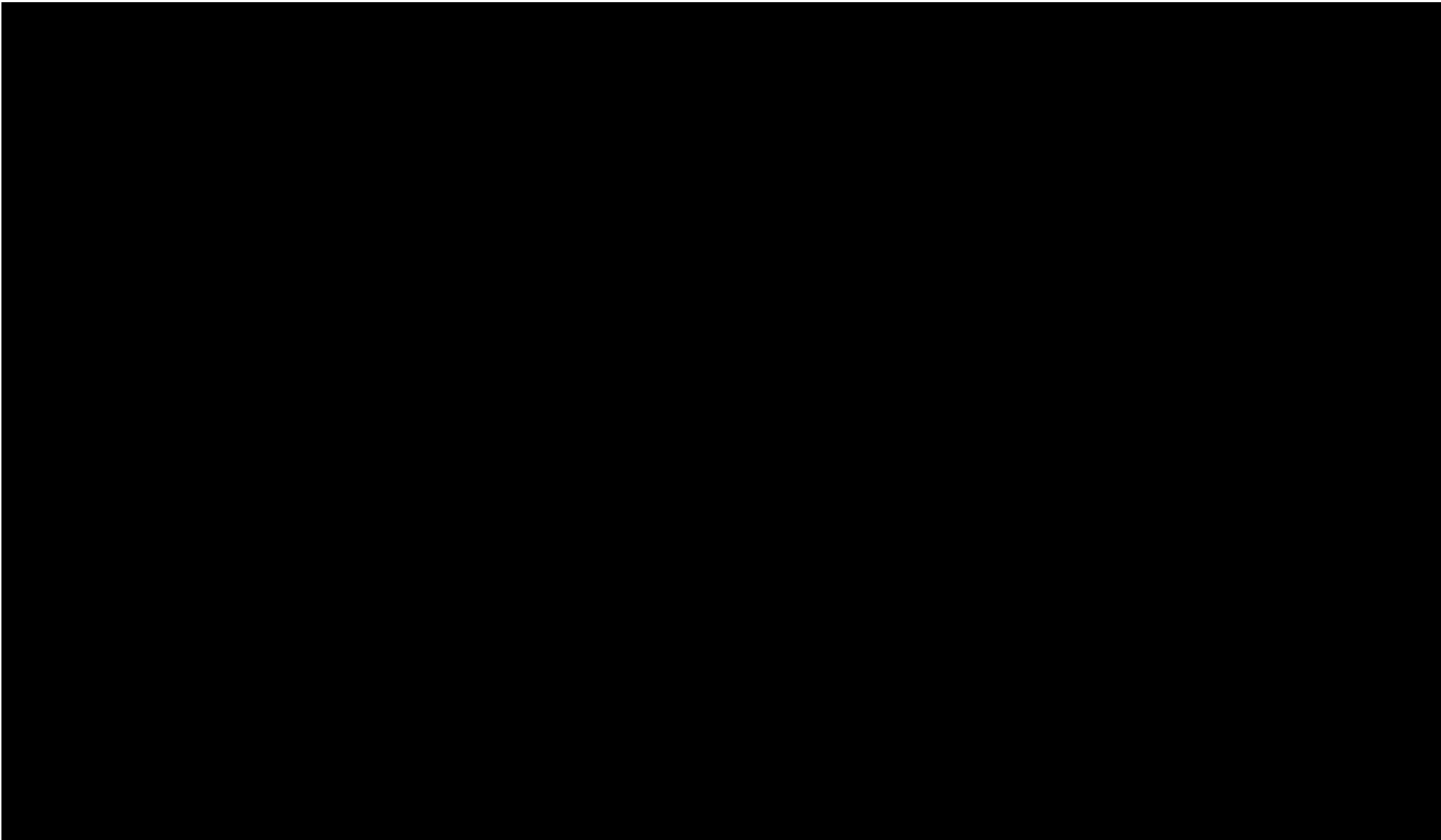
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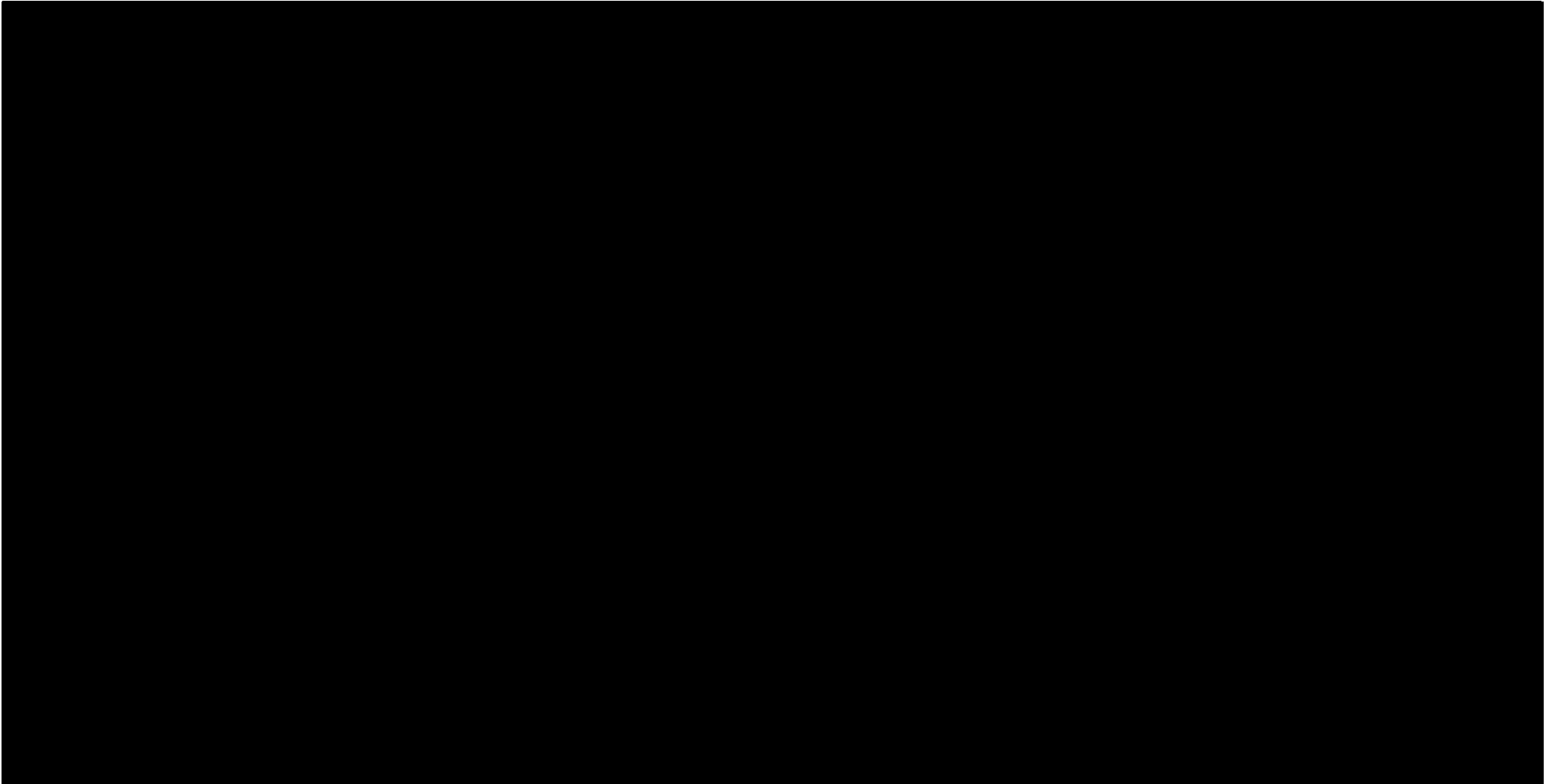
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