



Whitehorse City Council

MINUTES

Confidential Council Meeting

**Held in the
Council Chamber
Nunawading Civic Centre**

on

Monday 27 February 2023

Notice: Release (in part) Minutes for Item 12.1 Aquatics Service Review - 27 February 2023

On Monday 25 August 2025, Council resolved to release these minutes pending an assessment of the report's confidentiality to facilitate the release of the report, in whole or in part, to the public as appropriate.

Items as per the Local Government Act 2020 redacted refer to:

Council business information, being information that would prejudice the Council's position in commercial negotiations if prematurely released and private commercial information, being information provided by a business, commercial or financial undertaking that or (ii) if released, would unreasonably expose the business, commercial or financial undertaking to disadvantage. (section 3(1)(a) and g(ii)).

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The recording will be archived and made publicly available on Council's website within 48 hours after the meeting on www.whitehorse.vic.gov.au for a period of three years (or as otherwise agreed to by Council).

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Present

Councillors:	Cr Mark Lane	Mayor
	Cr Prue Cutts	Deputy Mayor
	Cr Blair Barker	
	Cr Raylene Carr	
	Cr Andrew Davenport	
	Cr Tina Liu	
	Cr Denise Massoud	
	Cr Amanda McNeill	
	Cr Andrew Munroe	
	Cr Trudy Skilbeck	
	Cr Ben Stennett	
Officers:	Simon McMillan	Chief Executive Officer
	Stuart Cann	Director Corporate Services
	Jeff Green	Director City Development
	Lisa Letic	Director Community Services
	Steven White	Director Infrastructure
	Vivien Ferlaine	Manager Governance and Integrity
	Carolyn Altan	Manager Strategic Communications and Customer Service
	Kerryn Woods	Coordinator Governance
	Sharon Lozsan	Senior Governance Officer
	Mark Hofsteter	Coordinator IT Service Operations

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The Meeting resumed at 9.08pm

12 CONFIDENTIAL REPORTS

This report has been prepared for consideration by Council in a closed meeting, pursuant to Section 66 (1) and 66 (2) (a) of the *Local Government Act 2020*. This report and information contained in it and any attachment is designated as confidential information pursuant to section 3 (1) of the *Local Government Act 2020*.

It is recommended that in accordance with Section 66(1) and 66(2)(a) of the *Local Government Act 2020*, the Council resolves to close the meeting to the public for the consideration of this item as the matter to be discussed is confidential information for the purposes of section 3(1) a and g(ii) because it is Council business information, being information that would prejudice the Council's position in commercial negotiations if prematurely released and or (ii) if released, would unreasonably expose the business, commercial or financial undertaking to disadvantage.

This ground applies because the matter concerns information that could expose Council's commercial undertakings and result in a detrimental financial impact.

12.1 Aquatics Service Review

Transformation
Executive Manager Transformation
ATTACHMENT

SUMMARY

Whitehorse City Council has an important role in the provision of community access to public aquatics facilities, as part of its broader role to deliver social and economic outcomes for all municipal residents, visitors and businesses.

Aquatic facilities now typically incorporate services beyond the traditional pools to improve social, health and wellbeing outcomes. These facilities are expensive to construct, maintain and operate with a relatively low financial return on investment. There are limited options for commercialisation with the exception of high yield revenue services such as learn-to-swim program delivery and gym membership. Due to high cost, limited competition and low financial returns, the role to provide public aquatics facilities has fallen to the local government sector

Whitehorse City Council currently provides the community with access to two aquatics facilities Aqualink Nunawading (AQN) and Aqualink Box Hill (AQBH).

The aquatics industry and the two Council facilities were significantly impacted by the COVID-19 pandemic with multiple closures limiting community access, disrupting user groups, tenants and staff and significantly affecting the operational financial performance.

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In 2022, Council commenced a Service Review to establish the:

1. Future of Council's role in the provision of aquatics services
2. Future investment required in assets that are at the end of their current life
3. Most effective way in which the facilities should operate (management model that includes the learn-to-swim delivery model)

Councillors received three comprehensive briefings throughout August to October 2022 relating to the Aqualink service offerings, asset considerations and management model options.

The Service Review has found:

- Council has an important and ongoing role to provide community access to public aquatics facilities. This contributes to the delivery of extensive social and economic benefit to residents and the wider community. There is a strong desire for Council to continue to provide two aquatic facilities and that Aqualink Nunawading requires a 50M pool if it is to continue to meet user needs for high performance training programs.
- The current in-house management model is inefficient and there is significant opportunity to improve the financial operating position of the service if a change to this arrangement was implemented. Council has limited ability to significantly improve the operating expenditure costs of the facilities due to high labour costs under the Collective Agreement 2022 compared to sector Award. Any operational efficiencies would result in a non-material impact to the net operating result. If Council changed the management model of the two Aquatics facilities, the scenario analysis indicates that Council could achieve a nett improvement in the range of \$10.13M to \$22.55M over the period of 23/24 to 32/33. This estimate is based off a series of educated assumptions (detailed later in the report).
- The Lean-to-Swim program delivery model (two separate licence arrangements with the Surrey Park and Nunawading Swim Clubs) produces a [REDACTED] outcome for Council [REDACTED] inconsistent with the requirements of the Local Government Act 2020. These arrangements conclude in 2024 and 2025, and will require Council to undertake a public tender process to ensure best value and legislative compliance. It is very likely that the outcome of a public tender will be a significantly improved financial return to Council.
- It is understood that the Surrey Park and Nunawading Swim Clubs business model relies on the current Learn-to-Swim program delivery arrangement. [REDACTED]
[REDACTED]
[REDACTED]
- Facility access arrangements with long-term user groups (including the Swim Club for their performance & squad training) are informal and ad hoc. Formalising these arrangements would increase transparency and

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appropriately recognise Council's subsidy and support for not-for-profit community programming.

