

## Item 10.

### **Negotiation Outcome – T-2024-1253 – City of Sydney Leisure (Active Wellbeing) Services**

**File No:** X099484.010

**Tender No:** 2024-1253

#### **Summary**

This report provides details of the negotiation process for the City of Sydney Leisure (Active Wellbeing) Services contract and a recommendation following the finalisation of that process. This service covers the management of the City's 6 aquatic and leisure centres, which are vibrant, much-loved community hubs that support health, wellbeing, social connection and inclusivity.

Physical activity is the cornerstone of good health and wellbeing, and collectively these centres represent the largest frontline service provided by Council to the community. They deliver an extensive range of aquatic, fitness, sport and wellbeing programs each week, catering to all ages and abilities from learn-to-swim and water-based therapy to group fitness, team sports, and rehabilitation programs. Across the 5 operating centres last year, 1.92 million visits were recorded, reflecting their enduring popularity and value to the community (noting that ABC Pool was closed for renovations).

The City of Sydney Leisure (Active Wellbeing) Services contract represents a highly strategic and large-scale opportunity for the leisure management sector and is recognised as one of the largest of its kind in Australia.

The City initially undertook a 2-stage tender process for the fee-for-service contract, comprising a 4-year initial term with a 2-year extension option at the City's discretion. The process commenced with an Expression of Interest to shortlist potential suppliers, followed by a formal select tender process.

On 7 April 2025, Council resolved to decline all tender offers received and delegated authority to the Chief Executive Officer to enter into negotiations. In line with this resolution, negotiations were undertaken by the City Greening and Leisure unit on behalf of the Chief Executive Officer, with the outcome of negotiations to be reported back to Council.

Following a robust procurement and due diligence process, this report recommends that Council accept the negotiated offer from Tenderer C for the management of the City of Sydney Leisure (Active Wellbeing) Services for a contract term of 4 years, with a 2-year extension option at the City's discretion, based on performance, and approve the price and contingency as outlined in Confidential Attachment B.

## Recommendation

It is resolved that:

- (A) Council note the outcome of the negotiations for management of the City of Sydney Leisure (Active Wellbeing) Services contract as detailed in Confidential Attachment B to the subject report;
- (B) Council accept the negotiated offer from Tenderer C for management of the City of Sydney Leisure (Active Wellbeing) Services contract for the term of 4 years with a 2-year option at the City's discretion, based on performance for the price and contingency outlined in Confidential Attachment B to the subject report, noting that the transition period will commence on 1 April 2026 and the new contract will commence on 1 July 2026;
- (C) Council note that the total contract sum and contingency for management of the City of Sydney Leisure (Active Wellbeing) Services contract is outlined in Confidential Attachment B to the subject report;
- (D) authority be delegated to the Chief Executive Officer to finalise, execute and administer the contract relating to the negotiation outcome; and
- (E) authority be delegated to the Chief Executive Officer exercise the option referred to in clause (B), if appropriate.

## Attachments

**Attachment A.** 7 April 2025 Resolution of Council

**Attachment B.** Negotiation Process and Financial Implications (Confidential)

## Background

1. The City owns 6 world-class aquatic and leisure centres - Andrew (Boy) Charlton Pool, Cook and Phillip Park Aquatic and Fitness Centre, Gunyama Park Aquatic and Recreation Centre, Ian Thorpe Aquatic Centre, Prince Alfred Park Pool and Victoria Park Pool, which are primary locations for delivery of active wellbeing services.
2. These centres are a vital part of the City's community services, operating year-round or seasonally. They play a key role in strengthening communities by supporting and encouraging adults, children and young people to be more physically active. Collectively, they represent the largest frontline service provided by the City. Across the 5 operating centres last year (as ABC Pool was closed for renovations), 1.92 million visits were recorded. While they generate significant revenue and social value, the centres also face operational challenges, including a notable annual operating deficit. These centres are resource-intensive to operate and maintain to the standards expected in a capital-city environment, which contributes to the overall cost of service delivery.
3. Managing these high-demand, market-driven services is complex and carries financial risks, requiring responsiveness to trends, user preferences and revenue opportunities while balancing costs with community service provision.
4. The City of Sydney Leisure (Active Wellbeing) Services contract represents a highly strategic and large-scale opportunity for the leisure management sector and is recognised as one of the largest of its kind in Australia.
5. The City undertook a 2-stage tender process for fee-for-service contract, comprising a 4-year initial term with a 2-year extension option at the City's discretion. The process commenced with an Expression of Interest in February 2024 to shortlist potential suppliers, followed by a formal select tender process in October 2024.
6. On 7 April 2025, Council declined to accept the tender offers received and delegated authority to the Chief Executive Officer to enter into negotiations with a view to entering into a contract on terms that are appropriate for the service. Acting under this delegated authority, the City Greening and Leisure unit led the negotiation process on behalf of the Chief Executive Officer, supported by appropriate subject matter experts throughout the process. Through an in depth negotiation process, the City obtained detailed responses on matters identified during the tender, allowing a recommendation to be made for Council's endorsement of the negotiated outcome and award of the contract.
7. To ensure continuity of service during the negotiation period the 2 current contracts with Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Unit Trust were extended to a revised expiry date of 30 June 2026.
8. A comprehensive negotiation plan was developed to guide the process, with negotiations commencing in August 2025. The process was extensive, with multiple negotiation rounds undertaken before final submissions were received on 10 December 2025, ensuring a thorough, structured and robust process. Independent probity involvement supported the negotiations, providing assurance of an appropriate and transparent approach.

