

Contract Variation - Management of Aquatic and Leisure Facilities - Belgravia Leisure

File No: S100640.027

Summary

The City owns and operates six world-class aquatic and leisure centres throughout its Local Government Area (LGA). Collectively, these facilities represent the largest frontline service offered by Council to the community, with over 300 different programs each week and an average of 1.7 million attendances across the service each year, pre Covid-19.

The importance of having good physical and mental health has been a constant message throughout the pandemic and the role the City's aquatic and leisure centres play in providing exercise and social interaction for the community is significant.

The centres are managed by Belgravia Health and Leisure Group Pty Ltd (Belgravia) under two separate contracts. This report relates to the variation of one of the commercial contracts with Belgravia, namely the management and operation of the City's five centres contract due to ongoing impacts of the Covid-19 pandemic.

The City's aquatic and leisure centres were closed for a second time under the Public Health Order for the period 26 June 2021 to 27 September 2021, resulting in a complete cessation of the programs and services including learn to swim, lap and casual swimming, squads, swim club, school carnivals, gym, sports courts, birthday parties and cafe operations.

The impact to organisations such as the City, the community and leisure industry have been wide ranging over the last two-and-a-half-year period. Contending with interrupted service delivery, critical workforce shortages, declining customer experience due to dissatisfaction with restricted service delivery, and hesitancy to return due to (perceived) risk of contracting Covid-19 have all impacted the performance of the City's aquatic leisure centres.

Recovery has been an iterative process as we have adapted to the new operating environment and a progressive return to pre-lockdown service levels where demand has been demonstrated. The financial impacts have been significant and were unforeseen when the financial variation to the Belgravia contracts and amended budget were approved by Council in May 2021 following the first lockdown period.

This report recommends that Council approve a contract variation with Belgravia and approve additional funds to meet the cost of delivering the service until the end of the contract term on 31 March 2024 for management of Cook and Phillip Park, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park and Andrew (Boy) Charlton Pools.

Noting challenges consistent with the five centres contract, the operation of Gunyama Park Aquatic and Recreation Centre has responded well since re-opening from the second lockdown in September 2021, achieving 265,000 visits year to date April 2022, and is on track to meet its projected financial position at the end of the contract in March 2024.

Recommendation

It is resolved that:

- (A) Council approve the variation in the cost of service for management of Cook and Phillip Park, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park and Andrew (Boy) Charlton Pools until the end of the contract term on 31 March 2024 as outlined in Confidential Attachment A to the subject report;
- (B) Council approve the additional funds in relation to the contract for management of Cook and Phillip Park, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park and Andrew (Boy) Charlton Pools until the end of the contract term on 31 March 2024 as outlined in Confidential Attachment A to the subject report; and
- (C) authority be delegated to the Chief Executive Officer to negotiate and enter into any contract documentation to give effect to the above clauses.

Attachments

Attachment A. Financial and Contractual Implications (Confidential)

Background

1. The City owns and operates six world-class aquatic and leisure centres across its Local Government Area (LGA).
2. Collectively, these centres represent the largest frontline service offered by Council to the community, with over 300 different programs each week and an average of 1.7 million attendances across the service each year, pre Covid-19.
3. The sites are managed by Belgravia Health and Leisure Group Pty Ltd (Belgravia) under two separate contracts as follows:
 - (a) The contract for the management of Cook and Phillip Park, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park and Andrew (Boy) Charlton Pools, (the five centres contract) commenced on 1 April 2012.
 - (b) The contract for management of Gunyama Park Aquatic and Recreation Centre (Gunyama) was awarded in October 2019.
4. The initial outbreak of Covid-19 in March 2020 led to a Public Health Order issued by the NSW government to close all public swimming pools. The City's pools were closed for almost three months progressively re-opening from 1 June 2020.
5. In May 2021, Council approved a variation for the management of both contracts to:
 - (a) extend the terms of both contracts by an additional two years with both contracts to expire on 31 March 2024; and
 - (b) vary the financial arrangements for the five centres contract to operate as a fee for service agreement until such time as its annual operations reach break-even.
6. The City's aquatic and leisure centres were closed for a second time under the Public Health Order on 26 June 2021, resulting in a complete cessation of the programs and services that included learn to swim, lap and casual swimming, squads, school carnivals, gym, sports courts, birthday parties and café operations. Restrictions were eased and the centres were able to reopen in accordance with the government's recovery roadmap, commencing with outdoor pools on 27 September 2021. However, business recovery was further impacted with the highly transmissible Omicron variant affecting community confidence.
7. The second lockdown, coupled with low consumer confidence that had not returned from the initial Covid-19 wave, has continued to impact recovery. Activity within the CBD continues to be significantly reduced by changed work and study arrangements.
8. Recovery has been an iterative process as we have adapted to the new operating environment and a progressive return to pre-lockdown service levels where demand has been demonstrated. The impact to organisations, community and industry have been significant over the last two-and-a-half-year period. Contending with interrupted service delivery, critical workforce shortages of experienced and qualified staff, declining customer experience due to dissatisfaction with reduced service levels and hesitancy to return due to (perceived) risk of contracting Covid-19 have all impacted performance.

Performance Measurement

9. Operational and financial performance targets for the contracted services are monitored on a monthly, quarterly, and annual basis and through a combination of contract and operations meetings, audits, inspections and reporting.

Financial Implications

10. There are some programs and activities, such as learn to swim, that have bounced back well. Other areas of the service have not, which is affecting the financial performance of the centres.
11. The May 2021 report to Council noted that the impacts of the pandemic were still unfolding, and further restrictions or shutdowns would directly impact the financial performance of the service and that further funding may be required.
12. The operation of the Gunyama contract has responded well since re-opening from the second lockdown in September 2021, achieving 265,000 visits year to date April 2022, and is on track to meet its projected financial position at the end of the contract in March 2024.
13. The operation of the five centres contract is not performing as well, with 535,000 visits year to date April 2022 year compared to 1,371,000 (39 percent) pre-Covid-19 April 2019 and requires additional funding until the end of the contract term on 31 March 2024. Details of the financial positions of each contract can be found at Confidential Attachment A.

Relevant Legislation

14. Local Government Act 1993 - Section 10A provides 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.
15. Attachment A contains confidential commercial information of the supplier and details of Council's contract 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 person who supplied it.
16. 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

17. Based on the forecast full year operating result for the five centres contract, the approved funding, including approved contingency, will be exhausted in June 2022. Council approval is required for additional funding of the five centres contract until the end of the contract term on 31 March 2024.

Options

18. Approve the variation and additional funding and ensure no adverse impact to this service that is highly valued by the community. This is the preferred option.
19. Not approve the variation and additional funding. This will mean major service disruption with closure of the Cook and Phillip Park, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park and Andrew (Boy) Charlton Pools. The closure would impact the community's average 15,700 visits each week (818,000 visits annually) and the employment of approximately 400 permanent and casual staff who work at the centres. This is not recommended.

Public Consultation

20. There has been no community consultation in relation to the Covid-19 impacts on the operation of the City's aquatic leisure centre contracts.

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