- Aqualink Nunawading is at the end of its asset life and book value. Based on all available information, it is estimated that the facility has a maximum of 10 years before the risk of asset failure is almost certain. Councillors will receive a separate briefing on the asset decision in March 2023.

COUNCIL RESOLUTION

Moved by Cr Barker, Seconded by Cr Davenport

That Council:

1. Notes that a comprehensive review of Council's aquatics services has been undertaken and has identified;
 - a) The importance of Council's continued role in the provision of aquatics infrastructure/facilities to enable social and economic benefits for the community.
 - b) Commercial and financial limitations in continuing to deliver the service in its current model.
2. Acknowledges the historic contribution of Nunawading Swim Club and Surrey Park Swim Club to the community of Whitehorse City Council. Endorses a change to the management model of Council's two aquatics facilities from an in-house model to an external contract management model and the incorporation of the Learn-to-Swim Program Delivery into the future management model contract(s) arrangement for Aqualink Box Hill and Aqualink Nunawading.
3. Authorises the Chief Executive Officer and Director Community Services to enact this change to:
 - a) Authorise the budget impacts outlined in the Financial Implications section.
 - b) Formalise the utilisation agreements with all long-term user groups of Aqualink Box Hill and Aqualink Nunawading.
 - c) Develop a tender specification and go-to-market for a third-party provider(s) to manage a package(s) of aquatics, leisure and recreation facilities.
 - d) Invest in developing commercial contract management capability in the organisation leveraging the required investment in developing an aquatics and leisure tender and new contract management role.
 - e) Undertake notification of the affected employees in accordance with Council's Collective Agreement.
 - f) Undertake notification of all facility tenants, lease and license holders, user groups and customers, in relation to the service changes and the impact of the changes.
 - g) Undertake the process to enact all required action to enact the transition.

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4. Authorise the Chief Executive Officer and the Director Community Services to determine, at their discretion, that the information in these resolutions and this report is no longer confidential information.
5. Determines that attachment 1 is no longer confidential information and authorise the release of attachment 1 to the public on Council's website on a date determined by the Chief Executive Officer.
6. Resolve that this report and discussion relating to it remain confidential, except to the extent that the Chief Executive Officer (or delegate) must disclose aspects of it to give effect to these resolutions, and be placed in a separate Minute Book for Confidential Items.

CARRIED

Key Matters

Financial Performance - labour costs

The main cost of running the two Aqualink facilities is the labour expenditure. Council has very limited ability to reduce this cost as it is constrained by the Collective Agreement 2022 entitlements and wage rates.

[REDACTED]. The aquatics industry uses the Fitness Industry Award (MA000094) that in comparison to the Whitehorse Collective Agreement 2022 provides rates that are on average [REDACTED] lower.

Different roles of the Swim Clubs

The Whitehorse municipality is fortunate to have two successful swim clubs available for those wishing to take up competitive and high-performance swimming. Both the Nunawading Swim Club and Surrey Park Swim Club have strong reputations and have had success at Olympic level, which make them an attractive choice for their participants. However, it is important to separate the role of the swim clubs in their elite and high-performance training programs and their role in delivering Learn-to-Swim programming.

There is a strong argument for the value the Swim Clubs play in providing elite and high performance at a regional level for the relatively small proportion of the community who participate, as there are few other providers in the market. It is a different matter for the Learn-to-Swim programming. While undoubtedly an important revenue stream for the Swim Clubs, they are competing in a strong market where other providers could be delivering a better outcome for Council.

Swim Club reliance on Learn-to-Swim income

The Surrey Park Swim Club and Nunawading Swim Clubs have delivered learn-to-swim programming in the respective Aqualink facilities for several decades.

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[REDACTED]

Nunawading Swim Club's learn-to-swim program delivery is branded 'Just Swimming' and operates out of the following locations:

- Aqualink Nunawading, Forest Hill
- Tintern Grammar Sports Complex, Ringwood East
- Wesley College, Glen Waverley (Monash City Council)
- Mount Scopus Memorial College, Burwood.

Surrey Park Swim Club's learn-to-swim program is delivered out of the following locations:

- Aqualink Box Hill
- Blackburn Learn to Swim Centre located in Box Hill South

Learn-to-Swim Delivery Licence Arrangements Expiring

The Learn-to-Swim programming delivered under licence arrangements with Surrey Park Swim Club and Nunawading Swim Club will expire in 2024 and 2025 respectively. There are two separate licence arrangements (one for each facility and relevant operator). This arrangement is not optimal from a management perspective for the following reasons:

- It requires duplication of effort to manage and administer the arrangements.
- Both programs are branded differently and do not visibly associate to the Aqualink facilities branding or Whitehorse City Council.
- Both agreements have different terms and conditions.

Aging facility infrastructure

The general asset condition of Aqualink Nunawading is poor and the asset is at the end of its book/asset life in the next 10 years. A significant proportion of the heating, ventilation, pool plant and air conditioning (HVAC) systems require urgent attention due to their age. Only some relatively minor systems are in good working condition. Aqualink Box Hill was redeveloped more recently (reopened December 2013) hence, the building, building fabric, and the pool and plant services within are still in good to very good condition.

AQBH adequately provides for the current participation need. However, if health and fitness memberships return to pre COVID-19 numbers, coupled with future population growth, consideration should be given in the future to expansion of the health and fitness area, including a larger gym incorporating a functional training area and additional dedicated space for programs.