9. This report recommends proceeding with the negotiated offer from Tenderer C for the management of the City of Sydney Leisure (Active Wellbeing) Services contract. Details of the negotiation process and negotiated offer are provided in Attachment B - Negotiation Process and Financial Implications (Confidential).
10. Several functions will remain the responsibility of the City and sit outside the scope of the new service contract. These will continue to be managed through existing City contracts or internal teams. The following works and responsibilities are excluded from the services:
  - (a) Management of the base building structure and associated asset services, which will continue under the City's existing facility management contract, currently delivered by Ventia.
  - (b) Payment and management of gas, water and electricity services.
  - (c) Replacement or major repair of City-owned assets and operational equipment, required due to failure, wear and tear or end-of-life.
  - (d) Maintenance and cleaning of the public jetty/pontoon adjacent to Andrew (Boy) Charlton Pool.
  - (e) Management of the Bullecourt publicly accessible lift adjacent to Ian Thorpe Aquatic Centre.
  - (f) Provision of waste collection services.
  - (g) Repair of vandalism (excluding internal graffiti).
  - (h) Landscaping and irrigation.
  - (i) Management of the independent car park adjacent to Cook and Phillip Park Pool.
  - (j) Administration of the 'Parking, Swim and Gym' scheme at Gunyama Park Aquatic and Recreation Centre.
  - (k) High level cleaning above 2 metres.
  - (l) Maintenance or cleaning of the public toilet adjacent to the entry of Prince Alfred Park Pool.
11. Within this framework the Tenderer will be responsible for the day-to-day operation and management of the centres. This includes operating the pools and associated facilities, delivering programs and services to the community and ensuring the centres are safe, inclusive and well managed. The responsibilities under the contract include:
  - (a) Operating the centres in accordance with approved plans, quality systems and all relevant legislation, guidelines and industry standards.
  - (b) Managing pool operations, including water quality, filtration systems, chemical dosing and compliance with public health requirements.
  - (c) Delivering a diverse range of programs, activities and events that support community health and wellbeing, including culturally safe and inclusive services.

- (d) Providing high quality customer service, membership administration, digital platforms and communication channels.
  - (e) Ensuring the centres are appropriately staffed with qualified and trained personnel, with strong emphasis on safety, supervision, child-safe practices and customer experience.
  - (f) Managing day-to-day operational maintenance, cleaning and presentation of the centres, and working with the City to support planned asset maintenance and renewal works.
  - (g) Overseeing financial management, reporting, compliance and risk management obligations under the contract.
  - (h) Implementing sustainability initiatives and environmentally responsible practices across energy, water and waste.
  - (i) Engaging with community groups, clubs, user groups and industry partners to support participation, programming and pathway opportunities.
  - (j) Conducting customer experience research, satisfaction surveys and continuous improvement initiatives.
  - (k) Managing ancillary services such as cafés, retail, crèche service at Gunyama Park Aquatic and Recreation Centre, managing program bookings and hire arrangements.
  - (l) Supporting the City with operational advice, infrastructure planning and delivery, and meeting agreed performance indicators and measures.
12. A range of new initiatives will be introduced to improve service delivery, expand access and strengthen community wellbeing. These initiatives address barriers to participation and ensure services are more inclusive and responsive to community needs. In addition, several operational adjustments will support more cohesive precinct-based delivery and enhance the overall customer experience.
- (a) Active Communities Program:
    - (i) A dedicated Active Communities team of four, including an identified First Nations position, to lead program development, support culturally appropriate engagement and strengthen inclusion across service delivery.
    - (ii) Targeted programs to increase physical activity for all age groups, particularly less active and underrepresented priority communities, delivered in centres and community settings.
    - (iii) A community bus service to support City Access Card holders who face accessibility barriers, improving access to facilities and participation opportunities.
  - (b) Additional community wellbeing initiatives:
    - (i) Membership initiatives that provide safe and anonymous access to services for individuals experiencing family and domestic violence.

