

## **Exemption from Tender - Management of Gunyama Park Aquatic and Recreation Centre**

**File No: S100639.011**

### **Summary**

This report seeks exemption from tender for the management of Gunyama Park Aquatic and Recreation Centre.

Aquatic leisure centres are a crucially important contributor to the wellbeing and liveability of a community and have become an essential part of many Australian's lifestyle. They provide essential services and an escape from the pressures and tensions of daily life, lead to improved levels of physical and mental health and build up strong social networks and relationships.

Gunyama Park Aquatic and Recreation Centre will be the major recreational facility for Green Square, an area which has been formed by one of the most significant urban renewal projects in Australia. The precinct combines a district recreation park with a state-of-the-art aquatic and recreation centre with the overriding aim of enhancing the health, fitness and recreational needs of the large and diverse local community of residents and workers in and around Green Square. It will be a place where people of all abilities and interests are welcome to participate, socialise and enjoy activity.

Gunyama Park Aquatic and Recreation Centre will be the City's sixth aquatic leisure centre. The other five centres collectively attract over 1.7 million visits annually.

Management of the City's existing centres is currently outsourced to Belgravia Leisure.

Gunyama Park Aquatic and Recreation Centre construction is well advanced and appointment of an operator is critical to ensure successful operational establishment of the centre from the date of practical completion to commencement of operations in June 2020.

The City considered available options, and this report requests an exemption from tender and approval to enter into a contract with Belgravia Leisure for the management of Gunyama Park Aquatic and Recreation Centre under extenuating circumstances for a period of 28 months from 1 December 2019 to 31 March 2022.

This arrangement leverages an existing and integrated strategic whole of business approach under one operator to maximise community and financial benefits. It leverages operational economies of scale, local leadership with expertise and understanding of the City's requirements, and provides a consistent and quality service reflecting the iconic status of Gunyama Park Aquatic and Recreation Centre.

This arrangement aligns with the end of the existing contract with Belgravia Leisure and allows the City to review the aquatic and leisure centre service holistically, develop an outcomes based vision and strategy and identify the best management approach from April 2022 onwards.

## Recommendation

It is resolved that:

- (A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993, noting that, because of extenuating circumstances, a satisfactory result would not be achieved by inviting tenders to manage Gunyama Park Aquatic and Recreation Centre;
- (B) Council note the reasons why a satisfactory result would not be achieved by inviting tenders are:
  - (i) management of a "greenfield" site for a short term contract (less than three years) allows little time for an operator to have an impact on centre performance;
  - (ii) aligning the contract under one operator as a strategic cluster considers both the community benefits and the financial advantage achieved through economies of scale and integration of existing resource expertise and knowledge; and
  - (iii) Belgravia Leisure offers demonstrated value for money, as described in confidential Attachment A to the subject report;
- (C) Council enter into a contract with Belgravia Leisure commencing on 1 December 2019 for the management of Gunyama Park Aquatic and Recreation Centre for a 28-month contract for the amount set out in Confidential Attachment A to the subject report;
- (D) authority be delegated to the Chief Executive Officer to negotiate, execute and approve the terms of the contract of the management agreement with Belgravia Leisure, provided that the contract is consistent with this resolution; and
- (E) Council note the financial implications detailed in Confidential Attachment A to the subject report;

## Attachments

**Attachment A.** Financial Implications (Confidential)

## Background

1. Construction of Gunyama Park Aquatic and Recreation Centre and park is currently underway. The precinct is expected to reach practical completion and an occupation certificate issued by the end of April 2020, commencing operations on 1 June 2020.
2. The competition-winning design for Gunyama Park Aquatic and Recreation Centre takes its inspiration from the beach pools of Sydney. The design creates a venue for the Green Square community that is as much about relaxing as it is swimming. The facilities it will provide are:
  - (i) outdoor heated 50 metre pool with irregular shaped leisure 'beach' area, shading over 'beach' area, bleachers / seating with shading and concourse;
  - (ii) indoor heated 25 metre program pool and moveable floor, leisure water and separate hydrotherapy pool;
  - (iii) café with external and internal servery and retail area;
  - (iv) creche and indoor play area / shared use room;
  - (v) fitness centre including gymnasium and fitness studios and outdoor gym area;
  - (vi) two meeting rooms available for community use;
  - (vii) public toilets and changing places room; and
  - (viii) multipurpose synthetic sportsfield.
3. The centre will provide various health and wellbeing programs and facilities including learn to swim programs, casual swimming, fitness classes and gymnasium access.
4. The multipurpose synthetic field will cater for community level club use, training and cross field games, community and school use, as well as small scale events.