Population growth and infrastructure planning

The population of Whitehorse is growing with an increase of 4.5% between 2016 and 2021. The population is predicted to grow by 30.9% by 2041 (to 221,617). The portion of the population that are most likely to use an aquatic facility (0 to 49 years) is predicted to decrease while the age bracket that is predicted to

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experience the largest increase in population is the 70 plus years age group. The facilities do not currently have asset management plans or service plans to support long term planning in alignment with population change and growth. Benchmarking and market sounding undertaken in the Service Review found that other providers have a strong programming focus on the different user groups, including older people.

STRATEGIC ALIGNMENT

Provision of municipal aquatic facilities and services is aligned to the Whitehorse Community Vision 2040 key priority areas relating to health and wellbeing, particularly:

7.1 Address the inequalities in health outcomes by creating affordable options to create accessibility, platforms for advocacy and individualised support, and access to information on local services within our neighbourhoods.

7.3 Educate the community to maximise their access to healthy lifestyles, encompassing mind, body and spirit.

BACKGROUND

Whitehorse City Council currently provides the community with access to two aquatics and leisure facilities Aqualink Nunawading (AQN) and Aqualink Box Hill (AQBH). Council operates these two facilities under an in-house management model where staff are directly employed under Council's Collective Agreement 2022. There are currently 77.47 full-time equivalent (FTE) employees required to operate the two facilities. The facilities operate at a deficit which has significantly worsened since the COVID-19 pandemic and lockdowns (summary in table below).

Category	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 (at 30/12)
Income	\$9.802M	\$10.02M	\$7.42M	\$3.89M	\$5.79M	\$4.38M
Expenditure	\$10.39M	\$10.73M	\$9.41M	\$7.65M	\$8.95M	\$5.16M
Net Operating Result	-\$0.58M	-\$0.71M	-\$1.99M	-\$3.77M	-\$3.17M	-\$0.79M

Note this summary represents the direct service costs only (no organisational overheads)

AQBH is the higher performing site across all business indicators. This is likely due to the better positioning/location for access, newer regional facility with better amenity, products, programs, and services offered. It could reasonably be expected that investment in modernising the AQN facility could improve attendance and income.

The gym attendance patterns for Aqualink facilities are similar to the general industry with the beginning of the week the busiest and weekends the quietest. Weekends are busier in the mornings than the afternoons, and weekdays are busiest in the early evening and mid-morning. There is opportunity to optimise attendance with marketing campaigns and align with membership packages.

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The Aqualink pools are heavily utilised by the local Swimming Clubs (Nunawading and Surrey Park). Whilst this use is not unusual relative to the industry, there are times when the use constrains Council's programming opportunities and public access at AQN and AQBH. Council needs to formally address the challenge of balancing higher yield programming such as learn-to-swim programming and squad use/hire against lower yield lap swimming and recreation. Currently the use arrangements are ad hoc and based on long standing informally agreed arrangements.

Unique in the aquatics industry, the learn-to-swim (LTS) programming is delivered through two separate licence agreements with the local Swimming Clubs. These arrangements are summarised in the table below. The arrangements conclude in the coming years and will require Council to complete a public tender process if a licence arrangement is determined to be the best way to source delivery of this programming.

Agreement Terms	Nunawading Swim Club (NSC) at AQN	Surrey Park Swim Club (SPSC) at AQBH
Expiry date	June 2025 with no extensions	June 2024 with no extensions
Licence Fee		
LTS Pool space access arrangements	The clubs are allocated pool space in agreement with facility management for the term based LTS program, school holiday programs, LTS schools and swim club squads. The allocation is reviewed each term & fluctuates based on seasonal demand changes and balancing other public access and Council-operated programs.	
LTS Term and Holiday programs	Licence agreement income share - includes LTS classes and Hansen squad program.	Licence agreement income share – includes LTS classes and fitness squad.
LTS Schools programs	Licence agreement income share - invoiced a reduced entry fee for the number of school program participants.	

Discussion and Options

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The framework used to assess the service options contains three dimensions:

Community Outcomes

- Decision aligns with community priorities
- Impact on the range, level or quality of service
- Impact on clients, user groups and broader community

Financial Sustainability

- Maintain (or reduce) Council contribution to the service (financial and social return on investment)
- Opportunities to improve service income (user fees or grants)

Operational Feasibility

- Capacity & capability of WCC to operate the service effectively
- Compliance to legal and regulatory obligations
- Impact to organisational risk profile

Community Outcomes

Community outcomes are often measured by a process known as ‘Social Return on Investment’ or SROI. In 2021, Royal Life Saving, on behalf of the National Aquatic Industry Committee (NAIC), delivered a project investigating the Social Health and Economic Benefits of the National Aquatic Industry Project in partnership with Pricewaterhouse Coopers (PwC) Australia. This project found that the aquatic industry enables \$9+ billion in quantifiable benefits for Australians and the communities they live in. This report highlights that aquatics facilities, like AQN and AQBH, provide the following benefits:

- Community: increased community connection supporting social cohesion and brings people together.
- Wellbeing: regular physical activity improves individual physical health, reduces risk of mental illness and improves quality of life and wellbeing.
- Leisure: enabler of improved personal leisure time at a compatible low cost.
- Employment: Aqualink currently provides employment for ~300 people (77.47 FTE) with the majority of work arrangements part-time or casual.
- Elite Sport: provides a location for elite sport performance training and development with free access for Nunawading and Surrey Park Swim Clubs.
- Local Amenity: local property value increases as people pay more to be close to a pool.
- Educational: increased learn-to-swim activity improves the educational outcomes of children (swimming is often the child’s first experience at structured learning).
- Volunteer: the sport of swimming provides opportunities and benefits from extensive volunteering.