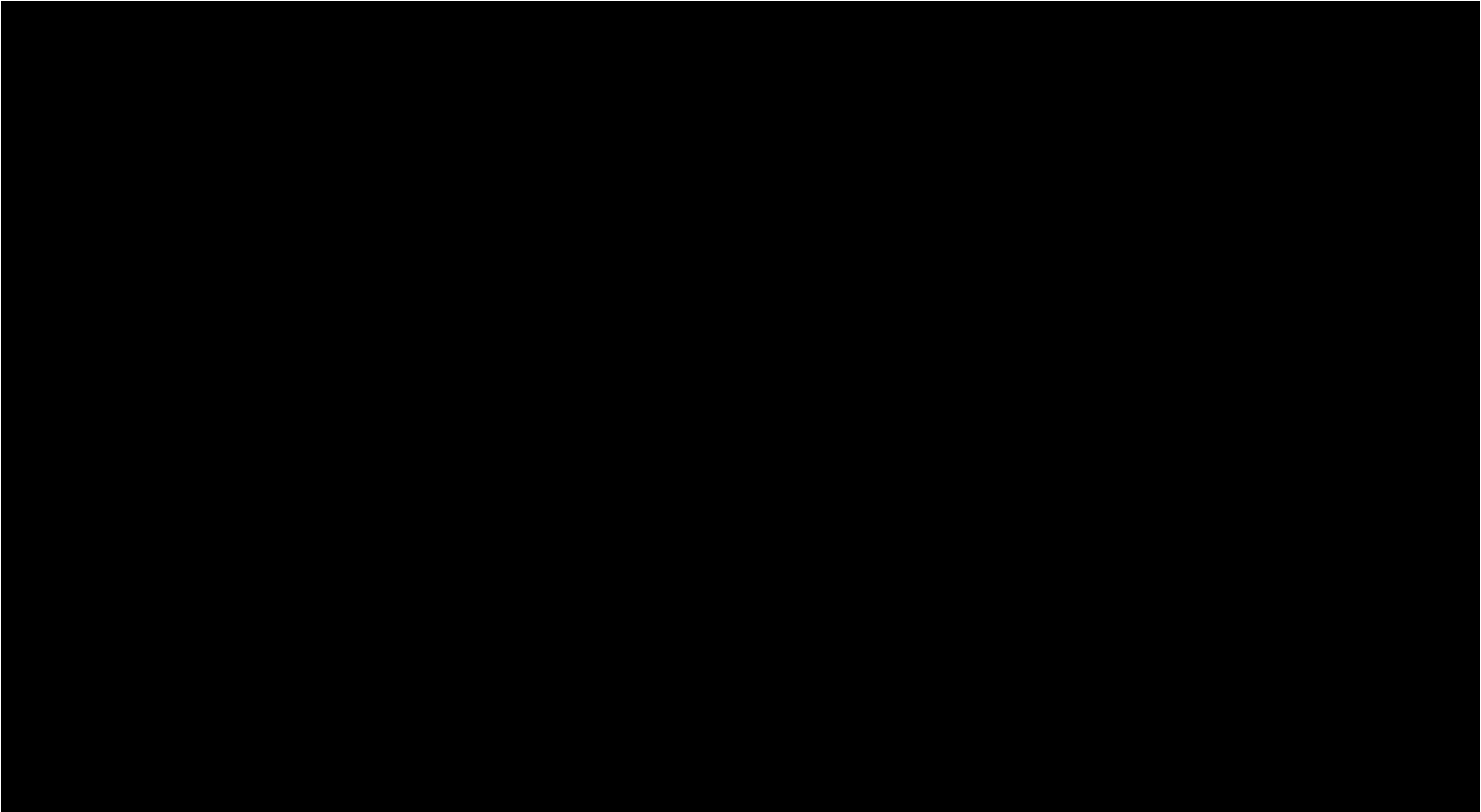
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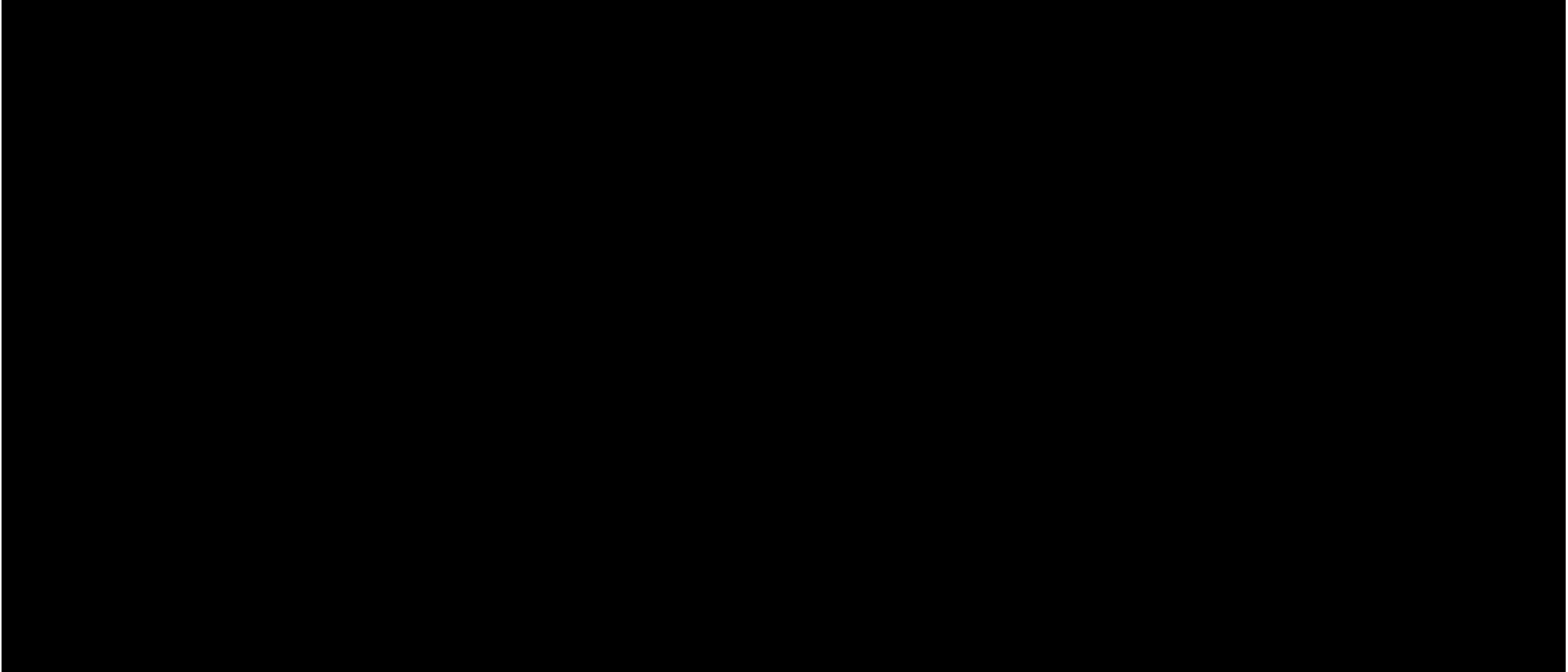


