

Item 13.**Contract Variation - Operation of the City's Aquatic Leisure Centres - Belgravia Health and Leisure Group Pty Limited - Covid-19 Pandemic**

File No: S100640.038

Summary

This report relates to the variation of the commercial contract with Belgravia Health and Leisure Group Pty Limited ("Belgravia") for the management and operation of the City's five aquatic leisure centres as a result of the Covid-19 pandemic.

The City directed Belgravia to close the aquatic leisure centres for two weeks from 21 March 2020 with two days' notice. Public Health Orders issued on March 30 closed the facilities indefinitely.

The report seeks approval of payments to Belgravia to pay for the salaries and wages of permanent and casual staff employed to work at the City's aquatic leisure centres for the period Saturday 21 March to Friday 3 April 2020 inclusive, as noted in the Lord Mayoral Minute on 30 March 2020, and to pay the direct operating expenses for a period of four weeks commencing from Saturday 21 March to Friday 17 April 2020, inclusive.

On 3 April 2020, Belgravia stood down 349 staff under the provisions of the Fair Work Act 2009.

It is proposed to vary the contract with Belgravia effective from 18 April 2020 for the duration of the closure and pay a weekly holding cost for essential asset maintenance and recovery planning services for the re-opening of the centres.

The weekly payments will be adjusted at the end of each month by the funding contribution Belgravia receives under the Commonwealth Government JobKeeper scheme for the payment of staff.

This approach will ensure the maintenance of some of the most valuable community assets the City manages, therefore ensuring the City's immediate and longer term interests are protected and its largest community facing service (1.7 million visits) has capacity and capability to resume operations post lockdown in the shortest amount of time.

Recommendation

It is resolved that:

- (A) Council approve a payment to Belgravia Health and Leisure Group Pty Limited for the amount detailed in Confidential Attachment A to the subject report for the salaries and wages of permanent and casual staff employed to work at the City's aquatic leisure centres for a period of two weeks commencing from Saturday 21 March to Friday 3 April 2020, inclusive;
- (B) Council approve a payment to Belgravia Health and Leisure Group Pty Limited for the amount detailed in Confidential Attachment A to the subject report for the operating costs for the period 21 March to 17 April 2020;
- (C) Council approve a contract variation with Belgravia Health and Leisure Group Pty Limited to provide essential asset maintenance and recovery planning services at a weekly cost as detailed in Confidential Attachment A to the subject report, effective from 18 April 2020 for the duration of the Covid-19 pandemic closure; and
- (D) authority be delegated to the Chief Executive Officer to negotiate and enter into any contract documentation to give effect to the clauses above.

Attachments

Attachment A. Financial and Operational Impacts (Confidential)

Background

1. The City has five aquatic leisure centres across the local government area and a sixth is under construction at Green Square. These key community facilities have an asset value in excess of \$200M.
2. Aquatic leisure centres are a critically important contributor to Sustainable Sydney 2030, providing programs and services that support an inclusive, connected, liveable and engaged City, and are a service that is highly valued by the community.
3. Management of the centres is currently contracted to Belgravia until 31 March 2022. In October 2019, Council endorsed the appointment of Belgravia to manage the Gunyama Park Aquatic and Recreation Centre, due for completion in late 2020.
4. The City's largest community facing service, the aquatic leisure centres collectively attract over 1.7 million visits annually. They are open seven days a week, employing approximately 364 people (57 full-time and 307 part-time and casual).
5. The management of large multipurpose aquatic leisure centres are complex, high risk (both operationally and financially) and requires highly specialised skills across a range of areas including operations, business development, management, marketing, maintenance and service programming.
6. The contract is structured so that the revenue generated by the centres offsets the costs of operation which are substantial. The contract also generates an annual payment to the City.

Covid-19 Impacts

7. The City directed Belgravia to close the centres for two weeks, effective from 21 March to 3 April 2020 inclusive, giving two days' notice. The closure has subsequently been extended indefinitely in accordance with the Public Health (COVID-19 Restrictions on Gathering and Movement) Order 2020 dated 30 March 2020.
8. The Lord Mayoral Minute to Council on 30 March 2020 resolved that:

Council approve in principle a one-off payment as a contract variation to Belgravia Health and Leisure Group Pty Limited of \$413,000 excluding GST to pay for the salaries and wages of permanent and casual staff employed to work at the City's aquatic centres for a period of two weeks commencing from Saturday 21 March to Friday 3 April inclusive, with payment only to be made if Belgravia is not granted assistance from the Commonwealth Government under the package of measures announced on 29 March 2020.
9. Council staff have been in negotiations with Belgravia about the most appropriate and cost effective approach to deal with the current crisis.

Risks

10. Providers in the leisure management sector have decreased over the last decade, with a number of management groups, both large and small, having ceased operation. These closures had a substantially disruptive effect on the Councils and communities they once served. A highly competitive market has reduced to such an extent that there are now only a very limited number of leisure service providers in the market capable of managing centres of the size and scope of the City's contract. With limited players in the market, the sector cannot afford to lose operators as there would not be sufficient capacity to step in and the services required by Council.

Budget Implications

11. Budget implications are detailed in Confidential Attachment A.

Relevant Legislation

12. Local Government Act 1993 - Section 10A provides that a Council may close to the public so much of its meeting as comprises information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.
13. 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.
14. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

15. The Australian Taxation Office (ATO) will commence payments under the JobKeeper payment scheme from 18 May 2020. Belgravia must cash flow the JobKeeper payment for City aquatic leisure centre staff until refunded by the ATO, as well as the direct operating expenses of the five centres since closing on 21 March 2020.
16. The contract program for the pre-opening and operation of the Gunyama Park Aquatic and Recreation Centre is being re-negotiated to align with the revised completion date of the project.

Public Consultation

17. There has been no community consultation in relation to the Covid-19 impacts on the operation of the City's aquatic leisure centres.
18. There are approximately 4,500 members at the City's aquatic leisure centres and there are in excess of 1.7 million visits annually.

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