The PwC report provides a holistic view of benefits across the industry and recommends “strong consideration to the maintenance and development of new and existing aquatic facilities, particularly when looking to improve health, social

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and economic outcomes for the whole-of-community" (page 46). As such, the PwC report does not specifically differentiate between a Council-operated and non-Council-operated aquatic service which suggests there are strong community benefits in providing aquatic services regardless of the chosen management model.

Financial Sustainability and Operational Feasibility

The learn-to-swim and gym services are the higher revenue-yielding services within a public aquatic and leisure service. Industry benchmarks show that the revenue from these services is essential in helping to offset the other high cost and low revenue aquatic areas and programs, particularly provision and maintenance of the high cost infrastructure.

Both facilities operated at a combined financial cost to Council of \$3.17M in FY 21/22. To address the declining financial performance and there are two main opportunities to address this:

1. Generate more income from learn-to-swim program delivery.
2. Change the Management and Learn-to-Swim Program Delivery Model,

The Service Review analysed the financial impact of changing the learn-to-swim program delivery model and service management model.

A bespoke financial model was developed to compare the current learn-to-swim arrangement with a contractor service model. Using a number of assumptions (including the engagement of staff under the Fitness Award), the model presents a scenario analysis using 2018/19 actuals and participation levels. Scenarios were modelled assuming \$23.97 fee per lesson [REDACTED]. The projections in the table below indicate that revenue from the learn-to-swim program could be significantly improved if a Council included the learn-to-swim program in a contractual arrangement with the management for Centre Operations. The scenarios were developed to ensure that there was a conservative range of anticipated improvement to Council's income from its learn-to-swim arrangements which took into consideration the risk that the industry workforce shortages and other factors could play on the result.

Scenario ([REDACTED] fee per lesson)	Scenario One	Scenario Two	Scenario Three	Current Arrangement^
Enrolments compared to current	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	\$6.54M	\$5.09M	\$3.64M	\$1.48M
Total Expenditure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Result	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Variation to current arrangement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

^ based on 2018/19 actuals as this was the last full financial year where learn-to-swim was not impacted by covid-19 or swim instructor workforce shortages.

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2. Change the Management Model

The opportunities for improvement are summarised as:

- [REDACTED]
- Optimising the financial return from the learn-to-swim programming.
- Reviewing the offering to maximise utilisation (fees and charges, facility programming, offering and brand/marketing).
- Review service operational management plan to improve operational efficiency and meet community demand. This would include reviewing operating hours and allocation of water and dry spaces

A range of Management Model options were considered (including Company Limited by Guarantee) however, the following two options (A and B) were deemed most viable (financially, operationally and outcomes aligned) for Whitehorse City Council and apply to both facilities (AQN and AQBH). To remain financially sustainable, Council must consider options which improve the financial performance of the Aqualink facilities. In order for Council to continue to provide two Aquatic facilities, significant financial capital investment is required over the next decade and beyond. As such, a key driver in the developing the management options were to help offset these costs by keeping operations as efficient as possible.

Management Model Options

Options	Optimise the Status Quo	Transform to maximise financial return
Management Model	<ul style="list-style-type: none"> • Retain in-house management model with optimised operational efficiencies which are: • New management structure [REDACTED] • [REDACTED] • Formalise usage/access arrangements with Surrey Park and Nunawading Swim Clubs (and other user groups) for performance, sport and squad usage only • Review hours of operation by service type based on demand and increase program responses to increase facility utilisation. 	<ul style="list-style-type: none"> • Contract out the management of both facilities and include delivery of Learn-to-Swim. New arrangements commence on or before 1 July 2025. This date allows for contract design, procurement process, industrial relations change process and transition. • Consider longer-term arrangement to attract capital investment (contract or lease arrangement) for the potential redevelopment of Aqualink Nunawading. • Include other facility management to maximise efficiencies [REDACTED]

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Options	Optimise the Status Quo	Transform to maximise financial return
Learn-to-Swim Model	<ul style="list-style-type: none"> Undertake required public procurement process for new licence arrangement from 1 July 2025 for both AQN and AQBH 	
Dependencies	<ul style="list-style-type: none"> Formalise usage/access arrangements with Surrey Park and Nunawading Swim Clubs (and other user groups) for performance, sport and squad usage. Invest in training and development program, talent attraction and retention to improve the commercial capability of the service management and staff. 	<ul style="list-style-type: none"> Formalise usage/access arrangements with Surrey Park and Nunawading Swim Clubs (and other user groups) for performance, sport and squad usage. Investment in external expertise to design specification, contract and performance measures.
Benefits	<ul style="list-style-type: none"> Council continues to have full control over operations to maintain alignment with priority community outcomes and service delivery Retains staff jobs Provides service specific opportunity for Swim Clubs to compete in public tender to retain Learn-to-Swim Program [REDACTED] 	<ul style="list-style-type: none"> Significant opportunity to improve the overall service net operating position where the contract incorporates the Learn-to-Swim program [REDACTED] [REDACTED] The scenario analysis indicates that Council could estimate a nett improvement in the range of 10.13M to \$22.55M over the period of 23/24 to 32/33. Council's operational risk reduces [REDACTED] The aquatics industry uses the Fitness Industry Award (MA000094), which in comparison to the Whitehorse Collective
Risks	<ul style="list-style-type: none"> Increasing labour costs are not addressed and cost to run facilities escalate faster than income. This will require a significant improvement in organisational capacity [REDACTED] Unable to achieve efficiencies in management model Time imposition on Council to manage this model (opportunity costs) 	<ul style="list-style-type: none"> Council's role will change from service delivery to contract management. This will require a significant shift in organisational capacity and capability to mitigate risk of poor contract management. Reduced capacity for Council to control and influence operations however new provider will provide aquatics as core business and likely high industry capacity Industrial process required with significant cost or redundancy and impact to staff Potential detrimental impact on

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Options	Optimise the Status Quo	Transform to maximise financial return
		Swim Club's current business models.