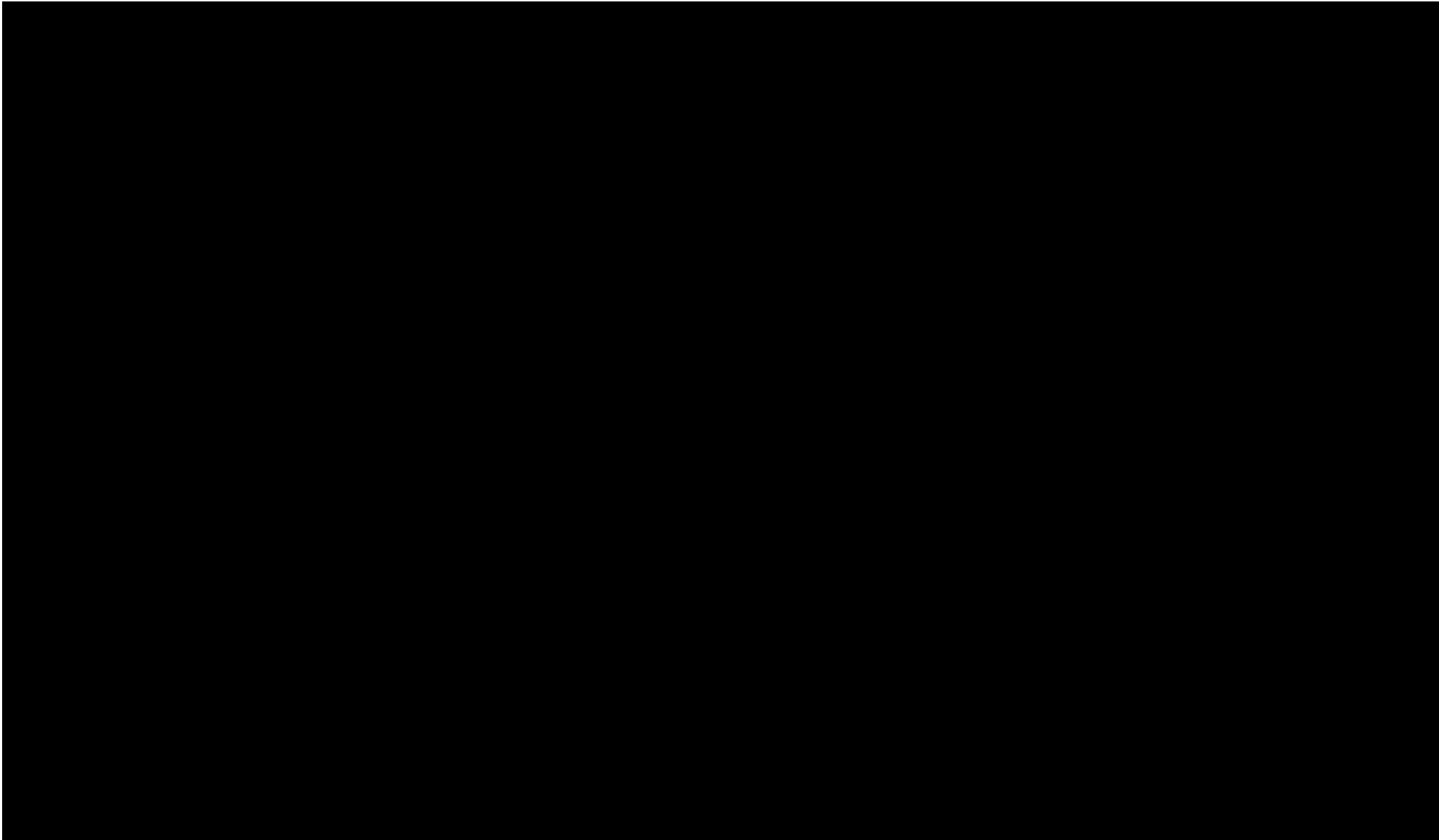


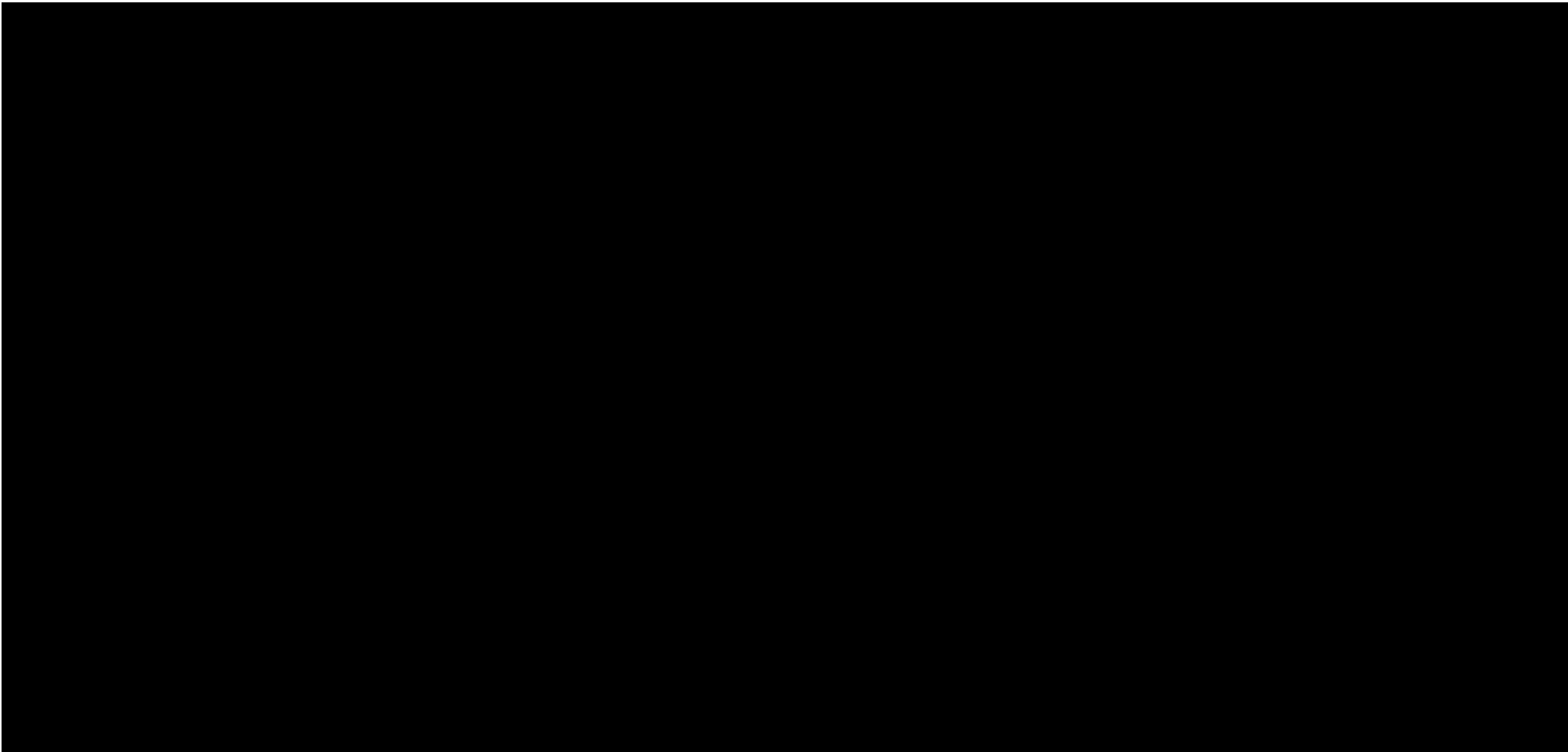


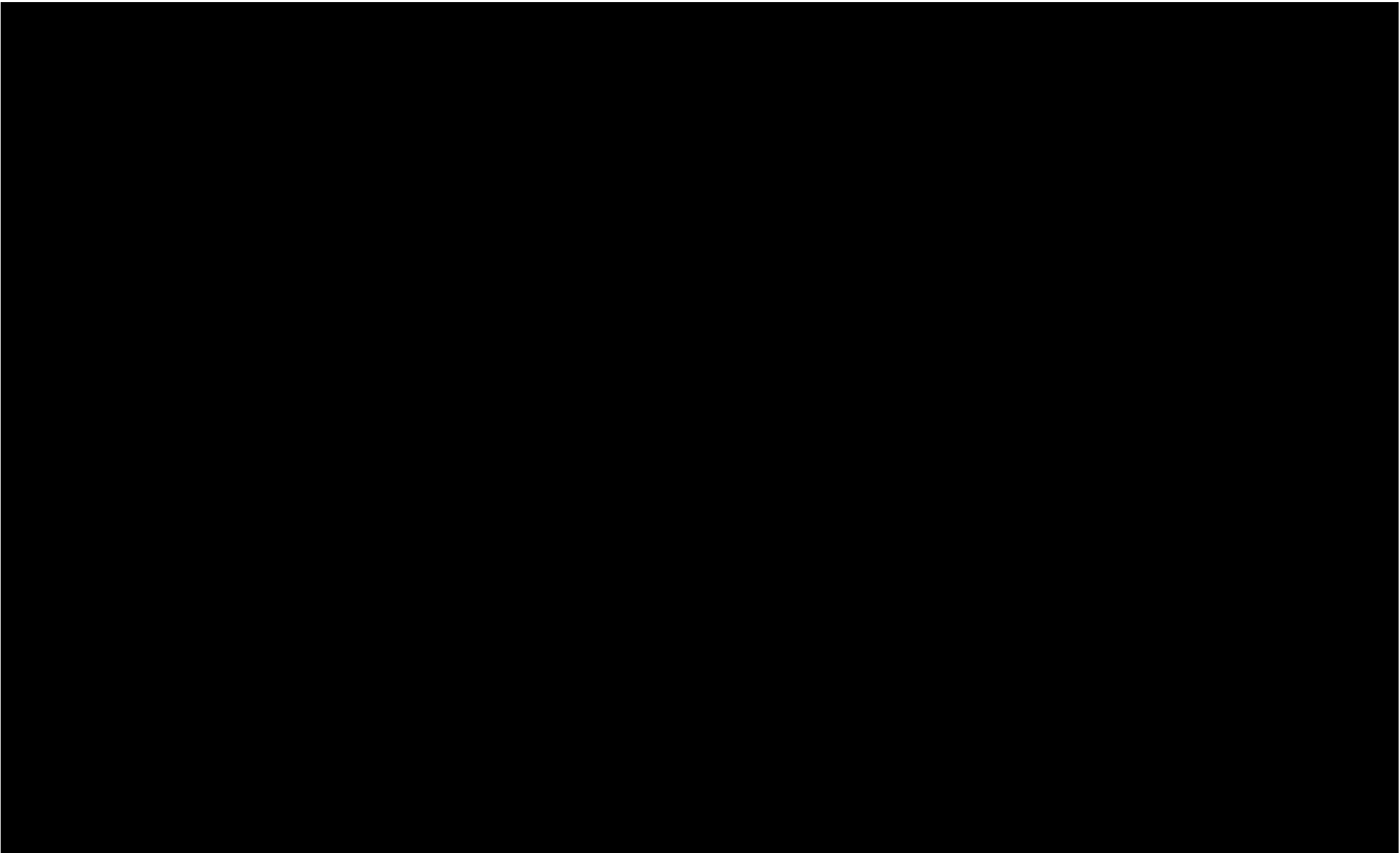












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# 7 Market Analysis – Outsourced Model

The market analysis aims to assess the potential management groups of an outsourced model. The market analysis process is an extension of the market sounding that formed part of the project.

The analysis has been separated into four (4) sections, being a) an overview of the current management group landscape, b) a SWOT analysis of the relevant management groups, c) a Porters Five Forces assessment of the outsourced market, and d) a PESTLE analysis to assess the environmental factors influencing the outsourced market.