- (ii) Health focused programs, including an annual health summit to identify priorities, engage inactive communities and reduce social isolation.
- (c) Broader service and organisational improvements:
  - (i) Bringing currently non-operational cafés back into service, improving activation of centres and enhancing the overall customer experience.
  - (ii) The Gunyama synthetic sportsfield will be removed from the operational scope under the contract. Day-to-day management of the sportsfield will be undertaken directly by the City.. Ongoing refinement of digital and technology planning to align with industry trends, the City's digital strategy and evolving community needs.
  - (iii) Environmental practices that support net-zero carbon reduction targets, minimise chemical consumption and contribute to broader sustainability outcomes.
  - (iv) Measurement of social impact and social value through indicators that track outcomes such as physical activity, health improvements and social inclusion, supported by regular reporting.
- 13. Transition will commence on 1 April 2026 and the new contract will commence on 1 July 2026.

### Risks

- 14. The City is responsible for the strategic planning and oversight of its active wellbeing services, which play a key role in promoting physical activity, improving public health and enhancing community resilience, particularly for priority communities.
- 15. This approach is within the City's risk appetite, which states:
  - (a) We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of significant financial losses. We prioritise the protection of our financial resources and our long-term financial sustainability. We strive to ensure that our financial decisions are well informed, based on sound financial analysis and are aligned with our strategic objectives.
  - (b) Our risk philosophy is centred around achieving a balance between innovation, community and user satisfaction and risk management, ensuring that we meet our strategic objectives while maintaining a robust control environment.
  - (c) We have an open appetite for changes to procedures and practices to accommodate improved environmental outcomes.
  - (d) We have no appetite for any activities in our services for children and young people that pose a serious threat to their physical or psychological wellbeing. We will prioritise immediate corrective actions to eliminate such risks promptly.
  - (e) We aim to strike a balance between achieving our strategic objectives, implementing change and embracing innovation, and protecting our reputation.
- 16. The recommended contract award aligns with this risk appetite by ensuring delivery of active wellbeing services, embedding the new contract specifications and maintaining ongoing stakeholder engagement.

## Financial Implications

17. The total estimated cost of the contract (excluding base building structure and associated asset services, utilities and depreciation) and the proposed contingency for the 6-year, fee-for-service contract is detailed in Confidential Attachment B.
18. There are sufficient funds allocated within the City's Long Term Financial Plan for this contract.

## Strategic Alignment

19. The negotiated contract aligns with the City's endorsed strategies and action plans, delivering outcomes across health and wellbeing, social sustainability, cultural inclusion, reconciliation, environmental sustainability and local economic benefit.
20. To ensure strong alignment with City priorities and the guiding principles established for this contract, the Community and Social Impact Priorities (CASIP) framework was developed specifically for this purpose. The CASIP brings the City's commitments together in a single, integrated framework. It informed the service specification, guided the evaluation process and will continue to shape detailed business planning with the recommended tenderer.
21. The contract scope has been refined to strengthen strategic outcomes. The City will manage the Gunyama Park synthetic sportsfield in-house to integrate it with the Alexandria Park and Perry Park synthetic sportsfields. The recommended tenderer will directly operate the centre cafés (except at Gunyama), supporting more consistent service delivery and stronger alignment with City priorities.
22. Performance against the CASIP framework will be monitored and reported alongside other contractual measures, providing a clear and comprehensive view of service delivery and outcomes over the life of the contract.
23. The negotiated contract ensures continuity of consistent, high-standard services for the community while advancing the City's broader social, environmental and economic objectives.

## Performance Management

24. Operational and financial performance will be monitored on a bimonthly, biannual and annual basis through meetings, presentations, reports, feedback and other information sources. Performance targets will primarily be drawn from the Tenderer's commitments and cover:
  - (a) Community and social impact.
  - (b) Attendance and usage.
  - (c) Financial performance.
  - (d) Staff retention and workforce engagement.
  - (e) Utilities usage.