SUPPORTING REPORT DETAILS

Legislative and Risk Implications

Local Government Act

Under the Local Government Act 2020, three specific sections must be considered when making this decision:

Section	Section Detail	Relevance to this Decision
9 Overarching governance principles and supporting principles	The following are the overarching governance principles— a) Council decisions are to be made and actions taken in accordance with the relevant law; b) priority is to be given to achieving the best outcomes for the municipal community, including future generations; c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted; d) the municipal community is to be engaged in strategic planning and strategic decision making; e) innovation and continuous improvement is to be pursued; f) collaboration with other Councils and Governments and statutory bodies is to be sought; g) the ongoing financial viability of the Council is to be ensured; h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making; i) The transparency of Council decisions, actions and information is to be ensured.	These are the overarching governance principles that apply to Council's consideration of this report and ultimately the decision regarding the Aquatics Service Management Model and Aqualink Nunawading redevelopment.
108 Procurement Policy	Council must adopt a Procurement Policy, which must seek to promote open and fair competition and provide value for money.	Council must apply its Procurement Policy when considering a management model contract and the existing learn-to-swim lease arrangement.

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Section	Section Detail	Relevance to this Decision
Section 15 Lease of Land	Council's power to lease any land to any person is limited to leases for a term of 50 years or less.	Applies to considerations of the current site use.

Transfer of Business – Fair Work Act

Council has received legal advice on the applicability of transfer of business clause in the Fair Work Act (full advice is attached for context).



Industrial Relations

Options B would constitute a 'major change' under clause 4.3 (1) of the Whitehorse City Council Collective Agreement 2022 and Council must consult with affected parties prior to implementing major changes. The table below outlines the current service head count and Full Time Equivalent (FTE) by employment type. Option B would affect all service staff.

Employment Type	Head Count	Total Budgeted FTE
Casual	248*	77.67
Full-time	11	
Part-time	58*	
Temporary full-time	2	
Temporary part-time	24	
Total headcount	343	

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* [REDACTED]
[REDACTED] The part-time and casual employees are rostered onto shifts then the Collective Agreement award determines their entitlements.

Equity, Inclusion, and Human Rights Considerations

In developing this report to Council, the subject matter has been considered in accordance with the requirements of the *Charter of Human Rights and Responsibilities Act 2006*. It is considered that the subject matter does not raise any human rights issues.

Community Engagement

The Service Review Community Consultation plan was developed in alignment with the Community Engagement Policy and upon advice from Otium Planning Group. Otium Planning Group have conducted Aquatics Service Reviews for Local Government extensively across Australia.

The following community engagement has been undertaken in the Service Review:

Activity	Brief Activity Summary
Community Survey	Aqualink Community Survey conducted in July 2022 via Council's Your Say Whitehorse portal. The survey questions were based on a range of Otium Planning Group aquatic surveys standard questions and principally sought information on peoples' use of public swimming pools/leisure facilities, which include council, school, private and commercial centres, but not home facilities.
Stakeholder Workshops	Stakeholder workshops were conducted during July and August 2022. This included workshops with: <ul style="list-style-type: none">• Nunawading & Surrey Park Swimming Clubs• Aqualink members and users• Council Advisory Committees (Youth Representative Committee, Disability Advisory Committee)• Sport and Recreation Network The workshops focused on current strengths, improvement opportunities and their own interests/priorities relating to the Aqualink facilities. In addition, the Nunawading & Surrey Park Swimming Clubs have been kept informed on service review progress through their regular meetings with the operational service management team.
Schools Survey	15 local schools completed the online survey. Of the respondents 13 were primary schools, one was a secondary college and one specialist school. This survey asked respondents about why they do/do not use Aqualink facilities and investigated ways Aqualink could attract higher school utilisation.
Member and User Survey	A members and user survey conducted during July 2022 received 660 responses from members and 10 user groups. This survey sought current and past member sentiment and feedback on their experiences.
Staff Survey	An Aqualink Staff Survey conducted in July 2022 via Council's Your Say Whitehorse portal. The survey was open to all staff that work at the Aqualink facilities including permanents, part time and casual employees. 79 people completed the survey. The survey asked