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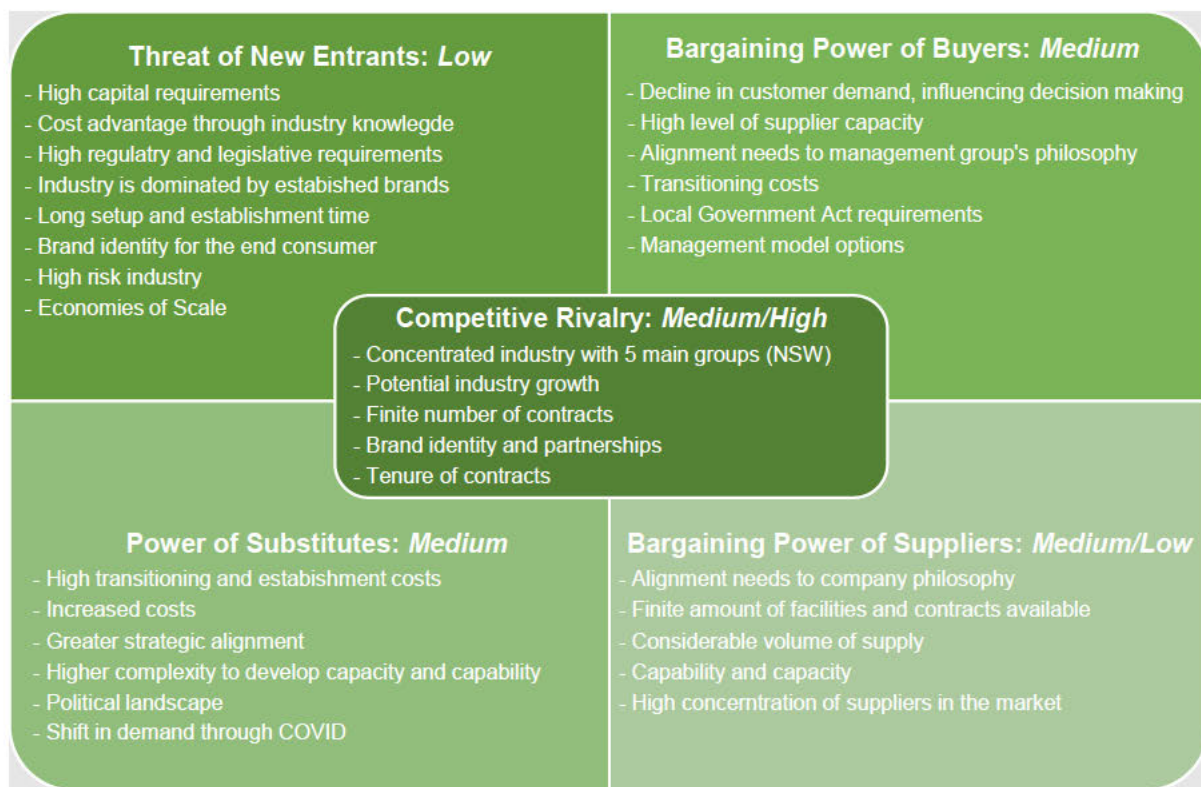
## 7.2 PESTLE Analysis

The Consulting Team has undertaken a PESTLE analysis to assess the Political, Environmental, Social, Technological, Legal and Economic factors that influence the outsourced management model for the City of Sydney aquatic leisure facilities and provide overview of the market in general.

Political	Environmental	Social	Technological	Legal	Economic
<ul style="list-style-type: none"> <li>• Influence by Council on daily operation of the facilities.</li> <li>• Political and reputational implications of performance of an outsourced contract.</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment to the City's Net Zero emissions goal.</li> <li>• Approach to sustainable practices.</li> <li>• Ensuring alignment to the City's strategic direction of 'Green'.</li> <li>• Climate emergency acknowledged in the City.</li> </ul>	<ul style="list-style-type: none"> <li>• Demographic trends and the changing community.</li> <li>• Perception in LGA's that aquatic and recreation facilities use of significant levels of ratepayer money.</li> <li>• Community health improvements.</li> <li>• Social value that the aquatic leisure facilities provide the community.</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement to service standards and digital offerings.</li> <li>• Sector demand for customer-based technology</li> <li>• Integration with the City's systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement requirements.</li> <li>• Legislation for Human Resources, Workplace Health and Safety, and WHS</li> <li>• IP rights and ownership.</li> <li>• Consideration of risk responsibility for high risk issues such as child protection, public health, and data management.</li> </ul>	<ul style="list-style-type: none"> <li>• Post COVID-19 impacts</li> <li>• Economic instability</li> <li>• Slow return rate of workers and students to the CBD.</li> </ul>

## 7.3 Porter's Five Forces Market Assessment

A Porter's Five Forces assessment of the relationship between the buyers (Councils), the suppliers (management groups) and potential new suppliers are outlined below.





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## 9 Asset Condition

Outlined below is a summary of the aquatic leisure facilities' asset condition and potential implications on the management models.

### Asset Overview

The City's network of facilities varies greatly in condition and age, with Gunyama being an international standard, state-of-the-art facility, and conversely, VPP and CPP both require significant upgrades to meet community expectations. Although the City has a mix of new, redeveloped, and ageing facilities, there needs to be a consistent approach to asset maintenance and renewal for all facilities, as it is critical for their longevity and ability to provide safe and welcoming experiences for users.

Outlined below are the timeframes and types of most recent major developments or upgrades to the facilities over the past 15 years:

- Andrew (Boy) Charlton - 2002 (facility redevelopment).
- Prince Alfred Park Pool – 2013 (facility redevelopment).
- Victoria Park Pool – Group fitness room 2007, Plant room 2005
- Cook and Phillip Park Aquatic and Fitness Centre – 2014 major waterproofing upgrade, 2020 changeroom renewal, reception upgrade
- Ian Thorpe Aquatic Centre – 2007 (greenfield development).
- Gunyama Park Aquatic and Recreation Centre - 2021 (greenfield development).

The major focus more recently for the developments or upgrades of the City's aquatic leisure facilities has been the development of Gunyama. It should be noted that the upgrades to CPP were primarily addressing the impacts of ongoing roof leaks, whereas upgrades to ABC and PAP were planned end of useful life redevelopments or upgrades.

As facilities continue to age, there is a strong probability that equipment and components, including facility areas, mechanical, fabrics and finishes, will fail and substantially impact the experience of customers and members, heightening the chance of cancellations of memberships and reducing attendance levels. Having a proactive approach to facility renewal works considerably diminishes the failure rates for the equipment and componentry, in addition to increasing the likelihood of member retention and customer return rates.

Research undertaken by the Consulting Team as part of this project through site inspections and previously completed projects for the City has highlighted that there is a lack of a clearly defined approach to asset maintenance, renewal and upgrades. Through the site visits, it was also observed that the facility cleanliness, particularly ITAC and VPP, was below the standard the community would be expecting. Underpinning the issue is the absence of detailed asset maintenance plans for the aquatic leisure facilities.

[REDACTED]

Although all facilities should have an associated asset management plan (or similar), it has been identified by the Consulting Team and Officers that the facilities of most concern are CPP and VPP. Both facilities have significant issues in relation to asset condition and are likely to result in increasing financial impacts for Council, both operationally and from an asset maintenance perspective. Equally, as the City's slow recovery impacts the performance of the facilities, it is expected that the attendance levels will be slower to recover than the other facilities in the network. This is primarily due to the diminished user experience.

Both VPP and CPP have been identified previously by Council as requiring significant upgrades and potential repurposing of underutilised spaces. In 2008, a master plan was developed for VPP to ensure the facility was brought up to a contemporary standard. The master plan has not been enacted, as the City prioritised delivery of the facility in the southern area (Gunyma), which became the long-term focus and identified in the 2005 Aquatic Facilities Development Strategy. Only minor

upgrades have taken place to the facility since then, primarily proactive maintenance activities and some minor renewal works.

In 2015, Council undertook an assessment of redevelopment planning options for CPP. This included the potential redesign of the reception area and retail space (which subsequently occurred), reconfiguration of the leisure and river rapid pool, the upgrade and renewal of change room facilities, the upgrade and expansion of group fitness and health services facilities, expansion for the gymnasium facilities and upgrades to the poolside grandstand. The facility is continuing to experience significant maintenance issues, which have resulted in the facility being the most costly for Council to maintain over the past six years.

The more recent developments or redevelopments, PAP, ABC and ITAC, are also showing signs of ageing. To ensure the facilities are presentable and continue to service the needs of the community, particularly relating to their purpose and function, a renewal and upgrade plan should be a focus for the City. Although Gunyama has only been operational for less than two years, consideration needs to be given to the condition of the asset in eight (8) to 10 years. Having a proactive renewal plan will notably reduce the likelihood of equipment and component failure. Based on previous research undertaken by the Consulting Team, the application of 1% of the asset value should be applied annually for renewal and 2% allocated annually for maintenance (proactive and reactive), with a reduction of 50% within the defects period.

Investment into improved facilities will attract and retain increased participation and usage. Improved facilities will better meet customer expectations of a modern and welcoming leisure offer. This will help to reduce inequities, increase access and remove barriers to participation and encourage people to be more active. It will improve the financial viability and long-term sustainability of the service. It will improve equality of access ensuring that facility upgrades are designed to make them fully inclusive and accessible.

### **Management Model Implications**

Enacting any redevelopment or upgrades will undoubtedly have impacts on the operations of the facilities, which can have implications on the management model in place, e.g., under a guaranteed contract for an outsourced model, the impacts will likely result in a contract variation for the closure period. Equally, consideration would need to be given to the implications of a Council Company and the financial impost this would pose on the viability of the Company. The condition of these assets increases the operational and financial risk for the operator and may influence the operator's approach to risk mitigation by building in contingencies into annual budgets.

It is not possible to predict the full implications that a redevelopment or upgrade will have on a centre's financial performance primarily due to a multitude of factors influencing the process. These include, but are not limited to:

- Potential delays in the construction process.
- Inclement weather.
- Impacts to customers' experiences due to limited access to components of the facility.
- Diminished perceived value of programs or services and value for money.
- Unforeseen disruptions to programs or services – inability to relocate to other facilities
- Impact on retention of members.
- Poor member and customer communication and engagement.
- Potential changes in the scope of works.

### **Summary**

To ensure the facilities continue to support the needs of the community, a clearly defined renewal and upgrade plan should be implemented for each of the facilities. The plan should also address the potential for repurposing certain facilities, including CPP and VPP, as the current network of facilities and their componentry are likely competing between facilities rather than complementing.

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## **Part C – Evaluation and Recommendations**

# 11 Evaluation Framework and Inputs

Based on the consultation and research, the following information provides an overview of the Aquatic Leisure Services Management Options Evaluation framework and key assumptions. The management models being evaluated for the process are:

- Outsourced
- In-house
- Council Company
- Council Company with Council Corporate Services Support

## 11.1 Evaluation Framework

A multi-faceted approach to the evaluation framework has been developed, outlined below. The weighting percentage of each evaluation criterion is outlined as follows:

### **Alignment to Guiding Principles (40%)**

Based on the Director City Services feedback, the 'Inclusiveness' principle has been included under the 'Social Benefit and Community Connection' for the evaluation process.