## Key Contract Terms

5. The contract is for a 28-month period, including a six-month pre-opening period commencing on 1 December 2019.
6. The centre will operate all year, seven days a week and close on Christmas Day and Good Friday, which is consistent with the City's other centres.
7. The centre and café will be open up to 115 hours a week, from 5.30am until 11.00pm (indoors) and 10.00pm (outdoor pools) on weekdays and 6.00am until 9.00pm on weekends and public holidays.

8. Opening hours are reflective of contemporary aquatic leisure centres but respectful that the centre is in close proximity to nearby residential apartment towers and the nature of activities, events and programs that are core activities encourage and will give rise to moderate to high levels of noise, particularly when conducted in the outdoor pool and sports field.
9. Time restrictions will be in place for use of noise generating equipment or game control devices or activities in the outdoor pool area and on the sports field.
10. First year fees and charges for the aquatic leisure centre have been set by Council and are in line with those charged at both Ian Thorpe Aquatic Centre and Cook and Phillip Park Pool. This maintains competitive neutrality and is appropriate as the centres are similar in operation. It will also add to the value proposition of the city-wide 360 membership that will extend to include this centre at no additional cost.
11. To cater for low income earners, the \$2.00 swim entry and \$5.50 gym entry fee for holders of the City Access Card will apply.
12. Belgravia Leisure will undertake administration and management of the sports field. This will include a combination of centre run programming and external hire. The field will be available for booked use from 8.00am until 10.00pm seven days a week, including public holidays. It will be illuminated at sunset to cater for formal booked use until 10.30pm.
13. Rates for formal use of the sports field are aligned to those to be charged at Perry Park. These are comparable with the charges of neighbouring councils and agencies for similar facilities. Reduced fees commensurate with those charged at the City's other sports fields will be aligned, where appropriate.

### **Services and Programming**

14. The City's aquatic leisure network contributes to developing and supporting physically active and healthy communities. The focus is on meeting the needs of the diverse range and age of users and encouraging lifelong participation - active in the pool for life. The age range of users' spans from three months to over 80 years and the range of programs and services reflects this.
15. Gunyama Park Aquatic and Recreation Centre will provide an array of regular programs, play host to community organisations, schools and clubs and associations who seek to hire facilities on a regular and casual basis, and serve as a venue for school holiday activities, community celebrations and events.
16. In addition to traditional uses of lap swimming, squad training and learn to swim, activities and programming will have a strong 'leisure' focus in the outdoor pool and greater diversity of aquatic sports uses.
17. The hydrotherapy pool will provide a vital social and community service to support all age groups and abilities while meeting the requirements of the Royal South Sydney Hospital Site Deed with the Local Health District. It may include medically based therapeutic programs as well as a range of external and centre run non-therapy based programs, including learn to swim babies classes, gentle exercise and sports recovery.

18. The commercial fitness centre will offer users the opportunity to engage in a range of activities including weight training, cardio training and functional training. Fitness studios will cater for a range of active and passive classes. They can also double as function rooms in conjunction with events held in the centre.
19. A crèche will cater for up to 30 children from six weeks to five years while parents are using the centre. This space will function as a multipurpose area for other activities, ie birthday parties, vacation care, training and children's programs when not in use as a crèche.
20. Belgravia Leisure will run the café and kiosk, offering a contemporary food and beverage menu and non-alcoholic beverages.
21. Organised use of the sportsfield will require formal booking through the aquatic centre. When the field is not in use for organised sport, limited informal low-impact use will be permitted.