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Activity	Brief Activity Summary
	questions about employment conditions, sentiment, opportunities for improvement and operational values.
Staff Workshops	Several staff workshops were held to gain input into the service review and options development. Staff were invited to provide input through the Project Manager and Service Coordinator at any stage. Staff were kept informed throughout the process by their Service Coordinator. Staff were asked about strengths, improvements and strategic considerations relating to the provision of aquatic services.
Market sounding	Meetings were held in June and July 2022 with four of the main Aquatic and Leisure Facility contract management companies - YMCA Victoria, Belgravia Leisure, Aligned Leisure and Bluefit. The purpose of these meetings was to test the markets appetite to tender for Aqualink services if an external management model was implemented in the future.
Councils	<p>Aqualink performance was compared against seven other similar Melbourne metropolitan leisure centres across two metrics for 2017/18 and 2018/19 (pre-COVID impact):</p> <ul style="list-style-type: none"> • Knox City Council (operated by contractor) • Wyndham City Council (operated by Company Limited by Guarantee) • Frankston City Council (operated by Company Limited by Guarantee) • Glen Eira City Council (Council operated – separate EA) • City of Maroondah (Council operated) • City of Monash (Council operated) • City of Boroondara (operated by contractor). <p>Please note that, as the Aqualink, facilities do not conduct learn-to-swim lessons directly and therefore do not have the associated revenue or labour costs, benchmarks and KPI's involving total revenue or expenditure comparisons to other Councils and centres was limited.</p> <p>The University of South Australia, who have been considered the leaders in benchmarking for aquatic and the leisure industry over the last 30 years have conducted annual surveying since the early 1990's. Their survey tool, CERM Performance Indicator Project, has two distinct focus areas – Operational Management (OM) and Customer Service Quality (CSQ). CERM was used for benchmarking comparison.</p>

For a detailed summary of the community engagement, activities and key findings please see the report attachment – Community Engagement Summary.

Financial and Resource Implications

The financial implications of these decisions are complex and will affect Whitehorse City Council in the short and long term. Currently the Financial Plan 2021-31 forecasts operational service expenditure and income based off the

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current in-house model using pre-covid data. At this stage, there is no certainty that the service will reach pre-covid income, which is continuing to affect the net operating result.

The impact on the operational expenditure and income can only be estimated at this time and will depend on the following factors:

1. Decision to change the management model;
2. Wage increases under the relevant Collective Agreement and/or Industry Award;
3. Annual inflation costs;
4. Contractual agreements;
5. Commercial negotiations with any third party vendors.

To support decision making a series of scenarios have been developed and analysed. They are summarised below and the detail can be found in the attachment – Management Model Scenario Analysis. This analysis indicates that if the management model is changed from in-house to external contract then, Council could estimate that the range of nett impact compared to current forecast over the period of 23/24 to 32/33 could be \$10.13M to \$22.55M.

Management Model Scenario– optimise in-house

The following scenario summarises the current state forecast. This allows for direct comparison to the external contractor scenarios which follow.

Scenario	Assumptions	Total service cost 23/24 to 32/33	Net impact 23/24 to 32/33
Current State	<ul style="list-style-type: none">• Facility management model remains in-house with similar learn-to-swim lease arrangement and profit• Forecast is based off a similar annual nett result to the projected 2022/23 result	-\$20.98M	\$0M

The above figure does not include the one-off transition costs \$1.51M recommended over 2022/23 to 2024/25.

All following management model scenarios are calculated with the following assumptions included:

- Facilities are managed under a contract with a third party vendor with the transition in July 2025
- Contract includes learn-to-swim program delivery
- [REDACTED]
- Uses same FTE allocation as WCC
- [REDACTED]
- ~\$200k Allocation for WCC contract management resources

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- [REDACTED]
- Transition one-off costs are \$3.99

Management Model Scenario Analysis – transition to External Contractor

External Contractor Management Model Scenarios	25/26 increase annual learn-to-swim income to \$2M		25/26 increase annual learn-to-swim income to \$3M	
	Total service cost 23/24 to 32/33	Net impact 23/24 to 32/33	Total service cost 23/24 to 32/33	Net impact 23/24 to 32/33
5% increase to income	-\$6.85M	\$10.13M	-\$2.06M	\$14.92M
10% increase to income	-\$4.42M	\$12.57M	\$0.39M	\$17.37M
15% increase to income	-\$2.05M	\$14.94M	\$2.98M	\$19.96M
20% increase to income	\$0.32M	\$17.31M	\$5.56M	\$22.55M
All above scenarios are modelled with a forecast of 2.5% inflation and 2.5% wage increase.				

Management Model One-Off Transition Costs – External Contractor

If the management model is changed from in-house to external contractor then there are one-off transition costs, which are outlined in the table below including redundancy entitlements and transition resources.

Item	2022-23	2023-24	2024-25	Total
Transition manager (industrial management, comms)	\$50,000	\$200,000	\$100,000	\$350,000
Tendering support (consultants, probity, legal)	\$50,000	\$200,000		\$250,000
Contractor transition in cost allowance		\$200,000	\$200,000	\$400,000
[REDACTED]		[REDACTED]		[REDACTED]
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]			[REDACTED]	[REDACTED]
[REDACTED]			[REDACTED]	[REDACTED]
Total	\$100,000	\$1,355,638	\$3,447,907	\$4,903,544
Total (P&L impact – excludes	\$100,000	\$1,355,638	\$2,540,913	\$3,996,550

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leave pay out)				
*estimate based on current staff data subject to change				

Management Model One-Off Transition Costs – Optimise in-house

If the in-house management model is optimised then it is recommended that there is an investment in one-off costs too, which are outlined in the table below. This investment is aimed at improving the commercial acumen of the service through the operating model and improving staff capability. This would enact operational changes that have been identified over the course of the service review and could be leveraged to contribute to improving organisational capacity beyond this service.

Item	2022-23	2023-24	2024-25	Total
Change Management	\$50,000	\$200,000	\$100,000	\$350,000
Commercial Business Plan		\$250,000		
Workforce Plan (talent acquisition, management, training & development, capability framework)		\$100,000		\$100,000
Upskilling and Training Delivery		\$80,000	\$50,000	\$130,000
Tendering support (consultants, probity, legal)		\$80,000		\$80,000
Total	\$50,000	\$1,110,000	\$350,000	\$1,510,000

[illegible]

Innovation and Continuous Improvement

As part of the transition process, (for all options being considered) a strong innovative and continuous improvement mindset and approach will be required.