- **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%)**

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

### **Responsiveness, Flexibility and Influence (15%)**

- Operational Control (100%).

### **Implementation and Establishment Plan Implications (5%)**

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

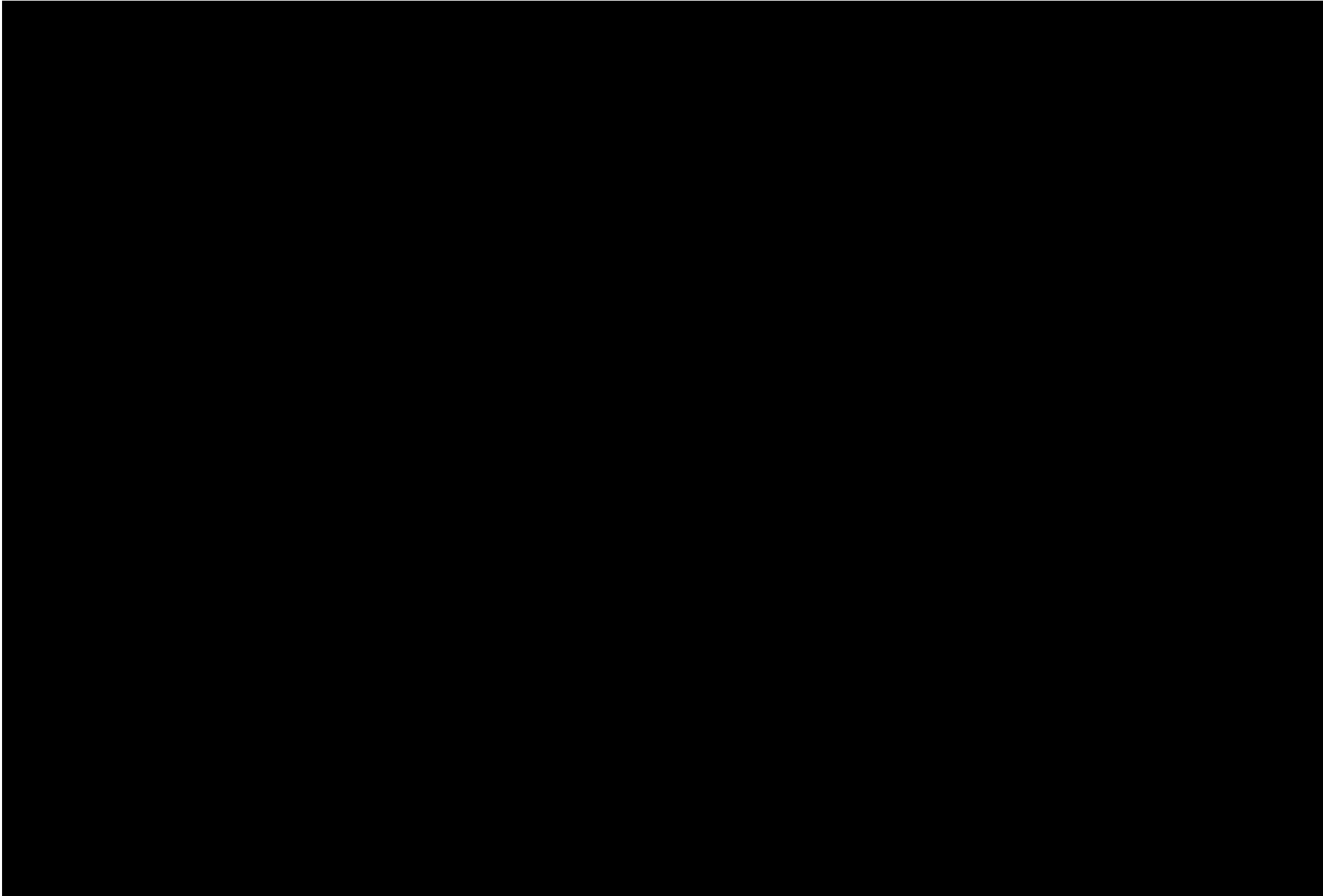
### **Financial Performance (30%)**

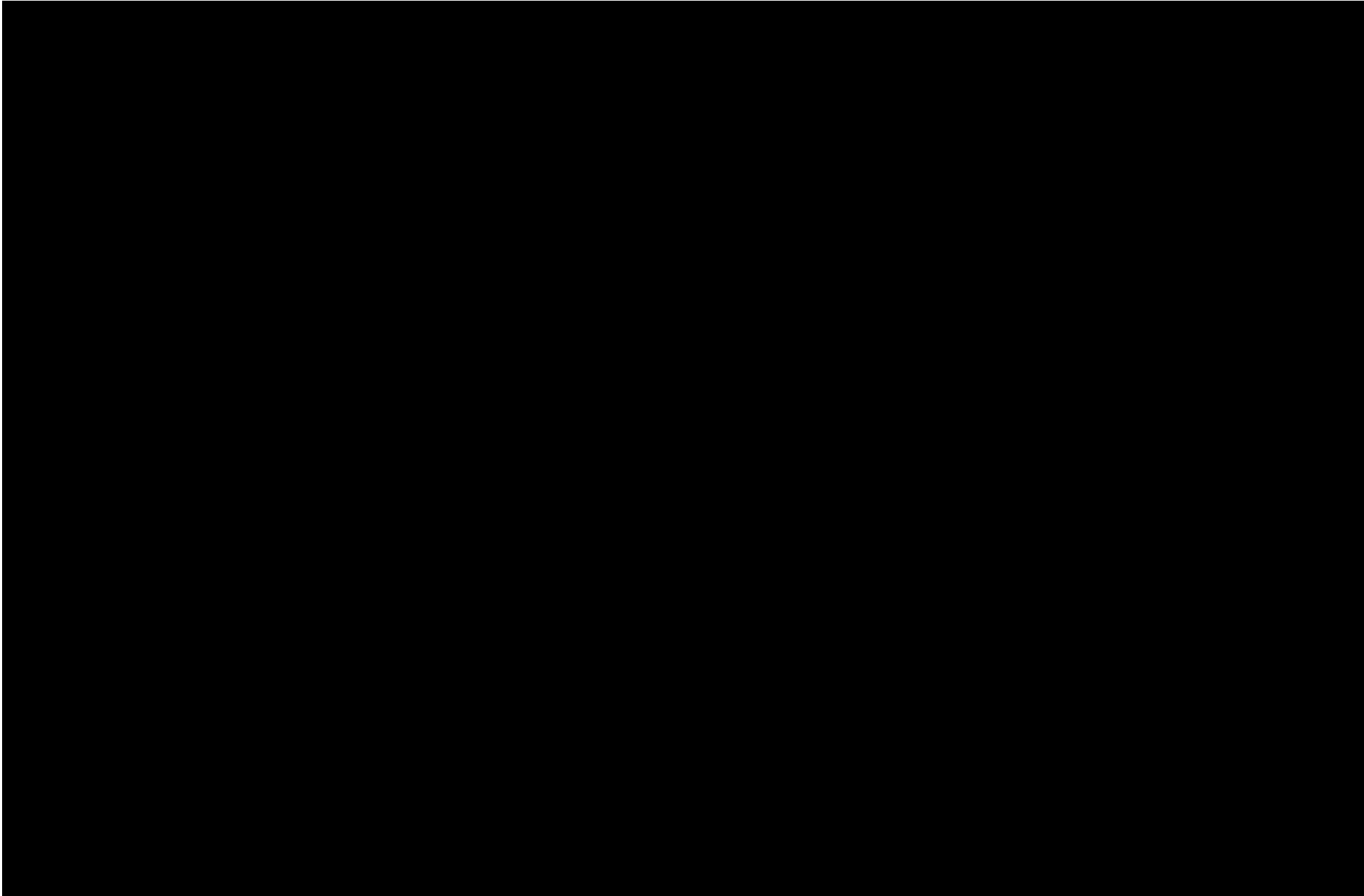
- Financial Assessment (100%).