- (f) Program and services delivery.
  - (g) Customer experience.
  - (h) WorkCover incidents and incident notifications.
  - (i) Royal Lifesaving aquatic facility safety assessments.
  - (j) Royal Lifesaving mystery guest assessments.
25. Additional measures will be collectively agreed to ensure alignment with broader goals and objectives and operational priorities, including:
- (a) Community engagement.
  - (b) Outcome measurement.
  - (c) People and culture management.
  - (d) Environmental sustainability.
  - (e) Marketing and promotions.
  - (f) Asset and equipment maintenance.
  - (g) User satisfaction and experience.
  - (h) Contract compliance.
26. The City has also developed a set of overarching key performance indicators that link to these performance measures and will form the basis for assessing the contractor's performance over the initial contract term. Some performance measures are prescribed in the specification and aligned to the key performance indicators and guiding principles, while additional collective measures will be developed with the Tenderer during transition. These indicators are:
- (a) Improving the physical, social and mental health and wellbeing of the community.
  - (b) Providing access for all by supporting underrepresented groups within the community.
  - (c) Enhancing community connection and providing social and economic benefit for the City.
  - (d) Delivering financially sustainable services that support community health and ensure operational excellence.
  - (e) Providing safe, welcoming and well-maintained facilities that meet community expectations.
  - (f) Delivering best practice facility management operations.
  - (g) Embedding environmentally sustainable practices to assist the City in achieving its environmental targets.

### Relevant Legislation

27. The tender and negotiation has been conducted in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2021.
28. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business if it is in the public interest to do so.
29. Attachment B contains confidential commercial information of the tenderers and details of Council's tender evaluation, negotiation and contingencies which, if disclosed, would:
  - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
  - (b) prejudice the commercial position of the people who supplied it.
30. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest. The reasons supporting this are that disclosure of the confidential information would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers. In addition, disclosure of the information provided in the course of the procurement process and the assessment of that information would prejudice the commercial position of the participants in the procurement process.

### Critical Dates / Time Frames

31. The current contracts expire on 30 June 2026.
32. The new contract timetable is:
  - (a) Contract execution: March 2026
  - (b) Transition: April to June 2026
  - (c) Contract term: Four years (ending 30 June 2030)
  - (d) Contract option term: Two years (ending 30 June 2032)
33. The 2-year extension will be at the City's absolute discretion, subject to satisfactory performance.
34. The transition period, as outlined in the contract timetable, will run from 1 April to 30 June 2026.

## Options

35. Award the contract to Tenderer C as outlined in Confidential Attachment B (Recommended). Council carefully considered alternative management options, including in-house operation and Council-owned company models, as part of the management options evaluation report in September 2023. That report endorsed an outsourced model and this option gives effect to that decision. It also implements updated contract specifications and secures value for money through a negotiated process that has been subject to independent probity oversight.
36. Not award a new contract. This is not viable or recommended. If no new contract or alternative management model is in place by 1 July 2026 when the current contracts end, all 6 centres would be required to be closed for an indefinite period. This would immediately halt service delivery, disrupting access for the community, with 2.1 million visits projected this year (averaging 40,300 visits each week) and would also directly affect a large workforce of over 500 staff employed across the centres.
37. Council carefully considered alternative management options, including in-house operation and Council company models, as outlined in the confidential report on the Future Management and Operation of Aquatic Leisure Centres. On 18 September 2023, Council endorsed outsourcing as the model best aligned with its strategic objectives. This tender directly implements that decision.

## Public Consultation

38. No public consultation has been undertaken in relation to the tender and negotiation process.
39. Following contract award a communication and engagement plan will be finalised to guide stakeholder information and engagement activities. A separate transition plan will also be completed to coordinate the steps required to move from contract award to commencement, helping to minimise impacts on the ongoing provision of services at all centres.

## Probity Report

40. Given the value and complexity of the contract, probity has been prioritised in the negotiation process. A probity advisor from O'Connor Marsden Associates (OCM) was engaged to attend all meetings with tenderers. The probity advisor has provided a report confirming that nothing has come to OCM's attention to indicate that the evaluation procedures carried out by the City were not compliant with relevant probity principles and in accordance with the endorsed probity plan. OCM also reviewed the negotiation protocol and process prior to the commencement of negotiations.

## VERONICA LEE

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