Collaboration

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The Service Review collaborated with a range of different stakeholders for a detailed summary of the engagement completed please see the above section titled 'Community Engagement'.

Conflict of Interest

The *Local Government Act 2020* requires members of Council staff, and persons engaged under contract to provide advice to Council, to disclose any direct or indirect interest in a matter to which the advice relates. Council officers involved in the preparation of this report have no conflict of interest in this matter.

Conclusion

Whitehorse City Council has an important role to provide affordable community access to public aquatics facilities that deliver social and economic benefit to its residents. The way in which the facilities are operated (management model) is at its discretion and will depend how to best balance the priorities, strengths and context of the Council. Whitehorse City Council's strengths are responding to local issues, managing assets and facilitating whole-of-community outcomes, not making a profit. Running an Aquatics facility requires commercial acumen and service management in a competitive environment where the facilities are constantly battling to attract and retain members. The inherent nature of the Local Government sector means that the agility required to run a commercial enterprise is not part of the organisational design, culture or strengths.

It is the Officers' recommendation that Council resolve to:

- Transition the management model of Council's two Aqualink facilities from an in-house management model to a contract management model. This option will see the Aqualink facilities continue operations with a significantly lower operating cost for Council. Council's role would transition to a contract management role (from direct service delivery).
- Incorporate the delivery of learn-to-swim programs into the management model at the conclusion of its current licence arrangements. This will maximise the financial return on the asset investment, create industry competition for the contract with the inclusion of learn-to-swim, with no negative impact to community outcomes and allow Council to consider a redevelopment in the future. This option includes support for the Swim Clubs to redesign their operating model to ensure sustainability without reliance on the current learn-to-swim program delivery arrangement.

Transition planning for all options has commenced. Officers have established communication plans for staff, customers, partners, user groups and the broader community on all options and will come into effect immediately after the Council resolution.

ATTACHMENTS

- 1 Aquatics Service Review Summary Report Previously released in 2023 and attached below
Whitehorse City Council designates this attachment and the information contained in it as CONFIDENTIAL INFORMATION.
- 2 Management Model Scenario Analysis

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Whitehorse City Council designates this attachment and the information contained in it as CONFIDENTIAL INFORMATION..

- 3 Learn-to-Swim Financial Model - AQBH

Whitehorse City Council designates this attachment and the information contained in it as CONFIDENTIAL INFORMATION.

- 4 Learn-to-Swim Financial Model - AQN

Whitehorse City Council designates this attachment and the information contained in it as CONFIDENTIAL INFORMATION..

- 5 Community Engagement Summary

Whitehorse City Council designates this attachment and the information contained in it as CONFIDENTIAL INFORMATION.

- 6 Legal Advice - Industrial Relations - August 2022

Whitehorse City Council designates this attachment and the information contained in it as CONFIDENTIAL INFORMATION.

13 CLOSURE OF MEETING

The meeting closed at 9.22pm.

*These minutes are circulated subject to confirmation by Council
at the next Council Meeting to be held on 27 March 2023.*

Attachment 1 – Aquatics Service Review Summary Report

This report has been prepared to identify the high-level considerations of Council's decision regarding aquatic services. Some elements of the original report and attachments remain confidential due to commercial and operational interests.

Whitehorse City Council has an important role in the provision of community access to public aquatics facilities, as part of its broader role to deliver social and economic outcomes for all municipal residents, visitors and businesses.

Aquatic facilities now typically incorporate services beyond the traditional pools to improve social, health and wellbeing outcomes. These facilities are expensive to construct, maintain and operate. Due to high cost, limited competition and low financial returns, the role to provide public aquatics facilities has fallen to the local government sector.

Whitehorse City Council currently provides the community with access to two aquatics facilities:

- Aqualink Nunawading (AQN)
- Aqualink Box Hill (AQBH)

The aquatics industry and the two Council facilities were significantly impacted by the COVID-19 pandemic with multiple closures limiting community access, disrupting user groups, tenants and staff and significantly affecting the operational financial performance.

In 2022, Council commenced a Service Review to establish the:

1. Future of Council's role in the provision of aquatics services
2. Future investment required in assets that are at the end of their current life
3. Most effective way in which the facilities should operate (management model that includes the learn-to-swim delivery model)

In addition to stakeholder engagement activities which are outlined later in this report, the Service Review undertook a comprehensive process of research, evaluation and assessment of which the main activities are outlined below:

Activity	Brief activity summary
Literature review	Various research reports were considered in the review to help position the Service Review to better understand the current service offering, asset condition and challenges and the broader public value of aquatic facilities.
Performance assessment	Aqualink performance was compared against seven other similar Melbourne metropolitan leisure centres across two metrics for 2017/18 and 2018/19 (pre-COVID impact). Please note: as the Aqualink facilities do not conduct learn-to-swim lessons directly, benchmarks and KPI's involving total revenue or expenditure comparisons to other Councils and centres was limited.
Benchmarking	The University of South Australia, who have been considered the leaders in benchmarking for aquatic and the leisure industry over the last 30 years have conducted annual surveying since the early 1990's. Their survey tool, CERM Performance Indicator Project, has two distinct focus areas – Operational Management (OM) and Customer Service Quality (CSQ). CERM was used for benchmarking comparison.
Market Sounding	Meetings were held in June and July 2022 with four of the main Aquatic and Leisure Facility contract management companies. The purpose of these meetings was to test the market's potential and appetite if an external management model was implemented in the future.
Financial and operational assessment and modelling	<p>A series of reliable models were used to assess and forecast different financial and operational scenarios.</p> <p>Assessment of current operating model and service enhancements were identified and assessed to inform the optimise option.</p>