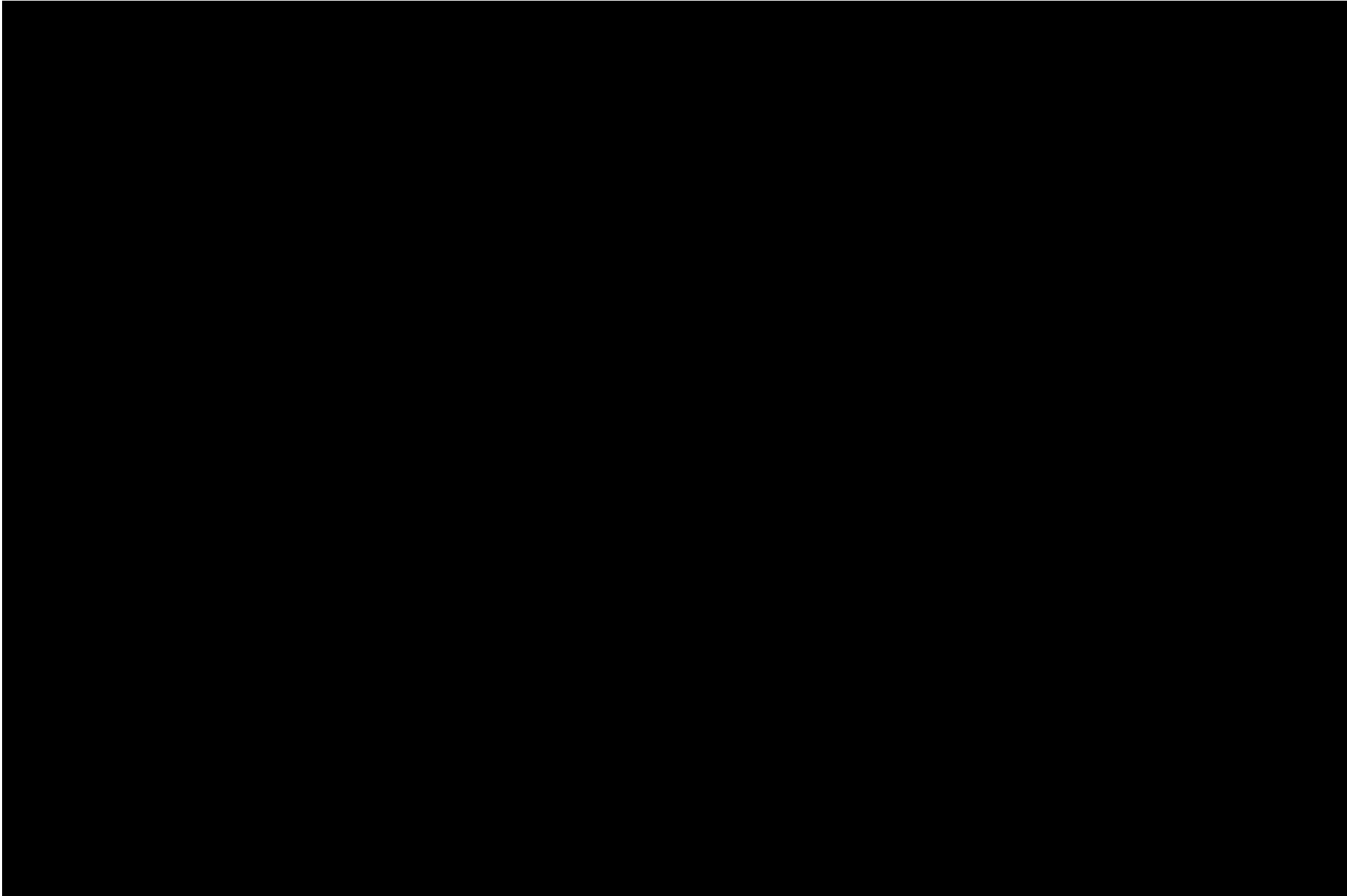


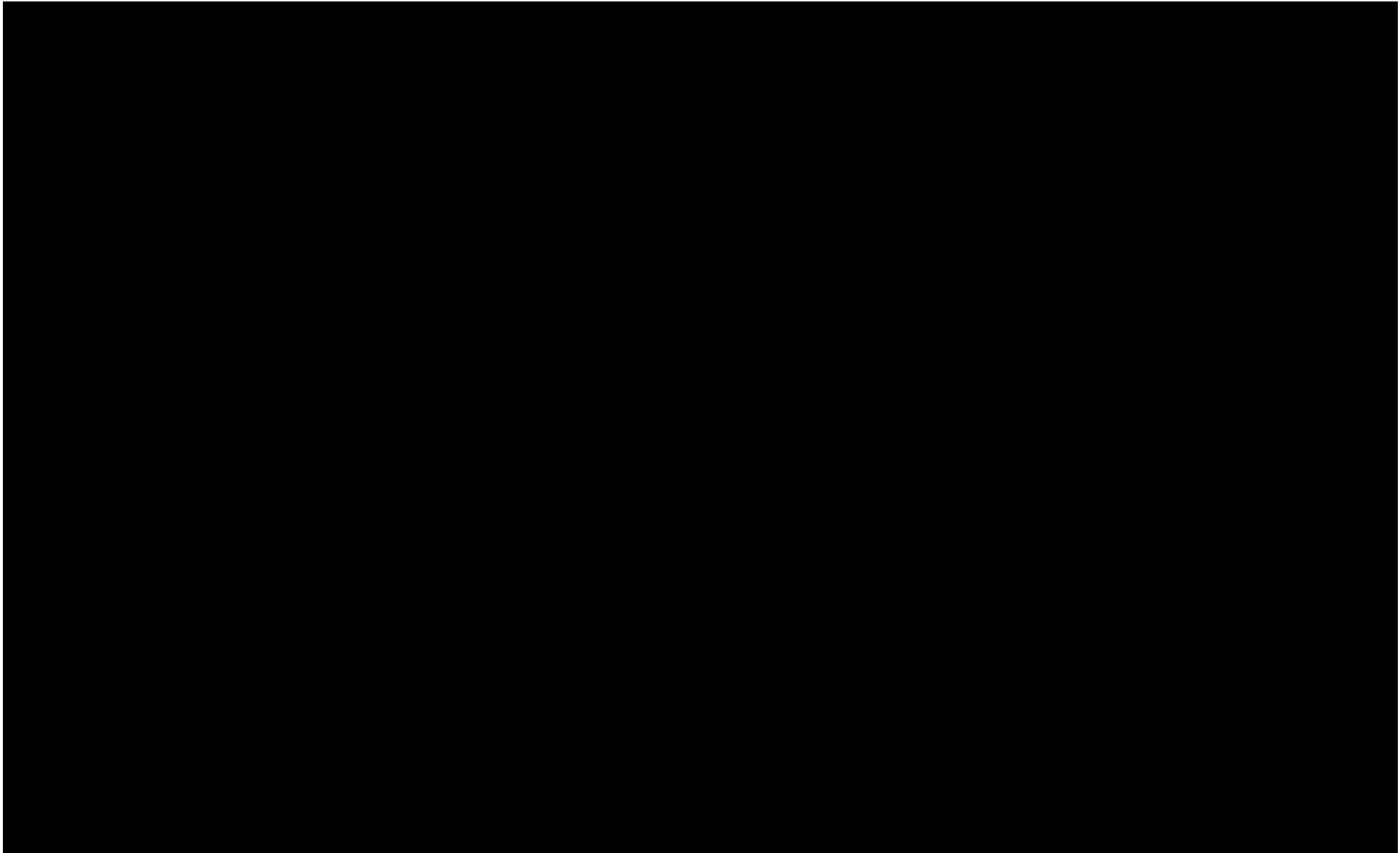
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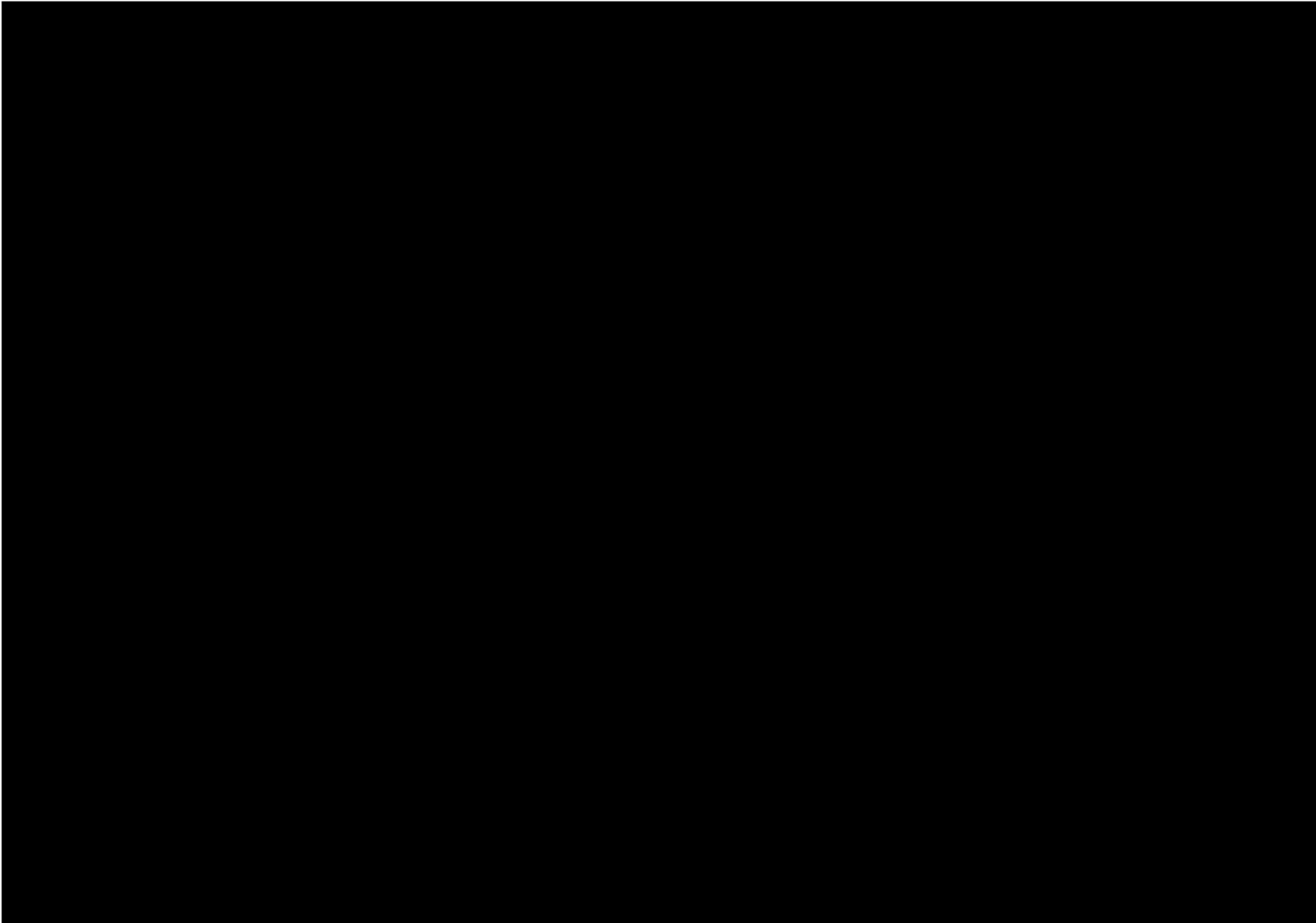
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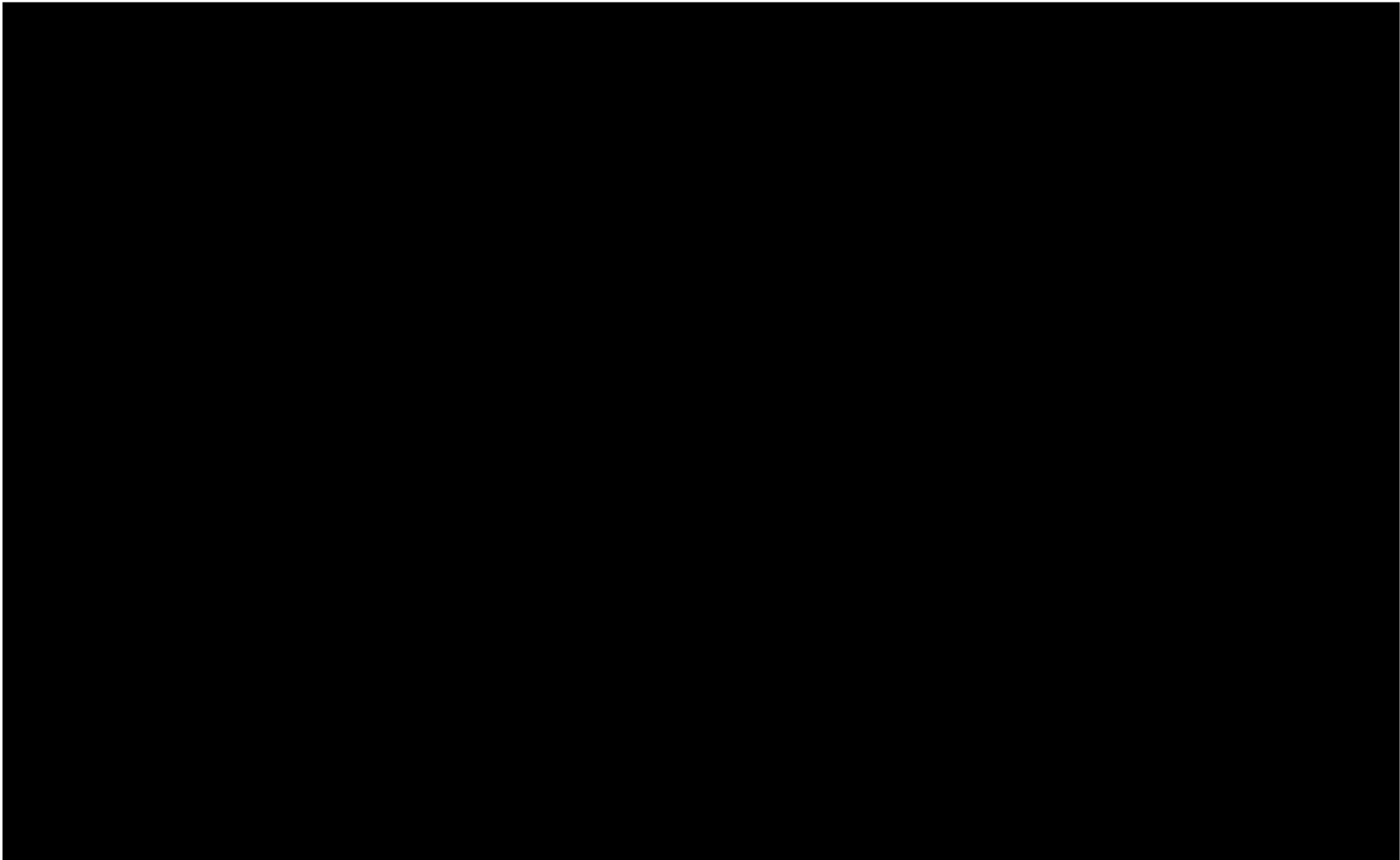
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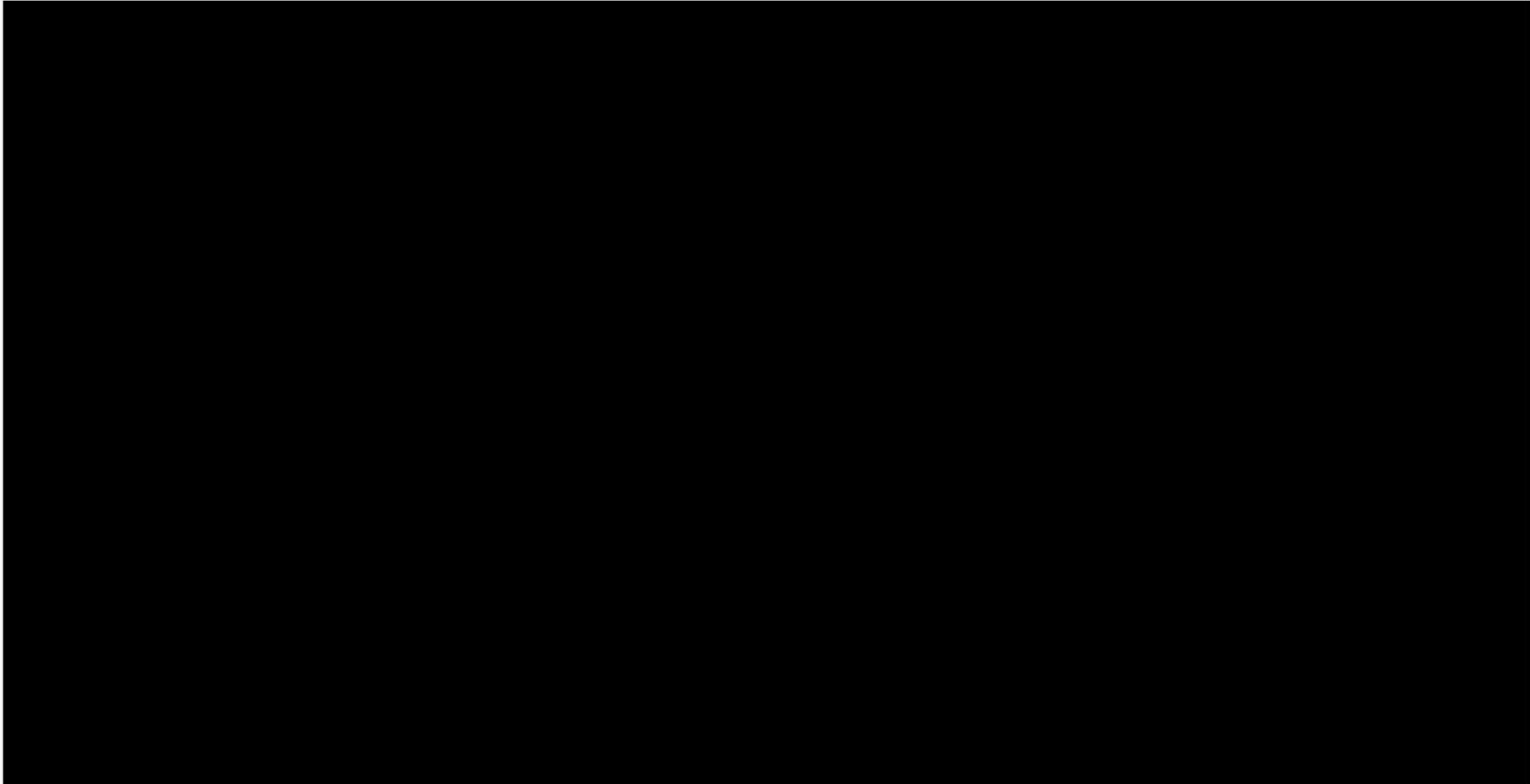
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## 11.8 Evaluation Key Findings

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.
- Based on a detailed analysis of the financial projections for a five-year period, there is no expectation that the aquatic leisure facilities will be returning to a breakeven point during this period.