### **Performance Measurement**

22. Comprehensive operational and financial monitoring will be undertaken on a monthly, quarterly and annual basis. This will be through a combination of meetings, audit, inspection and reporting.

### **Financial Implications**

23. While it is anticipated that overall demand will be strong, this is a "greenfield" site and the business lifecycle is projected to be consistent with industry performance and reflect changes in demand for a centre over time. This includes a ramp up from years one to three, reaching maturity by years four to five.
24. The commercial arrangements are based on a non-guaranteed (fee for service) "open book" contract. The City considers a contract where the City is responsible to underwrite the financial result is a suitable arrangement to respond to the operating impacts of a "greenfield" site and to enable Belgravia Leisure to respond to a competitive market environment and increase community usage. It also gives the City full oversight and control on all significant expenses and business changes.
25. The costs include a pre-opening period from 1 December 2019 to 31 May 2020. This period will predominantly be for Belgravia Leisure to market and drive memberships. Experience of other new facilities has shown that investment in the start-up will increase performance of the centre with stronger community awareness and higher membership sales.
26. The pre-opening period will result in a net operational loss based upon underlying business assumptions and attendance projections. The operational result is based on the presumption that construction of the centre will reach practical completion and the occupation certificate issued by the end April 2020 and Belgravia Leisure will then have unrestricted access.

## Relevant Legislation

27. The requirements for tendering under section 55(3) of the Local Government Act 1993 do not apply to a contract where extenuating circumstances are demonstrated, and Council decides by resolution, which states the reasons for the decision, that a satisfactory result would not be achieved by inviting tenders.
28. Attachment A contains confidential commercial information 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 person who supplied it.
29. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

## Critical Dates / Time Frames

30. The term of the contract will be 1 December 2019 to 31 March 2022.
31. Construction is well advanced. Appointment of Belgravia Leisure is recommended to commence on 1 December 2019 to allow the successful operational establishment of the centre from the date the occupation certificate is issued to commencement of operations on 1 June 2020.
32. In addition to fitout, the establishment period will allow Belgravia Leisure to undertake some key activities that are necessary prior to opening the centre, including:
  - (i) establishing a membership base;
  - (ii) undertaking a competitive procurement process for supply of the gym equipment;
  - (iii) undertaking detailed risk assessments and develop supervision plans;
  - (iv) completing a supervision validation assessment by Royal Life Saving Society;
  - (v) developing and finalising centre processes, systems and procedures;
  - (vi) recruiting and training of all relevant staff; and
  - (vii) undertaking an Expression of Interest process for allocation of the sports field and programmable water space in the aquatic centre.
33. An Expression of Interest process will be undertaken to identify and allocate space and usage to long term, regular user groups in the City of Sydney local area. The main focus of the centre and sports field is to provide high quality recreation and fitness opportunities and experiences for the local area, and to partner with local sporting groups, schools and other entities to maximise the use of the centre, deliver programs that provide developmental pathways and contribute to achievement of financial targets.

34. The deferral of a decision to appoint Belgravia Leisure to manage Gunyama Park Aquatic and Recreation Centre would affect the capacity of the City to open the centre when construction is complete and occupancy is permitted.

### **Options**

35. Endorse the appointment of Belgravia Leisure to manage Gunyama Park Aquatic and Recreation Centre for a contract of 28 months, thereby allowing alignment of the end of the contract as noted above. This is the preferred option.
36. Council could resolve to wait until closer to the scheduled practical completion date before appointing Belgravia Leisure, however, this would not provide the opportunity to market and drive memberships prior to opening. This option is not recommended.
37. Insource the operation of the centre. This option is not recommended as the City is not currently structured and resourced to manage this large complex frontline service.

### **Public Consultation**

38. Belgravia will need to demonstrate to the City on an annual basis that programming and services reflect demand by the community. This will require building and maintaining strong links with the community to seek regular feedback.

### **DAVID RIORDAN**

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