Findings

The Service Review has found:

- Council has an important and ongoing role to provide community access to public aquatics facilities. This contributes to the delivery of extensive social and economic benefit to residents and the wider community in the form of community connection, improvement of health and wellbeing, local employment and safety outcomes.
- There is a strong desire for Council to continue to provide two aquatic facilities and that Aqualink Nunawading requires a 50M pool to continue to meet user needs for high performance training programs.
- There is opportunity to improve the financial operating position of the service if a change to this management arrangement was implemented. Council has limited ability to significantly improve the operating expenditure costs of the facilities via its current management model and learn-to-swim arrangements.
- The Learn-to-Swim program delivery model operates under two separate licence arrangements which is a unique way to operate this program. These arrangements conclude in 2024 and 2025 which will require Council to undertake a public tender process to ensure best value and legislative compliance. There are other arrangements (not a licence arrangement) which could result in better operational and financial outcomes which must be considered.
- Facility access arrangements with long-term user groups (including the Swim Clubs for their performance and squad training) are informal and ad hoc. Formalising these arrangements would increase transparency and formalise support for not-for-profit community programming.
- Aqualink Nunawading is at the end of its asset life. Based on all available information, it is estimated that the facility has a maximum of 10 years before the risk of asset failure is almost certain.
- To remain financially sustainable, Council must consider options which improve the performance of the Aqualink facilities in order for Council to continue to provide two Aquatic facilities, significant financial capital investment is required over the next decade and beyond. As such, a key driver in developing the management options were to help offset these costs by keeping operations as efficient as possible and in accordance with the requirements of the *Local Government Act 2020* (s.108).

- A range of Management Model options were considered (including Company Limited by Guarantee) however, the following two options were deemed most viable (financially, operationally and outcomes aligned) for Whitehorse City Council and apply to both facilities (AQN and AQBH).

Options	Optimise the Status Quo	Transform to maximise financial return
Management Model	<ul style="list-style-type: none"> • Retain in-house management model with operational changes 	<ul style="list-style-type: none"> • Contract out the management of both facilities and include delivery of Learn-to-Swim
Learn-to-Swim Model	<ul style="list-style-type: none"> • Undertake required public procurement process for new Learn to Swim arrangement 	
Benefits	<ul style="list-style-type: none"> • Council continues to have full control over operations to maintain alignment with priority community outcomes and service delivery • Retains staff jobs • Consolidates the management of Council facilities under one model • No change, or enhanced community outcomes and for user group access to the facilities 	<ul style="list-style-type: none"> • No change or enhanced community outcomes and for user group access to the facilities • Significant opportunity to improve the overall service net operating position • Council's operational risk reduces and so does liability • Council leverages provider with industry specific knowledge and expertise.
Risks	<ul style="list-style-type: none"> • Increasing costs are not addressed and cost to run facilities become unsustainable forcing service change. • This will require a change in organisational capacity and capability • Time imposition on Council to manage this model (opportunity costs) 	<ul style="list-style-type: none"> • Council's role will change from service delivery to contract management. • Reduced capacity for Council to control and influence operations however new provider will provide aquatics as core business and likely high industry capacity

Community Consultation

The Service Review Community Consultation plan was developed in alignment with the Community Engagement Policy. The following table summarises the community engagement has been undertaken in the Service Review:

Activity	Brief activity summary
Community Survey	Aqualink Community Survey conducted in July 2022 via Council's Your Say Whitehorse portal. The survey questions were based on a range of aquatic surveys standard questions provided by an independent consultant and principally sought information on peoples' use of public swimming pools/leisure facilities, which include council, school, private and commercial centres, but not home facilities.
Stakeholder Workshops	<p>Stakeholder workshops were conducted during July and August 2022. This included workshops with:</p> <ul style="list-style-type: none">• Nunawading & Surrey Park Swimming Clubs• Aqualink members and users• Council Advisory Committees (Youth Representative Committee, Disability Advisory Committee)• Sport and Recreation Network <p>The workshops focused on current strengths, improvement opportunities and their own interests/priorities relating to the Aqualink facilities. In addition, the Nunawading & Surrey Park Swimming Clubs have been kept informed on service review progress through their regular meetings with the operational service management team.</p>
Schools Survey	15 local schools completed the online survey. Of the respondents 13 were primary schools, one was a secondary college and one specialist school. This survey asked respondents about why they do/do not use Aqualink facilities and investigated ways Aqualink could attract higher school utilisation.
Member and User Survey	A members and user survey conducted during July 2022 received 660 responses from members and 10 user groups. This survey sought current and past member sentiment and feedback on their experiences.
Staff Survey	An Aqualink Staff Survey was conducted in July 2022 via Council's Your Say Whitehorse portal. The survey was open to all staff that work at the Aqualink facilities including permanent, part-time and casual employees. 79 people completed the survey. The survey asked questions about employment conditions, sentiment, opportunities for improvement and operational values.
Staff Workshops	Several staff workshops were held to gain input into the service review and options development. Staff were invited to provide input through the Project Manager and Service Coordinator at any stage.

Activity	Brief activity summary
	Staff were kept informed throughout the process by their Service Coordinator. Staff were asked about strengths, improvements and strategic considerations relating to the provision of aquatic services.

Next Steps

- Council will receive a report by the end of the financial year concerning the future investment in Aqualink Nunawading Facility
- Officers will implement the Council resolution commencing with information to key stakeholders
- This information will be made available to the public via Council's website.