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# 12 Recommendations and Implementation Plan

## 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:

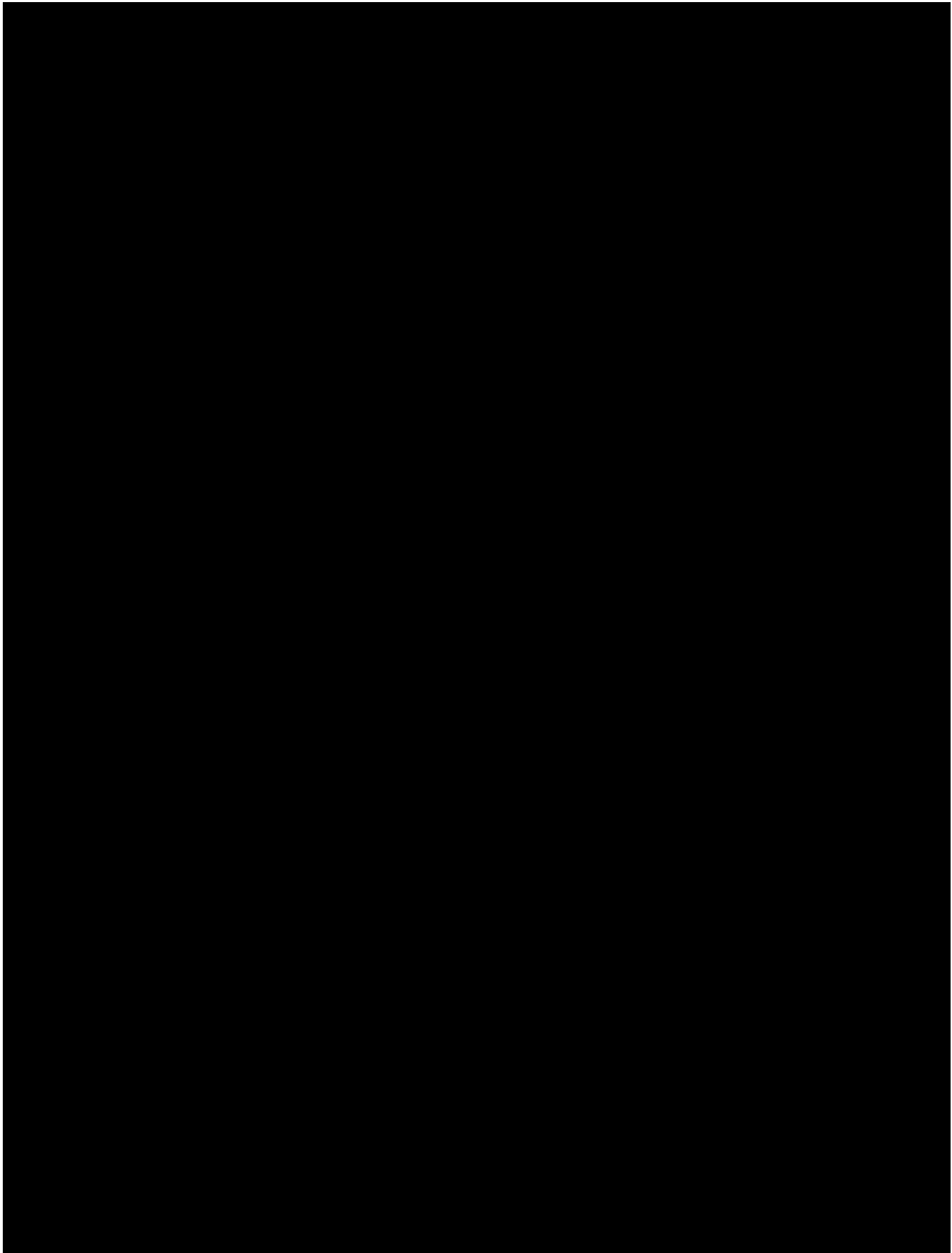
- a. A single, combined contract improves programs and services consistency, enhances service delivery standards, realises greater contract management efficiency and streamlines the operations to be more contemporary and reduces reporting inconsistencies.
  - b. Minimal establishment costs to transition 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 30<sup>th</sup> 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 1<sup>st</sup> July 2025. (Note: The Implementation Plan excludes the Asset Renewal and Upgrade Plan).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]





[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

## Detailed Risk Register – Council Company with Corporate Services Support

Item	Management Option	Identification of Risk	What could actually happen?	Consequence	Likelihood	Inherent Risk Score	What existing controls are in place to mitigate the risks identified?	What is their level of effectiveness?	What does the level of likelihood become due to existing controls?	What does the level of consequence become due to existing controls?	What is the level of residual risk?
55	Council Company with Council Corporate Services	Establishment Timeframes	Insufficient timeframes for establishment	Major	Likely	High	Establishment of an Inhouse operational department a minimum of 24mths prior to commencement	Partially Effective	Likely	Moderate	High
56	Council Company with Council Corporate Services	Corporate Services Resourcing Capability	Potentially unable to adequately resource the corporate services (e.g. HR and marketing) function with staff that have a level of aquatic and leisure industry experience	Major	Possible	High	Collaborate with recruitment agencies and industry consultants to recruit and retain corporate services staff that have industry experience	Partially Effective	Possible	Moderate	High
57	Council Company with Council Corporate Services	Company Director Alignment with Council Vision	Risk of the Board members not being aligned to the Council Vision and the potential for a lack appropriate skills within the board	Major	Possible	High	Develop a detailed Constitution and Management Services Agreement outlining the Council Vision and undertake a comprehensive recruitment process to	Partially Effective	Possible	Minor	Medium
58	Council Company with Council Corporate Services	Potential Councillor Involvement	Risk of Councillors having a greater influence over the operations of the facilities through board representation.	Moderate	Possible	High	Develop a detailed Constitution outlining the make up and composition of the Board	Partially Effective	Possible	Moderate	High
59	Council Company with Council Corporate Services	Leadership and Capability Development	Lack of high-quality and experienced leaders from the industry. Inability to establish own operational capability	Major	Possible	High	Commencement of recruitment process post the Board appointment through a national recruitment approach	Partially Effective	Possible	Minor	Medium
60	Council Company with Council Corporate Services	Long-term Closures or Business as Usual Impact	Fixed cost impacts of potential long-term closures	Major	Possible	Very High	Establish a clear approach for the management of fixed costs through lockdowns and long-term closures through Management Services Agreement.	Partially Effective	Possible	Moderate	High
61	Council Company with Council Corporate Services	Switching Models	Council may choose to revert to an in-house or outsourced model (EBA and operational impacts)	Major	Unlikely	High	Undertake a detailed risk assessment of transitioning, prior to decision making	Partially Effective	Unlikely	Minor	Low
62	Council Company with Council Corporate Services	Transitional Time Impact from Outsourced Model	Early advice to incumbent would result in loss of key management staff and impact business performance	Major	Possible	High	Ensure the contractor is delivering on the KPI requirements of the contract until the termination date	Partially Effective	Possible	Moderate	High
63	Council Company with Council Corporate Services	Upfront Resource Costs and Planning	Significant Establishment Costs, particularly relating to Governance and Legal	Major	Almost Certain	Very High	Develop a detailed transition and establishment plan, and associated budget to ensure costs do not exceed allocations	Partially Effective	Likely	Moderate	High
64	Council Company with Council Corporate Services	Fixed Cost Base	Significant corporate services' costs (i.e. HR and marketing) to support the operations	Moderate	Likely	High	Increasing the scale of the company will realise greater economies of scale	Partially Effective	Possible	Moderate	High
65	Council Company with Council Corporate Services	Asset Management	Asset Management and Capital Improvement relating to ownership	Moderate	Possible	High	Clearly define the asset maintenance responsibilities in the Management Services Agreement	Partially Effective	Unlikely	Minor	Low
66	Council Company with Council Corporate Services	Flexibility of Resourcing	Inability to fluctuate with the market shifts or closure periods	Moderate	Possible	High	Clearly define the approach to resource management in the Management Services Agreement	Partially Effective	Possible	Minor	Medium
67	Council Company with Council Corporate Services	Desire of the Board to Diversify or Grow the Company (i.e. Other LGA's, Venues or Business Areas)	Risk of the Board seeking to diversify the Company to manage facilities in other municipalities or move into other industries, which is currently untested	Major	Possible	High	Detailed Constitution, a Management Services Agreement with key objectives, governance requirements such as a strategic plan, key Council Officer(s) on Board and ongoing oversight	Partially Effective	Possible	Minor	Medium
68	Council Company with Council Corporate Services	Council and the Council Company are not united in the direction of the operations	Results in internal tension on the model, impacting success	Major	Possible	High	Detailed Constitution, a Management Services Agreement with key objectives, governance requirements such as a strategic plan, key Council Officer(s) on Board and ongoing oversight	Partially Effective	Likely	Minor	High
69	Council Company with Council Corporate Services	Lack of Council support	Potential for a lack of internal support or championing of the Company model, impacting the success of the facilities	Major	Possible	High	Development of the Management Services Agreement that outlines the roles and responsibilities of Council in supporting the model and the operations	Partially Effective	Likely	Minor	High
70	Council Company with Council Corporate Services	Potential misalignment between the Company and Corporate Services units	Potential misalignment in operational approaches and support levels provided	Major	Unlikely	High	Development of the Management Services Agreement that outlines the roles and responsibilities of Council in supporting the model and the operations	Partially Effective	Unlikely	Minor	Low
71	Council Company	Inability to Retain High Quality Leaders	Potential for a high turn over for leadership positions including Centre Managers and Area Managers.	Major	Possible	High	Ensure the contractors provide staff with career progression plans and perform regular performance appraisals.	Partially Effective	Possible	Minor	High
72	Council Company with Council Corporate Services	Cultural impacts	Potential for cultural impacts based on the Council Company directing the outputs of the Corporate Services units	Major	Possible	High	Development of the Management Services Agreement that outlines the roles and responsibilities of Council in supporting the model and the operations	Partially Effective	Unlikely	Minor	Low